Vancouver
15-Oct-26
REGISTRY

No. S-267306
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

IN THE MATTER OF THE BUSINESS CORPORATIONS ACT, S.B.C. 2002, c. 57

AND

IN THE MATTER OF 1035638 B.C. LTD. and KAINOS BUILDING GROUP LTD.

BETWEEN:

NATIONAL BANK OF CANADA

Petitioner

– AND –

1035638 B.C. LTD. and KAINOS BUILDING GROUP LTD.

Respondents

PRE-FILING REPORT OF THE PROPOSED MONITOR

October 13, 2026

FTI CONSULTING

PRE-FILING REPORT OF THE PROPOSED MONITOR

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INTRODUCTION

1. FTI Consulting Canada Inc. (the "**Proposed Monitor**") has been advised that National Bank of Canada ("**NBC**"), in its capacity as the senior secured creditor of 1035638 B.C. Ltd. and Kainos Building Group Ltd. (collectively, the "**Debtors**"), intends to commence proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") seeking an initial order (the "**Initial Order**") from the Supreme Court of British Columbia (the "**Court**"). The Initial Order provides for, among other things, an initial stay of proceedings (the "**Stay of Proceedings**") in favour of the Debtors and the appointment of the Proposed Monitor as the monitor of the Debtors, with enhanced powers, in the CCAA Proceedings (in such capacity, the "**Monitor**").

2. Should the Initial Order be granted, the Proposed Monitor understands that NBC intends to return to this Court within ten days (the "**Comeback Hearing**") seeking an Amended and Restated Initial Order (an "**ARIO**") which will include broader relief with respect to the restructuring of the Debtors. If appointed, the Proposed Monitor intends to file a subsequent report in advance of the Comeback Hearing to provide further information on the relief sought in the ARIO.

3. This pre-filing report (the "**Pre-filing Report**") should be read in conjunction with the Affidavit of Cory Stark dated September 29, 2026 (the "**Stark Affidavit**") which provides further details with respect to the Debtors' business, its indebtedness owing to NBC, and the reasons for commencing these CCAA Proceedings.

PURPOSE

4. The purpose of this report is to provide this Court with information with respect to the following:

    a. the qualifications of the Proposed Monitor to act as Monitor in the CCAA Proceedings;

    b. the terms of an interim financing facility (the "**DIP Facility**") to be advanced by NBC;

c. the amount and priority of the proposed Court-ordered charges; and

d. a cash flow statement (the "**Cash Flow Statement**") for the 13-week period ending February 5, 2027 which covers the initial ten days of the CCAA Proceedings (the "**Initial Stay Period**") as well as the key assumptions on which the Cash Flow Statement is based; and

e. the Proposed Monitor's conclusions.

TERMS OF REFERENCE

5. In preparing this report, the Proposed Monitor has relied upon certain information (the "**Information**") including the Debtors' unaudited financial information, books and records and discussions with senior management of the Debtors ("**Management**").

6. Except as described in this report, the Proposed 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.

7. The Proposed 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.

8. 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.

9. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

PROPOSED MONITOR

10. The Proposed Monitor is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as Monitor of the Debtors pursuant to section 11.7 (2) of the CCAA.

11. The senior personnel at the Proposed Monitor with carriage of this matter are Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees and have experience acting in restructuring matters of this nature and scale.

12. The Proposed Monitor has become familiar with the business and operations of the Debtors and the key stakeholders in the proposed CCAA Proceedings. On or around May 29, 2026, the Proposed Monitor was retained by NBC as advisor with respect to NBC's outstanding loans to the Debtors. With the Debtors' consent, the Proposed Monitor has reviewed various books and records of the Debtors, conducted meetings with Management. and was given a site tour of the Amaji[2] project by Management on June 26, 2026.

INTERIM FINANCING

13. As reflected in the Cash Flow Statement, the Debtors are unable to pay current and ongoing operating and restructuring expenses without a cash injection in the coming weeks. NBC is willing to provide funding by way of the DIP Facility to support the continued operations of the business and the advancement of any restructuring efforts during the CCAA Proceedings.

14. A copy of the term sheet of the DIP Facility (the "**DIP Term Sheet**") is attached to the Stark Affidavit. The key commercial terms of the proposed DIP Facility are summarized as follows:

    a. the Debtors will borrow from NBC (in such capacity, the "**DIP Lender**") up to a maximum principal amount of $1,200,000 (the "**Maximum Amount**");

    b. the DIP Facility will be made available in multiple advances, and deposited to the applicable account of the Monitor. All receipts and disbursements will be controlled by the Monitor;

    c. the initial advance will be made upon the granting of the Initial Order for a maximum amount of $250,000. No further advances will be made until the ARIO approving the DIP Facility in the Maximum Amount has been granted;

    d. interest will accrue daily at a rate of Prime plus 4.00% per annum, calculated monthly in arrears on the last business day of each calendar month;

e. fees include:

   i. commitment fee of $36,000; and

   ii. reimbursement for all legal and professional fees incurred by the Interim Lender in connection with the DIP Term Sheet;

f. the principal amount, accrued interest, and accrued fees must be repaid in full on the earlier of October 31, 2027 or the occurrence of certain events, among other things, an Event of Default (as defined in the DIP Term Sheet), the sale of substantially all of the property of the Debtors, and the termination of the CCAA Proceedings;

g. ongoing bi-weekly cash flow reporting including updated rolling forecast and budget to actual comparison; and

h. all obligations of the Debtors in connection with the DIP Facility and the DIP Term Sheet are to be secured by a super-priority Court-ordered charge over all present and after-acquired property, assets and undertakings of the Debtors.

15. The Proposed Monitor has considered the terms of the DIP Facility and the associated Charge and has the following comments:

a. the Debtors are in urgent need of funding to support its operations and fund the restructuring costs associated with the CCAA Proceedings;

b. absent interim financing, the Debtors will be unable to fund any of the above noted costs which would result in a deterioration of the value of Property;

c. the DIP Facility will assist in financing the work necessary to stabilize and preserve value of the Amaji[2] Project, facilitate discussions among key stakeholders, and allow the Proposed Monitor to assess and substantiate the costs to complete and recommend the optimal path forward;

d. the interest and fees payable to the DIP Lender under the DIP Facility are within the range of market comparable transactions for debtor-in-possession interim financings in recent CCAA Proceedings; and

e. the Debtors require an initial advance of $250,000 to meet its obligations during the first ten days of the CCAA Proceedings.

16. Overall, it is the Proposed Monitor's view that the DIP Facility is necessary for the funding of the Debtors' operations and restructuring costs in the near term and will enhance the prospects of achieving a successful restructuring and maximizing recoveries to stakeholders.

COURT-ORDERED CHARGES

17. The Initial Order provides for certain Court-ordered charges to rank in priority to all other charges and security interests against the Debtors. The proposed charges include:

a. an administration charge (the "**Administration Charge**"); and

b. a charge to secure the DIP Facility (the "**Interim Lender's Charge**" and collectively, the "**Charges**").

Administration Charge

18. The proposed Initial Order provides for an Administration Charge to secure the fees and disbursements incurred by counsel to NBC, the Monitor, and the Monitor's counsel in connection with services rendered before and after the commencement of the CCAA Proceedings related to the Debtors' restructuring. The Administration Charge will not exceed $300,000 and is contemplated to cover the initial 10-day stay period.

19. The Proposed Monitor believes it is appropriate for the beneficiaries to be afforded the benefit of the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.

20. The Proposed Monitor has reviewed the underlying assumptions upon which NBC has based the quantum of the proposed Administration Charge, the anticipated complexity of the CCAA Proceedings and the services to be provided by the beneficiaries of the Administration Charge and is of the view that the proposed quantum of the Administration Charge is reasonable and appropriate in the circumstances.

Interim Lender's Charge

21. The Initial Order provides for the Interim Lender's Charge in favour of the DIP Lender in an amount not to exceed $250,000 plus applicable fees and interest and to rank subordinate only to the Administration Charge to secure the anticipated advances during the initial 10-day stay period.

22. The Proposed Monitor has considered the terms and the need for the proposed DIP Facility and understands that the DIP Lender is not prepared to advance funds under the DIP Facility without the benefit of the Interim Lender's Charge. Without the funds from the DIP Facility, the Debtors would be unable to undertake an organized restructuring in these CCAA Proceedings, which would be to the detriment of all stakeholders. Accordingly, the Proposed Monitor is of the view that the request for the Interim Lender's Charge is reasonable and appropriate in the circumstances.

CASH FLOW STATEMENT

23. The Cash Flow Statement was prepared by the Proposed Monitor based on information received from Management. It was originally prepared on or about September 29, 2026. Given that the hearing is scheduled for November 9, 2026, the Proposed Monitor has updated and rolled forward the Cash Flow Statement to commence on November 7, 2026, and set out the liquidity requirements of the Debtors for the 13-week period ending February 5, 2027 (the "**Forecast Period**"). A copy of the Cash Flow Statement is attached as Appendix **"A"**. Given the nature of this proceeding as a creditor-led CCAA proceeding, the Cash Flow Statement has not been reviewed and approved by Management. Accordingly, it may be necessary for the Monitor, if appointed, to amend the Cash Flow Statement once it has full access to the books, records and property of the Debtors.

24. The Cash Flow Statement is summarized in the following table:

Cash Flow Statement 13-Week Period Ending February 5, 2027 (C$000s)	Initital Stay Period Weeks 1-2 Forecast	Weeks 3-13 Forecast	Weeks 1-13 Total
Operating Receipts			
GST Refunds	-	45	**45**
Total Operating Receipts	**-**	**45**	**45**
Operating Disbursements			
Site Security and Maintenance	(50)	(175)	**(225)**
Building and Street Permit Fees	(37)	-	**(37)**
Winterization	-	(210)	**(210)**
BC Hydro Energization	-	(110)	**(110)**
Insurance	-	(15)	**(15)**
Utilities	-	(15)	**(15)**
Appraisal	-	(20)	**(20)**
Engineering Consultant	-	(20)	**(20)**
Contingency	(10)	(20)	**(30)**
Total Operating Disbursements	**(97)**	**(585)**	**(682)**
Net Change in Cash from Operations	**(97)**	**(540)**	**(637)**
Non-Operating Receipts and Disbursements			
Fees and Disbursements of the Monitor	(50)	(200)	**(250)**
Fees and Disbursements of Monitor's Counsel	(25)	(85)	**(110)**
Fees and Disbursements of NBC's Counsel	(50)	(80)	**(130)**
Net Change in Cash from Non-Operating Activities	**(125)**	**(365)**	**(490)**
Financing			
DIP Facility	250	950	**1,200**
Net Change in Cash from Financing	**250**	**950**	**1,200**
Net Change in Cash	28	45	**73**
Opening Cash	-	28	**-**
Ending Cash	**$ 28**	**$ 73**	**$ 73**

25. Operating disbursements are summarized as follows:

a. site security and maintenance relates to security monitoring and ad hoc maintenance work performed by contractors;

b. building and street permit fees relate to the renewal of Building Permit and Street Permit with the District of Squamish;

c. winterization relates to necessary works to winterize the building including the replacement of existing building wrap, draining the plumbing systems, sealing windows, and other related work;

d. BC Hydro energization relates to an outstanding invoice owing to BC Hydro that may need to be settled prior to the energization of permanent power to the building;

e. engineering consultant relates to fees for construction cost estimating services; and

f. the remaining operating costs generally relate to ordinary course payments for insurance, utilities and a contingency for unforeseen costs;

26. Restructuring professional fees are forecast to total approximately $490,000 during the Forecast Period and include the fees and disbursements for NBC's legal counsel, the Monitor, and the Monitor's legal counsel;

27. The Cash Flow Statement forecasts requiring interim financing of approximately $250,000 during the Initial Stay Period and $1.2 million in total during the Forecast Period.

28. 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 Proposed Monitor hereby reports as follows:

a. the Cash Flow Statement has been prepared by the Proposed Monitor with information provided by Management for the purpose described in the notes to the Cash Flow Statement, using the probable assumptions and the hypothetical assumptions set out in notes 1 to 11 thereof;

b. the Proposed Monitor's review consisted of inquiries, analytical procedures and discussions related to information supplied by Management and employees of the Debtors. Since hypothetical assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Statement;

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

i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Statement;

ii. as at the date of this report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the Cash Flow Statement, given the hypothetical assumptions; or

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

d. since the 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 Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. The Proposed 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 Proposed Monitor in preparing this Report; and

e. the Cash Flow Statement has been prepared solely for the purposed described in the notes to the Cash Flow Statement and readers are cautioned that it may not be appropriate for other purposes.

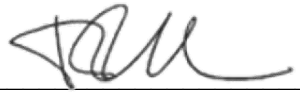
CONCLUSION

29. If appointed, the Proposed Monitor is prepared to act as Monitor of the Debtors on the terms sought by NBC. The Proposed Monitor has reviewed the proposed DIP Facility and the Charges, and believes the same are appropriate and reasonable in the circumstances, for the reasons set out above.

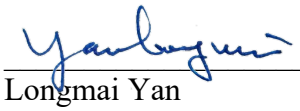
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All of which is respectfully submitted this 13th day of October, 2026.

FTI Consulting Canada Inc.
in its capacity as Proposed Monitor of the Debtors
and not in its personal capacity



Tom Powell
Senior Managing Director



Longmai Yan
Director

Appendix A

Cash Flow Statement for the 13-week period ending February 5, 2027

1035638 B.C. Ltd. and Kainos Building Group Ltd.
Cash Flow Statement
For the 13-week period ending February 5, 2027

Week Ending *(C$000s)*		Week 1 13-Nov-26 Forecast	Week 2 20-Nov-26 Forecast	Week 3 27-Nov-26 Forecast	Week 4 4-Dec-26 Forecast	Week 5 11-Dec-26 Forecast	Week 6 18-Dec-26 Forecast	Week 7 25-Dec-26 Forecast	Week 8 1-Jan-27 Forecast	Week 9 8-Jan-27 Forecast	Week 10 15-Jan-27 Forecast	Week 11 22-Jan-27 Forecast	Week 12 29-Jan-27 Forecast	Week 13 5-Feb-27 Forecast	Weeks 1-13 5-Feb-27 Total
		Initial Stay Period > >													
Operating Receipts															
GST Refunds		-	-	-	-	-	-	35	-	-	-	10	-	-	**45**
Total Operating Receipts		**-**	**-**	**-**	**-**	**-**	**-**	**35**	**-**	**-**	**-**	**10**	**-**	**-**	**45**
Operating Disbursements															
Site Security and Maintenance	**[1]**	(50)	-	(25)	-	-	-	(75)	-	-	-	(75)	-	-	**(225)**
Building and Street Permit Fees	**[2]**	(37)	-	-	-	-	-	-	-	-	-	-	-	-	**(37)**
Winterization	**[3]**	-	-	(170)	-	-	-	(20)	-	-	-	(20)	-	-	**(210)**
BC Hydro Energization	**[4]**	-	-	(110)	-	-	-	-	-	-	-	-	-	-	**(110)**
Insurance	**[5]**	-	-	-	-	-	-	-	-	-	(15)	-	-	-	**(15)**
Utilities		-	-	(5)	-	-	-	(5)	-	-	-	(5)	-	-	**(15)**
Appraisal		-	-	(20)	-	-	-	-	-	-	-	-	-	-	**(20)**
Engineering Consultant	**[6]**	-	-	(20)	-	-	-	-	-	-	-	-	-	-	**(20)**
Contingency	**[7]**	(10)	-	-	-	-	-	(10)	-	-	-	(10)	-	-	**(30)**
Total Operating Disbursements		**(97)**	**-**	**(350)**	**-**	**-**	**-**	**(110)**	**-**	**-**	**(15)**	**(110)**	**-**	**-**	**(682)**
Net Change in Cash from Operations		**(97)**	**-**	**(350)**	**-**	**-**	**-**	**(75)**	**-**	**-**	**(15)**	**(100)**	**-**	**-**	**(637)**
Non-Operating Receipts and Disbursements															
Fees and Disbursements of the Monitor	**[8]**	(50)	-	(50)	-	-	-	(75)	-	-	-	(75)	-	-	**(250)**
Fees and Disbursements of Monitor's Counsel	**[9]**	(25)	-	(25)	-	-	-	(30)	-	-	-	(30)	-	-	**(110)**
Fees and Disbursements of NBC's Counsel	**[10]**	(50)	-	(50)	-	-	-	(15)	-	-	-	(15)	-	-	**(130)**
Net Change in Cash from Non-Operating Activities		**(125)**	**-**	**(125)**	**-**	**-**	**-**	**(120)**	**-**	**-**	**-**	**(120)**	**-**	**-**	**(490)**
Financing															
DIP Facility	**[11]**	250	-	500	-	-	-	200	-	-	-	250	-	-	**1,200**
Net Change in Cash from Financing		**250**	**-**	**500**	**-**	**-**	**-**	**200**	**-**	**-**	**-**	**250**	**-**	**-**	**1,200**
Net Change in Cash		28	-	25	-	-	-	5	-	-	(15)	30	-	-	**73**
Opening Cash		-	28	28	53	53	53	53	58	58	58	43	73	73	-
Ending Cash		**$ 28**	**$ 28**	**$ 53**	**$ 53**	**$ 53**	**$ 53**	**$ 58**	**$ 58**	**$ 58**	**$ 43**	**$ 73**	**$ 73**	**$ 73**	**$ 73**

This Cash Flow Statement has been prepared solely for the purpose of determining the liquidity requirements of 1035638 B.C. Ltd. and Kainos Building Group Ltd. (collectively, the "Debtor") during the CCAA Proceedings.
The Cash Flow Statement is based on the probable and hypothetical assumptions detailed below. Actual results will likely vary from performance projected and such variations may be material.

Notes:
[1] Security monitoring and regular visits and ad hoc maintenance work performed by contractors.
[2] Building Permit and Street Permit extension fees.
[3] Costs of winterization works including the replacement of existing building wrap, draining the plumbing systems, sealing windows, etc.
[4] Outstanding invoice owing to BC Hydro that is required to be settled prior to energization of permanent power to the building.
[5] Insurance renewal upon expiry in December 2026.
[6] Construction cost estimating services.
[7] Contingency for unforeseen operating costs.
[8] Estimated restructuring professional fees of the Monitor.
[9] Estimated restructuring professional fees of the Monitor's legal counsel, McCarthy Tétrault LLP.
[10] Estimated restructuring professoinal fees of NBC's counsel, Owen Bird Law Corporation.
[11] The Debtor is forecasting to require approximately $1.2 million of interim financing during the forecast period.