



No. S240195
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, AS AMENDED

AND

IN THE MATTER OF NEXII BUILDING SOLUTIONS INC., NEXII CONSTRUCTION INC,
NBS IP INC., AND NEXII HOLDINGS INC.

PETITIONERS

**FIRST REPORT OF KSV RESTRUCTURING INC.
AS CCAA MONITOR**

January 18, 2024

Contents		Page
1.0	Introduction	1
1.1	Purposes of The First Report	3
1.2	Restrictions	3
1.3	Currency	3
2.0	Background	3
3.0	Sale Process	4
3.1	Sale Process	4
3.2	Solicitation of Interest	4
3.3	Qualified Bids	5
3.4	Sale Process Recommendation	7
4.0	Financial Advisor	8
4.1	Origin Merchant Partners	8
4.2	Origin Engagement Letter	8
5.0	Employee Retention Plan	9
5.1	Key Employee Retention Plan	9
5.2	Key Employee Retention Plan Recommendation	10
6.0	Sealing	11
7.0	Cash Flow	11
8.0	Stay Extension and Related Relief	11
9.0	Court Ordered Charges	12
9.1	Proposed Charges and Priority of the Charges	12
9.2	Administration Charge Increase	13
9.3	Directors' Charge Increase	13
9.4	Interim Lenders' Charge Increase	13
10.0	Monitor's Activities since the Filing Date	14
10.1	Ongoing Projects	15
11.0	Leases	15
12.0	Conclusion and Recommendation	16

Appendices

<u>Appendix</u>	<u>Tab</u>
Sale Process	A
Extended Cash Flow Forecast and Management's Report Thereon	B
Monitor's Report on the Extended Cash Flow Forecast	C

1.0 Introduction

1. Pursuant to an order (the “Initial Order”) issued by the Supreme Court of British Columbia (the “Court”) on January 11, 2024 (the “Filing Date”), Nexii Building Solutions Inc. (“NBSI”) and its wholly owned direct and indirect subsidiaries, Nexii Construction Inc. (“Nexii Construction”), NBS IP Inc. (“NBS IP”), and Nexii Holdings Inc. (“Nexii US” and together with NBSI, Nexii Construction and NBS IP, the “Petitioners” or the “Company”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”), and KSV Restructuring Inc. was appointed monitor of the Petitioners (in such capacity, the “Monitor”).
2. The Petitioners are engaged in the business of developing, constructing and designing building projects using a low-carbon alternative concrete material.
3. The Petitioners operate independently from Omicron Canada Inc., Omicron Construction Management Ltd., Omicron Consulting Ltd., Grant & Sinclair Architects Ltd., Omicron Interiors Ltd., and Omicron Construction Ltd. (collectively, the “Omicron Entities”). The Omicron Entities design, build, and manage the construction of large commercial and residential projects in Western Canada. The Omicron Entities are not petitioners in these CCAA proceedings. Certain protections of the Initial Order were extended to the Omicron Entities due to NBSI’s ownership of a direct and indirect interest in them. The Petitioners and Omicron Entities are collectively referred to as the “Nexii Group”.
4. Pursuant to the Initial Order, the Court, among other things:
 - a) granted a stay of proceedings (the “Stay of Proceedings”) in favour of the Petitioners and the Omicron Entities to and including January 22, 2024 (the “Initial Stay Period”);
 - b) granted the following charges on all of the Petitioners’ current and future assets, property and undertaking (collectively, the “Property”):
 - i. up to the maximum amount of \$500,000 (the “Administration Charge”) to secure the fees and disbursements of the Petitioners’ legal counsel, the Monitor, and its independent legal counsel;
 - ii. up to the maximum amount of \$1,040,000 (the “Directors’ Charge”) in favour of the directors and officers of the Petitioners (the “Directors and Officers”); and
 - iii. up to the maximum amount of USD\$750,000, plus interest, fees and expenses thereon (the “Interim Lenders’ Charge”), in favour of Powerscourt Investments XXV Trust (“Powerscourt Investments”), Trinity Capital Inc. (“Trinity”), Horizon Technology Finance Corporation (“Horizon”) and Horizon Credit II LLC, as lenders (collectively, and in such capacity, the “Interim Lenders”), to secure advances to the Petitioners made following the granting of the Initial Order and prior to the Comeback Hearing (as defined below) pursuant to a debtor-in-possession (“DIP”) facility agreement dated January 10, 2024 (the “DIP Facility”);

- c) provided enhanced powers to the Monitor in these CCAA proceedings; and
 - d) authorized the Petitioners to pay certain pre-filing obligations to essential suppliers, subject to first obtaining consent from the Monitor and the Interim Lenders.
5. On January 11, 2024, the Petitioners commenced proceedings in the United States Bankruptcy Court for the District of Delaware (the "US Court") seeking recognition of this CCAA proceeding as a foreign main proceeding under Chapter 15 of title 11 of the US Bankruptcy Code. On January 16, 2024, the US Court entered an order granting provisional relief in aid of these proceedings.
6. The principal purpose of these CCAA proceedings is to create a stabilized environment to enable the Petitioners to: (i) secure urgently required DIP financing; and (ii) undertake a Court-supervised sale process (the "Sale Process") to enter into a transaction or transactions in respect of the Nexii Group.
7. The comeback hearing is scheduled to be heard on January 22, 2024 (the "Comeback Hearing"). At the Comeback Hearing, the Petitioners are seeking the following orders:
 - a) an order (the "Sale Process Approval Order"), among other things, approving the retention of Origin Merchant Partners ("Origin" or the "Financial Advisor") pursuant to an agreement dated December 22, 2023 between the Petitioners, the Omicron Entities and the Financial Advisor (the "Origin Engagement Letter") and approving the Sale Process to be conducted by the Nexii Group, with the assistance of the Financial Advisor, and under the oversight of the Monitor; and
 - b) an order (the "KERP Order") approving a Key Employee Retention Plan (the "KERP");
 - c) an order sealing various confidential documents;
 - d) an Amended and Restated Initial Order (the "ARIO"), among other things:
 - extending the Stay of Proceedings to and including April 30, 2024;
 - granting charges on the Property in favour of the Financial Advisor to the maximum amount of the Monthly Fee Charge and the Transaction Fee (each as defined below) to secure the payment of the Monthly Fee and the Transaction Fee, respectively, payable under the Origin Engagement Letter (collectively, the "Financial Advisor Charges");
 - granting a charge on the Property for the benefit of the KERP beneficiaries to secure the payments thereunder (the "KERP Charge" and together with the Administration Charge, the Directors' Charge, the Interim Lenders' Charge and the Financial Advisor Charges, the "Charges") in the maximum aggregate amount owed under the KERP;
 - increasing the quantum of the Administration Charge to \$1,500,000;
 - increasing the quantum of the Directors' Charge to \$1,315,000;

- increasing the quantum of the Interim Lenders' Charge to USD\$4,300,000, plus interest, fees and expenses; and
- providing the Petitioners with the right (but not the obligation) to pay rent to landlords in respect of leases that they are no longer using and intend to disclaim immediately.

1.1 Purposes of The First Report

1. The purposes of this report (the "First Report") are to:
 - a) summarize the relief being sought by the Petitioners at the Comeback Hearing;
 - b) provide the Court with an update on the Monitor's activities since the granting of the Initial Order; and
 - c) provide the Monitor's recommendations regarding the relief being sought by the Petitioners at the Comeback Hearing.

1.2 Restrictions

1. In preparing this First Report, the Monitor has relied upon the Petitioners' unaudited financial information, books and records, information available in the public domain and discussions with the Petitioners' management, legal counsel and the Financial Advisor.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial 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, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Extended Cash Flow Forecast (defined herein), as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future-oriented financial information relied upon in this First Report is based upon the Petitioners' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.

1.3 Currency

1. Unless otherwise noted, all currency references in this First Report are in Canadian dollars.

2.0 Background

1. The First Affidavit of Bill Tucker, Chief Executive Officer of NBSI and OCI, sworn January 10, 2024 in support of the CCAA application (the "Tucker Affidavit"), provides, among other things, background information concerning the Nexii Group's business, including reasons for the commencement of these CCAA proceedings. Accordingly, that information is not repeated in this First Report. Capitalized terms used and not defined in this First Report have the meanings given to them in the Pre-Filing Report or the Tucker Affidavit, as applicable.

2. Court materials filed in these proceedings, including the Tucker Affidavit and the Pre-Filing Report, are available on the Monitor’s website at the following link: www.ksvadvisory.com/experience/case/nexii (the “Case Website”).

3.0 Sale Process¹

3.1 Sale Process

1. The purpose of the Sale Process is to solicit interest in a sale for all, or substantially all of the assets and/or business operations of the Nexii Group, including the business or assets of the Omicron Entities. The Sale Process will enable the Nexii Group, with the assistance of the Financial Advisor, and under the oversight of the Monitor, to test the market and pursue a transaction that delivers the highest value for the Nexii Group’s stakeholders.
2. The Sale Process was developed by the Nexii Group in consultation with the Financial Advisor, the Monitor and its counsel, and the Interim Lenders and their counsel. As discussed in the Pre-Filing Report, the Interim Lenders are owed approximately USD\$79 million in pre-filing secured obligations, which amount is owed by each of the Petitioners and each of the Omicron Entities.
3. The key aspects of the Sale Process are summarized below. However, interested parties are strongly encouraged to review the full terms of the Sale Process attached hereto as Appendix “A”.
4. A summary of the Sale Process timeline is as follows:

Milestone	Deadline
Distribution of Teaser Letter and CA	2 days following granting of Sale Process Order (estimated: January 24, 2024)
Distribution of CIM (as defined below)	7 days following granting of Sale Process Order (estimated: January 29, 2024)
Bid Submission Deadline	45 days following granting of Sale Process Order (estimated: March 7, 2024)
Selection of Successful Bid(s) (if any)	55 days following granting of Sale Process Order (estimated: March 18, 2024)
Approval Order ² Closing Date(s)	As soon as practical after selection of Successful Bids As soon as practical after receipt of the Approval Order, but in any event no later than April 30, 2024

5. Each of the milestones can be extended by the Financial Advisor and the Monitor, with the consent of the Interim Lenders.

3.2 Solicitation of Interest

1. The Financial Advisor, in consultation with the Nexii Group, the Monitor, and the Interim Lenders, has prepared a list of potentially interested parties who may have an interest in the Nexii Group (the “Known Potential Bidders”).

¹ Capitalized terms in this section have the meaning provided to them in the Sale Process unless otherwise defined herein.

² The Court dates are subject to Court availability.

2. The Financial Advisor will, under the oversight of the Monitor, and in consultation with the Nexii Group:
 - a) provide the Known Potential Bidders and any other person that has expressed interest, an initial offering summary (the “Teaser Letter”), as well as a draft form of confidentiality agreement (the “Confidentiality Agreement”), by no later than 5:00 P.M. (Pacific Time) two days following the granting of the Sale Process Order. The Teaser Letter and the Confidentiality Agreement will also be provided to any appropriate person who becomes known to the Monitor, the Financial Advisor, or the Nexii Group;
 - b) prepare a confidential information memorandum (“CIM”) by no later than 5:00 P.M. (Pacific Time) seven days following the granting of the Sale Process Order;
 - c) provide the CIM and access to a virtual data room containing diligence information to anyone who has executed the Confidentiality Agreement, in a form acceptable to the Financial Advisor and the Monitor; and
 - d) advise any parties wishing to submit a binding bid that such binding bid must comply with the requirements for a “Binding Bid”, which includes being submitted by the “Bid Submission Deadline” of 5:00 p.m. (Pacific Time) 45 days following the granting of the Sale Process Order.

3.3 Qualified Bids

1. A bidder who submits a “Qualified Bid” shall be referred to as a “Qualified Bidder”. To be a Qualified Bid, a bid must, among other things, meet the following requirements:
 - a) include a letter stating that the bid is irrevocable until the earlier of (i) the obtaining of relevant court approvals and recognitions, or (ii) forty-five (45) days following the Bid Submission Deadline. However, if such bid is selected as the successful bid (the “Successful Bid”) or deemed to be the next highest, best or otherwise most favourable Qualified Bid (the “Backup Bid”), it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid;
 - b) include duly authorized and executed definitive transaction documents, including a purchase and sale agreement which specifies all consideration payable, together with all exhibits and schedules, and any additional agreements as may be required by the Qualified Bidder;
 - c) exclude any request for a break fee, expense reimbursement or similar type of payment/bid protections;
 - d) indicate the purchase price, including the liabilities to be purchased and assumed by the Qualified Bidder;
 - e) indicate whether the bid is *en bloc*, or identify the purchased assets, any excluded assets, and/or any additional assets desired to be included in the Transaction;

- f) include written evidence of the bidder's ability to finance the transaction and satisfy the obligations under the transaction documents, or other evidence satisfactory to allow Origin and the Monitor to make a reasonable determination as to the Qualified Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the Transaction contemplated by the bid;
 - g) contain no conditions with respect to (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) the Qualified Bidder obtaining any financing capital. The bid must include an acknowledgment and representation that the Qualified Bidder has had an opportunity to conduct any and all required due diligence prior to making its bid;
 - h) contain no conditions with respect to any governmental or regulatory approval;
 - i) fully disclose the legal name and identity (including jurisdiction of existence) and contact information of the bidder, full disclosure of its direct and indirect principals, the name(s) of its controlling equity holder(s), and the complete terms of any such participation;
 - j) be accompanied by a refundable cash deposit equal to at least 10% of the consideration to be paid in respect of the bid (the "Deposit"). The Deposit shall be paid to and held by the Monitor in an interest-bearing trust account, to be applied or returned in accordance with the Sale Process, as the case may be;
 - k) contain an allocation of the consideration payable;
 - l) include a closing date of no later than April 30, 2024 (the "Outside Date"), subject to the Sale Process Approval Order having been obtained;
 - m) contain other information that may be reasonably requested by the Financial Advisor or the Monitor;
 - n) include an acknowledgement that the bid is on an "as-is, where-is" basis; and
 - o) be received no later than the Bid Submission Deadline.
2. The Financial Advisor may, with consent of the Monitor and in consultation with the Interim Lenders, waive compliance with one or more of the requirements to qualify a bid as a Binding Bid.
 3. The Financial Advisor and the Monitor shall provide the Interim Lenders with copies of all Qualified Bids received prior to the Bid Submission Deadline.
 4. The Financial Advisor and the Monitor, in consultation with the Nexii Group and the Interim Lenders, will review all Qualified Bids and may select: (i) one or more highest, best or otherwise most favourable Qualified Bids (each, a Successful Bid), and (ii) the next highest, best or otherwise most favourable Qualified Bid (each, a Backup Bid). Subject to the written consent of the Monitor and the Interim Lenders (if the Successful Bid does not provide for payment in full of the Petitioner's secured debt), the Nexii Group may enter into a definitive agreement or agreements (each, a "Binding Final Agreement") with the person(s) who submitted Successful Bid(s). Any Qualified Bidder

selected as a Successful Bid or Back-up Bid will be the Successful Bidder and Back-up Bidder, respectively.

5. The Financial Advisor and the Monitor may, with the written consent of the Interim Lenders (provided the proposed Successful Bid does not provide for payment in full of the Petitioners' secured debt and), aggregate separate Qualified Bids to create one Successful Bid.
6. Upon execution of a Binding Final Agreement in respect of a Successful Bid, the Financial Advisor and the Monitor shall bring an application as soon as reasonably practicable to obtain an order from the Court approving the Binding Final Agreement and may seek recognition of such Sale Approval Order from the US Bankruptcy Court (if required).
7. The Nexii Group, acting through the Monitor, is under no obligation to enter into a Successful Bid, and may, with consent of the Monitor and the Interim Lenders, reject all Qualified Bids.
8. Following the Bid Submission Deadline, copies of the Binding Bids shall be shared by the Financial Advisor and the Monitor with the Interim Lenders. Should none of the Binding Bids received be acceptable to the Interim Lenders, including because such Binding Bids do not provide for the immediate repayment in cash of all outstanding amounts owing in respect of the senior debt owed to the Interim Lenders, the Petitioners, acting through the Monitor, with the consent of the Interim Lenders, may terminate the Sale Process and accept a credit bid (or such other bid) from the Interim Lenders for any part of the Nexii Group.

3.4 Sale Process Recommendation

1. The Monitor recommends that this Court approve the Sale Process Approval Order for the following reasons:
 - a) The Sale Process provides for a marketing of the Nexii Group's business and assets by the Financial Advisor, which is a highly qualified financial advisory and investment banking firm with experience in distressed mergers and acquisitions;
 - b) the Sale Process is transparent, flexible, and is intended to maximize value. It is consistent with sale processes approved by the Court in other insolvency proceedings;
 - c) the Sale Process provides an opportunity to complete one or more transactions that will benefit all stakeholders;
 - d) in the Monitor's view, the duration of the Sale Process is sufficient to allow interested parties to perform the required diligence and submit Qualified Bids. The Monitor notes that the duration of the Sale Process reflects a balance between ensuring that sufficient time is available to identify a value-maximizing transaction and ensuring there is sufficient liquidity to fund these proceedings. Further, the Qualified Bid Deadline can be extended by the Financial Advisor or the Monitor, in consultation with the Interim Lenders, based on the activity levels generated by the Sale Process and whether sufficient cash is available;

- e) as at the date of this First Report, the Monitor is not aware of any objections to the Sale Process; and
- f) the Interim Lenders support the Sale Process.

4.0 Financial Advisor³

4.1 Origin Merchant Partners

1. The Petitioners are seeking the Court's approval of the Origin Engagement Letter. The Financial Advisor will be responsible for all aspects of the marketing of the Nexii Group's business and assets to identify one or more transactions pursuant to the Sale Process, if approved.
2. The Financial Advisor is an independent boutique investment bank that assists middle-market companies and their stakeholders in completing transactions. Prior to the CCAA proceedings, the Interim Lenders and the Nexii Group interviewed four investment bankers and determined that Origin was the best firm to administer the Sale Process based on its experience and its fee structure.

4.2 Origin Engagement Letter

1. A copy of the redacted Origin Engagement Letter is attached as Exhibit "A" of the 2nd Affidavit of William Tucker. The relevant financial terms of the Origin Engagement Letter are as follows:
 - a) **Monthly Fee:** The Financial Advisor is entitled to a fixed cash fee of \$50,000 payable monthly (the "Monthly Fee"). The fee will be credited against the Transaction Fee;
 - b) **Transaction Fee:** In the event of a successful sale transaction, the Financial Advisor will earn a minimum fee that shall not be less than \$800,000 in total, whether a single or multiple transactions are concluded (the "Minimum Fee"). The Financial Advisor can also earn additional compensation based on the transaction value (the "Success Fee") provided that, in the event of a credit bid by the Secured Lenders, Origin shall be entitled to a Transaction Fee equal to the sum of (i) the Minimum Fee; plus (ii) an amount equal to 2.5% of the Transaction Value of the second highest closeable transaction received by a third party.
2. The Petitioners are seeking to seal the criteria for the Success Fee for the reasons detailed in Section 6.0 below. A copy of the unredacted Origin Engagement Letter is attached as Exhibit "A" to the 3rd Affidavit of William Tucker, which the Petitioners are seeking to have sealed by the Court.
3. The proposed ARIO provides for a Monthly Fee Charge and a Transaction Fee Charge to secure the payment of the Monthly Fee and the Transaction Fees, respectively, that may be payable to the Financial Advisor. The Transaction Fee Charge is only secured against the proceeds of sale that may arise in connection with a Transaction.

³ Capitalized terms in this section have the meaning provided to them in the Financial Advisor Agreement, unless otherwise defined herein.

4. The Monitor recommends that the Court approve the Origin Engagement Letter and grant the Financial Advisor Charges for the following reasons:
 - a) the Financial Advisor is highly qualified and has extensive knowledge of the Petitioners' business as it has spent the past few weeks gaining an understanding of the business;
 - b) in the Monitor's view, the fees payable to the Financial Advisor are commercially reasonable and consistent with the market for compensation of this nature;
 - c) the Interim Lenders and the Nexii Group support the retention of Financial Advisor pursuant to the Origin Engagement Letter; and
 - d) in the Monitor's view, it is appropriate, and consistent with existing practice in CCAA proceedings, for the Financial Advisor to have the benefit of Court-approved charges to secure the Monthly Fee and the Transaction Fee.

5.0 Employee Retention Plan

1. As of December 20, 2023, the Petitioners and the Omicron Entities employed 142 and 160 individuals, respectively. The KERP was developed by the Petitioners, with the assistance of the Monitor, to incentivize key employees of the Nexii Group to remain with their respective employers and support the completion of the Sale Process.

5.1 Key Employee Retention Plan

1. The retention of key employees is vital to maintaining the ongoing business operations of the Petitioners, pursuing the Sale Process, and completing a transaction for the benefit of all stakeholders.
2. The primary purpose of the KERP is to motivate and retain the key employees (the "KERP Employees") who may otherwise seek other employment opportunities given the circumstances of these CCAA proceedings by offering them a cash payment (the "KERP Payment") if they remain employed with the Company or the Omicron Entities, as applicable, through the closing of a transaction. If a transaction is consummated, the KERP Payment will become payable to a KERP Employee, less applicable withholdings and deductions, subject to certain terms and conditions.
3. The KERP Payment is paid immediately following the earlier of:
 - a) the closing of one or more transactions pursuant to which all, or substantially all, of the Petitioners' assets are acquired by a purchaser, including the Secured Lenders (the "Transaction Closing"); or
 - b) the date when these CCAA proceedings are terminated by the Court (the "Termination Order").
4. The KERP Employees include senior executives, managers and certain other designated employees with key responsibilities. A confidential summary of the KERP is attached as Exhibit "A" to the 4th Affidavit of William Tucker, which the Petitioners seek to have sealed by the Court (the "Confidential KERP Summary") and the form of letter agreement that will govern a KERP Employee's entitlement to a KERP Payment is attached as Exhibit "B" of the 2nd Affidavit of William Tucker.

5. The total minimum payable under the KERP is \$200,000 if no transaction is completed. If a transaction is completed, the KERP increases based on a percentage of the proceeds, subject to certain exceptions.
6. The KERP Payment is subject to the following key conditions:
 - a) The granting of the ARIO;
 - b) The employee must remain employed with the Petitioners or the Omicron Entities, as applicable, through to the earlier of the Transaction Closing and the Termination Order (the "Vesting Date");
 - c) The employee must fulfill its performance expectations and work a regular schedule through to the Vesting Date. If an employee does not meet performance expectations, voluntarily resigns or retires, or involuntarily separates from the Petitioners or the Omicron Entities, as applicable, for any reason, it will not receive any portion of the KERP Payment, prorated or otherwise; and
 - d) Unscheduled absences for any reason, for more than a defined cumulative length of time, prior to the Vesting Date, will result in a pro-rata reduction of the employee's portion of the KERP Payment.
7. If an employee is terminated without cause at any time after the KERP is approved by this Court, the employee must receive their portion of the KERP Payment as if they had been employed up to the Vesting Date, without pro-rating or adjustment.

5.2 Key Employee Retention Plan Recommendation

1. The Petitioners are seeking approval of the KERP and a corresponding KERP Charge to secure the KERP Payments under the KERP.
2. The Monitor supports the KERP and the corresponding KERP Charge for the following reasons:
 - a) the continued involvement and cooperation of the KERP Employees is critical to the overall success of the Petitioners' restructuring, and the proposed payments under the KERP are required to increase the likelihood that the KERP Employees will continue to facilitate the Petitioners' operations and the conduct of the Sale Process during the pendency of these CCAA proceedings;
 - b) each of the KERP Employees will contribute to these CCAA proceedings by using its existing knowledge and expertise to continue normal course operations and preserve value. In certain cases, the KERP Employees are also critical to the conduct of the Sale Process and restructuring efforts generally. The involvement of these KERP Employees should assist to reduce professional fees, particularly as it relates to involvement in the Sale Process and restructuring matters;
 - c) in the Monitor's view, the KERP Payments under the KERP are reasonable and consistent with the quantum of retention payments approved in other CCAA proceedings;

- d) the Interim Lenders have consented to the KERP; and
- e) the KERP Charge is required to provide the KERP Employees with comfort that the amounts payable to them under the KERP will be paid.

6.0 Sealing

1. The Petitioners are requesting a sealing order in respect of the unredacted Origin Engagement Letter and the Confidential KERP Summary. The Monitor believes it is appropriate to seal the unredacted Origin Engagement Letter until closing of one or more transactions under the Sale Process and the Confidential KERP Summary until further order of the Court, as proposed by the Petitioners. The redaction of the Origin Engagement Letter will protect interested parties from understanding what is defined as “Success” in the Sale Process which could be prejudicial to the process. The Confidential KERP Summary contains sensitive and personal information. Sealing this type of information is consistent with the approach taken in other CCAA proceedings for sensitive information of this nature, protects the privacy of the KERP Employees and will help to avoid any unnecessary disruption or distraction to the Petitioners’ business or Sale Process that such disclosure may cause. The Monitor does not believe that any stakeholder will be prejudiced if the information in the unredacted Origin Engagement Letter or Confidential KERP Summary is sealed.

7.0 Cash Flow

1. Pursuant to the terms of the Initial Order, the Petitioners were authorized to borrow up to a maximum of US\$750,000, plus interest, fees and expenses under the DIP Facility until the Comeback Hearing. At present, based on positive timing variances in the collection of certain receipts and the payment of certain disbursements, the Monitor understands the Petitioners will require a second draw on the DIP Facility in the week ending January 27, 2024.
2. A copy of the cash flow projection through to the Comeback Hearing was prepared by the Petitioners, with the assistance of the Monitor, and attached to the Pre-Filing Report. An extended cash flow forecast from January 22, 2024 through to April 30, 2024 (the “Extended Cash Flow Forecast”), and the Petitioners’ statutory report thereon pursuant to Section 10(2)(b) of the CCAA is attached hereto as Appendix “B”. The Extended Cash Flow Forecast indicates that the Petitioners will have sufficient liquidity to operate their business during the Stay Period, provided that they have access to the full DIP Facility (US\$4.3 million).
3. Based on KSV’s review of the Extended Cash Flow Forecast, the cash flow assumptions appear reasonable. The Monitor’s report on the Extended Cash Flow Forecast is attached as Appendix “C”.

8.0 Stay Extension and Related Relief

1. Pursuant to the Initial Order, the Court granted the Stay of Proceedings to and including January 22, 2024. The Petitioners are requesting an extension of the Stay of Proceedings to and including April 30, 2024, to align the expiry of the Stay of Proceedings with the timeline of the Sale Process.

2. The Monitor supports the request for an extension of the Stay of Proceedings and believes that it is appropriate in the circumstances for the following reasons:
 - a) the Petitioners are acting in good faith and with due diligence;
 - b) the proposed extension will allow the Petitioners the necessary time to conduct and complete the Sale Process;
 - c) the Monitor does not believe that any creditor will be materially prejudiced by the proposed extension of the Stay of Proceedings;
 - d) the Interim Lenders support the extension of the Stay of Proceedings;
 - e) as of the date of this First Report, the Monitor is not aware of any party opposed to an extension of the Stay of Proceedings; and
 - f) the Extended Cash Flow Forecast reflects that the DIP Facility will provide the Petitioners with sufficient liquidity to fund their operations and the costs of these CCAA proceedings through the proposed extension period.

9.0 Court Ordered Charges

9.1 Proposed Charges and Priority of the Charges

1. As detailed below, the Petitioners are seeking increases to the quantum of the Administration Charge, the Directors' Charge, and the Interim Lenders' Charge, and are also seeking approval of the KERP Charge and the Financial Advisor Charges.
2. The Administration Charge, the Interim Lenders' Charge and the Directors' Charge previously granted in these CCAA proceedings rank in priority to all other encumbrances against the Property, other than any Person that was not served with notice of the application for the Initial Order. The Monitor understands that the Petitioners intend to seek priority of these charges over such Persons on notice at the Comeback Hearing.
3. If the Court grants the ARIO and approves the KERP Charge and the Financial Advisor Charges, and the proposed increases to the other Charges previously granted, the priority and amount of the Charges as among them would be as follows:

Priority	Charge	Current	Proposed
First	Administration Charge	500,000	1,500,000
Second	KERP Charge	-	Amount of KERP
Third	Monthly Fee Charge	-	200,00
Fourth	Transaction Fee Charge ⁴	-	Amount of Transaction Fee
Fifth	Interim Lenders' Charge (USD) ⁵	750,000	4,300,000
Sixth	Directors' Charge	1,040,000	1,315,000

⁴ The Transaction Fee Charge will only be secured against the proceed of a transaction or transactions.

⁵ Plus interest, fees and expenses.

9.2 Administration Charge Increase

1. The Initial Order granted an Administration Charge in an amount not to exceed \$500,000 to secure the fees and disbursements of the Monitor, counsel to the Monitor and counsel to the Petitioners from the date of the Initial Order to the Comeback Hearing.
2. The Petitioners are seeking to increase the Administration Charge to \$1,500,000. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the CCAA proceedings and the services to be provided by the professionals, each of whom is necessary to further the restructuring efforts of the Petitioners.

9.3 Directors' Charge Increase

1. The Initial Order approved a Directors' Charge in the amount of \$1,040,000 to secure the indemnity in favour of the Directors and Officers in the Initial Order based on potential exposure for the Directors and Officers during the initial 10-day Stay of Proceedings. The Petitioners are now seeking to increase the Directors' Charge to \$1,315,000.
2. As provided in the table below, the amount of the Directors' Charge was estimated by the Petitioners in consultation with the Monitor, taking into consideration the current vacation pay liability plus the estimated maximum amount at any point in time of the Directors' and Officers' exposure for unpaid payroll and sales taxes, all in accordance with applicable legislation.

(unaudited)	Amount (\$000s)
Payroll, including source deductions	825
Vacation pay	490
Total Directors' Charge	1,315

3. The Monitor has reviewed the backup provided by the Petitioners in respect of the potential obligations to be covered by the Directors' Charge and is of the view that the proposed increase to the Directors' Charge is reasonable in the circumstances as the continued involvement of the Directors and Officers is beneficial to the Petitioners and these proceedings. The basis of these obligations, including the calculation of the Directors' Charge, was described in further detail in the Pre-Filing Report.

9.4 Interim Lenders' Charge Increase

1. The Petitioners are seeking to increase the maximum amount of the Interim Lenders' Charge to the maximum amount of funds available under the DIP Facility, increasing the Petitioners' ability to borrow up to US\$4.3 million, plus interest, fees and expenses.

2. The Monitor is of the view that an increased Interim Lenders' Charge is required, as: (i) the Petitioners are in need of additional liquidity to fund the business; (ii) the Extended Cash Flow Forecast reflecting the liquidity needs under the Interim Lenders' Charge appears reasonable; (iii) the terms of the DIP Facility are reasonable for the reasons set out in the Pre-Filing Report; and (iv) the Interim Lenders are not prepared to provide further advances above and beyond the initial advance under the DIP Facility without the benefit of the increased Interim Lenders' Charge.
3. As set out in the Pre-Filing Report, the Monitor compared terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced in 2022 and 2023. Based on the Monitor's review and analysis, the cost of the DIP Facility is within range of similar facilities of its size approved by the Court and other Canadian courts in CCAA and other restructuring proceedings. The Monitor is of the view that the terms of the DIP Facility are fair and reasonable in the circumstances.

10.0 Monitor's Activities since the Filing Date

1. Since the Filing Date, the Monitor has, among other things:
 - a) corresponded regularly with the Petitioners' legal counsel, Financial Advisor and management team and its own legal counsel regarding all aspects of these CCAA proceedings;
 - b) corresponded with the Petitioners' secured creditors and their counsel;
 - c) worked with the Petitioners to develop and execute a stakeholder communication strategy;
 - d) attended calls with representatives of the Petitioners and their vendors regarding the commencement of these CCAA proceedings and the Sale Process;
 - e) addressed employee-related matters, including assisting the Petitioners with terminating the employment of 33 employees on January 14, 2024;
 - f) mailed the CCAA notice to the Petitioners' known creditors and filed Forms 1 and 2 with the Office of Superintendent of Bankruptcy, as required under the CCAA and the Initial Order;
 - g) posted the CCAA notice, list of creditors and other Court materials on the Case Website;
 - h) arranged for notice of these CCAA proceedings to be published in the *Globe and Mail* as required under the Initial Order;
 - i) monitored the Petitioners' receipts and disbursements and worked with management to develop a daily cash management monitoring process;
 - j) assisted the Financial Advisor to prepare for the launch of the Sale Process;
 - k) reviewed the components of the proposed increased Directors' Charge;

- l) reviewed and commented on the Petitioners' materials filed in support of the relief to be sought at the Comeback Hearing;
- m) responded to service list addition requests; and
- n) prepared this First Report.

10.1 Ongoing Projects

1. In addition to above, the Monitor and the Nexii Group are currently engaged in negotiations with certain existing customers with respect to ongoing projects. Completion of the ongoing projects is pending the outcome of these negotiations and the amount of funding such customers are willing to provide for same. In that regard, as discussed in the Pre-Filing Report, the Interim Lenders are not prepared to fund any losses that would be incurred in connection with completion of these projects. The Monitor will update the Court at the Comeback Hearing on the status of these negotiations.

11.0 Leases

1. The Petitioners are party to various lease agreements for properties located in BC and Saskatchewan (collectively, the "Leased Properties):
 - a) Vancouver Head Office - NBSI is tenant to a lease agreement for the Head Office pursuant to an agreement originally commencing August 1, 2019. NBSI has not paid any monthly occupancy costs since October, 2023 and vacated the Head Office at the start of December, 2023. As of the date of the First Report, approximately \$351,000 of rent is in arrears;
 - b) Squamish Manufacturing Plant - On December 20, 2019, NBSI assumed the Squamish Plant lease, for which BCR Properties Ltd. ("BCR") is the landlord. In May, 2023, with the Nexii Group facing liquidity issues, BCR agreed to defer NBSI's obligation for occupancy rent through to January 1, 2024. As a result, NBSI is currently carrying occupancy rent arrears of \$396,200 as of the date of the First Report. Subsequent to the Initial Order, the Petitioners remitted rent owed for the period January 11 – 31, 2024;
 - c) Squamish Research and Development Facility - NBSI leases a research and development facility from BCR located adjacent to the Squamish Manufacturing Plant (the "R&D Facility"). As of the date of the First Report, rent for the R&D Facility in December and January remains unpaid for total arrears of approximately \$86,800;and
 - d) Moose Jaw Manufacturing Plant - On June 1, 2019, NBSI entered into a lease agreement for a manufacturing plant located in Moose Jaw, Saskatchewan (the "Moose Jaw Lease"). As part of NBSI restructuring efforts, the Nexii Group exited the manufacturing facility in Moose Jaw and stopped remitting payment for monthly occupancy costs in October 2023. As a result, rent arrears for the Moose Jaw Lease total approximately \$80,800 as of the date of the First Report.

2. As noted above, there are rent amounts owing in respect of the Leased Properties. At the time of the Initial Order, the Petitioners no longer actively used the Moose Jaw Manufacturing Plant, the Squamish Research and Development Facility and the Vancouver Head Office (collectively, the “Unoccupied Leases”), and intend to immediately disclaim the Unoccupied Leases following the granting of the ARIO.
3. The process for disclaiming agreements in a CCAA proceeding is governed by section 32 of the CCAA. Accordingly, the Petitioners are permitted to disclaim certain real property lease agreements, provided 30 days notice is given.
4. While the disclaimer notice period and rental payment obligations exist within the Initial Order, this provision is inconsistent with the Petitioners’ intention to disclaim and abandon its interest in certain of the Leased Properties as soon as possible.
5. As a result, the Petitioners are seeking approval from the Court to have the right (but not the obligation) to pay rent. The Petitioners’ intention is not to pay rent for the Unoccupied Leases. The Monitor is supportive of this relief as (i) there is no liquidity available to pay rent at these facilities (ii) rent has not been paid for these facilities for several months so this maintains the status quo, and (iii) to the extent any landlord objects to rent not being paid until the effective date of disclaimer, such landlord may seek relief from the Court.
6. Should the Court grant this relief, the Nexii Group will immediately authorize the applicable landlords to take all steps to re-let the premises. The landlords have been served with a copy of the Petitioners’ application materials and will be served with a copy of this First Report.

12.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Petitioners at the Comeback Hearing.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR OF
NEXII BUILDING SOLUTIONS INC.,
NEXII CONSTRUCTION INC, NBS IP INC., AND
NEXII HOLDINGS INC.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

SALE PROCEDURES
Nexii Building Solutions Inc., Omicron Canada Inc. and others

INTRODUCTION

1. Nexii Building Solutions Inc., Nexii Construction Inc., NBS IP Inc. and Nexii Holdings Inc. (collectively, the "**Petitioners**") obtained protection under the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the Petitioners' proceedings thereunder, the "**CCAA Proceedings**") pursuant to an order (the "**Initial Order**") made by the Supreme Court of British Columbia (the "**CCAA Court**") on January 11, 2024. The benefits of the stay of proceedings granted in favour of the Petitioners pursuant to the Initial Order was extended to Omicron Canada Inc., Omicron Construction Management Ltd., Omicron Consulting Ltd., Omicron Interiors Ltd., Grant & Sinclair Architects Ltd and Omicron Construction Ltd. (collectively, the "**Non-Petitioner Stay Parties**" and together with the Petitioners, the "**Group**").
2. Pursuant to the Initial Order, KSV Restructuring Inc. was appointed as monitor (in such capacity, the "**Monitor**") of the Petitioners in the CCAA Proceedings with certain enhanced powers.
3. Pursuant to proceedings commenced in the United States Bankruptcy Court for the District of Delaware (the "**US Bankruptcy Court**") under Chapter 15, Title 11, of the United States Code, on January 16, 2024, the Petitioners obtained, among other things, recognition of the CCAA Proceedings.
4. On January 22, 2024, the CCAA Court granted: (i) an order amending and restating the Initial Order (the "**ARIO**"), and (ii) an order (the "**Sale Process Order**") authorizing the Monitor to implement a sale process in respect of the Group and their Business and Property (each as defined below) in accordance with the terms hereof (the "**Sale Process**"). Copies of the ARIO and the Sale Process Order can be found at: www.ksvadvisory.com/experience/cases/Nexii.
5. Powerscourt Investments XXV, LP, Trinity Capital Inc. and Horizon Technology Finance Corporation (collectively, the "**Interim Lenders**") have agreed to provide certain interim financing to the Petitioners pursuant to, and in accordance with, a DIP Facility Term Sheet dated January 9, 2024, between the Interim Lenders and the Petitioners and approved by the CCAA Court (the "**Interim Loan**").
6. The Group have retained Origin Merchant Partners ("**Origin**") to, among other things, carry out the Sale Process with the assistance and under the oversight of the Monitor.
7. The purpose of the Sale Process is to solicit interest in one or more sales of all, substantially all, or components of the Group's assets (the "**Property**"), and/or the Group's business operations (the "**Business**"), as a going concern or otherwise. For greater clarity, this may include separate transactions in respect of the assets or business operations of the Petitioners and the Non-Petitioner Stay Parties.
8. As described below, the various deadlines herein may be extended by Origin and the Monitor with the consent of the Interim Lenders. The Monitor will consider extending

such deadlines in the event that the Monitor determines that such an extension will generally benefit the Group's creditors and other stakeholders.

"AS IS, WHERE IS" BASIS

9. Any transaction involving the Property, the Business or the Group (in each case, a "**Transaction**") will be subject only to such representations, warranties, covenants, or indemnities as are expressly included in a Binding Final Agreement (as defined in paragraph 20), but will otherwise be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Group, the Monitor or any of their respective agents, estates, advisors, professionals, employees, directors, partners, or otherwise, including, without limitation, Origin.

TIMELINE

10. The Sale Process shall commence immediately following the issuance of the Sale Process Order. The table below sets out subsequent key deadlines in the Sale Process that interested parties should note:

MILESTONE	DATE
Distribution of the Teaser Letter and Confidentiality Agreement (as defined in paragraphs 11 and 12, respectively)	By no later than 5:00 p.m. (Pacific Time) on January 24, 2024
Distribution of CIM (as defined in paragraph 14)	By no later than 5:00 p.m. (Pacific Time) on January 29, 2024
Bid Submission Deadline	By no later than 5:00 p.m. (Pacific Time) on March 7, 2024,
Selection of Successful Bid(s)	By no later than 5:00 p.m. (Pacific Time) on March 18, 2024
Approval Order (as defined below) - <i>required for all bids involving the Petitioners' Property or Business</i>	As soon as practical after selection of Successful Bid(s) and the execution of the Binding Final Agreement
Closing Date(s)	As soon as practical after receipt of Approval Order (if required), but in any event no later than April 30, 2024

SOLICITATION OF INTEREST

11. Prior to the issuance of the Sale Process Order, in consultation with the Group, the Monitor and the Interim Lenders, Origin will prepare a list of potential bidders (the "**Known Potential Bidders**") who may have interest in a Transaction. Such list will

include both strategic and financial parties who may be interested in acquiring an interest in the Group and/or their assets pursuant to an asset purchase transaction. Concurrently, Origin, in consultation with the Group, the Monitor and the Interim Lenders, will prepare an initial offering summary (the "**Teaser Letter**") notifying the Known Potential Bidders and inviting the Known Potential Bidders to express interest in making a binding bid to acquire an interest in the Group and/or their assets (a "**Binding Bid**").

12. By no later than 5:00 p.m. (Pacific Time) on January 24, 2024, Origin shall distribute to the Known Potential Bidders and any other person that, to the best of Origin's knowledge, has expressed interest in a Transaction, the Teaser Letter, as well as a draft form of confidentiality agreement (the "**Confidentiality Agreement**") that shall inure to the benefit of the person(s) who make(s) a Successful Bid (as defined below) pursuant to the Sale Process. Copies of the Teaser Letter and Confidentiality Agreement shall be provided to any appropriate persons who become known to the Monitor, Origin or the Group after the initial distribution of such documents.
13. Any person (a) who executes a Confidentiality Agreement in form and substance satisfactory to the Monitor and Origin, and (b) whom the Monitor and Origin are satisfied has the financial capabilities and technical expertise to make a viable Binding Bid, shall be deemed to be a qualified bidder (each, a "**Qualified Bidder**").

DUE DILIGENCE

14. Origin will prepare a confidential information memorandum ("**CIM**") by no later than 5:00 p.m. (Pacific Time) on January 29, 2024, describing the opportunity to make a Binding Bid and shall deliver the CIM to each Qualified Bidder as soon as practicable after such person is deemed to be a Qualified Bidder in accordance with the Sale Process.
15. Origin shall provide each Qualified Bidder with information, which may include management presentations, access to an electronic data room, on-site inspections, and other matters or information which a Qualified Bidder may reasonably request from Origin in order to submit a Binding Bid. Origin may designate a representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Origin, the Monitor and the Group are not obliged to furnish any information relating to the Group, the Property or the Business to any person other than to Qualified Bidders. Further, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Monitor, in consultation with the Group, determines such information to represent proprietary or sensitive competitive information that should not be disclosed.

SUBMISSION OF BINDING BIDS

16. Any Qualified Bidder may submit a Binding Bid to Origin and the Monitor at the addresses specified in Schedule "A" on or before 5:00 p.m. (Pacific Time) on March 7, 2024, or such later time and date that Origin and the Monitor may determine, with the prior written consent of the Interim Lenders (the "**Bid Submission Deadline**"). Origin and the Monitor shall forthwith provide copies of any Binding Bids received to the Interim Lenders, subject to paragraph 30.

17. A Binding Bid shall be a "**Qualified Bid**" in the event that:

- (a) for bids requiring Court approval, it includes a letter stating that the bid is irrevocable until the earlier of (i) approval by the CCAA Court and recognition of such approval by the US Bankruptcy Court (if required), and (ii) forty-five (45) days following the Bid Submission Deadline; provided, however, that if such bid is selected as a Successful Bid or the Backup Bid (each as defined below), it shall remain irrevocable until the closing of the Successful Bid or the Backup Bid, as the case may be;
- (b) it includes a duly authorized and executed purchase and sale agreement specifying all consideration payable (including any liabilities to be assumed by the Qualified Bidder), together with all exhibits and schedules, and such ancillary agreements as may be required by the Qualified Bidder with all exhibits and schedules;
- (c) it does not include any request or entitlement to any break fee, expense reimbursement or similar type of payment;
- (d) it indicates the Property included, any of the Property expected to be excluded, and/or any additional assets desired to be included in the Transaction;
- (e) it includes written evidence of a firm, irrevocable commitment for all required funding and/or financing from a creditworthy bank or financial institution to consummate the proposed Transaction, or other evidence of ability to consummate the proposed Transaction that will allow Origin and the Monitor to make a reasonable determination as to the Qualified Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the Transaction contemplated by the bid;
- (f) is not conditional on (i) the outcome of unperformed due diligence by the Qualified Bidder and/or (ii) obtaining any financing capital and includes an acknowledgment and representation that the Qualified Bidder has had an opportunity to conduct any and all required due diligence prior to making its bid;
- (g) it is not conditional upon any governmental or regulatory approval;
- (h) it fully discloses the identity of each person that is bidding or otherwise that will be sponsoring or participating in the bid, including the identification of the Qualified Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- (i) it is accompanied by a refundable cash deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Monitor), in an amount equal to ten percent (10%) of the consideration to be paid in respect of the bid, to be held and dealt with in accordance with the Sale Process;
- (j) it contains an allocation of the consideration payable;
- (k) it includes a closing date of no later than April 30, 2024 (subject to the Approval Order having been obtained, if required);

- (l) it contains other information that may be reasonably requested by Origin or the Monitor;
 - (m) it includes an acknowledgement that the bid is made on an "as-is, where- is" basis and that the bidder has had an opportunity to conduct any due diligence it considers necessary or desirable prior to making its bid and has relied solely on its own independent review, investigation and inspection of the documents, assets to be acquired and the liabilities to be assumed; and
 - (n) it is received by no later than the Bid Submission Deadline.
18. Origin may, with the consent of the Monitor, in consultation with the Interim Lenders, waive strict compliance with one or more of the requirements specified in section 17 and deem any Binding Bid(s) to be a Qualified Bid notwithstanding any non-compliance with the terms and conditions of the Sale Process.

REVIEW OF BINDING BIDS AND SELECTION OF SUCCESSFUL BID(S) AND BACKUP BID(S)

19. Binding Bids will be valued based upon numerous factors, including, without limitation, items such as purchase price and the net value provided by such offer, the claims likely to be created by such offer in relation to other offers, the identity, circumstances and ability of the bidder to successfully complete such transactions, the proposed transaction documents, the effects of the bid on the stakeholders of the Group, factors affecting the speed, certainty and value of the transaction (including, but not limited to, third party contractual arrangements or other consents required to close the transaction), the assets included or excluded from the offer, any related restructuring costs, and the likelihood and timing of consummating such transactions, each as determined by the Monitor, in consultation with the Group and the Interim Lenders.
20. Origin and the Monitor, in consultation with the Group and the Interim Lenders, shall review all Qualified Bids and may select: (i) one or more highest, best or otherwise most favourable Qualified Bids (each, a "**Successful Bid**"), and (ii) the next highest, best or otherwise most favourable Qualified Bid (each, a "**Backup Bid**"). Subject to the prior written consent of the Monitor and, provided the Successful Bid does not provide for payment in full of the Senior Secured Debt (as defined below), the Interim Lenders, the Group may enter into a definitive agreement or agreements (each a "**Binding Final Agreement**") with the person or persons who submitted Successful Bid(s).
21. Any Qualified Bidder that makes a Successful Bid shall be a "**Successful Bidder**" and any Qualified Bidder that makes a Backup Bid shall be a "**Backup Bidder**". Origin or the Monitor will notify each Successful Bidder and Backup Bidder as soon as reasonably practical of the Group's intention to enter into the Binding Final Agreement and the Backup Bid shall remain open until the consummation of the transaction contemplated by the Successful Bid (and, for greater certainty, the Monitor shall be entitled to continue to hold the Deposit in respect of the Backup Bid until such time as the transaction contemplated by the Successful Bid is consummated).

22. The implementation of any Successful Bid involving the Petitioners' Property or Business shall be subject to approval by the CCAA Court and recognition of such approval by the US Bankruptcy Court (if required).
23. The implementation of any Successful Bid involving the Non-Petitioner Stay Parties' Property or Business may be subject to approval by the CCAA Court.
24. Origin and the Monitor may, provided the proposed Successful Bid does not provide for payment in full of the Senior Secured Debt and with the written consent of the Interim Lenders, aggregate separate Qualified Bids to create one "Successful Bid".
25. The Group, acting through the Monitor, shall have no obligation to enter into a Successful Bid, and may, with the consent of the Monitor and the Interim Lenders, reject any or all Qualified Bids.

SALE APPROVAL

26. Upon execution of a Binding Final Agreement in respect of a Successful Bid, the Petitioners, acting through the Monitor, shall bring an application as soon as reasonably practicable to obtain an order from the CCAA Court approving the Binding Final Agreement (the "**Approval Order**") and may seek recognition of such Sale Process Order from the US Bankruptcy Court (if required). All Qualified Bids, other than the Successful Bid(s), if any, shall be deemed rejected as of the date of approval of the Successful Bid(s) pursuant to the Approval Order and seeking recognition of such Sale Process Order from the US Bankruptcy Court (if required).

CONFIDENTIALITY STAKEHOLDER/BIDDER COMMUNICATION AND ACCESS TO INFORMATION

27. All discussions regarding the Sale Process should be directed through Origin or the Monitor. Under no circumstances should management of the Group or any stakeholder of the Group be contacted directly without the prior written consent of the Monitor. Any such unauthorized contact or communication could result in exclusion of the interested party from the Sale Process. For greater certainty, nothing herein shall preclude a stakeholder from contacting potential bidders, with the agreement of Origin and the Monitor, to advise that the Group have commenced the Sale Process and that they should contact Origin if they are interested in participating in the Sale Process.
28. If it is determined by Origin, in consultation with the Monitor and the Group, that it would be worthwhile to facilitate a discussion between one or more Qualified Bidders and a stakeholder or other third party as a consequence of a condition to closing or potential closing condition identified by such Qualified Bidder, Origin may provide such Qualified Bidder with the opportunity to meet with the relevant stakeholder or third party to discuss such condition or potential condition, with a view to enabling such bidder to seek to satisfy the condition or assess whether the condition is not required or can be waived. Any such meetings or other form of communication will take place on terms and conditions considered appropriate by Origin and the Monitor. Origin and the Monitor must be provided with the opportunity to be present at all such communications or meetings.

ACCESS TO INFORMATION AND CREDIT BIDDING BY INTERIM LENDERS

29. Following the Bid Submission Deadline, copies of the Binding Bids shall be shared by Origin and the Monitor with the Interim Lenders. Should none of the Binding Bids received be acceptable to the Interim Lenders, including because such Binding Bids do not provide for the immediate repayment in cash of all outstanding amounts owing in respect of the senior debt owed to the Interim Lenders, the Monitor and Origin, with the consent of the Interim Lenders, may terminate the Sale Process and accept a credit bid (or such other bid) from the Interim Lenders for any part of the Business and/or the Property.
30. Notwithstanding anything contained herein, Origin, the Monitor and the Group, shall not provide the Interim Lenders with any information relating to the Binding Bids, other than the Subject Information (as defined below), unless and until the Interim Lenders confirm to Origin, the Group and the Monitor in writing that if they submit a credit bid in the Sale Process, such bid shall not be for an amount greater than the Senior Secured Debt. For the purposes of this paragraph, "**Subject Information**" shall mean, subject to the Monitor's determination of whether it is appropriate to disclose: (i) the amount and form of consideration payable in respect of the Senior Secured Debt; (ii) the transaction structure and the material conditions to closing contemplated in any Binding Bid; and (iii) any other information the Monitor considers appropriate.
31. The Group's directors and senior management ("**Management**") shall each confirm to the Monitor that they are not, directly or indirectly (including through affiliates or companies in which they control or have a majority ownership interest) participating in the preparation or submission of any bid pursuant to this Sale Process (the "**Independence Confirmation**"). Members of Management that do not provide the Independence Confirmation are deemed to be potential bidders and are not entitled to receive information under this Sale Process, and shall not to attend meetings with, or otherwise communicate with, Qualified Bidders except with the written consent of the Monitor (which maybe provided by email), which consent may be subject to conditions, including requiring Origin and/or the Monitor to attend such meetings or communications.

DEPOSITS

32. All Deposits paid pursuant to this Sale Process shall be held in trust by the Monitor in a non-interest-bearing account. The Monitor shall hold Deposits paid by each Successful Bidder and Backup Bidder in accordance with the terms of the Binding Final Agreement with the Successful Bidder and the Backup Bidder.
33. If a Deposit is paid pursuant to this Sale Process, and the Group, acting through the Monitor, elect not to proceed to negotiate and settle the terms and conditions of a definitive agreement with the person that paid such Deposit, subject to section 34, the Monitor shall return the Deposit to that person.
34. If a Qualified Bidder: (i) breaches any of its obligations under its Qualified Bid, any Binding Final Agreement or the terms of the Sale Process (including the Confidentiality Agreement); or (ii) breaches its obligations under the terms of the Sale Process (including the Confidentiality Agreement) or under the terms of its Qualified Bid if required by the Group to complete such transaction contemplated by its Qualified Bid, then, in each case,

such Qualified Bidder's Deposit will be forfeited as liquidated damages and not as a penalty.

OTHER MATTERS

35. The Sale Process does not, and will not be interpreted to, create any contractual or other legal relationship between the Group, the Monitor or Origin and any Qualified Bidder or any other party, other than as specifically set forth in a Confidentiality Agreement or a definitive agreement that may be signed with the Group.
36. Participants in the Sale Process are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Binding Bid, due diligence activities, and any other negotiations or other actions, whether or not they lead to the consummation of a transaction.
37. Notwithstanding the process and deadlines outlined above with respect to the Sale Process, with the prior consent of the Interim Lenders and the assistance of Origin, the Monitor may, at any time: (i) pause, terminate, amend or modify the Sale Process; (ii) remove any portion of the Business and the Property from the Sale Process; (iii) bring an application to the CCAA Court to seek approval of a sale of, or investment in, all or part of the Property or the Business whether or not such sale or investment is in accordance with the terms or timelines set out in the Sale Process; and (iv) establish further or other procedures for the Sale Process, provided that the service list in the CCAA Proceedings shall be advised of any substantive modification to the procedures set forth herein.

SCHEDULE "A"

Addresses for Deliveries

Any delivery made to Origin pursuant to this Sale Process shall be made to:

Origin Merchant Partners
200 Bay Street, Suite 1300
Toronto, Ontario M5J 2W4

Attention: Andrew Muirhead
Email: andrew.muirhead@originmerchant.com

Any delivery made to the Monitor pursuant to this Sale Process shall be made to:

KSV Restructuring Inc.
220 Bay Street, 13th Floor, PO Box 20,
Toronto, Ontario, M5J 2W4

Attention: Noah Goldstein / Ross Graham
Email: ngoldstein@ksvadvisory.com / rgraham@ksvadvisory.com

With a copy to the Monitor's counsel:

Bennett Jones LLP
100 King Street West, Suite 3400
Toronto, Ontario M5X 1A4

Attention: Sean Zweig / Mike Shakra
Email: zweigs@bennettjones.com / shakram@bennettjones.com

Deliveries pursuant to this Sale Process by email shall be deemed to be received when sent. In all other instances, deliveries made pursuant to this Sale Process shall be deemed to be received when delivered to the address as identified above.

55452780.3

Appendix “B”

Nexii Building Solutions
Projected Statement of Cash Flows
For the Period Ending April 30, 2024
(Unaudited, C\$000s)

	Note	Period Ending												Total			
		27-Jan-24	03-Feb-24	10-Feb-24	17-Feb-24	24-Feb-24	02-Mar-24	09-Mar-24	16-Mar-24	23-Mar-24	30-Mar-24	06-Apr-24	13-Apr-24		20-Apr-24	27-Apr-24	30-Apr-24
Receipts	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements																	
Project costs	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payroll and source deductions	3	196	-	196	-	-	196	-	196	-	196	-	196	-	196	-	1,564
Other operating expenses	4	-	216	-	166	-	166	-	166	-	166	-	166	-	166	-	1,210
Contingency		50	50	50	50	50	50	50	50	50	50	50	25	25	25	25	650
Total Operating disbursements		246	266	246	216	246	216	246	216	246	216	246	191	221	191	221	3,424
Net Cash Flow before the Undermoted		(246)	(266)	(246)	(216)	(246)	(216)	(246)	(216)	(246)	(216)	(246)	(191)	(221)	(191)	(221)	(3,424)
Professional Fees	5	150	150	100	100	100	100	100	100	100	100	100	100	100	100	100	1,600
Net Cash Flow		(396)	(416)	(346)	(316)	(346)	(316)	(346)	(316)	(346)	(316)	(346)	(291)	(321)	(291)	(321)	(5,024)
Opening Cash balance	6	1,756	2,361	1,945	1,600	2,484	2,139	1,823	1,477	2,362	2,016	1,701	2,555	2,264	1,944	1,653	1,756
Net Cash Flow		(396)	(416)	(346)	(316)	(346)	(316)	(346)	(316)	(346)	(316)	(346)	(291)	(321)	(291)	(321)	(5,024)
DIP proceeds	7	1,000	-	-	1,200	-	-	-	1,200	-	-	-	1,200	-	-	150	4,750
Closing cash balance		2,361	1,945	1,600	2,484	2,139	1,823	1,477	2,362	2,016	1,701	2,555	2,264	1,944	1,653	1,483	1,483

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of Nexii Building Solutions Inc., Nexii Construction Inc., NBS IP Inc., and Nexii Holdings Inc. (collectively, the "Petitioners") for the period January 22, 2024 to April 30, 2024 (the "Period").

Hypothetical

2. The projection excludes any receipts and disbursements relating to ongoing projects. The projection assumes these projects will only be completed if the Petitioners are able to reach agreements with the project owners to fund ongoing costs.

Most Probable

3. Includes payroll and benefits for the Petitioners' employees. Projected payroll payments exclude amounts proposed under the KERP.
4. Represents general operating costs, including rent, sales and marketing, software, administrative costs, overhead costs, and other sundry items.
5. Professional fees reflect the fees incurred for the Monitor, its legal counsel, the Petitioners' legal counsel, and the lenders' legal counsel.
6. Projected cash balance as of January 20, 2024, after receipt of \$1 million DIP funding received before the Comeback Hearing.
7. Reflects projected DIP funding to be provided by the Interim Lenders, as defined and pursuant to the terms of the DIP Facility.

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

**AND IN THE MATTER OF NEXII BUILDING SOLUTIONS INC.,
NEXII CONSTRUCTION INC, NBS IP INC., AND NEXII
HOLDINGS INC.**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The management of Nexii Building Solutions Inc., Nexii Construction Inc, NBS IP Inc., And Nexii Holdings Inc. (collectively, the "Petitioners") have developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 18th day of January, 2024 for the period January 22, 2024 to April 30, 2024 ("Cash Flow Forecast"). All such assumptions are disclosed in the notes to the Cash Flow Forecast.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow Forecast as described in Note 1 to the Cash Flow Forecast, and the probable assumptions are suitably supported and consistent with the plans of the Petitioners and provide a reasonable basis for the Cash Flow Forecast.

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 outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow Forecast may not be appropriate for other purposes.

Dated at Vancouver, BC this 18th day of January, 2024.

**NEXII BUILDING SOLUTIONS INC., NEXII CONSTRUCTION INC, NBS IP INC., AND NEXII
HOLDINGS INC.**

A handwritten signature in black ink, appearing to be 'Bill Tucker', written over a horizontal line.

Per: Bill Tucker

Appendix “C”

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

**AND IN THE MATTER OF NEXII BUILDING SOLUTIONS INC.,
NEXII CONSTRUCTION INC, NBS IP INC., AND NEXII
HOLDINGS INC.**

MONITOR'S REPORT ON CASH FLOW STATEMENT

(paragraph 23(1)(b) of the CCAA)

The attached consolidated statement of projected cash-flow of of Nexii Building Solutions Inc., Nexii Construction Inc, NBS IP Inc., and Nexii Holdings Inc. (collectively, the "Petitioners") as of the 18th day January, 2024, consisting of a weekly projected cash flow statement for the period January 22, 2024 to April 30, 2024 (the "Cash Flow Forecast") has been prepared by the management of the Petitioners for the purpose described in Note 1, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management of the Petitioners. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Petitioners or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

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. Accordingly, we express 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 report, or relied upon in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, ON this 18th day of January, 2024.



KSV RESTRUCTURING INC.,

solely in its capacity as the CCAA monitor of
Nexii Building Solutions Inc., Nexii Construction Inc,
NBS IP Inc., and Nexii Holdings Inc.