AlixPartners

No. S-267204
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

BANK OF MONTREAL

PETITIONER

AND

CANSTAR RESTORATIONS LIMITED PARTNERSHIP by its general partner CANSTAR RESTORATIONS GP INC., CANSTAR RESTORATIONS GP INC. AND L.U.N.A RESTORATIONS INC.

RESPONDENTS

FIRST REPORT OF ALIXPARTNERS RESTRUCTURING, INC. AS RECEIVER AND MANAGER

October 7, 2026

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AlixPartners

1.0 Introduction

1. Pursuant to an order (the "**Receivership Order**") of the Supreme Court of British Columbia (the "**Court**") granted on September 28, 2026 (the "**Filing Date**"), AlixPartners Restructuring, Inc. ("**AlixPartners**") was appointed as receiver and manager (the "**Receiver**") of Canstar Restorations Limited Partnership ("**Canstar LP**"), Canstar Restorations GP Inc. ("**Canstar GP**" and together with Canstar LP, "**Canstar**") and L.U.N.A Restorations Inc. ("**LUNA**", and together with Canstar, the "**Debtors**") and their property, assets and undertaking.

2. Following the issuance of the Receivership Order, the Receiver learned that a number of trades and subcontractors in Alberta and Saskatchewan had taken the position that they were entitled to file or register lien claims in those provinces because the Receivership Order was issued by the Supreme Court of British Columbia, the language contained in the Receivership Order (and in particular paragraph 8 thereof) did not prohibit the registration of liens in Provinces beyond British Columbia, and the language in that paragraph made specific reference to the BC *Builders' Lien Act*, SBC 1997, c 45 but not similar legislation in Alberta and Saskatchewan. Accordingly, on October 2, 2026, pursuant to an application by the Petitioner, the Bank of Montreal ("**BMO**"), the Court issued an amended receivership order (the "**Amended Receivership Order**") that replaced paragraph 8 of the Receivership Order with the following:

> *No Proceeding against or in respect of the Debtors or the Property, including claims under the Builders Lien Act, SBC 1997, c 45, the Prompt Payment and Construction Lien Act, RSA 2000, c P-26.4, and The Builders' Lien Act, SS 1984-85-86, c B-7.1 (collectively, the "Lien Acts"), shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtors or the Property are stayed and suspended pending further Order of this Court; provided, however, that nothing in this Order shall prevent any Person from commencing a Proceeding regarding a claim, other than a claim under the Lien Acts, or any of them, that might otherwise become barred by statute or an existing agreement if such Proceeding is not commenced before the expiration of the stay provided by this paragraph and provided that no further step shall be taken in respect of the Proceeding except for service of the initiating documentation on the Debtors and the Receiver. Any lien claim under any of the Lien Acts that might, but for this paragraph, otherwise become barred by statute or an existing agreement if such lien claim is not commenced before the expiration of the stay provided by this paragraph, shall be tolled, extended, and preserved during the pendency of the stay of proceedings imposed by this paragraph, subject to further Order of this Court.*

3. The Receiver has scheduled an application to be heard by the Court on October 8, 2026 for, among other relief, approval of a transaction (the "**Transaction**") that will see the Debtors' business sold to Premium Restoration Ltd. (the "**Purchaser**") pursuant to a share purchase agreement (the "**SPA**") and a reverse vesting order (the "**RVO**").

1.1 Purposes of this Report

1. The purposes of this report (the "**First Report**") are to provide the Court with:

   a) an update since the Filing Date concerning the Receiver's activities, the Debtor's business (the "**Business**") and communication with stakeholders; and

   b) the Receiver's continued recommendation that the Transaction be approved forthwith to minimize any disruption to the Business.

2. This First Report should be read in conjunction with the Receiver's pre-filing report dated September 25, 2026 (the "**Pre-Filing Report**") and the affidavit of Jesse Agassiz (the "**Agassiz Affidavit**"), the representative of BMO, the Debtors' senior secured lender, who swore the affidavit in support of the receivership application. Copies of the Pre-Filing Report, the Agassiz Affidavit and all other Court materials filed in these proceedings can be found on the Receiver's case website at https://cdncases.alixpartners.com/experience/case/canstar. Capitalized terms used but not otherwise defined herein have the meanings given to them in the Pre-Filing Report.

1.2 Restrictions and Qualifications

1. In preparing this First Report, AlixPartners has relied upon the Debtors' unaudited financial information, books and records, and discussions with the Debtors' management ("**Management**"), BMO's representatives and its legal counsel, representatives of Fulcrum, Summit, the Purchaser and various stakeholders and their representatives (the "**Information**").

2. AlixPartners has not audited or otherwise attempted to verify the accuracy or completeness of the Information relied on to prepare this First Report in a manner that complies with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, AlixPartners expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Other than the Court, any party wishing to place reliance on the Information should perform its own diligence.

3. This First Report has been prepared for use by the Court and the Debtors' stakeholders as general information relating to the receivership proceedings and with respect to the approval of the Transaction. This First Report is not appropriate for any other purpose. Neither AlixPartners, in its personal capacity or corporate capacities, nor as Receiver, assumes any responsibility or liability for losses incurred by any party as a result of the circulation, publication, reproduction, or use of this First Report.

2.0 Receiver's Update

1. The Pre-Filing Report discusses, *inter alia*, the Debtors' business, financial position, historical financial performance, the Transaction, the pressures facing the Business as of the Filing Date, as well as the rationale for the recommendation by AlixPartners, as proposed receiver and manager (at the time), that the Transaction be approved by the Court.

2. The Pre-Filing Report also discusses that as of the Filing Date, the Debtors had essentially exhausted their operating loan facility with BMO and that they were in substantial arrears to their trade creditors, and that as a result, the Debtors had limited liquidity to continue to operate in the ordinary course. The Pre-Filing Report sets out that, in the opinion of the Receiver, completion of the Transaction expediently is necessary and in the best interest of the Business, the Debtors, and their stakeholders, including customers, suppliers and employees.

3. To minimize disruption to the Debtors' business, the Transaction is to be completed pursuant to an RVO. The Transaction has several positive attributes including that:

    a) the Transaction provides for the retention of the Retained NWC Liabilities, which generally comprise liabilities owing to trades and operating vendors engaged on active projects, together with any additional liabilities the Purchaser agrees in writing to assume before closing. The Receiver has been advised that representatives of the Purchaser and Management will (if they have not already) be in contact with trade creditors shortly after closing;

    b) the Transaction will see the vast majority of the Debtors' employees retained by the Debtors on terms consistent with their current employment with the Debtors; and

    c) disruption on the Debtors' active projects will be minimized as the Debtors will continue to complete those projects.

4. Since the Filing Date, the Receiver has taken steps to mitigate disruption to the Business. Immediately following its appointment, the Receiver convened a town hall meeting with the Debtors' employees, during which Management and the Receiver discussed the Transaction, the contemplated timing to complete the Transaction, and the effect of the Transaction on the Business and their employment. As noted, Management and the Receiver explained that the Transaction contemplates that almost all employees will continue to be employed by the Debtors on their existing employment terms.

5. The Receiver and its counsel, Fasken Martineau DuMoulin LLP ("**Fasken**") have also been in contact with certain of the Companies' landlords, who were seeking clarification as to the treatment of their leases under the Transaction. The Receiver and/or Fasken have confirmed the contemplated treatment, as applicable, to each landlord with whom they have been in contact, and has sought to clarify their uncertainty resulting from the Transaction. The Receiver has also disclaimed real property leases for those locations which were vacated by the Debtors prior to, or shortly after, the granting of the Receivership Order and are not being retained under the Transaction.

6. Certain landlords have asked for confirmation that any arrears owing under any leases will be paid. As set out in the SPA, the Debtors will pay (from the sale proceeds) any cure costs ("**Cure Costs**") in respect of Retained Contracts (each as defined in the SPA), which would include any rent arrears on any retained lease as of the date of closing (the "**Closing Date**"). The Receiver understands that substantially all contracts are in good standing and the cure costs, if any, are not expected to be significant. The Receiver and/or Fasken have had similar discussions with certain of the Companies' equipment lessors.

7. In addition to the town hall employee meeting, the Receiver, with the assistance of Management, prepared a communication plan that was distributed to the Debtors' stakeholders, including customers, vendors and employees. The intention of these communications was to advise stakeholders of the Transaction, the impact of the Transaction on them, and the primary objective of the receivership, i.e. to expeditiously complete the Transaction so that the Business can continue on a going-concern basis.

8. The Receiver's rationale for seeking Court approval of the Transaction expeditiously has been validated by the response to these proceedings from key stakeholder groups:

    a) several customers have advised that they have deferred contracting the Debtors to perform new projects pending Court approval of the Transaction;

b) vendors have been hesitant to continue to perform work on active projects as they are unclear how their pre-filing obligations will be addressed following closing. Certain vendors threatened to register lien claims in Alberta or Saskatchewan based on their interpretation of the original Receivership Order, which resulted in BMO seeking the Amended Receivership Order. Any long-term disruption in service on active projects could result in difficulties collecting accounts receivable on those projects, to the prejudice of the going-concern value the Transaction is intended to preserve; and

c) employees require certainty concerning terms of their employment from the Purchaser.

9. Contemporaneously with all of the above, the Receiver has been working closely with the Purchaser, BMO, Fulcrum and Management to advance the Transaction. Recognizing the importance of continuity in the Business, the Receiver is pleased to advise that each of these parties is working cooperatively to close the Transaction on October 9, 2026, if the sale is approved by the Court on October 8, 2026.

3.0 Service List Update

1. In consultation with its legal counsel and the Debtors' management, the Receiver prepared the Service List for these proceedings together with input from the respective legal counsel for each of BMO and the Purchaser. The Service List includes, amongst others:

   a) all parties with a security interest registered against one or more of the Debtors at any of the respective Personal Property Registries in British Columbia, Alberta or Saskatchewan, as reflected in the PPR searches attached to the Agassiz Affidavit;

   b) the contract counterparties to a real property lease with one or more of the Debtors, whether the lease agreement is proposed to be a Retained Contract, an Excluded Contract, or a Transition Lease under the Transaction, as advised by the Debtors' management; and

   c) the contract counterparties to approximately 20 key customer contracts with the Debtors, as determined by the Debtors' management, all of which constitute Retained Contracts under the Transaction.

2. The Service List did not include the Debtors' approximately 650 vendors or trades, whether or not such vendor or trade's contract is contemplated to be retained post-closing, as, in the Receiver's view, service on all of these parties would have been not only impracticable, but also unnecessary considering that: i) any outstanding accounts payable held by one of these parties on active job sites is a Retained Liability under the Transaction; or ii) if an Excluded Liability (i.e. an aged account payable on an inactive job site), the parties will retain the same priority they have against the net Transaction sale proceeds now held by ResidualCo, as they currently have against the Debtors.

3. The Receiver understands that details confirming the method of service on the parties to the Service List are set forth in the Affidavit of Service of Jordan Beaulieu sworn October 6, 2026.

4.0 Conclusion and Recommendation

1. As of the date of this First Report, the Receiver is not aware of any stakeholder that opposes the Transaction. The Receiver remains concerned that any delay completing the Transaction could impair the viability of the Business. Accordingly, the Receiver continues to recommend that the Court approve the Transaction for the reasons set out in its Pre-Filing Report and in this First Report.

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All of which is respectfully submitted,

AlixPartners Advisory, Inc.

ALIXPARTNERS RESTRUCTURING, INC.
IN ITS CAPACITY AS RECEIVER AND MANAGER OF
CANSTAR RESTORATIONS LIMITED PARTNERSHIP,
CANSTAR RESTORATIONS GP INC. AND L.U.N.A RESTORATIONS INC.
AND NOT IN ITS PERSONAL CAPACITY