

Court File No.: CL-26-00000362-0000

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

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 2055226 ONTARIO
INC., ALLIANCE (SUTTON) INC., BERKSTAR DEVELOPMENT INC., ROSE SUTTON LIMITED
PARTNERSHIP AND ROSE OPERATING I GP INC.**

MARSHALLZEHR GROUP INC.

Applicant

- and -

**2055226 ONTARIO INC., ALLIANCE (SUTTON) INC., BERKSTAR DEVELOPMENT INC., ROSE
SUTTON LIMITED PARTNERSHIP and ROSE OPERATING I GP INC.**

Respondents

**REPORT OF BDO CANADA LIMITED
IN ITS CAPACITY AS PROPOSED MONITOR**

AUGUST 16, 2026

TABLE OF CONTENTS

INTRODUCTION.....	3
PURPOSE OF REPORT.....	4
DISCLAIMER AND TERMS OF REFERENCE.....	4
QUALIFICATIONS OF PROPOSED MONITOR TO ACT.....	5
BACKGROUND	6
CASH FLOW FORECAST	9
PROPOSED DIP FACILITY	11
PROPOSED COURT APPOINTED CHARGES	14
PROPOSED STAY OF PROCEEDINGS	16
ENHANCED POWERS OF THE MONITOR.....	16
COMEBACK HEARING	18
CONCLUSION AND RECOMMENDATION.....	19

APPENDICES

Appendix “A” – Cash Flow Forecast

Appendix “B” – DIP Loan Analysis as at August 1, 2026

INTRODUCTION

1. 2055226 Ontario Inc. ("**205 Ontario**" or the "**Debtor**") is the registered owner and developer of a real estate development project located in Georgina, Ontario (the "**Project**"). The Proposed Monitor (defined below) understands that under a Co-Owners Agreement (defined below), 205 Ontario is the bare trustee. The Proposed Monitor also understands that Alliance (Sutton) Inc. ("**Alliance**"), Berkstar Development Inc. ("**Berkstar**"), and Rose Sutton Limited Partnership ("**Rose LP**") by its general partner Rose Operating I GP Inc. ("**Rose GP**") are the Beneficial Owners of the Project.
2. MarshallZehr Group Inc. ("**MarshallZehr**" or the "**Applicant**") is an Ontario corporation which provides syndicated construction and development financing to borrowers that require a combination of bank-alternative and mezzanine debt. MarshallZehr is the senior secured creditor and the mortgage administrator in respect of the Project. As at August 13, 2026, MarshallZehr is owed approximately \$42.9 million under the Credit Facility (as defined herein).
3. BDO Canada Limited ("**BDO**" or the "**Proposed Monitor**") understands that MarshallZehr intends to make an application (the "**Application**") to the Ontario Superior Court of Justice (Commercial List) (the "**Court**") returnable August 18, 2026, seeking an Initial Order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") in respect of the Respondents to, amongst others things:
 - a) declare that 205 Ontario, Alliance, Berkstar and Rose GP (collectively, the "**Respondents**") are parties to which the CCAA applies;
 - b) extend the benefits and protections of the CCAA proceedings to Rose LP;
 - c) appoint BDO as the monitor in the proposed CCAA proceedings, with the powers set out in the Proposed Initial Order;
 - d) grant an initial stay of proceedings in respect of the Respondents, Rose LP and Alliance Homes (in its capacity as construction manager of the Project) until and including August 28, 2026;
 - e) grant the Monitor certain enhanced powers necessary to preserve, protect and exercise control over the Respondents' property;
 - f) approve the execution by the Monitor of an interim financing term sheet (the "**DIP Facility**") to be provided by MarshallZehr to the Respondents in order to finance the completion of certain Phase 1 homes and to fund restructuring costs, pursuant to a DIP facility term sheet to be entered into by the Proposed Monitor, on behalf of the Respondents (the "**DIP Term Sheet**") including an initial advance of not more than \$800,000; and

- g) approve the Administration Charge and DIP Lender's Charge (as both terms are defined below) in the Proposed Initial Order.
- 4. The Proposed Monitor understands the primary purpose of the CCAA proceedings is to ensure 205 Ontario has the necessary working capital to re-commence construction operations while exploring options to maximize the value of the Project.

PURPOSE OF REPORT

- 5. This report (the "**Pre-Filing Report**") has been prepared by BDO as the Proposed Monitor of the Respondents in the CCAA proceedings. The purpose of the Report is to provide the Court with information pertaining to:
 - a) BDO's qualifications to act as Monitor of the Respondents (in such capacity, the "**Monitor**");
 - b) background information in respect of the operations, financial position and creditors of 205 Ontario, based on information currently available to the Proposed Monitor;
 - c) the cash flow projections for 205 Ontario (the "**Cash Flow Forecast**") for the period from August 17, 2026 to November 15, 2026 (the "**Forecast Period**");
 - d) summarize the key terms of the proposed DIP Term Sheet to be made available to the Respondents from MarshallZehr in the maximum principal amount of \$2,000,000;
 - e) the charges proposed in the Proposed Initial Order; and
 - f) the Proposed Initial Order and the proposed enhanced powers of the Proposed Monitor thereunder.

DISCLAIMER AND TERMS OF REFERENCE

- 6. In preparing this Pre-Filing Report, BDO has relied solely on information and documents provided to it by 205 Ontario and MarshallZehr, and their respective advisors, including unaudited, draft and/or internal financial information, financial projections prepared by 205 Ontario, discussions with management of 205 Ontario ("**Management**"), discussions with MarshallZehr executives and the affidavit of Mr. Sean Atkinson (the "**Atkinson Affidavit**") and the counsel to MarshallZehr (the "**Information**").
- 7. Except as otherwise described in this Pre-Filing Report:
 - a) the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in any manner that would wholly or partially comply with the Canadian Auditing Standards ("**CAS**") pursuant to the *Chartered*

Professional Accountant of Canada Handbook, as such, BDO expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

- b) the Proposed Monitor has not conducted an examination or review of any financial forecasts in a manner that would comply with the procedures described in the *Chartered Professional Accountant of Canada Handbook*.
- 8. Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Pre-Filing Report or relied upon by us in preparing this Pre-Filing Report.
- 9. The Proposed Monitor has requested that Management and the Applicant, to the extent applicable, bring to its attention any significant matters which were not addressed in the course of its specific inquiries. Accordingly, this Pre-Filing Report is based solely on the Information (financial or otherwise) provided by 205 Ontario and the Applicant, as applicable.
- 10. If the Proposed Initial Order is granted, and BDO is appointed as Monitor in the CCAA Proceedings, BDO, in such capacity, intends to make copies of material documents pertaining to the CCAA Proceedings available on its website for the CCAA proceedings at www.bdo.ca/2055226_Ontario. In addition, BDO has arranged for an email address HedgeRoad@bdo.ca through which creditors of the Respondent or other interested parties can make inquiries related to the CCAA proceedings.
- 11. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

QUALIFICATIONS OF PROPOSED MONITOR TO ACT

- 12. BDO is a trustee within the meaning of section 2(1) of the Bankruptcy and Insolvency Act. Further, BDO is not subject to any of the restrictions on who may be appointed as Monitor as set out in section 11.7(2) of the CCAA.
- 13. BDO has experience acting as CCAA monitor and other court-officer capacities in insolvency proceedings. The senior professional personnel at BDO with primary carriage of this matter are certified Chartered Insolvency and Restructuring Professionals and Licenced Insolvency Trustees and have acted in insolvency matters of similar nature and scale across Canada.
- 14. Should the Court grant the Proposed Initial Order, BDO has consented to act as Monitor. Furthermore, the Proposed Monitor has retained Norton Rose Fulbright Canada LLP ("**Norton Rose**") to act as its independent counsel in these proceedings.

BACKGROUND

15. Detailed information with respect to 205 Ontario's business, operations and causes of insolvency are set out extensively in the Atkinson Affidavit. The Proposed Monitor has reviewed the Atkinson Affidavit and believes, based on the Information available to it, that it provides a fair and sufficient summary of the business and affairs of the Debtor and the causes of its insolvency. The information contained in this Pre-Filing Report represents a summary of the background to the proposed CCAA proceedings.

Debtor's Business

16. The 205 Ontario operates a real estate development business as an Ontario corporation that has its registered office in Schomberg, Ontario. 205 Ontario is registered with the Home Construction Regulatory Authority, which licenses and regulates new home builders and vendors, and with Tarion Warranty Corporation.
17. 205 Ontario owns the real estate development known as the Hedge Road Project which consists of three phases. Phase 1, located at 6213 Black River Road, Georgina, is currently under construction and Phase 2 and Phase 3 which are comprised of vacant land and in the early stages of development. Collectively, the lands comprising Phase 1, 2 and 3 total 92.7 acres, of which 53.4 acres are developable (the "**Property**").
18. According to the Atkinson Affidavit, the Phase 1 Property was planned to consist of a residential development located on the south shore of Lake Simcoe including 144 cottage style bungalow homes, shared waterfront space and a private clubhouse. As of July 15, 2026, the Phase 1 Property had: a) 75 completed and sold units; b) 24 units under construction, 23 of which are subject to agreements of purchase and sale; and c) 45 units where construction has not yet started of which 13 were subject to agreements of purchase and sale.
19. Of the 24 units currently under construction, four (4) units are approximately 30 days from completion, with the next closest group of units estimated by the Debtor to be approximately 60 to 90 days from completion.
20. Construction paused in and around April 2026 due to the financial difficulties encountered and liens being registered against the Phase 1 Property.

Financial Position

21. Included in the Atkinson Affidavit are copies of the unaudited Management prepared financial statements related to the Project for the year ended December 31, 2025 (the "**2025 Financial Statements**").

22. According the 2025 Financial Statements, the Project had total assets of \$60.6 million consisting predominately of development land (\$15.6 million) and property held for development (\$44.5 million). The 2025 Financial Statements also present that the Project had liabilities of \$62.2 million. The liabilities consist predominantly of \$62.2 million in mortgages and loans payable, trade payables of \$8.1 million and deposits on sales (\$1.3 million).

23. The 2025 Financial statements also presents a co-owners deficiency /(loss) of \$11.8 million

Employees

24. The Debtor does not have any employees. Project management and construction oversight functions are currently performed through Alliance Homes in its capacity as Construction Manager.

MarshallZehr Indebtedness

25. MarshallZehr is the principal source of secured financing for the Respondents. The Respondents have entered into two credit facilities (the “**Credit Facilities**”) with MarshallZehr: a secured credit facility in respect of the Phase 1 Property and a secured credit facility in respect of the Phase 2 and 3 Property.

26. As at July 23,2026 MarshallZehr is owed approximately \$42,257,787.43 under the Credit Facilities. MarshallZehr was granted various general security agreements (“**GSA**”) and guarantees pertaining to the Credit Facilities as detailed in the Atkinson Affidavit. The Credit Facilities are summarized in the following chart:

Credit Facility	Property	Principal Loan Amount	Maturity Date	Summary of Security	Amount Outstanding (P&I)
MZGI 427	Phase 1 Property	\$48,553,000 in four tranches: 1. Facility 1 (Construction): \$12,000,000 2. Facility 2A (Land & Servicing): \$25,000,000 3. Facility 2B (Mezzanine): \$7,683,000 4. Facility 2C (Subordinate Mezzanine): \$3,870,000	January 1, 2026	1 st ranking charge on the Phase 1 Property (\$58M), 2 nd ranking charge on Phase 2 and 3 Property (\$58M), and GSAs.	\$19,859,527.12
MZGI 569	Phase 2 and 3 Property	\$16,050,000	March 1, 2026	1 st ranking charge on the Phase 2 and 3 Property (\$19.265M), 2 nd ranking charge on Phase 1 Property	\$22,398,260.31

				(\$19.265M) and GSAs.	
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27. Guarantees were provided in respect of MZGI 427 and MZGI 569 by Alexander Troop, Rose GP, Alliance, Rose LP, and Berkstar (the “**Guarantors**”).

Tarion

28. Pursuant to a deposit trust agreement dated February 14, 2024 among Tarion, 205 Ontario, as vendor, and Goldman Sloan Nash & Haber LLP, as escrow agent, Tarion was granted security over deposit funds paid or to be paid by purchasers of units in respect of the Phase 1 Property. The agreement provides that purchaser deposits of up to \$20,000 per unit are to be held by the escrow agent in a designated trust account, and that the deposit funds, together with prescribed interest, constitute continuing security for the present and future indebtedness and/or liability of 205 Ontario to Tarion in respect of the Project. Under the agreement, 205 Ontario granted Tarion a security interest in and pledged and assigned to Tarion all of its right, title and interest in the deposit funds, and the escrow agent was required to register a PPSA financing statement evidencing Tarion’s security interest in the collateral.

Liens

29. As of July 31, 2026, seven (7) construction liens have been registered against title to the Phase 1 properties in the aggregate amount of approximately \$5.7 million (the “**Lien Amount**”). Additionally, on June 29, 2026, York Region Vacant Land Condominium Corporation No. 1532 registered a condominium lien against the parcel registers for the Phase 1 Property in the amount of \$100,297.
30. As described in the Atkinson Affidavit, Construction Liens have created a significant impediment to the recommencement of construction activities at the Project and construction continues to be delayed. Construction activities have largely ceased since April 2026. In the Proposed Monitor’s view, continued delay in the recommencement of construction increases costs, delays home completions and closings, and may adversely affect the value of the Project.

Other Creditors

31. Based on the Information, 205 Ontario has trade debt of approximately \$10.4 million as at July 31, 2026 (the “**Trade Debt**”). The Trade Debt includes the Lien Amount. Included in the Trade Debt are amounts owing to an entity controlled by a director in the amount of \$121,000.
32. In addition, based on the Information, proposed Monitor understands that 205 Ontario has HST arrears of approximately \$950,000 and that certain pre-sale purchasers have commenced claims seeking recovery of their deposits, termination of their agreements and delayed occupancy compensation.

CASH FLOW FORECAST

33. The proposed cash flow (the “**Cash Flow Forecast**”) has been prepared on a weekly basis for the period August 17, 2026 to November 15, 2026 (the “**Forecast Period**”). The Cash Flow Forecast was prepared with input from Alexander Troop, Martin Simon and the Applicant for the purposes of projecting the Respondent’s liquidity needs during the Forecast Period. The Cash Flow Forecast was prepared using the probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. While the proposed Monitor has reviewed and provided input into the Cash Flow Forecast, given the circumstances of, among others, the beneficial ownership and governance structure of the Project, the proposed Monitor notes that the requisite reports on the proposed Cash Flow Forecast will only be available after further review of the Cash Flow Forecast and upon the granting of the Initial Order. A copy of the Cash Flow Forecast together with accompanying notes are attached hereto as **Appendix “A”**.
34. The Cash Flow Forecast presents that the Respondents will experience net negative cash flow of approximately \$1,391,503 over the first 11 weeks of Forecast Period. However, due to the anticipated closing of homes during weeks 12 and 13, the cash flow, over the Forecast Period is net positive. The foregoing is based upon:
- a) forecasted receipts of \$2,319,570 from closing of four (4) houses during week 6 of the Cash Flow Forecast. No other housing closings are anticipated until weeks 12 and 13. The cash receipts during the first 11 weeks as not sufficient to fund the anticipated costs to be incurred during the Forecast Period;
 - b) forecast distributions of \$2,339,462 relate primarily to direct construction costs including materials and subcontractors;
 - c) restructuring costs are forecast to be approximately \$1,610,000 during the Forecast Period and include both pre-filing and post-filing amounts for the Applicant’s legal counsel and the Proposed Monitor and its legal counsel; and
 - d) HST paid on eligible costs are estimated to be approximately \$513,430.
35. Based on the Cash Flow Forecast, and subject to the assumptions contained therein, the Respondents forecast that they will need interim financing of up to \$2.0 million to fund operations during the CCAA Proceedings, all of which will be repaid by the end of the Forecast Period. It has been assumed that the DIP Term Sheet (which is more fully described below) will be in place upon the commencement of the CCAA Proceedings. Without access to the DIP Facility, the Respondents will not have sufficient liquidity to pay construction operating expenses during the CCAA Proceedings.

36. Pursuant to subsection 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 9 "Cash-Flow Statement", the Proposed Monitor hereby reports as follows:

- a) the Cash Flow Forecast has been prepared by the parties listed above with the assistance of Proposed Monitor, for the purpose described in the Cash Flow Forecast's accompanying notes using probable and hypothetical assumptions set out in notes 1 to 10.
- b) the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied by those individuals listed above. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor has also reviewed it has received from Alexander Troop, the Applicant and others, as applicable, for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.
- c) based on our review, nothing has come to our attention that causes us to believe that, in all material respects:
 - i. the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - ii. as at the date of this Pre-filing Report, the probable assumptions are not suitably supported and consistent with the proposed purpose of these proceedings or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or,
 - iii. the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

37. Since the Cash Flow Forecast 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 results shown in the Cash Flow Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in the Cash Flow Forecast or relied upon in preparing the Cash Flow Forecast.

38. The Cash Flow Forecast has been prepared solely for the purpose described in the notes accompanying the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

PROPOSED DIP FACILITY

39. As noted above, based on the Cash Flow Forecast, the Respondents will require urgent interim financing in order to fund the operations of the Company during the CCAA Proceedings. MarshallZehr Group Inc. has agreed to provide DIP Financing under the following proposed terms:¹

Borrowers	2055226 Ontario Inc., Alliance (Sutton) Inc., Berkstar Development Inc., Rose Sutton Limited Partnership (by its general partner, Rose Operating I GP Inc.) and Rose Operating I GP Inc.
Lender	MarshallZehr Group Inc. (in such capacity, the “ DIP Lender ”)
DIP Facility	A revolving debtor-in-possession loan facility up to the maximum principal amount of \$2,000,000 including an initial advance in an amount of \$800,000.
Permitted Uses	Only in accordance with the applicable Cash Flow Forecast, including to und the Borrowers’ operating requirements, working capital, general corporate needs and restructuring costs during the CCAA Proceedings.
Interest	12%
Fees	A commitment fee of 2%, earned upon execution and payable on Maturity.
Costs and Expenses	The Borrowers shall pay all reasonable and documented costs and expenses of the DIP Lender, and all Legal Fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant, related to or in connection with the CCAA Proceedings, including, without limitation, reasonable and documented costs and expenses incurred by the DIP Lender in connection with the enforcement of any of the rights and remedies available under the DIP Term Sheet.
Security	DIP Lender’s Charge
Maturity	The earliest of:

¹ Capitalized terms used in this section and not otherwise defined have the meaning given to them in the DIP Term Sheet. The information contained in this section is for informational purposes only.

	(a) the date that is six months from the date of the Initial Advance (or such later date as the DIP Lender in its sole and absolute discretion may agree to in writing with the Borrowers, acting reasonably); (b) the closing of any sale, lease or other type of transfer transaction of any nature or kind in respect of the Borrowers and its assets outside of the ordinary course of business excluding the sale of Phase 1 units in the ordinary course; (c) the date on which (i) the stay of proceedings under the CCAA Proceedings is lifted without the consent of the DIP Lender, or (ii) the CCAA Proceedings are terminated for any reason; (d) the implementation of a plan of compromise or arrangement within the CCAA Proceedings which has been approved by the requisite majorities of the Borrowers' creditors and by an order entered by the Court; (e) the conversion of the CCAA Proceedings into a proceeding under the BIA or into a receivership under the BIA or applicable provincial statute; and (f) an Event of Default under the DIP Term Sheet.
Conditions Precedent to Initial Advance and Subsequent Advances	Initial Advance conditions include: (a) the granting of the Initial Order; including the granting of the DIP Lender's Charge in respect of the Initial Advance and the DIP Lender's Charge having priority over all Liens against the Property, except for the Administration Charge; (b) the Initial Cash Flow Projections being acceptable to the DIP Lender; and (c) execution of the Interim Financing Term Sheet. Additional Advance conditions include: (a) the granting of the ARIO including the increase to the DIP Facility and an increase to the DIP Lender's Charge, and the DIP Lender's Charge having priority over all Liens granted by the Borrowers against their undertaking, property or assets, except for the Administration Charge; (b) the requested Additional Advance being consistent with the Updated Cash Flow Projections for the applicable period, or otherwise expressly agreed by the DIP Lender; and

	(c) no Default or Event of Default having occurred and continuing.
Events of Default	Standard events of default for a DIP financing facility

40. Based on the Cash Flow Forecast, the amount that would be required to be drawn in the first ten days is \$800,000 (the “**Initial Advance**”), which would be used, to fund the following expenses:

- a) Construction Costs (\$199,617): are estimated by the Respondents on a home-by-home basis taking into consideration to remaining work and materials required to complete the homes.
- b) Professional fees (\$435,000): Includes both pre-filing and post-filing amounts for the professional fees of the Proposed Monitor, counsel to the Proposed Monitor, counsel to the Applicant in connection with the CCAA proceedings.
- c) HST paid on Eligible Costs (\$82,500): represents HST of 13% on all eligible costs paid during the Forecast Period.

41. The Cash Flow Forecast has been reviewed by the DIP Lender, which consents to the proposed Initial Advance amount and the use of proceeds to provide funding for the immediate re-commencement of construction of Phase I until units are completed and closed and/or a further increase in the borrowing limit is sought.

42. The Proposed Monitor believes that the terms of the DIP Term Sheet are reasonable in the circumstances and supports the Applicant’s request for the approval of same. When reviewing the reasonableness of the DIP Term Sheet, the Proposed Monitor considered the factors set out in Section 11.2 of the CCAA and notes the following:

- (a) based on the Information available to the Proposed Monitor, the Respondents have a critical and immediate need for interim financing, in the amount of the Initial Advance. Without access to the DIP Facility, the Respondents will be unable to recommence construction, which will delay completion of the otherwise mostly complete homes. The DIP Facility and the DIP Lender’s Charge will allow the Respondents to resume construction of Phase I, including funding amounts required to the Construction Manager, which is immediately required;
- (b) the Proposed Monitor believes that approval of the DIP Facility is in the best interests of the Respondents’ stakeholders and will advance these proceedings. The Proposed Monitor does

not believe that creditors of the Respondents will be materially prejudiced as a result of the approval of the DIP Facility – to the contrary, they should benefit from it as it will allow re-commencement of construction, which will enhance value versus the alternative, which is the ongoing shut down of construction, potentially further eroding value coming from the Project;

- (c) the inclusion of payment of restructuring fees include the considerable time of the Applicant's counsel, the Proposed Monitor and its counsel preparing for the CCAA application and time for which has accrued for several months – if payment of this amount were not included in the Initial Advance, the required amount of the Administration Charge would have to significantly increase;
- (d) on the Application, the Applicant is seeking approval for the Respondents to borrow, and secure only the amounts funded under the Initial Advance, which are those amounts required until the Comeback Hearing (defined below);
- (e) the Proposed Monitor compared the terms of the DIP Facility to other debtor-in-possession facilities approved by the Canadian courts in similar restructuring proceedings since January, 2026. Based on the Proposed Monitor's review, the cost of the proposed DIP Facility, including the proposed commitment and other fees, are within the ranges of similar facilities approved by the Court and other Canadian courts in CCAA proceedings, a comparison of which is attached hereto as **Appendix "B"**;
- (f) the cost of the proposed DIP Facility is lower the current rate of interest being charged by the incumbent financier.

PROPOSED COURT APPOINTED CHARGES

43. The proposed Initial Order contemplates the creation of two (2) charges over the property of the Respondents (collectively, the "**Proposed Charges**"), which are described in more detail below. The proposed Initial Order sets out a detailed priority regime for the Proposed Charges. The Proposed Charges contemplated by the proposed Initial Order are described below in order of priority.

Administration Charge

44. The proposed Initial Order provides a charge on all property of the Respondents in favour of the Monitor, counsel to the Monitor, and the Applicant's counsel as security for their respective professional fees and disbursements rendered in respect of the Respondents and the CCAA Proceedings in the aggregate amount of \$500,000, whether incurred before or after the date of the Initial Order (the "**Administration Charge**").

45. To date, the Applicant's counsel and the Proposed Monitor have incurred professional fees and disbursements in preparation for the CCAA Proceedings. While certain amounts are expected to be paid prior to the Comeback Hearing, it is expected that certain additional amounts will remain outstanding and further fees will be incurred in the period from the Filing Date to the date of the Comeback Hearing with respect to preparing for the Comeback Hearing, communicating with employees and stakeholders with respect to the CCAA Proceedings, and complying with statutory notices, mailings, and communications.
46. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances, having considered the complexity of the CCAA Proceedings, the work that has been completed to date, the engagement terms and anticipated work levels of the Monitor, the Monitor's counsel, and the Applicant's counsel. Prior to the Comeback Hearing, it is expected that there will be significant further time incurred in respect of these proceedings including development of a claims process and a sale and investment solicitation process. The amount of the Administration Charge is limited to an amount necessary to ensure the beneficiaries of the Administration Charge have adequate protection to the date of the Comeback Hearing and is comparable to the size of court-ordered charges approved in comparable insolvency proceedings.
47. The Proposed Monitor anticipates that the Applicant will seek an increase in the Administration Charge at the Comeback Hearing, and further information regarding same will be provided in a future report of the Monitor, subject to the Court granting the Initial Order.

DIP Lender's Charge

48. The proposed Initial Order provides for a DIP Lender's Charge as security for amounts owing under the DIP Facility provided that the borrowings under that facility shall not exceed \$[800,000] (plus interest, fees and expenses) unless permitted by further order of this Court.
49. During the Initial Stay Period, the Respondents expect to borrow \$800,000 from the DIP Facility to fund all necessary payments. The Proposed Initial Order provides a charge on all Property of the Respondents in favour of the DIP Lender in the principal amount of \$800,000 (plus interest, costs and expenses). The Proposed Monitor expects the Applicant to seek an increase of the DIP Lender's Charge to an amount that is currently estimated to be \$2,000,000 at the Comeback Hearing.
50. The DIP Lender's Charge ranks subordinate to the Administration Charge. The Proposed Monitor is of the view that the DIP Lender's Charge represents necessary financing which affords the Respondents the opportunity to maximize realizations from the sale of their assets in an orderly manner, and it does not appear that there will be a material financial prejudice to other stakeholders as a result of the DIP Facility.

51. The Proposed Monitor is of the view that the priority of the Proposed Charges is reasonable in the circumstances and supports the relief sought by the Applicant in this regard.

PROPOSED STAY OF PROCEEDINGS

52. The Applicant is seeking an initial stay period until and including August 28, 2026 (the "**Stay Period**"). The requested Stay Period provides that no proceeding or enforcement process shall be commenced or continued against or in respect of the Respondents or the Monitor, or affecting the business or the property, except with leave of this Court, and any and all Proceedings currently under way against or in respect of the Respondents or affecting the Company or the Property are hereby stayed and suspended pending further order of this Court.
53. The Applicant is also seeking to extend the stay to Alliance Homes and Rose LP. Rose LP is one of the beneficial owners of the Project and a guarantor of the secured debt obligations to MarshallZehr. In respect of Alliance Homes, it is foreseeable lien claimants may attempt to take action against it as Construction Manager, given its role.
54. The Stay Period will allow the Respondents the flexibility required to coordinate their restructuring in a manner that maximizes value for all stakeholders.

ENHANCED POWERS OF THE MONITOR

55. The Proposed Monitor understands that the Applicant has requested that the Monitor be granted certain enhanced powers to ensure that the Debtor can continue to operate during the course of the CCAA Proceedings and to assist with the restructuring or sale of the Property. BDO has consented to such enhanced powers being sought.
56. The enhanced powers of the Monitor are described in the proposed Initial Order and include the authority to, among other things:
- a) take any and all actions and steps to manage, operate and carry on the Debtor's business, or to preserve, protect and exercise control over the Property, or any parts thereof, including, without in any way limiting the generality of the foregoing:
 - i. any actions or steps the Monitor considers necessary or desirable to proceed with an orderly restructuring or liquidation of the Debtor's business;
 - ii. any and all steps of the Respondents authorized by this Order and any other Order made in these proceedings, including making distributions or payments;
 - iii. receive, collect and exercise control over all monies and accounts held by or owing to the Respondents, including any proceeds of the sale of any of the Property;

- iv. entering into any agreements on behalf of and in the name of the Respondents;
 - v. settling, extending or compromising any indebtedness owing to or by the Respondents;
 - vi. purchasing or leasing machinery, equipment, inventories, supplies, premises or other assets to continue the Debtor's business, or any part or parts thereof;
 - vii. exercising any rights of the Respondents;
 - viii. applying for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and in the name of the Respondents;
 - ix. taking any and all corporate governance actions for the Respondents including without limitation the authority to make any Major Decisions (as defined below and in the Co-owners Agreement); and
 - x. execute, assign, issue and endorse documents of whatever nature by and on behalf of the Respondents in respect of any of the Property for any purpose pursuant to this Order;
- b) to report to, meet with and discuss with such affected persons as the Monitor deems appropriate on all matters relating to the Debtor's business and the Property, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;
 - c) oversee and direct the preparation and dissemination of financial and other information of the Respondents in these proceedings, including cash flow statements; and
 - d) perform such other duties or take any steps reasonably incidental to the exercise of these powers.

57. The Proposed Monitor understands that a number of significant decisions relating to the Project are governed by the Co-Owners Agreement dated November 20, 2014, as amended (the "**Co-Owners Agreement**").

58. Pursuant to section 3.2 of that agreement, the following matters require the approval of the Co-Owners (the "**Major Decisions**"):

- a) entering into any activity or business involving the Project; appointing any consultant, expert, architect, engineer or general contractor in respect of the Project;
- b) arranging, entering into or guaranteeing any interim or long-term financing or other borrowing secured by the Project or affecting the interests of the Co-Owners therein;
- c) approving any operating capital, development, renovation or other budget for the Project, including price lists for houses;

- d) where not authorized in an Approved Budget, entering into or amending any contracts, or expending funds for any item relating to the Project;
- e) approving all insurance coverages procured for the Project;
- f) entering into any transaction whereby all or substantially all of the Project or the Co-Owners' Interests therein would be acquired by a Person who is not a party to the Co-Owners Agreement or, where not authorized in an Approved Budget, acquiring or disposing of Project assets;
- g) entering into or amending related-party or non-arm's-length contracts or transactions; making payments from Project revenues or transferring Project assets to Co-Owners or related parties other than as permitted by the Co-Owners Agreement;
- h) settling claims relating to the Project or commencing litigation on behalf of the Co-Owners;
- i) creating or permitting Encumbrances on the Project;
- j) entering into, renewing or amending management, leasing, development, insurance or construction agreements relating to the Project;
- k) any other matter requiring Co-Owner approval under the Co-Owners Agreement; and
- l) entering into an Official Plan Amendment or re-zoning of the Phase 2 or Phase 3 lands.

59. Given the governance structure established by the Co-Owners Agreement and the requirement for unanimous Co-Owner approval in respect of Major Decisions, the Proposed Monitor believes that the enhanced powers sought are necessary and appropriate in the circumstances. The authority to make Major Decisions will permit timely decision-making concerning financing, budgets, construction, development activities, asset dispositions and other matters affecting the Project and will facilitate an orderly restructuring and sale process intended to maximize value for stakeholders.

COMEBACK HEARING

60. Should the Court grant the Proposed Initial Order, the Proposed Monitor understands that the Applicant intends to bring a motion which has been scheduled for 12:30pm (ET) on Friday, August 28, 2026 (the "**Comeback Hearing**") seeking, among other relief, an extension of the stay of proceedings established by the Proposed Initial Order.

61. The Atkinson Affidavit outlines the relief that is currently anticipated to be sought in connection with the Comeback Hearing. Should the Court grant the Proposed Initial Order, BDO (in its then capacity as Monitor) will report to the Court in connection with the Comeback Hearing and such additional relief sought by the Applicant.

CONCLUSION AND RECOMMENDATION

62. For the reasons set out in this Pre-Filing Report, if the Court is satisfied that Respondents are entities to which the CCAA applies, the Proposed Monitor is of the view that the relief requested by the Applicant is both appropriate and reasonable. The relief requested is necessary to allow the Respondents the time needed to seek a restructuring or sale of its assets and to advance the CCAA Proceedings.

63. As such, the Proposed Monitor supports the Applicant's application for CCAA protection and respectively recommends that the Court grant the relief sought in the Initial Order.

This report is respectfully submitted this 16th day of August 2026.

BDO CANADA LIMITED

**In its capacity as Proposed Monitor of in the CCAA Proceedings of
2055226 Ontario Inc. Alliance (Sutton) Inc., Berkstar Development Inc and Rose Operating I GP Inc.
And not in its personal or corporate capacity**

Per:



Josie Parisi, CPA, CA, CBV, CIRP, LIT
Senior Vice President

APPENDIX “A”

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

**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 2055226 ONTARIO
INC., ALLIANCE (SUTTON) INC., BERKSTAR DEVELOPMENT INC., ROSE SUTTON LIMITED
PARTNERSHIP AND ROSE OPERATING I GP INC.
(collectively the "Respondents")**

**REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The attached statement of projected cash flow has been prepared from Alexander Troop, Martin Simon and the Applicant as of the 13th day of August 2026, consisting of the period from August 17, 2026 to November 15, 2026 (the "**Cash Flow Forecast**").

To the best knowledge of BDO Canada Limited in its capacity as proposed monitor of the Respondents, the hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow Forecast described in the notes therein and provide a reasonable basis for the Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 16th day of August 2026.

BDO Canada Limited

**In its capacity as Proposed Monitor in the CCAA Proceedings
of 2055226 Ontario Inc.,
Alliance (Sutton) Inc., Berkstar Development Inc.,
Rose Sutton Limited Partnership and Rose Operating I GP Inc.
And not in its personal or corporate capacity**



Josie Parisi, CPA, CA, CBV, CIRP, LIT
Senior Vice President

Week #		1	2	3	4	5	6	7	8	9	10	11	12	13	13-Week
Week end		23-Aug-26	30-Aug-26	6-Sep-26	13-Sep-26	20-Sep-26	27-Sep-26	4-Oct-26	11-Oct-26	18-Oct-26	25-Oct-26	1-Nov-26	8-Nov-26	15-Nov-26	Total
	Notes														
Cash Receipts:															
Proceeds from house sales	[1]	-	-	-	-	-	2,319,570	-	-	-	-	-	1,654,799	1,635,153	5,609,523
Total Cash Receipts		-	-	-	-	-	2,319,570	-	-	-	-	-	1,654,799	1,635,153	5,609,523
Cash Disbursements:															
Construction Costs	[2]	109,888	89,730	89,730	151,812	75,388	164,416	234,184	374,827	277,957	241,992	194,213	173,836	161,491	2,339,462
Restructuring Costs	[3]	330,000	105,000	205,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	115,000	115,000	215,000	1,610,000
HST paid on eligible costs	[4]	57,185	25,315	38,315	29,486	19,550	31,124	40,194	58,477	45,884	41,209	40,198	37,549	48,944	513,430
Total Cash Disbursements		497,073	220,044	333,044	256,297	169,938	270,540	349,378	508,304	398,842	358,201	349,410	326,385	425,435	4,462,892
Net Cash Flow		(497,073)	(220,044)	(333,044)	(256,297)	(169,938)	2,049,031	(349,378)	(508,304)	(398,842)	(358,201)	(349,410)	1,328,415	1,209,718	1,146,631
Opening Cash Balance		-	102,927	82,882	49,838	43,540	23,603	572,633	223,255	(35,049)	(83,891)	(92,092)	(91,503)	(63,088)	-
DIP funding advance	[5]	600,000	200,000	300,000	250,000	150,000	-	-	250,000	350,000	350,000	350,000	-	-	2,800,000
DIP repayment	[6]	-	-	-	-	-	(1,500,000)	-	-	-	-	-	(1,300,000)	-	(2,800,000)
Ending Cash Balance		102,927	82,882	49,838	43,540	23,603	572,633	223,255	(35,049)	(83,891)	(92,092)	(91,503)	(63,088)	1,146,631	1,146,631

2055226 Ontario Inc.
13-Week Cash Flow Forecast
Notes and Summary of Assumptions

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 2055226 ONTARIO INC., ALLIANCE (SUTTON) INC., BERKSTAR DEVELOPMENT INC., ROSE SUTTON LIMITED PARTNERSHIP AND ROSE OPERATING I GP INC.
(collectively the "Respondents")

Disclaimer

The cash flow (the "**Cash Flow Forecast**") has been prepared with input from Alexander Troop, Martin Simon and the Applicant with the assistance of the Proposed Monitor. In reviewing this cash flow, BDO Canada Limited (the "**Proposed Monitor**") has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material.

There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized. The Cash Flow Forecast is based on certain estimates and assumptions discussed below with respect to operations, including the assumption that the Respondents continue to operate with the protections afforded during the CCAA Proceedings.

The Cash Flow Forecast is presented in Canadian dollars. All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the Report of the Proposed Monitor dated August 14, 2026.

The purpose of the Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Respondents for the period from August 17, 2026 to November 15, 2026 (the "**Forecast Period**"). The Cash Flow Forecast has been prepared with input from Alexander Troop, Martin Simon and the Applicant in consultation with the Proposed Monitor. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 1 – Proceeds from Sale of Houses

The Project is assumed to continue construction over the Forecast Period. Ten houses are anticipated to be completed during the Forecast Period with an estimated total net proceed of \$5,609,523. The net sale proceeds are anticipated to be received as follows:

- a) Four (4) homes are anticipated to close during week 6 with net sale proceeds of \$2,319,570
- b) Three (3) homes are anticipated to closing during week 12 with net sale proceeds of \$1,654,799
- c) Three (3) homes are anticipated to closing during week 13 with net sale proceeds of \$1,635,153

Note 2 – Cost to Complete

CTC are estimated on a home by home basis taking into consideration the remaining work and materials required to complete the specific homes.

Note 3 – Professional fees

Includes both pre-filing and post-filing amounts for the professional fees of the Proposed Monitor, counsel to the Proposed Monitor and counsel to the Applicant in connection with the CCAA proceedings..

Note 4 – HST paid on Eligible Costs

The amount represents HST of 13% on all eligible costs paid during the Forecast Period.

Note 5 – DIP Funding Advances

The Cash Flow Forecast reflects advances under the DIP Facility during the Forecast Period totaling \$2.8 million. The advances including an initial advance in the first week of \$600,000 and smaller advances throughout the Forecast Period ranging from \$150,000 to \$350,000.

Note 7 – DIP Repayment

A full repayment of the DIP Facility is scheduled in the Cash Flow Forecast. Two repayments are scheduled to occur during week 6 and week 12 in the amount of \$1.5 million and \$1.3 million, respectively.

APPENDIX “B”

Approved Debtor-in-Possession Financing Facilities for Canadian Debtors

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Commitment	Interest Rate	Interest Rate
Premier Health of America Inc. et al.	Royal Bank of Canada	CCAA	FTI	June 23, 2026	Quebec	2,500,000.00	12.50%	12.5%
Symphony Homes (Moonlight Sonata) Limited, 1168386 B.C. Ltd., 1197030 B.C. Ltd., 1197062 B.C. Ltd. and 663466 B.C. Ltd.	KingSett Mortgage Corporation	CCAA	AlixPartners	June 17, 2026	British Columbia	27,900,000.00	12.00% per annum, except for the last month of the term and thereafter, where rate is 18.00% per annum	12.0%
464 Eaglecrest Drive Limited Partnership, TCD Developments (Gibsons) Ltd. and 464 Eaglecrest Drive Properties Ltd.	Tru Cooperative Bank	CCAA	FTI	June 8, 2026	British Columbia	6,750,000.00	Prime plus 6%	10.5%
Freshstone Brands Inc.	Garrington Financial Services Inc.	CCAA	Deloitte	June 9, 2026	Ontario	7,000,000.00	Prime plus 10.55%	10.6%
Soerie St-Michel inc. and SSTM Valorisation du bois Inc.	Desjardins and SSTM International Inc.	NOI	EY	May 26, 2026	Quebec	2,950,000.00	12%	12.0%
0993006 B.C. Ltd. and 1014669 B.C. Ltd. (Mortise Nova)	National Bank of Canada	CCAA/ Receivership	A&M	May 25, 2026	British Columbia	350,000.00	NBC prime rate + 5% per annum	9.5%
Ecolomondo Corporation	EDC	CCAA	KPMG	May 21, 2026	Quebec	300,000.00	Prime plus 7.5	12.0%
Warehouse One Clothing Ltd.	Highgate Capital	CCAA	A&M	May 6, 2026	Manitoba	3,000,000.00	10.0	10.0%
Arctic Canadian Diamond Company Ltd. and Burkundy Diamonds (Canada) Limited	Canada Enterprise Emergency Funding Corporation	CCAA	FTI	May 1, 2026	British Columbia	60,000,000.00	14.5	14.5%
THC Biomed Ltd.	2011329 Alberta Ltd.	CCAA	MNP	April 21, 2026	British Columbia	525,000.00	14.0	14.0%
Coast Appliances	Syndicate of secured lenders	CCAA	PwC	April 17, 2026	British Columbia	2,000,000.00	10.2	10.2%
Storage Limited	Pillar Capital Corp.	CCAA	Thornton	March 12, 2026	Nova Scotia	350,000.00	1.25% monthly	15.0%
Massive Hash Factory Ltd., CannMart Inc., and ANC Inc.	1001546386 Ontario Inc.	CCAA	MNP	February 27, 2026	Alberta	1,500,000.00	15.00%	15.0%
XTM Inc. (CSE:PAID) and Everyday People Payments Inc.	Pateno Payments Inc.	CCAA	Fuller Landau	February 27, 2026	Ontario	2,300,000.00	12.00%	12.0%
Darwynn Ltd.	2379338 Ontario Inc.	CCAA	EY	February 26, 2026	Ontario		9.50%	9.5%
Trion Battery Technologies Inc.	Rockford Equity PTY Ltd.	CCAA	FTI	February 20, 2026	Alberta	---	13.50%	13.5%
Sweet Berry Farms Ltd.	Libra Finance Company	CCAA	Grant Thornton	February 17, 2026	Newfoundland	350,000.00	8.75%	8.8%
D & D Catering Limited	CIBC	NOI	MNP	February 13, 2026	Nova Scotia	130,000.00	Prime plus 5%	9.5%
Canwest Tanks and Ecological Systems Ltd	TD Bank	NOI	MNP	February 12, 2026	British Columbia	250,000.00	Prime plus 5%	9.5%
LJM Developments (Hamilton) Inc.	RCM Capital Syndication SPV III LP by its general partner RCM (2023) GP Inc. or its assignees	CCAA	Schwartz Levitsky Feldman	February 10, 2026	Ontario	2,500,000.00	15.50%	15.5%
Steve's Music Store Inc.	4470133 Canada Inc.	NOI	EY	February 4, 2026	Quebec	250,000.00	10.00%	10.0%
Toys "R" Us (Canada) Ltd.	2625229 Ontario Inc.	CCAA	A&M	February 3, 2026	Ontario	20,000,000.00	13.00%	13.0%
Ayurcann Holdings Corp. and Ayurcann Inc.	Auxly Cannabis Group Inc.	CCAA	A&M	January 30, 2026	Ontario	2,000,000.00	12.00%	12.0%

Low	8.8%
High	15.5%
Mid-point	12.0%

Notes:

Note [1]: Source - Insolvency Insider DIP Tracker - July 2026

Note [2] - Prime rate as at August 5, 2026 = 4.75%

MARSHALLZEHR GROUP INC.

Applicant

-and-

Court File No. **CL-26-00000362-0000**
**2055226 ONTARIO INC., ALLIANCE (SUTTON) INC., BERKSTAR
DEVELOPMENT INC., ROSE SUTTON LIMITED PARTNERSHIP and
ROSE OPERATING I GP INC.**

Respondents

**ONTARIO
SUPERIOR COURT OF JUSTICE
PROCEEDING COMMENCED AT
TORONTO
(COMMERCIAL LIST)**

**REPORT OF BDO CANADA LIMITED
IN ITS CAPACITY AS PROPOSED MONITOR
AUGUST 16, 2026**

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