

COURT FILE NUMBER

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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

APPLICANT

IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF SUNTERRA FOOD CORPORATION,  
TROCHU MEAT PROCESSORS LTD., SUNTERRA  
QUALITY FOOD MARKETS INC., SUNTERRA FARMS  
LTD., SUNWOLD FARMS LIMITED, SUNTERRA BEEF  
LTD., LARIAGRA FARMS LTD., SUNTERRA FARM  
ENTERPRISES LTD., SUNTERRA ENTERPRISES INC.

DOCUMENT

SECOND REPORT OF FTI CONSULTING CANADA INC.,  
IN ITS CAPACITY AS MONITOR OF SUNTERRA FOOD  
CORPORATION, TROCHU MEAT PROCESSORS LTD.,  
SUNTERRA QUALITY FOOD MARKETS INC., SUNTERRA  
FARMS LTD., SUNWOLD FARMS LIMITED, SUNTERRA  
BEEF LTD., LARIAGRA FARMS LTD., SUNTERRA FARM  
ENTERPRISES LTD., SUNTERRA ENTERPRISES INC.

**July 18, 2025**

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## **SECOND REPORT OF THE MONITOR**

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## INTRODUCTION

1. On March 24, 2025 (the “**NOI Filing Date**”) Sunterra Farms Ltd. (“**Sunterra Farms**”), Sunterra Food Corporation (“**Sunterra Food**”), Sunterra Quality Food Markets Inc. (“**Sunterra Markets**”), Sunwold Farms Limited (“**Sunwold**”) and Trochu Meat Processors Ltd. (“**Trochu**” and with Sunterra Farms, Sunterra Food, Sunterra Markets and Sunwold collectively, the “**BIA Applicants**”) each filed a Notice of Intention to Make a Proposal (“**NOI**”) under Section 50.4 of the Bankruptcy and Insolvency Act, R.S.C 1985, c. B-3, as amended (the “**BIA**”). Harris & Partners Inc. (“**HPI**”) consented to act as proposal trustee of the BIA Applicants under the NOI (the “**Proposal Trustee**”).
2. On April 15, 2025, the BIA Applicants and four additional applicants, Sunterra Beef Ltd. (“**Sunterra Beef**”), Lariagra Farms Ltd. (“**Lariagra**”), Sunterra Farm Enterprises Ltd. (“**Sunterra Farm Enterprises**”) and Sunterra Enterprises Inc. (“**Sunterra Enterprises**” and collectively with the BIA Applicants, Sunterra Beef, Lariagra, Sunterra Farm Enterprises and Sunterra Enterprise, the “**Applicants**”), applied to the Court of King’s Bench of Alberta (the “**Court**”) for an initial order (the “**Initial Order**”) to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the “**CCAA**”). The Initial Order was granted by the Court on April 22, 2025.
3. The Initial Order, established a stay of proceedings (the “**Stay of Proceedings**”) in favour of the Applicants until April 28, 2025, appointed FTI Consulting Canada Inc. as Monitor (the “**Monitor**”) and granted, among other things, the following relief:
  - a. converting the NOI proceedings and continuing the BIA Applicants’ restructuring, and the restructuring of the Applicants as a whole, under the CCAA (the “**CCAA Proceedings**”); and

- b. granted certain court ordered priority charges for individuals identified as critical to the operations and success of these CCAA Proceedings namely:
      - i. first, an Administration Charge of \$1,000,000;
      - ii. second, a D&O Charge of \$900,000.
- 4. At the Comeback hearing held on April 28, 2025, this Court granted an amended and restated Initial Order (the “**ARIO**”) which provided for, among other things:
  - a. an extension of the stay of proceedings until July 31, 2025; and
  - b. request the ability to make payments for pre-filing inventory and other goods or services essential to the Applicants business or delivered by critical suppliers with the consent of the Monitor.
- 5. On July 15, 2025, the Applicants filed a notice of application returnable on July 24 and July 25, 2025 (the “**July Application**”), seeking the following:
  - a. an order (the “**Claims Procedure Order**”) requesting, among other things:
    - i. approval of a process for: (i) the identification, quantification and resolution of pre-filing and restructuring period claims, wherever situated, against the Applicants and their respective current and former directors and officers; and (ii) inter-company claims between the Applicants and its subsidiaries located in the United States; and (iii) establishing the process for the adjudication of the claims of two of the Applicants’ major stakeholders Compeer Financial, PCA (“**Compeer**”) and the National Bank of Canada (“**NBC**”); and

- ii. extension of the Stay of Proceedings up to and including November 30, 2025; and
- b. an order (the “**Vesting Order**”) approving a sale agreement (the “**Dorothy Lands PSA**”) between Sunterra as vendor and Douglas Price and Evan Hegedys as purchasers (collectively, the “**Purchasers**”) for two quarters of vacant land located in Dorothy, Alberta (the “**Dorothy Lands**”).

## PURPOSE

- 6. The purpose of this report (this “**Report**” or the “**Second Report**”) is to provide an informational update and the Monitor’s comments to the Court and the Applicants’ stakeholders with respect to the following:
  - a. the activities of the Monitor since the report dated April 25, 2025 (the “**First Report**”);
  - b. the restructuring activities undertaken by the Applicants during the CCAA Proceedings;
  - c. actual cash flow for the period of April 12, 2025 to July 4, 2025, as compared to the cash flow forecast filed these CCAA Proceedings with the Court on April 25, 2025 (the “**Preliminary Cash Flow Statement**”);
  - d. the Applicants’ second CCAA cash flow statement (the “**Second CCAA Cash Flow Statement**”) for the period commencing July 5, 2025 and ending December 5, 2025; and
  - e. the Monitor’s recommendations in respect of the Applicants’ requested relief at the July Application.

7. This Report should be read in conjunction with the affidavit of Arthur Price sworn on April 15, 2025 (the “**First Price Affidavit**”) and the affidavit of Arthur Price sworn on July 14, 2025 (the “**Second Price Affidavit**”), in support of the July Application.

## **TERMS OF REFERENCE**

8. In preparing this report, the Monitor has relied upon certain information (the “**Information**”), including the Applicants’ unaudited financial information, books and records, and discussions with the Applicants’ senior management (“**Management**”).
9. Except as described in this Report, the Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants of Canada Handbook*.
10. The Monitor has not examined or reviewed financial forecasts and projections referred to in this report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
11. Future-oriented financial information reported to be relied on in preparing this Report is based on Management’s assumptions regarding future events. Actual results may vary from forecast and such variations may be material.
12. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
13. Capitalized terms used but not defined herein are given the meaning ascribed to them in the First Price Affidavit, the Second Price Affidavit and the proposed Claims Procedure Order.

## ACTIVITIES OF THE MONITOR

14. The Monitor’s activities since the date of the First Report have included the following:
- a. ongoing discussions with Management and Blue Rock Law LLP (the “**Applicants’ Counsel**”), regarding the Applicants’ business and financial affairs;
  - b. reviewing the Applicants’ cash flow including weekly budget to actual reporting;
  - c. consulting with the Applicants in respect of the Second CCAA Cash Flow Statement;
  - d. holding discussions with key stakeholders, including:
    - i. the Applicants and their counsel;
    - ii. the Applicants’ senior lenders NBC and Farm Credit Canada (“**FCC**”) and their respective counsels; and
    - iii. Compeer, a senior secured lender of the US Subsidiaries (as defined below), and an interested party in the Applicants’ restructuring proceedings.
  - e. monitoring the Applicants’ restructuring efforts;
  - f. engaging with Applicants’ Counsel and other stakeholders (including NBC and Compeer) regarding appropriate terms to govern a process to identify and adjudicate claims against the Applicants (a “**Claims Process**”);
  - g. responding to inquiries from the Applicants’ creditors, suppliers and stakeholders; and

- h. preparing this Report.

## ACTIVITIES OF THE APPLICANTS

### FARMING OPERATIONS

15. The Applicants have continued to operate and manage their hog farming operations, which include the operations of Sunterra Farms, Sunwold and Lariagra (the “**Canadian Farming Entities**”). Prior to the commencement of these CCAA proceedings, the Canadian Farming Entities would sell the majority of their pigs to the Applicants’ subsidiaries located in the United States, namely Sunterra Farms Iowa Inc. (“**Sunterra Farms US**”) and Sunwold Farms Inc. (“**Sunwold US**”, and collectively the “**US Hog Farm Entities**”). The U.S. subsidiaries also include Lariagra Farms South Inc. (“**Lariagra US**”, and collectively with the US Hog Farm Entities, the “**US Subsidiaries**”).
16. On March 28, 2025, the US Subsidiaries were placed in receivership (the “**US Receivership**”) pursuant to an order (the “**US Receivership Order**”) granted by the United States District Court in the District of South Dakota, Southern Division. The US Receivership Order appointed Pipestone Management II, LLC as Receiver of the US Subsidiaries (the “**US Receiver**”).
17. According to the materials filed by Compeer in the application for the US Receivership, as at March 7, 2025 Compeer was owed approximately US \$35.3 million (plus interest and legal expenses) by the US Subsidiaries under various loan and security agreements.
18. After the US Receivership Order was granted, the US Receiver ran a sales process to market the assets of the US Subsidiaries. On May 30, 2025, an order (the “**US Sale Order**”) was granted approving the sale of the assets of the US Subsidiaries.
19. After the sale of the Sunterra Group’s US Farming Operations, the Applicants began using third party brokers to assist in finding new buyers for their pigs. With the assistance of these third-party brokers, the Applicants have found buyers for the Canadian Farming



Entities' pigs, thus diversifying away from their historical practice of selling mainly to the US Hog Farm Entities.

#### **MARKETS OPERATIONS**

20. The Applicants' eight retail grocery market businesses (the "**Markets Operations**"), owned by Sunterra Markets, have continued operations through these CCAA Proceedings; all of Sunterra Markets' retail locations remain open and operational during the course of these CCAA Proceedings.

#### **TROCHU PROPERTY**

21. In the First Report, the Monitor advised this Court of a June 2024 fire that damaged the meat processing plant owed by Trochu (the "**Trochu Property**"). The Applicants were in the process of finalizing an insurance claim (the "**Trochu Insurance Claim**") relating to this fire, and the Preliminary Cash Flow Statement included the collection of \$5.0 million of insurance proceeds (the "**Trochu Insurance Proceeds**"). As at the date of this Report, substantially all of the Trochu Insurance Proceeds have been collected.
22. As was confirmed in a security opinion provided by the Monitor's counsel, NBC had valid first-ranking security over the Trochu Property and was the loss payee under the Trochu Property insurance policy. Accordingly, when the Trochu Insurance Proceeds were collected, those funds were applied to NBC's pre-filing secured debt.

#### **RESTRUCTURING EFFORTS**

23. The initial restructuring plans of the Applicants were set out in the First Price Affidavit, in which Mr. Price advised that the proposed initial Stay of proceedings would "preserve the status quo and afford the Applicants the space and stability that they need in order to advance their refinancing and restructuring efforts in consultation with the Financial

Advisors.”<sup>1</sup> Mr. Price confirmed the Applicants’ intention after the granting of the ARIO to pay the outstanding obligations owed to NBC within 90 days using a combination of cash proceeds generated by operations, insurance recoveries, other receivables, and (if necessary) some non-core asset divestitures.<sup>2</sup>

24. The Preliminary Cash Flow Statement of the Applicants forecasted non-operational receipts of approximately \$10.4 million (the “**Non-operational Receipts**”), and repayment of secured indebtedness totalling approximately \$11.2 million. The forecasted Non-operational Receipts included the Trochu Insurance Proceeds, along with a further \$3.0 million in insurance proceeds (relating to a separate insurance claim by the Farming Entities (the “**AgriStability Claim**”), \$1.3 million from the sale of shares in a private trucking company owned by the Applicants, \$500,000 from the sale of four condominium properties, and \$600,000 from the sale of the Dorothy Lands.
25. The Preliminary Cash Flow Statement contemplated that the Non-operational Receipts, once collected, would be used to repay the amounts owed to the Applicants’ secured lenders NBC and FCC, after the Monitor provided consent to such repayments (following the completion of its security review of the Applicants’ assets).

#### COMPLETED EFFORTS

26. As at the date of this Report, the Trochu Insurance Proceeds have substantially been collected, with a minor receipt (\$5,000) expected in mid-July of 2025; however, the remainder of the Non-operational Receipts remain outstanding.

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<sup>1</sup> First Price Affidavit, para 90.

<sup>2</sup> First Price Affidavit, para 102.

27. The Monitor has been advised of the following with respect to Non-operational Receipts which were included in the Preliminary Cash Flow Statement, but have not yet been collected:
- a. the Applicants are seeking approval to sell the Dorothy Lands at the July Application;
  - b. the insurance proceeds from the AgriStability Claim are still under review by Agriculture Financial Services Corporation, and as a result the Second Cash Flow Statement projects insurance proceeds from the AgriStability Claim will be received by the end of August, 2025; and
  - c. the Monitor understands that the Applicants are still in the process of determining their realization plans for the other non-core assets.
28. Ultimately, the Applicants have collected Non-operational Receipts of \$5.0 million and made loan repayments to NBC in the amount of \$5.8 million, which is materially less than the \$11.2 million in loan repayments that were projected to have occurred by this time in the Preliminary Cash Flow Statement.

#### COMPLICATING FACTORS

29. The Applicants, along with some of their officers, are facing serious allegations (hereafter, the “**Banking Dispute**”) by their senior secured lenders relating to an alleged cheque kiting scheme as outlined in various materials filed by NBC (as the Applicants’ Canadian banking lender) and Compeer (as the US Subsidiaries’ banking lender). The Applicants deny and dispute these allegations.
30. The Applicants’ Counsel has been consulting with the Monitor, Compeer and NBC in an effort to negotiate and agree to an efficient and fair Claims Process to allow the parties to adjudicate the Banking Dispute and determine any claims arising therefrom. Further details

with respect to the details of the proposed Claims Procedure Order are provided below. The Monitor notes that these are complex claims and that the current proposed process anticipates approximately 4 months to determine the claims.

31. The Monitor is supportive of a fair and efficient Claims Process, and notes that as of the date of this report the Applicants, NBC and Compeer continue to negotiate the terms of the Claims Procedure Order. The Monitor has provided its limited comments to the Applicants regarding the proposed Claims Procedure Order and expects that the document to continue to evolve in the days leading up to the July Application.

#### **MONITOR'S VIEWS ON ADVANCING THE RESTRUCTURING**

32. The Applicants' restructuring commenced with the filing of a NOI in March 2025. That process was subsequently converted into these CCAA Proceedings, on the understanding that the Applicants would pursue a refinancing or restructuring of the Applicants' Canadian operations within 90 days. The Monitor has not been provided with evidence of substantial progress toward a refinancing or restructuring of the Applicants' operations in the interim.
33. NBC has expressed dissatisfaction with respect to Applicants' progress to date and has communicated that to the Monitor.
34. The current application is for a Claims Procedure Order. The Monitor agrees with the Applicants that a Claims Process to adjudicate claims against the Applicants, especially the Banking Dispute, is a necessary step that needs to be completed in order to implement a restructuring/refinancing. Accordingly, the Monitor supports, in concept, a fair and efficient Claims Process.
35. The Banking Dispute is complex, and the Monitor does not expect a final resolution for at least 4 months, and perhaps longer. In order to ensure the Applicants are advancing their CCAA restructuring with due diligence, the Monitor is of the view that the Applicants should, in parallel with a Claims Process, be taking active steps to advance a

recapitalization or refinancing process of the Applicants' business including by making preparations for a sale and investment solicitation process to ensure they are prepared for a refinancing and or sale that will likely be undertaken once a Claims Process has been completed (the "**Future SISP**"). Such a Future SISP should include milestones and deadlines in order to ensure timely reporting to the Monitor is fully informed with respect to the Applicants' progress.

36. Given the status of negotiations between key stakeholders in these CCAA Proceedings with respect to the relief being sought at the July Application (and in an effort to avoid a contested application), on June 16, 2025, the Monitor sent a letter to the Applicants, Compeer and NBC to advise of its views on how to progress these CCAA Proceedings (the "**Monitor's Letter to Key Stakeholders**"). A copy of this the Monitor's Letter to Key Stakeholders is attached hereto as Appendix A.
37. The Monitor understands that there are contentious issues as between the Applicants, NBC and Compeer that may significantly influence the restructuring options of the Applicants. Nevertheless, and as set out in the Monitor's Letter to Key Stakeholders, the Monitor believes the Applicants should (in tandem with a Claims Process) be taking steps to advance the restructuring of the Applicants' business by preparing for the Future SISP. In particular, such steps could include:
  - a. engaging a Financial Advisor;
  - b. compiling documents for a data room;
  - c. preparing marketing materials (such as a teaser or invitation to submit proposals);  
and
  - d. preparing an interested party list (refinancing lenders, investors and potential strategic purchasers).

38. The Monitor has spoken with key stakeholders and received a formal response from NBC to the Monitor's Letter to Key Stakeholders. NBC's letter to the Monitor dated July 7, 2025, as attached hereto as Appendix B. In addition, Compeer and the Applicants have provided informal responses to the Monitor. The Applicants have advised the Monitor that they do not believe a Future SISP should occur until after the process described in the Claims Procedure Order has run its course and any claims against the Applicants resolved.
39. The Monitor continues to consult with the Applicants with respect to the nature and timing of the next steps in these CCAA Proceedings and is hopeful a consensus can be reached. As at the date of this Report, key issues relating to the terms of a Claims Process and the appropriateness of a Future SISP remain unresolved.
40. The Monitor is of view that the Applicants should be advancing all aspects of their restructuring in tandem and with due diligence to ensure these CCAA Proceedings are completed in a manner that is as efficient as is possible. This includes preparing for a Future SISP in parallel with a Claims Process so that once claims are known and determined a formal marketing process can, if necessary, be launched without further delay.

## **PROPOSED DOROTHY LANDS SALE**

41. As described in the Second Price Affidavit, the Applicants are seeking approval for the Dorothy Lands PSA. The Second Price Affidavit provides the following information with respect to the Dorothy Lands PSA and the marketing process undertaken:
- a. the Dorothy Lands were listed for sale with Bode Canada ("**Bode**"), a real estate technology company which connects buyers and sellers of primarily residential homes who wish to engage in real estate transactions without engaging a real estate agent. Properties listed on Bode are cross listed on various other real estate sites such as MLS and Zillow;
  - b. the Dorothy Lands were listed with Bode for 73 days beginning in early 2025; and

- c. the offers contained in the Dorothy Lands PSA reflected the highest purchase price and are conditional only on approval of this Court. Other offers (“**Other Offers**”) were received; however, as noted in the Second Price Affidavit, the Other Offers were for lower value and contained closing conditions other than just being subject to Court approval.

#### **MONITOR’S COMMENTS**

42. The Monitor’s comments with respect to the Dorothy Lands PSA are as follows:

- a. Douglas Price, one of the Purchasers is a related party, and holds a 10% ownership interest in the Applicants;
- b. the Monitor understands that the Founder and CEO of Bode is Arthur Price’s son;
- c. the Monitor has requested the following from the Applicants with respect to the marketing process undertaken for the Dorothy Lands: (i) the price at which the Dorothy Lands were listed for sale on Bode, (ii) the period for which the Dorothy Lands sale listing was active on Bode, (iii) details on any tours of interested parties to view the Dorothy Lands and (iv) copies of the Other Offers. However, at the date of this Report none of these pieces of information have been provided to the Monitor; and
- d. the Applicants have advised that the sale is supported by FCC who is the first secured lender on the Dorothy Lands;

43. As at the date of this Report, the Monitor cannot provide its support for the Dorothy Lands PSA. Once the requested information is received the Monitor will review and provide a supplemental report to this Court with respect to its view on the Dorothy Lands PSA.

## CLAIMS PROCESS

44. The Applicants' proposed Claims Procedure Order provides for a mechanism to determine the nature, status, quantum, validity and enforceability of all claims against the Applicants and its current or former Directors or Officers (collectively, the "**Claims**"), including:
- a. pre-filing Claims;
  - b. restructuring period Claims;
  - c. inter-company Claims; and
  - d. Claims related to the Banking Dispute.
45. The terms of the Claims Procedure Order continue to be the subject of consultation and discussion between the Applicants, Compeer and NBC. The Applicants' current proposed Claims Procedure Order provides for two different processes for the determination and resolution of Claims:
- a. a traditional creditor claims process for trade and secured Claims;
  - b. a compressed litigation plan process for Compeer's claims against the Applicants that form part of the Banking Dispute, as set out in the litigation process attached as Schedule "H" to Claims Procedure Order (the "**Litigation Plan**").
    - i. the Litigation Plan was negotiated by the Applicants and Compeer in order to create firm deadlines for the exchange of pleadings, oral examinations, undertaking responses and filing of written briefs in advance of a hearing to have all evidence presented to this Court.



46. A full summary of the Claims Procedure Order and the Litigation Plan can be found in the Second Price Affidavit. A summary of the Monitor's initial tasks with respect to the Claims Procedure Order is below:
- a. sending the Claims Package to each known creditor as set out in the Claims Procedure Order;
  - b. publish the Notice to Creditors as soon as reasonably possible in the National Post and Wall Street Journal;
  - c. post electronic copies of the Claims Package on the Monitor's Website as soon as practically possible but no later than 10 business days after the date of the Claims Procedure Order; and
  - d. if appropriate, to prepare a report (the "**Monitor's Intercompany Claims Report**") detailing its review of any claims which may be asserted by a related party of any of the Applicants (the "**Intercompany Claims**"), including information and such particulars and analysis as are made available to the Monitor of the amount and classification of such Intercompany Claims;
47. The key dates within the Claims Procedure Order are set out below, on the assumption that the Claims Procedure Order is granted on July 24<sup>th</sup> in substantially the form proposed by the Applicants:

<b><u>Timeframe</u></b>	<b><u>Activity</u></b>
July 24 and July 25, 2025	Application for approval of Claims Procedure Order
~ August 8, 2025	Monitor to send out General Claims Package in accordance with Claims Procedure Order
~ September 4, 2025	Pre-Filing Claims Bar Date and Pre-Filing D&O Claims Bar Date
~ September 4, 2025	Restructuring Period Claims Bar Date and Restructuring Period D&O Claims Bar Date
30 days after any Claimant receives a Notice of Revision or Disallowance relating to a Claim	Claimants' deadline to respond to a Notice of Revision or Disallowance

48. The key dates within the Litigation Plan for addressing the Compeer Claims related to the Banking Dispute are as follows:

<b><u>Timeframe</u></b>	<b><u>Activity</u></b>
August 15, 2025	Defendants (Applicants) to file and serve defenses to Statement of Claim filed by Compeer
September 12, 2025	Sunterra and Compeer witnesses to be examined (Examinations limited to 3 days per side)
September 16, 2025	Amendments to the parties in the litigation
September 19, 2025	Undertaking responses to be provided
September 26, 2025	Compeer to file Court brief
October 3, 2025	Defendants to file Court brief
Date fixed by Court	Application to proceed to judgement

#### **MONITOR'S VIEW ON THE CLAIMS PROCESS**

49. The Monitor is supportive of an efficient and fair Claims Process and supports the continued efforts of the Applicants, Compeer and NBC to reach agreement on the terms of the Claims Procedure Order. The Monitor notes that:

- a. the Applicants are in consultation with their key stakeholders, including Compeer and NBC, with respect to the Claims Procedure Order and that further revisions may be forthcoming to incorporate comments from NBC. The comments from NBC are critical as NBC is a key stakeholder in the Banking Dispute;
  - b. the proposed notices to Creditors will provide adequate opportunity to known creditors and unknown creditors file Claims if they so choose;
  - c. the Claims proposed to be addressed by the Litigation Plan appear to be complex, and diligent efforts by all parties will be required to ensure the timely and fair resolution of those Claims;
  - d. the proposed Claims Procedure Order provides a means to identify the validity and enforceability of Claims in these CCAA Proceedings;
  - e. the Claims Procedure Order is necessary to identify and determine Claims and potential Claims against the Applicants and their Directors and Officers in order for the Applicants to advance their restructuring.
50. As noted above, the Monitor supports a Claims Process that is efficient, fair and agreeable to the key affected stakeholders. The Monitor understands negotiations between NBC and the Applicants to be ongoing with respect to whether NBC's Claims can be included and dealt with in the Litigation Plan. Provided any Claims by NBC are addressed in a manner that is fair and agreeable to the parties, the Monitor is supportive.

## **SECURITY REVIEW**

51. The Monitor's counsel has reviewed the security registered by NBC and FCC over the property of the Applicants and has provided an opinion, subject to the customary assumptions and qualifications, with respect to the validity and enforceability of each secured party's security over the property and assets of the Applicants.

52. NBC’s security (the “**NBC Credit Documents**”), includes among other documents:
- a. a mortgage (“**Trochu Mortgage**”) dated January 23, 2023, registered by NBC over the Trochu Property;
  - b. general security agreements dated granted by each of Sunterra Food, Sunterra Markets, Trochu, Sunterra Beef, Sunwold and Sunterra Farms in favour of NBC (collectively, the “**NBC GSAs**”).
53. FCC’s security (the “**FCC Credit Documents**”) includes among other documents:
- a. a mortgage (the “**Sunterra Mortgage**”), registered by FCC over seven properties located in Kneehill County and Special Area 2 (the “**Sunterra Lands**”);
  - b. a mortgage (the “**Ponoka Mortgage**”), registered by FCC over the lands located in Ponoka County (the “**Ponoka Lands**”);
  - c. a mortgage (the “**Mountain View Mortgage**”), registered by FCC over the lands located in Mountain View County (the “**Mountain View Lands**”); and
  - d. security agreements granted by Sunterra Farm, Sunwold, Sunterra Markets, Sunterra Food, Sunterra Beef and Sunterra Enterprises in favour of FCC (collectively, the “**FCC GSAs**”).
54. The relationship between the various mortgages and GSAs is described in the priorities agreement (the “**Subordination Agreement**”) dated February 17, 2023 among NBC, FCC, Sunterra Food, Trochu, Sunterra Markets, Sunterra Beef, Sunterra Farms and Sunwold.
55. The Monitor’s counsel has opined as follows with respect to the priority of the security held by NBC and FCC over the assets and Property of the Applicants:

- a. the Trochu Mortgage has been determined to hold a first-ranking security over the Trochu Property;
  - b. the Sunterra Mortgage has been determined to hold a first-ranking security over the Sunterra Lands;
  - c. the Ponoka Mortgage has been determined to hold a first-ranking security over the Ponoka Lands;
  - d. the Mountain View Mortgage has been determined to hold a first-ranking security over the Mountain View Lands; and
  - e. pursuant to the Subordination Agreement, the NBC GSAs hold a first-ranking security over all of the assets of the Applicants except for the Trochu Property, Sunterra Lands, Ponoka Lands and Mountain View Lands where the NBC GSAs hold a second-ranking security.
56. The Monitor notes that the Dorothy Lands make up part of the Sunterra Lands and therefore FCC has a first-ranking security over them.
57. Pursuant to paragraph 5(d) of the ARIO and as described in the notes to the Preliminary Cash Flow Statement, the Applicants are entitled to payments made to secured creditors with consent of the Monitor. The Monitor has provided its consent for the payments made to NBC based on the opinion prepared by the Monitor's legal counsel and as described in the prior paragraphs of this Report.

## **CASH FLOW STATEMENT**

58. The Applicants' actual cash flow in comparison to the Preliminary Cash Flow Statement for the period of April 12, 2025 to July 4, 2025 is summarized below:

12-Week Period Ending July 4, 2025		Actual	Forecast	Variance
				\$
(CAD's)				
<b>Receipts</b>				
Farms receipts		\$ 6,229,922	\$ 5,677,800	\$ 552,122
Markets receipts		12,736,739	16,306,100	(3,569,361)
<b>Total Receipts</b>		<b>\$ 18,966,661</b>	<b>\$ 21,983,900</b>	<b>\$ (3,017,239)</b>
<b>Disbursements</b>				
<u>Farms</u>				
Feed purchases		(1,963,882)	(1,894,800)	(69,082)
Barn utilities		(171,258)	(171,100)	(158)
Medication/vaccines		(404,234)	(465,000)	60,766
Transportation		(491,453)	(352,600)	(138,853)
Other opex		(849,019)	(675,405)	(173,614)
Employee expenses		(1,314,928)	(1,414,800)	99,872
<u>Markets</u>				
Opex		(9,448,965)	(11,985,850)	2,536,885
Employee expenses		(3,729,685)	(3,803,000)	73,315
<u>Other</u>				
Other Entity Operating Expenses		(138,825)	(207,330)	68,505
<b>Total Disbursements</b>		<b>(18,512,248)</b>	<b>(20,969,885)</b>	<b>2,457,637</b>
<b>Operational Cash Flow</b>		<b>454,412</b>	<b>1,014,015</b>	<b>(559,603)</b>
<u>Non-Operational Items</u>				
Interest expense		(503,907)	(550,261)	46,354
Professional Fees		(787,948)	(780,000)	(7,948)
Inter-company bank transfers		-	-	-
Non-operational receipts		4,948,770	10,355,000	(5,406,230)
Dedicated Loan Repayment		(5,800,927)	(11,205,000)	5,404,073
<b>Total Non-Operational Items</b>		<b>(2,144,013)</b>	<b>(2,180,261)</b>	<b>36,248</b>
<b>Total Net Cash flow</b>		<b>\$ (1,689,601)</b>	<b>\$ (1,166,246)</b>	<b>\$ (523,355)</b>
<b>Opening Cash</b>		<b>\$ 2,862,492</b>	<b>\$ 2,862,492</b>	<b>\$ -</b>
Net Cash flow		(1,689,601)	(1,166,246)	(523,355)
<b>Ending Balance</b>		<b>\$ 1,172,891</b>	<b>\$ 1,696,246</b>	<b>\$ (523,355)</b>

59. The Applicants' operational cash flows for its Farm Operations and non-operating entities (Trochu, Sunterra Food, Sunterra Enterprises and Sunterra Farm Enterprises) have preformed at or slightly below forecasted levels. The Farms Operation's positive receipt variances driven by isowean realized pricing being higher than forecast more than offset the higher than forecast disbursements.
60. The actual results for the Applicants' Market Operations resulted in an operating cash flow loss of approximately \$1.0 million over the 12-week period. This operating loss was driven by significantly lower receipts than forecast (by \$3.6 million). The Applicants were able to mitigate some of the impact of these lower sales receipts by reducing employee expenses as well as reducing operating expenses, mostly relating to food stock purchases for the Applicants' retail locations.

61. The most significant deviation from the Preliminary Cash Flow Statement was with respect to Non-operational Receipts which were to be collected and used to pay down the Applicants' secured lenders. The Applicants were able to collect approximately \$5.0 million in Trochu Insurance Proceeds but did not complete any of the asset sales contemplated in the Preliminary Cash Flow Statement. As a result, dedicated loan repayments were only approximately 50% of the forecasted \$11.2 million by the end of June 2025, representing a \$5.4 million negative variance.
62. A more detailed summary of material variances in actual receipts and disbursements as compared to the Preliminary Cash Flow Statement is below:
- a. receipts are lower than forecast by approximately \$3.0 million due to:
    - i. Market Operations short of forecast by approximately \$3.6 million (a negative variance of 22%) due to forecasted receipts having been overly optimistic based on early results in 2025 not continuing into the forecast period; and
    - ii. this has been offset by receipts in the Farms Operations being ahead of forecast by approximately \$550,000 which is attributed to miscellaneous receipts including crop insurance recoveries, mini-market sales receipts of approximately \$260,000 which were not considered in the forecast. The sales of pigs within the Farm Operations exceeded forecast by approximately \$300,000 (a positive variance of 5%) due to realized pricing being better than expected;
  - b. disbursements were lower than forecast by approximately \$2.5 million due to:
    - i. Farms Operations disbursements were higher than forecast by approximately \$220,000 due to: (i) transportation costs exceeding forecasts as the shipment distances were longer causing transportation costs to be

higher, (ii) other operating expenses were higher than forecast by approximately \$174,000 due to certain expenses such as operating insurance premiums and manure disposal being incurred up front rather than amortized over the calendar year as forecast; and (iii) employee expenses were lower than forecast by approximately \$100,000 due to lower costs for hourly employees;

ii. Markets Operations disbursements being ahead of forecast by \$2.6 million with lower food purchasing costs due to cost saving measures and less product turnover following lower sales receipts; and

iii. other entity operating expenses were approximately \$69,000 lower than forecast; however, the forecast had mistakenly included \$132,000 of interest expense. Excluding this \$132,000, other entity operating expenses were higher than forecast by approximately \$63,000 due to employee expenses and utilities being higher than forecast;

c. interest expense was lower than forecast by approximately \$46,000 as shown in the variance reporting line, however, once accounting for the interest expense of \$132,000 which was mistakenly misallocated, the interest paid by the Applicants was lower than forecast by a total of approximately \$178,000. The interest expense on NBC's indebtedness was lower than forecast by approximately \$224,000 as the forecast did not consider reduced interest expenses following the anticipated loan repayments during the forecast period. Interest expense on FCC's indebtedness was higher than forecast by approximately \$46,000 as the interest rates included in the forecast were lower than actual rates over the period. Interest payments made to ATB Financial ("ATB") were materially the same as the forecast;

d. Non-operational Receipts were lower than forecast by approximately \$5.4 million due to asset sales totaling \$2.4 million (condos, vacant land and private company



share sale) not being completed and \$3.0 million in crop insurance proceeds not being collected within the forecasted time frame; and

- e. dedicated loan repayments were \$5.4 million lower than forecast due to the reduction in Non-operational Receipts.

- 63. As at July 4, 2025, the Applicants have an ending cash balance of approximately \$1.2 million, lower than the forecasted ending cash balance of \$1.7 million by approximately \$523,000.

## **SECOND CASH FLOW STATEMENT**

- 64. Management has prepared the Second Cash Flow Statement to set out the Applicants' liquidity requirements for the 22-week period ending December 2025 (the "**Forecast Period**"). A copy of the Second Cash Flow Statement is attached as Appendix C.
- 65. The Second Cash Flow Statement is summarized as follows:

Week Ending (Friday)	22-Week Forecast
(CAD's)	<b>Total</b>
<b>Receipts</b>	
Farms receipts	\$ 12,353,726
Markets receipts	24,360,000
<b>Total Receipts</b>	<b>\$ 36,713,726</b>
<b>Disbursements</b>	
<u>Farms</u>	
Feed purchases	(3,693,800)
Barn utilities	(372,930)
Medication/vaccines	(1,027,000)
Transportation	(841,840)
Other opex	(1,720,798)
Employee expenses	(2,589,400)
<u>Markets</u>	
Cost of goods sold	(17,367,992)
Employee expenses	(6,875,000)
<u>Other Entity Operating Expenses</u>	(281,440)
<b>Total Disbursements</b>	<b>(34,770,200)</b>
<b>Operational Cash Flow</b>	<b>1,943,526</b>
<b>Non-Operational Items</b>	
Interest expense	(864,478)
Professional fees	(1,368,664)
Inter-company bank transfers	(0)
Non-operational receipts	5,398,700
Dedicated Loan Repayment	(5,398,700)
<b>Total Non-Operational Items</b>	<b>(2,233,142)</b>
<b>Total Net Cash flow</b>	<b>\$ (289,616)</b>
<b>Opening Cash</b>	<b>\$ 1,172,891</b>
Net Cash flow	(289,616)
<b>Ending Balance</b>	<b>\$ 883,275</b>

66. As set out in the Second Cash Flow Statement, during the Forecast Period, the Applicants estimate:

- a. operating cash receipts of approximately \$36.7 million;

- b. operating disbursements of approximately \$34.8 million;
  - c. interest payments of approximately \$865,000 with respect to the Applicants' secured lenders, NBC, FCC and ATB;
  - d. professional fees of approximately \$1.4 million;
  - e. further Non-operational Receipts of \$5.4 million which (consistent with the Preliminary Cash Flow Statement) are contemplated to be used to repay the Applicants' secured creditors in the same amount; and
  - f. positive operating cash flow of approximately \$1.9 million, and negative net cash flow of approximately \$290,000 (after interest expense and professional fees), resulting in an ending cash balance of approximately \$880,000.
67. Detailed notes to the Second Cash Flow Statement are included as an attachment to the Second Cash Flow Statement; however, the Monitor notes the following key assumptions:
- a. farms receipts are generated through the Farm Operations and are based on lean hog futures pricing published by the CME Group, with consideration for estimated feed and other costs related to raising pigs, and the estimated number of pigs to be sold each week;
  - b. Markets Operations receipts are generated from Sunterra Markets' eight food markets, three Starbucks locations and catering sales;
  - c. farms disbursements relate to the operations of the Applicants' nine barns and include employee expenses for barn and head office staff required to support the barns;

- d. Markets Operations disbursements include cost of goods to be sold at each of the Markets' retail locations and employee expenses for retail staff and head office staff to support the Markets;
- e. interest and fees related to borrowing costs paid to NBC, FCC and West Market Square Inc. ("WMSI") on a monthly basis. Sunterra Enterprises holds 50% of the shares in WMSI, which in turn owns retail location that one of the Sunterra Markets stores operates out of. Interest payments due to WMSI relate to a loan from WMSI to Sunterra Enterprises;
- f. professional fees for the Applicants' legal counsel, the Monitor and the Monitor's legal counsel;
- g. Non-operational Receipts relating to insurance proceeds and assets sales which are expected to be completed and received during the forecast period. The sale of the Dorothy Lands are included in the Non-operational Receipts and are forecast to be collected in the last week of August 2025; and
- h. the Second Cash Flow Statement contemplates that the Non-operational Receipts from insurance proceeds and asset sales will be used to repay amounts owed by the Applicants' secured lenders. The repayments are indicative only and sourced from proceeds generated by third parties and, as such, are subject to variances in timing and other factors beyond the control of the Applicants. Any such variations shall not be considered a material adverse event and will be made available as and when received by the Applicants. The repayments as set out in the Second Cash Flow Statement are to be made to secured lenders provided the Monitor consents to such payments being made as contemplated in paragraph 5(d) of the ARIO.

## MONITOR'S COMMENTS ON THE CASH FLOW STATEMENT

68. Section 23(1)(b) of the CCAA states that the Monitor shall, “review the company’s cash-flow statement as to its reasonableness and file a report with the court on the Monitor’s findings”.
69. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Monitor hereby reports as follows:
- a. the Second Cash Flow Statement has been prepared by Management for the purpose described in the notes to the Second Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out therein;
  - b. the Monitor’s review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of Management and employees of the Applicants. Since hypothetical assumptions need not be supported, the Monitor’s procedures with respect to those assumptions were limited to evaluating whether they were consistent with the purpose of the Second Cash Flow Statement. The Monitor has also reviewed the information in provided by Management in support of the probable assumptions and the preparation and presentation of the Second Cash Flow Statement;
  - c. based on its review, and as at the date of this Report, nothing has come to the attention of the Monitor that causes it to believe that, in all material respects:
    - i. the hypothetical assumptions are not consistent with the purpose of the Second Cash Flow Statement;
    - ii. the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide

a reasonable basis for the Second Cash Flow Statement, given the hypothetical assumptions; or

iii. the Second Cash Flow Statement does not reflect the probable and hypothetical assumptions;

d. since the Second Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Second Cash Flow Statement will be achieved. The Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information present in this Report, or relied upon by the Monitor in preparing this Report; and

e. the Second Cash Flow Statement has been prepared solely for the purpose of estimating liquidity requirements of the Applicants during the Forecast Period. The Second Cash Flow Statement should not be relied upon for any other purpose.

## **EXTENSION OF THE STAY OF PROCEEDINGS**

70. The Monitor has considered the Applicants' application for the extension of the Stay of Proceedings to November 30, 2025, and has the following comments:

a. the Applicants are projected to have sufficient available liquidity to fund their ongoing obligations and the costs of the CCAA Proceedings during the term of the proposed extension of the Stay of Proceedings;

b. the overall prospects of the Applicants effecting a viable restructuring and furthering their restructuring efforts will be enhanced through the establishment and running of a Claims Process. Further, as recommended by the Monitor, taking

initial steps with respect to a refinancing or Future SISP will assist in reducing the overall timeframe needed to complete these CCAA Proceedings;

- c. assuming the advancement of a Claims Process and timely progress toward a refinancing or restructuring of the Applicants, the Monitor is of the view that the Applicant's creditors and other stakeholders will not be materially prejudiced as a result of the proposed extension of the Stay of Proceedings;
  - d. the proposed extension of the Stay of Proceedings is reasonable given the timeline laid out in the Claims Procedure Order and the time required for the Applicants to further advance their restructuring.
71. The Monitor's support for the proposed extension to the Stay of Proceedings is contingent on the Applicants, Compeer and NBC coming to an agreement on a Claims Process that includes all three key stakeholders and the Applicants' willingness to commence preparation steps for a Future SISP, as outlined above.

## CONCLUSIONS

72. Subject to the comments and views noted above, the Monitor recommends the Court approve the Claims Procedure Order provided that the Applicants and NBC reach agreement as to an appropriate Claim Process which includes NBC's claims.

\*\*\*\*\*

All of which is respectfully submitted this 18<sup>th</sup> day of July 2025.

**FTI Consulting Canada Inc.**, in its capacity as  
the Monitor of the Applicants  
and not in its personal or corporate capacity



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Dustin Oliver, CA, CPA, CIRP, LIT  
Senior Managing Director  
FTI Consulting Canada Inc.



# **Appendix A**

## **Monitor's Letter to Key Stakeholders**

June 16, 2025

**Sent By Email:** [CameronK@bennettjones.com](mailto:CameronK@bennettjones.com);  
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Our reference  
1001338711

Your reference

Dear Sirs/Madames:

**ITMO SUNTERRA FOOD CORPORATION, TROCHU MEAT PROCESSORS LTD.,  
SUNTERRA QUALITY FOOD MARKETS INC., SUNTERRA FARMS LTD., SUNWOLD  
FARMS LIMITED, SUNTERRA BEEF LTD., LARIAGRA FARMS LTD., SUNTERRA FARM  
ENTERPRISES LTD., SUNTERRA ENTERPRISES INC. (collectively, the Sunterra Group  
CCAA Entities)**

As you are aware, we represent FTI Consulting Canada Inc. (**FTI**) in its capacity as Monitor of the Sunterra Group CCAA Entities in the above-captioned matter.

We have been in discussions with counsel for various stakeholders of the Sunterra Group CCAA Entities over the past week, including Sunterra, National Bank of Canada (**NBC**), and Compeer Financial, PCA (**Compeer**), to discuss the matters to be addressed at an upcoming hearing before Justice Lema scheduled for a day and a half on July 24<sup>th</sup> and 25<sup>th</sup>.

As we understand it, the matters to be addressed currently include the Sunterra Group's application for a court-ordered process to determine the quantum and validity of claims against the Sunterra Group, and Compeer's request to lift the stay of proceedings to permit an application for judgment on certain claims advanced by Compeer.

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In the Monitor's view, the time between now and the hearing date should be used to ensure that the parties are aligned so far as is possible as to the logical next steps in this process, including how to meaningfully progress a restructuring of the Sunterra Group CCAA Entities, and determine the relevant claims, including that of Compeer.

In particular, with respect to potential claims against the Sunterra Group CCAA Entities, the Monitor notes that the nature and complexity of certain anticipated claims is not conducive to a typical CCAA claims process where standard-form claims are submitted by a creditor, reviewed by the debtor and Monitor and approved or disputed within a short period of time (with recourse to appeal that determination limited to a typically straightforward Chambers application on affidavit evidence).

As such, the Monitor proposes the following:

- that the parties target the hearing dates to construct a SISP (including a third-party investment firm to be engaged, with the Monitor's oversight) to be approved by the Court and permit the Sunterra Group to refinance, or to market some or all of its assets for sale;
- that the first day Claims Order direct only the filing of Claims with a 30-45 day Claims Bar Date, and that once Claims are filed and reviewed each of the disputed claimants, the Sunterra Group CCAA Entities, and the Monitor, may reapply for directions as to the most efficient manner and timing for resolution of the most complex disputed claims.
- that in the meantime, the Sunterra Group CCAA Entities agree to update the Monitor in advance of the hearing dates as to any meaningful progress that has been made in respect of either a refinancing of balance-sheet debts or a realistic plan of compromise and arrangement under the CCAA that stands a reasonable chance of success and preserves the Sunterra Group's business as a going concern, failing which the parties will proceed with the SISP to assess whether the salable value of the entities' assets can support a restructuring.

In the Monitor's view, this would assist in resolving the existing uncertainty about the length and outcome of the CCAA claim and restructuring process and avoid expending resources on issues that may not ultimately be relevant. In the Monitor's view, a SISP is a logical first step, as its results will provide a strong indication of whether the enterprise value of the Sunterra Group exceeds the value of its balance-sheet debts, and whether a going-concern restructuring is realistic. In addition, the results of the SISP will allow the parties make an informed judgment as to whether a lengthy (and potentially expensive) claims or litigation process makes sense in these circumstances.

We trust the above to be in order and invite your comments.

Yours very truly,



Gunnar Benediktsson  
Partner

GB/cj

# **Appendix B**

**NBC's Response to Monitor's Letter to Key Stakeholders**



McCarthy Tétrault LLP  
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July 7, 2025

**Via Email ([gunnar.benediktsson@nortonrosefulbright.com](mailto:gunnar.benediktsson@nortonrosefulbright.com))**

Norton Rose Fulbright Canada LLP  
400 3rd Avenue SW, Suite 3700  
Calgary AB T2P 4H2

**Attention: Gunnar Benediktsson**

Dear Gunnar:

**Re: ITMO Sunterra Food Corporation, Trochu Meat Processors Ltd., Sunterra Quality Food Markets Inc., Sunterra Farms Ltd., Sunwold Farms Limited, Sunterra Beef Ltd., Lariagra Farms Ltd., Sunterra Farm Enterprises Ltd., and Sunterra Enterprises Inc. (collectively, the "Sunterra Group")**

As you are aware, McCarthy Tétrault LLP is counsel to National Bank of Canada ("**NBC**"). We write further to Norton Rose Fulbright Canada LLP's letter of June 16, 2025 (the "**June 16<sup>th</sup> Letter**") concerning the upcoming hearing before Justice Lema, scheduled for a day and a half on July 24, 2025 and July 25, 2025 (the "**July Hearing**").

NBC agrees with the Monitor's position, as set out in the June 16<sup>th</sup> Letter, that: (i) the nature and complexity of the claims (particularly those of Compeer Financial, PCA ("**Compeer**"), NBC, and any other claims associated with the Sunterra Group's cheque kiting and related activities) is not conducive to a typical CCAA claims process; and, (ii) prior to incurring the time, cost, and expense associated with the determination of such claims, a SISF is the logical first step, to provide an indication of the Sunterra Group's enterprise value including whether a restructuring transaction is feasible and whether a lengthy, complex, and expensive claims process is warranted or practical at this time.

As at the date of this correspondence, beyond receipt of a draft claims process on June 17, 2025 and a follow-up conversation with Blue Rock's Mr. Mann on June 19, 2025, there has been no communication from the Sunterra Group in relation to the relief that will be sought by the Sunterra Group the July Hearing.

NBC proposes that the July Hearing be utilized to seek:

- i) approval of a public and transparent SISF (as set out in the June 16<sup>th</sup> Letter), to be run with the assistance of a third party advisor under the Monitor's oversight; and,
- ii) approval of a bifurcated claims process which contemplates:

- a. a general claims process, limited and tailored for the resolution of standard-form claims, such as trade creditors and other unsecured creditor claims, which are customarily determined through a straightforward and summary claims process; and,
- b. a preliminary claims process (the "**First Day Claims Process**") which contemplates the identification of any and all claims of NBC, Compeer, and any other parties who may have claims (including claims against third parties which may give rise to indemnification claims against the Sunterra Group) in connection with or otherwise related to, the Sunterra Group's cheque kiting and related activities, as described in the Affidavit of Raymond Pai, sworn on March 14, 2025, the Affidavit of Nicholas Rue, sworn on June 19, 2025, and the Affidavit of Steve Grosland, sworn June 20, 2025 (collectively, the "**First Day Affected Claims**").

With respect to the First Day Claims Process, once the number of potential claimants and scope of their First Day Affected Claims is determined, such affected claimants, the Monitor, and the Sunterra Group would then be in a position to craft and seek approval of an appropriate and reasonable process for the determination of the First Day Affected Claims; if appropriate and warranted in light of the results of the SISF.

For clarity, while NBC does not object, in concept, to the approval of the First Day Claims Process, NBC's position remains that any further steps concerning the determination of the First Day Affected Claims and incurring the resulting costs and expenses, must first be supported by the Sunterra Group's ability to complete a going concern restructuring and evidence that the Sunterra Group's enterprise value is sufficient to repay current debts and obligations. As a result, anything beyond the implementation of a First Day Claims Process, absent the implementation and completion of a SISF marketing/refinancing process, at this time, appears to be premature and may only give rise to unnecessary costs and expenses, which the cash flows as reviewed by NBC do not support.

Yours truly,

McCarthy Tétrault LLP

Sean Collins, KC

SC/kh

cc: Client

Blue Rock Law LLP  
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# **Appendix C**

## **Second Cash Flow Statement**

**Sunterra Group**  
**Consolidated Cash Flow Statement**

Week Ending (Friday)	11-Jul-25	18-Jul-25	25-Jul-25	1-Aug-25	8-Aug-25	15-Aug-25	22-Aug-25	29-Aug-25	5-Sep-25	12-Sep-25	19-Sep-25	26-Sep-25	3-Oct-25	10-Oct-25	17-Oct-25	24-Oct-25	31-Oct-25	7-Nov-25	14-Nov-25	21-Nov-25	28-Nov-25	5-Dec-25	22-Week
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
(CAD's)	Wk 1	Wk 2	Wk 3	Wk 4	Wk 5	Wk 6	Wk 7	Wk 8	Wk 9	Wk 10	Wk 11	Wk 12	Wk 13	Wk 14	Wk 15	Wk 16	Wk 17	Wk 18	Wk 19	Wk 20	Wk 21	Wk 22	Total
Receipts																							
Farms receipts	\$ 561,880	\$ 558,120	\$ 448,910	\$ 602,303	\$ 478,989	\$ 579,803	\$ 577,303	\$ 503,989	\$ 390,389	\$ 601,312	\$ 478,156	\$ 578,812	\$ 624,677	\$ 365,784	\$ 705,177	\$ 752,677	\$ 625,786	\$ 626,507	\$ 442,340	\$ 547,116	\$ 601,507	\$ 702,187	\$ 12,353,726
Markets receipts	1,030,000	1,030,000	1,030,000	1,030,000	1,010,000	1,010,000	1,010,000	1,010,000	1,070,000	1,070,000	1,070,000	1,070,000	1,200,000	1,400,000	1,400,000	1,200,000	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000	1,120,000	24,360,000
Total Receipts	\$ 1,591,880	\$ 1,588,120	\$ 1,478,910	\$ 1,632,303	\$ 1,488,989	\$ 1,589,803	\$ 1,587,303	\$ 1,513,989	\$ 1,460,389	\$ 1,671,312	\$ 1,548,156	\$ 1,648,812	\$ 1,824,677	\$ 1,765,784	\$ 2,105,177	\$ 1,952,677	\$ 1,745,786	\$ 1,746,507	\$ 1,562,340	\$ 1,667,116	\$ 1,721,507	\$ 1,822,187	\$ 36,713,726
Disbursements																							
Farms																							
Feed purchases	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(167,900)	(3,693,800)
Barn utilities	(9,300)	(22,000)	-	-	(49,300)	-	-	(62,000)	(9,300)	-	(62,000)	(9,300)	-	-	(65,100)	(9,765)	(42,750)	-	(65,100)	(9,765)	-	-	(372,930)
Medication/vaccines	(129,250)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(42,750)	(1,027,000)
Transportation	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(41,720)	(41,720)	(41,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(37,720)	(841,840)
Other opex	(15,000)	(93,900)	(15,000)	(272,196)	(15,000)	(93,900)	(15,000)	(149,335)	(137,861)	(93,900)	(15,000)	(149,335)	(15,000)	(93,900)	(15,000)	(149,335)	(15,000)	(93,900)	(15,000)	(149,335)	(15,000)	(93,900)	(1,720,798)
Employee expenses	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(168,400)	(67,000)	(2,589,400)
Markets																							
Cost of goods sold	(827,664)	(705,000)	(780,000)	(752,664)	(770,000)	(695,000)	(770,000)	(695,000)	(822,664)	(700,000)	(775,000)	(700,000)	(895,000)	(900,000)	(975,000)	(820,000)	(835,000)	(760,000)	(835,000)	(760,000)	(835,000)	(760,000)	(17,367,992)
Employee expenses	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(275,000)	(350,000)	(6,875,000)
Other Entity Operating Expenses	(46,540)	(7,000)	(5,000)	(10,040)	(16,540)	(42,000)	(5,000)	(10,040)	(16,540)	(7,000)	(5,000)	(10,040)	(16,540)	(7,000)	(5,000)	(10,040)	(16,540)	(7,000)	(5,000)	(10,040)	(16,540)	(7,000)	(281,440)
Total Disbursements	(1,676,774)	(1,493,270)	(1,491,770)	(1,700,270)	(1,542,610)	(1,496,270)	(1,481,770)	(1,581,745)	(1,678,135)	(1,466,270)	(1,486,770)	(1,586,745)	(1,627,610)	(1,666,270)	(1,690,770)	(1,713,845)	(1,572,075)	(1,526,270)	(1,546,770)	(1,649,845)	(1,568,075)	(1,526,270)	(34,770,200)
Operational Cash Flow	(84,894)	94,850	(12,860)	(67,967)	(53,621)	93,533	105,533	(67,756)	(217,746)	205,042	61,386	62,067	197,067	99,514	414,407	238,832	173,711	220,237	15,570	17,271	153,432	295,917	1,943,526
Non-Operational Items																							
Interest expense	(49,547)	(79,800)	-	(77,200)	-	(79,800)	-	(77,200)	-	(79,800)	-	(60,577)	-	(79,800)	-	(60,577)	-	(79,800)	-	(60,577)	-	(79,800)	(864,478)
Professional fees	(198,664)	-	(85,000)	-	(50,000)	(205,000)	-	(50,000)	-	(50,000)	-	-	(210,000)	-	(210,000)	-	(50,000)	-	(50,000)	(160,000)	(50,000)	-	(1,368,664)
Inter-company bank transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(0)
Non-operational receipts	-	5,000	-	-	-	-	-	3,593,700	-	-	-	-	-	-	-	-	-	-	-	-	1,800,000	-	5,398,700
Dedicated Loan Repayment	-	(5,000)	-	-	-	-	-	(3,593,700)	-	-	-	-	-	-	-	-	-	-	-	-	(1,800,000)	-	(5,398,700)
Total Non-Operational Items	(248,210)	(79,800)	(85,000)	(77,200)	(50,000)	(284,800)	-	(127,200)	-	(129,800)	-	(60,577)	(210,000)	(79,800)	(210,000)	(60,577)	(50,000)	(79,800)	(50,000)	(220,577)	(50,000)	(79,800)	(2,233,142)
Total Net Cash flow	\$ (333,104)	\$ 15,050	\$ (97,860)	\$ (145,167)	\$ (103,621)	\$ (191,267)	\$ 105,533	\$ (194,956)	\$ (217,746)	\$ 75,242	\$ 61,386	\$ 1,489	\$ (12,933)	\$ 19,714	\$ 204,407	\$ 178,254	\$ 123,711	\$ 140,437	\$ (34,430)	\$ (203,306)	\$ 103,432	\$ 216,117	\$ (289,616)
Opening Cash	\$ 1,172,891	\$ 839,787	\$ 854,837	\$ 756,977	\$ 611,811	\$ 508,190	\$ 316,923	\$ 422,456	\$ 227,500	\$ 9,754	\$ 84,996	\$ 146,382	\$ 147,871	\$ 134,938	\$ 154,652	\$ 359,059	\$ 537,313	\$ 661,024	\$ 801,461	\$ 767,032	\$ 563,726	\$ 667,158	\$ 1,172,891
Net Cash flow	(333,104)	15,050	(97,860)	(145,167)	(103,621)	(191,267)	105,533	(194,956)	(217,746)	75,242	61,386	1,489	(12,933)	19,714	204,407	178,254	123,711	140,437	(34,430)	(203,306)	103,432	216,117	(289,616)
Ending Balance	\$ 839,787	\$ 854,837	\$ 756,977	\$ 611,811	\$ 508,190	\$ 316,923	\$ 422,456	\$ 227,500	\$ 9,754	\$ 84,996	\$ 146,382	\$ 147,871	\$ 134,938	\$ 154,652	\$ 359,059	\$ 537,313	\$ 661,024	\$ 801,461	\$ 767,032	\$ 563,726	\$ 667,158	\$ 883,275	\$ 883,275



## **Consolidated Cash Flow of the Sunterra Group**

### **Notes to the Second Statement of Cash Flow for the 22-Week period ending December 5, 2025**

#### **Purpose and General Assumptions of the Cash Flow Statement**

Sunterra Farms Ltd. (“**Sunterra Farms**”), Sunterra Food Corporation (“**Sunterra Food**”), Sunterra Quality Food Markets Inc. (“**Sunterra Markets**”), Sunwold Farms Limited (“**Sunwold**”), Trochu Meat Processors Ltd. (“**Trochu**”), Sunterra Beef Ltd. (“**Sunterra Beef**”), Lariagra Farms Ltd. (“**Lariagra**”), Sunterra Farm Enterprises Ltd. (“**Sunterra Farm Enterprises**”) and Sunterra Enterprises Inc. (“**Sunterra Enterprises**” and collectively, the “**Sunterra Group**” or the “**Applicants**”) have prepared this cash flow statement and the accompanying notes (collectively, the “**Second Cash Flow Statement**”). The Applicants have prepared the Second Cash Flow Statement on a consolidated basis based on probable and hypothetical assumptions that reflect the Applicants’ planned course of action for the period from July 5, 2025, to December 5, 2025 (the “**Forecast Period**”). The Applicant’s management (“**Management**”) is of the opinion that, as at the date of filing the Second Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Applicants and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Second Cash Flow Statement. This Second Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Second Cash Flow Statement could vary based on changing future circumstances.

It is assumed that all amounts owing prior to the NOI proceedings are stayed. Post-filing payments are to be made in normal course.

Disbursements are based on historical run-rates and input from Management.

The projected Second Cash Flow Statement is prepared in Canadian dollars.

#### **Hypothetical and Probably Assumptions of the Second Cash Flow Statement**

1. Farm receipts are generated by the Sunterra Group’s farming operations from Sunterra Farms, Sunwold and Lariagra and relate to (i) the revenues generated from the sale of isowean and feeder pigs which are transported to the USA to be marketed and sold each week. The weekly pricing and corresponding receipts are estimated based on lean hog futures pricing published by the CME Group, with consideration for estimated feed and other costs related to raising pigs; and (ii) the revenues from the sale of herd culls and

other fully grown pigs sold within Canada. The pricing for the sale of these pigs is based off current market prices in Canada.

2. Markets receipts are generated by Sunterra Markets and relate to: (i) estimated weekly sales from 8 retail markets locations and 3 licensed Starbucks locations and are based on historical results and input from Management for sale trends consistent with the current business operations; and (ii) sales for catering services based on historical results and input from Management.
3. Feed purchases are weekly purchases required to feed the pigs.
4. Utilities include estimated monthly internet, water, natural gas, heat and electricity.
5. Livestock medications related to monthly costs for vaccinations and medical supplies for the welfare of the pigs.
6. Transportation costs relate to the transport of livestock from the Sunterra Groups barns located in and around Acme, AB to the location of the purchasers barns which is most commonly in the Mid-West United States. Total transportation costs are based on Management's estimate for the number of livestock being transported and the estimated distance of each shipment.
7. Other operating costs include all other expenses incurred for the operations of the farm.
8. Salaries, wages, remittances and all employee benefits for salaries and hourly employees paid on a bi-weekly basis. In the Second Cash Flow Statement, employee expenses are separated between farming operations and the operations of the Sunterra Markets. The employee expenses for farming operations also support the other operating entities, which currently have limited operations.
9. Cost of Goods Sold are estimated based on current inventory levels at each of the Sunterra Markets' locations and information provided through the inventory management system. Weekly disbursements are estimated by Management based on their knowledge of the supplies turnover and payment terms of individual vendors.
10. Operating expenses for other operating entities include the miscellaneous expenses for the operations of Trochu to Sunterra Food, Sunterra Farm Enterprises, Sunterra Enterprises and Sunterra Beef.
11. Interest and fees related to borrowing costs paid on a monthly basis. The interest payments include amounts due to NBC from Sunterra Food, Farm Credit Canada from Sunterra Farms and Lariagra, and West Market Square Inc. ("WMSI") from Sunterra Enterprises. WMSI is a subsidiary of Sunterra Enterprises, but is not a CCAA Applicant.
12. Includes the estimated payments to the Applicants' legal counsel, the Monitor and the Monitor's legal counsel. These are forecast costs that may vary depending on the complexity and uncertainty of these CCAA proceedings.
13. Inter-company bank transfers net to nil in the consolidated Second Cash Flow Statement, include payments via inter-company loan between the Sunterra Group. The majority of transfers originate from Sunwold as the entity which is forecast to generate the most excess cash flow over the Forecast Period. Markets and Sunterra Food are forecast to be

the recipient of inter-company transfers due to operational losses and interest charges, respectively.

14. Non-operational receipts relate to: (i) the small amount of remaining receipts related to insurance receipts due to Trochu following a fire at its processing facility in June 2024; (ii) insurance proceeds of \$3.0 million due to Sunwold payable through AgriStability, a federal/provincial program, from a claim relating to previous years operating results are anticipated to be received in Week 8; (iii) the sale of ½ section of land for proceeds of \$600,000 less fees and commissions which is estimated to close in the first week of September 2025; and (iv) 4 condos for estimated proceeds totaling \$500,000 and shares in a trucking company with estimated proceeds of \$1,300,000. The condo and share sale receipts are forecast to be received in Week 21.
15. The Second Cash Flow Statement contemplates that the non-operational receipts from insurance proceeds and asset sales will be used to repay amounts owed by the Sunterra Group's secured lenders. The repayments are indicative only and sourced from proceeds generated by third parties and, as such, are subject to variances in timing and other factors beyond the control of the Applicants. Any such variations shall not be considered a material adverse event and will be made available as and when received by the Applicants. The repayments as set out in the Second Cash Flow Statement are to be made to secured lenders provided the Monitor consents to such payments being made as contemplated in paragraph 5(d) of the ARIO.
16. Opening cash is expected to be \$1,172,891 for the Sunterra Group as a whole as at July 5, 2025.

**UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE  
READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS**

Sunterra Group



Art Price

Director