ADENTRA INC.
Annual Information Form

for the year ended
December 31, 2023

March 15, 2024

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CERTAIN REFERENCES AND GLOSSARY

In this AIF, unless the context otherwise requires, references to “we”, “us”, “our” or similar terms refer to the Company, either alone or together with its subsidiaries, as applicable. The “Glossary of Terms” at page G-1 of this AIF contains definitions of terms used in this AIF.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2023, unless otherwise indicated.

FORWARD LOOKING INFORMATION

Certain statements in this AIF contain forward-looking information within the meaning of applicable securities laws in Canada (“**forward-looking information**”). The words “anticipates”, “believes”, “budgets”, “could”, “estimates”, “expects”, “forecasts”, “intends”, “may”, “might”, “plans”, “projects”, “schedule”, “should”, “will”, “would” and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words.

The forward-looking information in this AIF includes, but is not limited to: expected accrued duties; our belief that the addressable market for our products with industrial manufacturers, Pro Dealers (as defined below), and home centers is significant, and provides us opportunities for both organic and acquisitions based growth; our belief that our geographic diversification helps to mitigate the economic variability that may affect different regions; our diversity from a product participation perspective helps to mitigate risk while introducing flexibility for us to pursue growth in a number of geographies, end-markets, and product types; our belief that our buying strength, combined with our decentralized operating structure, enables us to customize product sourcing for quality, flexibility and price advantage; our belief that our relationships with suppliers provide us with certain business advantages; our belief that the market will typically absorb fluctuations in price for many of our products; our focus on leveraging our size, capabilities and strong financial position to create a world-class distribution company; our strategy to capture market growth and market share in the United States by leveraging our platform and significant resources to create competitive advantages; capitalizing on our strong balance sheet and the significant opportunities in the fragmented architectural building products distribution market to continue growing through acquisitions; the amount and payment of future dividends; improving profitability by enhancing and leveraging our supply chain and partner management strengths, employing technology-enabled solutions, and optimizing our platform; and, our belief that we have the necessary processes in place to ensure the products we sell are compliant with environmental standards, including California Air Resources Board and National Formaldehyde TSCA Title VI standards.

The forecasts and projections that make up the forward-looking information are based on assumptions which include, but are not limited to: the general state of the economy does not worsen; our products are not subjected to negative trade outcomes; we do not lose any key personnel; there is no labor shortage across multiple geographic locations; there are no circumstances, of which we are aware that could lead to the Company incurring costs for environmental remediation; there are no decreases in the supply of, demand for, or market values of our products that harm our business; we do not incur material losses related to credit provided to our customers; we are able to sustain our level of sales and earnings margins; we are able to grow our business long term and to manage our growth; no public health crisis occurs; there are no natural or man-made disruptions to our operations and our customer service centers; no global instability or global supply chain disruptions; environmental, social and governance risks do not adversely affect our reputation and shareholder, employee, customer and third party relationships; climate change does not adversely affect our business and damage our reputation; we are able to integrate acquired businesses; there is no new competition in our markets that leads to reduced revenues and profitability; we can comply with existing regulations and will not become subject to more stringent regulations; no material product liability claims; importation of components or other innovative products does not increase and replace products manufactured in North America; our management information systems upon which we are dependent are not impaired; we are not adversely impacted by disruptive technologies; our information technology systems are not compromised by cyber-attacks; our insurance is sufficient to cover losses that may occur as a result of our operations; and, there are no material exchange rate fluctuations between the Canadian and US dollar that affect our performance.

The forward-looking information is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. The factors which could cause results to differ from current expectations include, but are not limited to: our results are dependent upon the general state of the economy; our products may be subject to negative trade outcomes; we depend on key personnel, the loss of which could harm our business; a labor shortage across multiple geographic locations could harm our business; decreases in the supply of, demand for, or market values of our products could harm our business; we may incur losses related to credit provided to our customers; we may not be able to sustain our level of sales or earnings margins; we may be unable to grow our business long term or to manage any growth; a public health crisis could have significant impacts on our business; we may be adversely affected by any natural or man-made disruptions to our operations and our customer service centers; global instability and global supply chain disruptions; environmental, social and governance risks could adversely affect our reputation and shareholder, employee, customer and third party relationships; climate change could adversely affect our business and damage our reputation; we are unable to integrate acquired businesses; competition in our markets may lead to reduced revenues and profitability; we may fail to comply with existing regulations or become subject to more stringent regulations; product liability claims could affect our revenues, profitability and reputation; importation of components or other innovative products may increase, and replace products manufactured in North America; we are dependent upon our management information systems; disruptive technologies could lead to reduced revenues or a change in our business model; our information systems are subject to cyber securities risks; our insurance may be insufficient to cover losses that may occur as a result of our operations; our credit facility affects our liquidity, contains restrictions on our ability to borrow funds, and imposes restrictions on distributions that can be made by us and certain of our subsidiaries; the market price of our Shares will fluctuate; there is a possibility of dilution of existing Shareholders; exchange rate fluctuations between the Canadian and US dollar could affect our performance; and, other risks described in this AIF.

All forward-looking information in this AIF is qualified in its entirety by this cautionary statement and, except as may be required by law, we undertake no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof.

CURRENCY AND EXCHANGE RATES

In this AIF, unless otherwise indicated, all dollar amounts are expressed in US dollars. References to “$” and “US$” are to US dollars and references to “Cdn$” and “Cdn dollars” are to Canadian dollars.

The following table reflects the high and low rates of exchange for one US dollar, expressed in Canadian dollars, in effect during the periods noted, the rates of exchange at the end of such periods and the average rates of exchange during such periods, based on the Bank of Canada daily exchange rate:

	Year Ended December 31,				
	2023	**2022**	**2021**	**2020**	**2019**
	Cdn$	Cdn$	Cdn$	Cdn$	Cdn$
High for the period	1.3882	1.3856	1.2942	1.4496	1.3600
Low for the period	1.3111	1.2451	1.2040	1.2718	1.2988
Rate at the end of the period	1.3226	1.3544	1.2678	1.2732	1.2988
Average rate for the period	1.3497	1.3011	1.2535	1.3415	1.3269

On March 15, 2024, the Bank of Canada daily exchange rate was Cdn$1.3533 = US$1.00.

CORPORATE STRUCTURE

The Company is a corporation existing under the *Canadian Business Corporations Act*. The full name of the Company is "ADENTRA Inc.". The Company resulted from the amalgamation on January 1, 2012 of Hardwoods Distribution Inc. and 8028362 Canada Inc. The Company changed its name on December 2, 2022 from "Hardwoods Distribution Inc." to "ADENTRA Inc.". The head office of the Company is located at #B340 20161 86th Avenue, Langley, British Columbia V2Y 2C1 and the registered office of the Company is located at 1055 Dunsmuir Street, Suite 3000, Vancouver, British Columbia V7X 1K8.

The Company's principal subsidiaries are:

Name	Jurisdiction of Formation	Percentage Owned
Hardwoods Specialty Products (Washington) Corp.	Washington State	100%
Hardwoods Specialty Products LP	Manitoba	100%
Hardwoods Specialty Products US LP II	Delaware	100%
Hardwoods Specialty Products US LP	Delaware	100%
Mid-Am Holdings, LLC	Delaware	100%
Paxton Hardwoods LLC	Delaware	100%
Novo Building Products Holdings, LLC	Delaware	100%
Rugby Holdings LLC	Delaware	100%

GENERAL DEVELOPMENT OF OUR BUSINESS

We are one of North America's largest distributors of architectural building products through four channels to market: industrial manufacturers, home builder distribution yards ("**Pro Dealers**"), home centers, and architects and designers. The following describes how our business has developed over the last three completed financial years, as well as any changes expected to occur during the current financial year.

2023

On February 13, 2023, we purchased all the assets and certain liabilities of Rojo Distributors ("**Rojo**") for US$1.3 million, subject to working capital adjustments. Rojo is a wholesale distributor of laminate, solid surface and quartz surfacing products and adhesives operating one facility in Lubbock, Texas.

On February 22, 2023, we issued our first sustainability report. The report highlights the progress we have made in our areas of focus, and provides insights into our priorities and business practices to build a strong future for our stakeholders.

On July 19, 2023, we announced the final determination of the United States Department of Commerce with respect to a trade case against hardwood plywood products produced in Vietnam, resulting in expected accrued duties to us of US$15.7 million.

On November 8, 2023, our Directors increased the quarterly dividend from Cdn$0.13 to Cdn$0.14 per Share.

On December 28, 2023, the Toronto Stock Exchange renewed our normal course issuer bid, which provides that we may purchase up to 1,702,309 of our Shares from the period commencing on January 2, 2024 and ending on December 31, 2024.

2022

On February 7, 2022, we purchased substantially all the assets and assumed certain working capital liabilities of Mid-Am Building Supply, Inc. for US$270.0 million, subject to final working capital adjustments. Mid-Am is a supplier of building products, including doors, millwork, and other diversified building materials. At the time of purchase, Mid-Am operated six sales and warehouse facilities in the Midwestern United States.

On February 7, 2022, we increased the size of our senior secured credit facility from its then current size of US$525.0 million to an aggregate amount of up to US$900.0 million. The increased credit facility consists of (i) a revolving credit facility of up to US$500.0 million which can be drawn upon in U.S. dollars and Canadian dollars, and (ii) a term loan of up to US$400.0 million. The increased credit facility was used to refinance debt of certain of our subsidiaries and fund the purchase price for Mid-Am.

On May 12, 2022, Ms. Qi Tang was elected a Director at the Annual General Meeting of Shareholders.

On September 19, 2022, Ms. Charlotte Burke was appointed a Director.

On November 8, 2022, our Directors increased the quarterly dividend from Cdn$0.12 to Cdn$0.13 per Share.

On December 5, 2022, the Company announced it re-branded from Hardwoods Distribution Inc. to ADENTRA Inc. The name change was formally approved at a special meeting of shareholders on December 2, 2022.

On December 29, 2022, the Toronto Stock Exchange renewed our normal course issuer bid, which provides that we may purchase up to 1,735,401 of our Shares from the period beginning on January 3, 2023 and ending on December 31, 2023.

2021

In the first quarter of 2021, we began reporting our financial results in US dollars.

On March 10, 2021, we entered into an agreement to sell substantially all of the assets related to HMI Hardwoods LLC, a sawmill and kiln drying operation located in Clinton, Michigan, to a third party for US$9.0 million.

On June 14, 2021, Mr. E. Lawrence Sauder and Mr. William Sauder resigned as Directors.

On August 3, 2021, we purchased the equity interests in Novo Building Products Holdings, LLC for US$306.0 million, including final working capital adjustments. Novo is a value-added supplier and manufacturer of specialty building products, supplying stair parts, doors, and other specialty millwork products to home centers and Pro Dealers. At the time of purchase, Novo operated a network of 14 facilities primarily in the Eastern and Midwestern United States, Florida and Texas.

On August 3, 2021, we entered into a new senior secured credit facility in the amount of up to US$600.0 million. The new credit facility consists of (i) a revolving credit facility of US$225.0 million which can be drawn upon in U.S. dollars and Canadian dollars, and (ii) a term loan of US$375.0 million. The credit facility was used to refinance the outstanding debt of certain of our subsidiaries and fund the purchase price for Novo.

On November 1, 2021, Mr. George Judd, former Chief Executive Officer of Novo, was appointed a Director.

On November 5, 2021, our Directors increased the quarterly dividend from Cdn$0.10 to Cdn$0.12 per Share.

On December 7, 2021 we completed a bought deal public offering of 2,326,680 Shares, including 303,480 Shares pursuant to the exercise in full of the over-allotment option granted to the underwriters for the offering, for total gross proceeds of Cdn$100,628,910. The proceeds were used to repay certain indebtedness of the Company and for working capital and general corporate purposes.

On December 29, 2021, the Toronto Stock Exchange renewed our normal course issuer bid, which provides that we may purchase up to 1,855,938 of our Shares from the period beginning on December 31, 2021 and ending on December 30, 2022.

OUR INDUSTRY

Overview and Market Characteristics

We define architectural building products as decorative surfaces, composite panels, interior and exterior doors and related millwork, stair parts, mouldings, boards, hardwood plywood, high-grade hardwood lumber, and other architectural building products.

Decorative surfaces and composite panels include high-pressure laminates ("**HPL**"), thermally fused laminates ("**TFL**"), and engineered panels excluding hardwood plywood, such as medium density fiberboard ("**MDF**") and particleboard. HPL consists of a printed décor paper fused to multiple sheets of kraft paper saturated with a melamine resin. Heat and pressure bond the sheets together, which can then be adhered to a core material such as MDF or particleboard using adhesives. TFL consists of the same printed décor paper sheet, fused directly to the core material. MDF is constructed by pressing together a combination of residual wood fibers with a resin. Particleboard is constructed in a similar fashion from wood-based waste materials. MDF and particleboard are the most common core material for HPL and TFL and are also an option for high-grade hardwood veneers. Large North American manufacturers generally produce decorative surfaces and composite panel products for the North American market.

Interior and exterior doors are produced by large North American manufacturers for the North American market. Distributors purchase truckload quantities of door slabs and are able to break bulk, mix and match for sale to contractors, door companies, and other industrial customers. As part of this process, some distributors offer value added services including "pre-hanging" of the doors through the use of light manufacturing equipment. A pre-hanging service can include installation of the door jamb, hardware, and door lites (i.e., glass), among other items.

Stair parts are produced by North American and import mills for the North American market. Distributors purchase truck and container quantities of product for resale in smaller quantities to home centers and Pro Dealers. Manufacturers produce product to be sold directly to the Pro Dealers or installer as well as through a distribution network. Stair parts sold into these channels are comprised of hardwoods, metal, cable, and plywood.

Interior and exterior mouldings are produced by North American and import mills for the North American market. Distributors purchase truck and container quantities of mouldings and for resale in smaller quantities to industrial manufacturers, home centers and Pro Dealers. Certain of our locations will also perform value added services by creating custom moulding packages. Mouldings sold into these customer channels are comprised of hardwood lumber, solid clear pine, finger-joint raw and primed, MDF, and polyvinyl chloride ("**PVC**").

Exterior and interior finish boards are produced by North American and import mills for the North American market. Distributors purchase truck and container quantities of boards and sell by the unit as well as break bulk to home centers and Pro Dealers. Boards sold into these two channels are comprised of #2 spruce, pine, fir (SPF) and eastern white pine, finger-joint primed boards, MDF, hardwoods, and PVC.

Hardwood plywood is an engineered wood panel, constructed with layers of hardwood glued together as its core, with a high-grade hardwood veneer adhered to it. Large North American manufacturers and overseas manufacturers produce hardwood plywood. The high-grade hardwood veneers used generally represent the best 2% of hardwood logs.

High-grade hardwood lumber is produced by North American mills from North American hardwood logs, harvested from hardwood forests principally in the Eastern United States. The hardwood lumber industry is very different from the softwood lumber industry. The hardwood lumber industry consists of a large number of relatively small mills and customers dealing in a wide variety of species of hardwood. Customers use hardwood to manufacture a diverse range of non-structural products for sale to end users. By comparison, the softwood lumber industry involves principally the production and sale of commodity grades of lumber for structural applications in the residential construction and renovation markets. Generally, demand for hardwood is not cyclical and prices fluctuate moderately. High-grade hardwood lumber generally represents the best 15% to 20% of hardwood logs.

Other architectural building products include solid surfaces, cabinet hardware, casework components, cabinets, countertops, adhesives, columns, coatings and tools and accessories. North American mills and manufacturers of varying sizes, depending on the product, generally produce these products.

Architectural building products are generally distributed by third party distributors such as ourselves and are often used in combination with one another by industrial manufacturers, and customers of the home center or Pro Dealer, in the construction of cabinetry, furniture, custom millwork and mouldings, retail point-of-purchase displays, recreational vehicles, office interiors and lobbies, restaurant and bar interiors, schools, hospitals, yacht interiors, and other specialty areas.

We participate in the industry predominantly as a distributor of architectural building products. In 2023 12.4% of our product sales was decorative surfaces, 4.3% was composites, 15.5% was interior and exterior doors, 5.2% was stair parts, 13.0% was mouldings, 9.8% was boards, 16.6% was hardwood plywood, 7.9% was high-grade hardwood lumber, and 15.3% was other architectural building products.

The Role of Distributors in the Industry

The distribution of architectural building products involves hundreds of suppliers and thousands of customers. Suppliers range in scale and typically do not have their own distribution. Distributors purchase inventories of these products from suppliers, for resale in smaller quantities to industrial manufacturers, Pro Dealers, and home centers. Most manufacturers in our industry generally supply these products to a regional market.

Distribution fulfills an important role in the value chain for suppliers, industrial manufacturers, Pro Dealers, and home centers:

- suppliers use distributors to limit their own sales forces, provide an outlet for large quantities of products and reduce their inventories;

- industrial manufacturers are comprised of thousands of small to mid-sized customers that require a wider range of products than they would otherwise be able to purchase from an individual mill, generally on a just-in-time basis;

- Pro Dealers are comprised of smaller and larger customers such as Builders First Source, U.S. LBM, and 84 Lumber, that manufacture and supply building materials to both custom and production home builders. Pro Dealers require us to manage the supply chain and lead times associated with the architectural building products that we sell. Increasingly Pro Dealers generally also want to align with suppliers like us that have a national footprint and that can work with them on an organized and consistent basis across multiple regions; and

- home centers are comprised of building materials retailers such as Lowe's, Marvin's, and McCoy's. The majority of home center customers turn over the aisle to us and require us to be a full category manager. This includes managing the supply chain and lead times associated with the architectural building products that we sell, determining what product to stock in each location, shipping the product to each store and physically replenishing the stock, counting and culling inventory as needed, training home center staff on the product, and supporting e-commerce activities.

Distributors generally provide working capital to the industry, typically by paying suppliers promptly for products while providing financing to customers, some of whom may otherwise have difficulty funding purchases before completion and delivery of their end products.

Service, timely delivery, reliability, consistency of product quality and relationships with customers and suppliers are key factors for success in a distribution business in the architectural building products industry. While price is also important, it is generally not the main factor for a customer as these products generally represent only a small portion of the total cost of the end product. Other costs (including labor, machinery, finishing material, hardware, delivery, installation, distribution and financing) can represent important components of the final cost of the end products. As a result, we believe the market will typically absorb fluctuations in price for many of these products.

The architectural building products industry is fragmented. While there are a number of distributors that operate from multiple locations, most are small, privately held companies serving discrete local markets.

OUR BUSINESS

Overview

For over 60 years we and our predecessor entities have been a pioneer and market leader in building our North American distribution network in what is otherwise a fragmented industry. Today, we are one of the largest distributors by revenue of architectural building products in North America.

As at December 31, 2023, we operated 86 regional customer service centers organized into five flagship brands: Hardwoods, which includes Hardwoods Specialty Products Canada ("**HSP Canada**") and Hardwoods Specialty Products US ("**HSP US**"); Rugby Architectural Building Products ("**Rugby**"); Paxton Hardwoods ("**Paxton**"); Novo Building Products ("**Novo**"); and Mid-Am Building Supply ("**Mid-Am**").

Each of our regional customer service centers consists of a warehouse and associated office space with yard space for deliveries. Rugby, Paxton, HSP US, Novo and Mid-Am use a combination of owned and leased tractors and trailers, and a combination of our own truck drivers and third-party contractors to make deliveries. HSP Canada does not own delivery vehicles and contracts virtually all deliveries with independently owned trucking operators.

We have expanded our facilities through both acquisitions and organic growth. We may open a new facility when sales within a local area reach a sufficient size to warrant the new facility, or if we have an opportunity to expand into a new geographic region. Startup costs for a new facility are generally limited to tenant improvements, office and warehouse equipment, hiring of new employees and inventory.

Approximately 92% of our 2023 sales were generated in the United States and the balance in Canada. See "Currency Considerations".

Our Strengths

We believe that the following factors provide us with a number of competitive advantages:

Customer Channel Breadth. We have over 65,000 customers, including industrial manufacturers, Pro Dealers, and home centers. Most of our competitors do not participate consistently across all of these same classes of customers. We believe the addressable market for our products with these customers is significant, and provides us opportunities for both organic and acquisitions based growth.

Diverse Geographic, End-Market and Product Participation. We are diverse from a geographic perspective with 85 regional customer service centers as of March 15, 2024 located across North America, which limits the effect of market variability in any one particular region. From an end-market perspective, our products end up in the residential, repair and remodel, and commercial construction sectors of the economy. We are also diverse from a product participation perspective, with no product category exceeding 17% of sales. This diversity helps to mitigate risk while introducing flexibility for us to pursue growth in a number of geographies, end-markets, and product types.

Professional Platform. We support our brands in the marketplace with professional sales, product, and business training, technology tools, a large specification sales team targeting architects and designers, strategic marketing and human resources, coordinated vendor management, global sourcing capabilities and compliance services. Our competitors typically do not have our size and scale and are generally unable to provide the same level of operations support that we do.

Leading Market Position. We are a market leader in a fragmented industry. Our North American footprint allows us to provide frequent deliveries to a large number of geographically dispersed customers. Most of our competitors operate from a single location or a few branches in a single geographic region and do not offer our range and consistent quality of architectural building products, frequency of deliveries and customer service.

Ability to Effectively Source Our Products. As one of North America's largest distributors of architectural building products, we believe we are able to negotiate purchases of large quantities of these products on competitive terms and to purchase from worldwide sources through our global sourcing program. We believe our buying strength, combined with our broad and decentralized operating structure, enables us to customize product sourcing for quality, flexibility and price advantage.

Financial Performance. Our financial performance is a reflection of our role in the supply chain: we are larger than the majority of our customers, the majority of our suppliers and most of our competitors. Our accounts receivable and inventory turnover in 2023 was 11.9 and 4.2 times, respectively. We generally pay our suppliers within 10 to 25 days to take advantage of discounts available to us, while providing favorable credit terms to our customers in an industry where working capital is often scarce. Our bad debt net of recoveries as a percentage of sales have averaged approximately 0.08% over the past five years.

Experienced Management Team. We have an experienced management team. The average age of our senior operating management team is 54 and they have been employed by us, or businesses acquired by us, for an average of 18 years. Most of our other managers have gained their experience by working for us.

Pronounced Business Culture. We have worked carefully to develop an entrepreneurial business culture that encourages employees at all levels to think and act like owners. We have developed a culture that permeates our organization, while at the same time maintaining a very decentralized organizational structure. The managers at our customer service centers have considerable autonomy in operations, including purchases of inventory, sales and collections, customer relationships and staff hiring and training.

Our Strategy

We are focused on leveraging our size, capabilities, and strong financial position to create a world-class distribution company. Our strategies to achieve this objective include:

- capturing market growth and market share by leveraging our platform and significant resources to create competitive advantages;

- capitalizing on our strong balance sheet and the significant opportunities in the fragmented architectural building products distribution market to continue growing through acquisitions; and

- improving profitability by enhancing and leveraging our supply chain and partner management strengths, employing technology-enabled solutions, and optimizing our platform.

Customers

Our industrial customers purchase our products to manufacture cabinetry, furniture, custom millwork and mouldings, retail point-of-purchase displays, recreational vehicles, office interiors and lobbies, restaurant and bar interiors, schools, hospitals, yacht interiors, and other specialty areas in the residential, commercial and renovation construction sectors. Our Pro Dealer and home center customers purchase our products and sell them into the retail home improvement channel, custom home builders, and production home builders. In 2023, no single customer accounted for more than 16.2% of our sales, and our ten largest customers represented approximately 25.7%.

We deliver a significant amount of all orders to our customers, thereby minimizing warehouse disruptions that can result from customers visiting our customer service centers to pick up their orders. We provide customers with credit terms. Our policy is to secure credit terms with customers whenever possible by registering security interests in the assets of the customer and obtaining personal guarantees.

Generally, we deliver products to customers on a same or next day basis, enabling our customers to carry minimal inventory. Payment terms vary, but are generally not more than 60 days and we may provide price protection for our customers that enter into fixed price supply contracts with their own customers. Accounts receivables have historically remained outstanding for an average of 35 days. In 2023, accounts receivable remained outstanding an average of 31 days. We utilize credit and collection attorneys as required. Providing credit is a significant service that we provide to our customers.

Suppliers

We maintain hundreds of different supply relationships and are not dependent on any single supplier. In 2023, no single supplier accounted for more than approximately 6.5% of our cost of goods sold, and our ten largest suppliers represented approximately 31.4% of our cost of goods sold.

We have established relationships with many of our suppliers. We believe that these relationships provide us with favourable pricing, product quality and grade selection as well as reliable access to supply. We also have purchase programs with some suppliers that involve proprietary pricing and exclusivity arrangements, such as the exclusive distribution of a particular supplier's product in some or all markets.

Our size enables us to engage in large scale purchases, which often allows us to purchase quantities of our products more competitively or obtain access to a better selection of products. Senior managers at each customer service center are responsible for making their own decisions on purchases, allowing them to address the demands of their regional customer base. Our customer service centers are in communication with each other, providing access to each other's inventory to meet daily customer needs and optimize inventory purchasing across regions. We typically pay for our inventory purchases within 10 to 25 days after arrival, allowing us to realize maximum discounts from invoiced prices.

Our senior management makes regular buying trips to international suppliers in order to foster stronger relationships. We further ensure adequacy and quality of our import supply base through our quality control team located overseas, and research new products to bring to our customers. Approximately one-third of our 2023 pro forma sales mix measured by product source is comprised of the sale of import products, with the remainder coming from North American sources.

Facilities

As at December 31, 2023, we operated 86 regional customer service centers[1]. Our regional customer service centers generally consist of a warehouse and office space, with canopies for level covered loading, standard dock doors and large warehouse loading doors, with yard space for loading and unloading deliveries.

The following table summarizes the locations and sizes (rounded to the nearest thousand) of our HSP Canada, HSP US and Paxton regional customer service centers currently in operation:

[1] Mid-Am's Chillicothe, Missouri customer service center was closed in 2024. As of March 15, 2024, we operate 85 customer service centers.

Location	Size
	(Square feet)
HSP US Business Unit	
Elkhart, Indiana	135,000
Grand Rapids, Michigan	40,000
Mattoon, Illinois	24,000
Minneapolis, Minnesota	70,000
Seattle (Renton), Washington	75,000
Spokane, Washington	22,000
Kapolei, Hawaii	13,000
Portland (Wilsonville), Oregon	38,000
Los Angeles (Perris), California	147,000
Bakersfield, California	23,000
Fresno, California	50,000
Rancho Cordova, California	65,000
Santa Cruz, California	8,000
San Luis Obispo, California	13,000
San Jose, California	40,000
Modesto, California	87,000
Phoenix, Arizona	72,000
Northridge, California	48,000
Livermore, California	72,000
Denver, Colorado	56,000
Grand Prairie, Texas	120,000
Houston, Texas	60,000
San Antonio, Texas	48,000
Leland, North Carolina	130,000
Chicago, Illinois	87,000
Paxton Business Unit	
Cincinnati, Ohio	76,000
Denver, Colorado	71,000
Kansas City, Missouri	88,000
San Antonio, Texas	68,000
HSP Canada Business Unit	
Aldergrove, British Columbia	85,000
Toronto (Brampton), Ontario	123,000
Calgary, Alberta	73,000
Victoria (Duncan), British Columbia	13,000
Edmonton, Alberta	16,000
Kelowna, British Columbia	14,000
Saskatoon, Saskatchewan	17,000
Winnipeg, Manitoba	60,000
TOTAL	**2,247,000**

The following table summarizes the locations and sizes (rounded to the nearest thousand) of our Rugby regional customer service centers currently in operation:

Location	Size (square feet)
Albuquerque, New Mexico[2]	91,000
Amarillo, Texas	18,000
Atlanta, Georgia	114,000
Birmingham, Alabama	63,000
Boise, Idaho	67,000
Carlstadt, New Jersey	40,000
Charlotte, North Carolina	32,000
Chattanooga, Tennessee	29,000
Columbus, Georgia	30,000
Dallas (Grand Prairie), Texas	125,000
Denver, Colorado	79,000
New York (Greenvale/East Hills), New York	75,000
Eastvale, California	52,000
Houston, Texas	41,000
Kansas City, Missouri	59,000
Kernersville, North Carolina	41,000
Las Vegas, Nevada	73,000
Lenexa, Kansas City	106,000
Lubbock, Texas	11,000
Nashville, Tennessee	102,000
Phoenix, Arizona	122,000
Portland, Oregon	92,000
Rockford, Illinois	95,000
Roanoke, Virginia	60,000
Salt Lake City, Utah	127,000
San Antonio, Texas	32,000
Savannah, Georgia	32,000
Stoughton, Massachusetts	76,000
Tampa, Florida	80,000
Wilmington, North Carolina	45,000
TOTAL	**2,009,000**

[2] This location represents two Rugby customer service centers in Albuquerque, New Mexico.

The following table summarizes the locations and sizes (rounded to the nearest thousand) of our Novo regional customer service centers currently in operation:

Location	Size (square feet)	Location	Size (square feet)
Allentown, Pennsylvania	293,000	Corona, California	34,000
Amherst, New Hampshire	217,000	Dallas, Texas	367,000
Archdale, North Carolina	94,000	Lakeland, Florida	207,000
Ball Ground (Atlanta), Georgia	54,000	Puyallup, Washington	51,000
Bowerston, Ohio	196,000	West Valley City, Utah	19,000
Chesapeake, Virginia	122,000	Zeeland, Michigan	222,000
Chicago, Illinois	249,000		
		TOTAL	**2,125,000**

The following table summarizes the locations and sizes (rounded to the nearest thousand) of our Mid-Am regional customer service centers currently in operation:

Location	Size (square feet)	Location	Size (square feet)
Centralia, Illinois	140,000	Mt. Pleasant, Iowa	80,000
Chillicothe, Missouri[3]	40,000	Spring Hill, Kansas	167,000
Moberly, Missouri	252,000		
		TOTAL	**679,000**

On a consolidated basis, the total size of our regional customer service center is 7,060,000 square feet.

With the exceptions of the Paxton regional customer service center in Kansas City, and the Novo regional customer service center in Archdale, which we own, all of our regional customer service centers are leased from third parties. Certain of our leases permit us to terminate the lease before the end of the term. We believe that leasing provides us with flexibility to expand or move within existing markets and the mobility to enter new markets. We have been able to readily secure new locations for our regional customer service centers to meet the requirements of our business. We have historically experienced little cost or disruption in relocating a regional customer service center, and the ability to terminate a lease allows us to continually review options that may enhance our business prospects.

For our regional customer service centers currently in operation, our lease expirations are anticipated as follows: 2 in 2023[4]; 18 in 2024; 18 in 2025; 13 in 2026; 9 in 2027; 6 in 2028; 9 in 2029; 1 in 2030; 2 in 2031; 4 in 2032; and 2 in 2034. We believe that the business carried on at each distribution facility is replaceable and no individual lease or distribution facility is material to our continued business.

Management Information Systems

Our enterprise wide management information system enables sales order entry, inventory location and availability, access to sales history, customer reports and purchasing history, identification of stock levels and supplier lead times, financial reporting including profitability by customer and product, and credit status, statistics and history.

Intellectual Property

We brand (private label) certain of the architectural products that we distribute. We also brand our business units. Branding allows us to differentiate these architectural products and our business units from those of our competitors. We have an ongoing trademark registration program pursuant to which we register certain of our brand names and logos, and certain slogans, in Canada and/or the United States. As of March 15, 2024, our trademark portfolio contained 59 trademark registrations and 19 pending trademark applications. In addition, we have 178 copyright registrations. We have also registered 19 primary domain names for websites that we use in our business, such as ADENTRAgroup.com, DesignOneSource.com, RugbyABP.com, NovoBP.com, Hardwoods-Inc.com and Mid-Am.com. We have a total of 94 (including the 19 primary) derivative domain names that have been registered to protect the primary brands.

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[3] This location was closed in 2024.
[4] Mid-Am's Chillicothe, Missouri location was closed in 2024.

In addition, we have 4 registered patents and 2 pending patents in the United States. These patents relate to registered patents in the United States for Novo and one pending utility patent application. These patent assets relate to baluster attachment mechanisms, staircase newel systems, baluster driver tools and stair drawers.

Employees

At December 31, 2023, we employed 2,828 people, compared to the 3,080 people we employed at December 31, 2022. None of our employees are represented by a union. Our employees are also eligible to participate in our group registered retirement savings plan (RRSP) (for Canada) and our 401(k) plans (for the United States), the majority of which have employer matching provisions.

We encourage our employees to continually learn and develop their skills throughout their career with us and we support our employees' growth by offering learning through ADENTRA University. ADENTRA University provides both product knowledge and business professional skills training through a broad spectrum of learning opportunities including classroom, remote sessions, field trips, coaching and development. Our development program for employees ensures an in-depth knowledge of the industry, products, customers and the sales and distribution process.

Competition

Our distribution business competes on the basis of service, range of products, delivery time and availability of credit. Most of our competitors are small privately held companies serving discrete local markets. There are a limited number of distributors with multiple distribution facilities that compete in the geographic areas in which we operate. Our larger competitors include ECMD Inc., Metrie Inc., Specialty Building Products, LLC, Baillie Lumber Co/National, Wurth Wood Group Inc., Hood Distribution, McKillican Canadian, Inc./McKillican American, Inc., Woodgrain, and Upper Canada/Sierra Forest Products Ltd.

Environmental Matters

Facilities

Our business is subject to federal, state, provincial and local environmental laws, regulations and ordinances that govern activities that may have adverse environmental impacts. Such laws, regulations and ordinances did not have a material impact on our capital expenditures, earnings or competitive position in 2023.

With the exception of certain Novo, Rugby, Mid-Am and Paxton facilities, we do not perform any manufacturing operations in our regional customer service centers and are not subject to special permitting requirements for air, water, solid waste or noise emissions at any of our locations. At a limited number of our US-based Novo, Rugby, Mid-Am and Paxton facilities we carry on light manufacturing operations and assembly and we are required to maintain and comply with federal and state permitting requirements for air, water, solid waste and noise emissions at these locations. We monitor and update permitting as required.

No truck maintenance is performed at any of our regional customer service centers. Forklifts are serviced on-site by outside maintenance companies and contractors are required to carry spill kits for any incidental spills during maintenance. In one manufacturing facility we do perform a limited amount of on-site repair on a single truck. In one manufacturing location we have a maintenance shop for curtain side trailers, we maintain storage of diesel exhaust fluid ("DEF) at this site and two others. No petroleum materials are disposed of at this site or any of our other locations. Solid waste consists primarily of metal strapping, sawdust, wood dunnage, cardboard and plastic packaging materials. We have established procedures to help ensure that waste products are disposed of in compliance with county, state and federal requirements.

All of our facilities are located within regulated, municipal boundaries and are serviced by public water, drainage and sewer systems.

We perform independent Phase I environmental reviews prior to entering into lease agreements where we believe the history of the location justifies such a review. We have not incurred any costs for environmental remediation on current or former regional customer service centers, and are not aware of any circumstances that might lead to such expenses in the future.

Products

The products we distribute are predominantly wood, wood veneer or wood composites. With the increased emphasis on sustainable forestry management by certain of our suppliers and customers, we are generally able to comply with customer requests for certification of products and processes which comply with environmental standards.

At the present time, only a small portion of the products we distribute carry both an environmental and chain of custody certification, although we believe demand for such products will increase in the future. A number of significant producers of hardwood lumber, veneer sheet goods and wood composite products that vendors produce have their woodlands, raw materials and mill operations certified by independent compliance certification agencies and organizations. These include the Sustainable Forestry Initiative (SFI), Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), Bureau Veritas Origine et Légalité des Bois (OLB), Canadian Standards Association, International Organization for Standardization and other recognized groups.

At December 31, 2023, the majority of our regional industrial customer service centers are independently certified to Forest Stewardship Council standards for "chain of custody". Chain of custody ensures that environmental certifications on products purchased from suppliers may be passed onto customers. Although demand from our customers for "chain of custody" products has been minimal to date, we believe that demand will increase due to increased emphasis on "green building" practices, and in particular the Green Building Council's Leadership in Energy and Environmental Design (LEED) standards.

The United States' Lacey Act regulates trade in wood and wood products that are harvested, possessed, transported, sold or exported in violation of the applicable laws of the United States or any other jurisdiction. We have established comprehensive compliance procedures and audit process of our vendors to minimize the risk that we are not sourcing products in compliance with the Lacey Act.

In California, the California Air Resources Board ("**CARB**") in part regulates public exposure to formaldehyde through the establishment of emission performance standards on particleboard, medium density fibreboard and hardwood plywood (collectively known as composite wood products). The regulation requires that finished goods destined for sale or use in California be made using complying composite wood products. We believe we have the necessary processes in place to ensure the products we sell in California are compliant with current CARB standards.

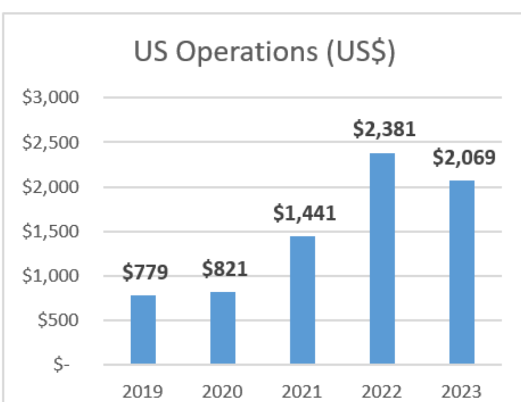
On July 7, 2010, the Formaldehyde Standards for Composite Wood Products Act was adopted in the United States and final rules became effective on May 22, 2017. This statute sets national limits on formaldehyde emission levels from composite wood products generally equal to CARB. We believe we have the necessary processes in place to ensure the products we sell in the United States are compliant with Formaldehyde Standard for Competence of Wood Products Act.

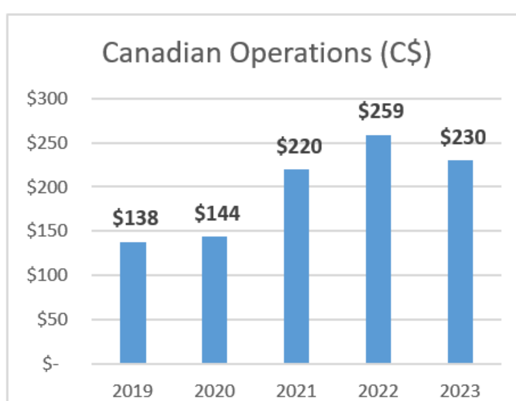
The US Environmental Protection Agency implemented the National Formaldehyde TSCA Title VI standard on June 1, 2018. As of March 22, 2019, composite wood products must be labelled as National Formaldehyde TSCA Title VI compliant. We believe we have the necessary processes in place to ensure the products we sell in the United States are compliant with current National Formaldehyde TSCA Title VI standards.

In California, Proposition 65 was passed in 1987 and updated in 2018. It requires businesses to provide warnings to Californians about significant exposures to chemicals that cause cancer, birth defects or other reproductive harm. These chemicals can be in the products that Californians purchase, in their homes or workplaces, or that are released into the environment. By requiring that this information be provided, Proposition 65 enables Californians to make informed decisions about their exposures to these chemicals. Where required, we believe we are following the labeling requirements for California Proposition 65.

CURRENCY CONSIDERATIONS

We operate an architectural building products distribution business in both the United States and in Canada. Given that we have significant United States operations, we believe that a discussion of historical results and analysis of our exposure to fluctuations in the exchange rate between the Canadian dollar and the US dollar is useful. The following charts illustrate historical sales as recorded in local currencies for each of our previous five financial years:





In the United States, our sales are denominated in US dollars and most of the products we sell, whether purchased from United States suppliers or imported, are paid for in US dollars. The balance of our other costs of providing services and operations, including wages, rents, transportation costs and interest incurred in funding working capital, as well as maintenance capital expenditures, are all incurred in US dollars.

In Canada, we purchase a substantial amount of our products from United States suppliers, and are therefore exposed to fluctuations in the value of the US dollar. The product sales price in Canada typically adjusts for fluctuations in the US dollar prices paid for our products. An appreciation of the Canadian dollar against the US dollar generally reduces the Canadian dollar purchase price that we pay for products from United States suppliers. When these products are resold to our customers in Canada, it is also generally at a lower Canadian dollar equivalent selling price, and accordingly revenues in Canada are effectively reduced. Conversely, an appreciation of the US dollar against the Canadian dollar generally increases the Canadian dollar purchase price that we pay for products from the United States. When these products are resold to our customers in Canada, it is also generally at a higher Canadian dollar equivalent selling price, and accordingly, revenues in Canada are effectively increased. Substantially all other expenses of our operations in Canada are denominated in Canadian dollars, including wages, rents, transportation costs and interest incurred in funding working capital.

We do not maintain a currency hedging program. At present, we do not convert significant cash flows from our US operations to Canadian dollars to pay for any Canadian dollar denominated dividends to Shareholders. To the extent that we did convert cash flows from our US operations to Canadian dollars to pay any Canadian dollar denominated dividends such amounts would be converted from US dollars to Canadian dollars using the applicable spot rates at the time of exchange.

RISK FACTORS

The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business, results of operations and financial condition could suffer.

Our results are dependent upon the general state of the economy.

Our products are sold primarily to manufacturers who utilize the products in a broad range of end uses. These end uses include kitchen cabinets, furniture and other products used in homes, as well as commercial applications including office furnishings, toys, stamps and motorcoach interiors, among others. Accordingly, the demand for our products depends significantly upon the residential and commercial construction markets, industrial manufacturing market and home improvement market. The level of activity in the residential construction market depends on many factors, including the general demand for housing, interest rates, availability of financing, housing affordability, levels of unemployment, shifting demographic trends, gross domestic product growth, consumer confidence, changes in the rate of housing starts, and other general economic conditions. The level of activity in the commercial construction market depends largely on vacancy and absorption rates, interest rates, regional economic outlooks, availability of financing and general economic conditions. Similarly, the industrial manufacturing market and home improvement market depends on interest rates, availability of financing, general economic conditions, consumer confidence and other factors. All of these factors are outside our control. Erosion in levels of activity in any of these markets, including due to cyclical changes in the economy, downturns in the economy, natural disasters, disease outbreaks, terrorist activities or threats or acts of armed conflict (including the conflict between Russia and Ukraine), could have a negative impact on our business, financial condition and results of operations.

Our products may be subject to negative trade outcomes.

On July 14, 2023, the US Department of Commerce ("Commerce") issued its final determination ("Final Determination") with respect to certain hardwood plywood products produced in Vietnam that Commerce determined are circumventing a previously established anti-dumping and countervailing duty order against hardwood plywood from China (the "Circumventing Products"). As a result of the Final Determination, we estimate the value of products we imported from Vietnam subject to potential duties is approximately $7.6 million. The duty rate in this trade case is 206%, which will be applied against the $7.6 million of imports from Vietnam. With the issuance of this Final Determination, we accrued duties of $15.5 million and recorded the related impact in administration expense for the year ended December 31, 2023. The Circumventing Products are specifically defined by Commerce and we believe that the products we import from Vietnam do not meet Commerce's definition of Circumventing Products, and should therefore not be subject to duties. We intend to appeal Commerce's Final Determination and pursue recovery of any duties paid. The appeal process is typically a multi-year procedure however and the timing and ultimate outcome of our efforts is not estimable at this time.

Subsequent to December 31, 2023, we received notices to pay duties of $18.1 million. This includes certain notices related to imports that we believe are outside the scope of the Final Determination. We are challenging these out of scope notices. However, the timing and ultimate outcome of this challenge is not estimable at this time.

We could also be subject to potential future government actions or regulations against the products we sell, which could lead to outcomes that negatively impact upon our existing business. Trade action or sanction by one country against another could impact upon our importation of product from outside North America. The probability of future trade barriers and the resulting impact on our import business cannot be determined at this time.

Our information technology systems are subject to cyber security risks.

We rely on information technology systems and networks in our operations. We could be materially and adversely affected in the event that the information technology systems or networks are compromised by malicious cyber-attacks. This information technology infrastructure may be subject to other incidents affecting such systems, including natural disasters or defects in software or hardware systems. The consequences to our information technology systems could include material and adverse impacts on our financial condition, operations, production and sales as a result of disruption to our business activities, and access to, and/or compromising of, proprietary sensitive information, including but not limited to confidential customer or employee information, litigation and regulatory costs, devaluation of our intellectual property and reputational harm. While we believe we take appropriate precautions to manage cyber security risks, there can be no assurance that we will not be subject to cyber security attacks. Such attacks could have a material adverse effect on our business or results of operations.

We are dependent upon our management information systems.

We depend on our management information systems in each stage of the sale of our products, including entering the customer's order, determining availability of product, arranging the optimal delivery times and providing after-sales service. In addition, our management information systems form the basis of our financial reporting. Our operations depend on our ability to protect our computer equipment and management information systems against damage from physical theft, fire, power loss, computer and telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive events. The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new systems or platforms or a breach in security of these systems could result in transaction errors, processing inefficiencies, the destruction or corruption of data, a decrease in the effectiveness of internal financial controls, the loss of or failure to attract new customers, the loss of sales, the loss of or unauthorized access to confidential and personal information, the loss of or damage to intellectual property or trade secrets, damage to our reputation, litigation, regulatory enforcement actions, higher insurance premiums, violation of privacy, security or other laws and regulations and remediation costs. In such an event, our business, financial condition, liquidity and results of operations could be adversely affected.

We depend on key personnel, the loss of any of which could harm our business.

Our future performance and development will depend to a significant extent on the efforts and abilities of our executive officers, key employees and consultants. The loss of the services of one or more of these individuals could harm our business. We maintain key man insurance on the lives of our executive officers, but not on the lives of all of our other key employees and consultants. Our success will depend largely on our continuing ability to attract, develop and retain skilled employees and consultants in our business.

Labor shortages could harm our business.

We maintain a disaggregated business model and employ over 3,000 people. Potential labor shortages could impact our ability to attract and retain our workforce, and this could have an adverse effect on our business, results of operations and financial condition.

Decreases in the supply of, demand for, or market values of products could harm our business.

Erosion in the supply of, demand for, or market values of products could reduce our revenues and impact our financial condition and results of operations. Most of the factors that affect the supply of, and demand for, our products are beyond our control. In addition, competing products may reduce demand for our products or result in the substitution of competing products.

We may incur losses related to credit provided to our customers.

We generally offer credit to our customers for products purchased by them from us in amounts that they may not be able to obtain from traditional lenders. We obtain security interests in the assets of a number of our customers, and personal guarantees from the owners of these customers. However, from time to time a customer is unable to pay for goods purchased from us. An increase in bad debts experience could harm our business, financial condition and results of operations.

We may not be able to sustain our level of sales or earnings margins.

As a distributor, our income depends upon our ability to generate sales to customers and to sustain our earnings margins. These margins are dependent upon our ability to continue to provide products and service to our customers that make us the supplier of choice to our customers. If our costs of goods or operating costs increase, or other distributors compete more favourably with us, we may not be able to sustain our level of sales or earnings margins. In this case, our business, financial condition and results of operations could suffer.

We may be unable to grow our business or to manage growth.

A principal component of our strategy is to continue our growth in the long term, both by increasing earnings from operations in existing markets through execution of our organic growth strategies, including expansion into new geographic markets and acquisitions. As part of this strategy, we have entered into and from time to time may enter into letters of intent, memoranda of understanding, non-disclosure agreements or similar documents to explore different growth opportunities. There is no guarantee that such growth opportunities or explorations will lead to any definitive agreement, and we may not be successful in growing our business or in managing growth. Our growth depends on our ability to accomplish a number of things, including:

- identifying and developing new geographic markets;
- the cost of capital;
- identifying and establishing, on favourable terms, suitable new customer service centers and possibly identifying and acquiring distributors that are suitable acquisition candidates;
- our ability to obtain any required regulatory approvals;
- successfully integrating new distribution and any acquired businesses with our existing operations;
- successfully managing increases in the number and types of products we sell;
- establishing and maintaining favourable relationships with customers and suppliers in new markets and market segments, and maintaining these relationships in existing markets; and
- successfully managing expansion and obtaining required financing.

Any growth we achieve may require additional people talent and increase the scope of both our operating and financial systems and the geographic area of our operations. This will increase our operating complexity and the level of responsibility of existing and new management personnel. We may be unable to attract and retain qualified management and employees, and our existing operating and financial systems and controls may not be adequate to support any growth. Our ability to improve our systems and controls may be limited by increased costs, technological challenges, or lack of qualified employees. Our past results and growth may not be indicative of our prospects or our ability to penetrate new markets, many of which may have different competitive conditions and demographic characteristics than our current markets. Acquisitions involve a number of risks, including: the possibility that we, as a successor owner, may be legally and financially responsible for liabilities of prior owners; the possibility that we may pay more than the acquired company or assets are worth; the possibility of incurring additional expenses associated with completing an acquisition and amortizing any acquired intangible assets; the difficulty of integrating the operations and personnel of an acquired business; the challenge of implementing standard controls, procedures and policies throughout an acquired business; the inability to integrate, train, retain and motivate key personnel of an acquired business; and, the potential disruption of our ongoing business and the distraction of our management from our day-to-day operations. These risks and difficulties, if they materialize, may result in the loss of key personnel, increased expenses and otherwise have an adverse effect on our business, results of operations and financial condition.

We may fail to comply with existing regulations or become subject to more stringent regulations.

Our business is subject to laws and regulations. At certain of our facilities, we carry on manufacturing operations and we are required to maintain and comply with permitting requirements for air, water, solid waste and noise emissions at these locations. There are laws that regulate our credit practices, tax obligations, transporting products, importing and exporting products, employment and certain of the products we sell. Such laws, regulations and related rules and policies are administered by various federal, state, provincial, regional and local agencies and other governmental authorities. Additional new laws governing our business could be enacted and changes to any existing laws could have a significant impact on our business. Failure by us to comply with applicable laws and regulations may subject us to civil, criminal or regulatory proceedings which, or the cost of compliance with more stringent laws, may have a material adverse effect on our business, results of operations and financial condition.

A public health crisis could have significant impacts on our business.

A wide-spread public health crisis, including from a contagious disease, could have significant impacts on our business, operations and future financial performance including:

- Major disruptions to the respective businesses of our principal customers and suppliers, including because of disruptions in the global supply chain, which could have a material impact on our business, operations, prospects, business plans and milestones, and revenues and accordingly our financial position.

- A significant decline in revenue as customer spending slows due to uncertain economic conditions.

- Adverse impacts to our growth rates, cash flows and margins particularly if expenses do not decrease across our business at the same pace as any revenue declines. Many of our expenses are less variable in nature and may not correlate to changes in revenues, such as depreciation and other costs associated with our office facilities and infrastructure maintenance costs. As such, we may not be able to adjust such expenses significantly in the short-term, or we may choose not to significantly reduce them in an effort to remain focused on its long-term outlook and opportunities.

- Governmental lockdowns, restrictions, or regulations which restrict the movement of people in the jurisdictions in which we operate could significantly impact the ability of our employees, partners, customers and vendors to work productively. Should an employee, contractor, community member or visitor become infected with such pathogens that has the potential to spread rapidly, this could place our workforce at risk and affect our productivity.

- We may be subject to legal liability for safe workplace claims.

We may be adversely affected by any natural or man-made disruptions to our operations and our customer service centers.

We currently maintain a network of customer service centers throughout Canada and the U.S. Any widespread disruption to our operations resulting from fire, earthquake, weather-related events (such as tornadoes, hurricanes, flooding and other storms), other natural disasters, an act of terrorism, intrusions or failures of critical infrastructure such as the power grid or communications systems or any other cause could damage multiple facilities and a significant portion of our inventory and could materially impair our ability to distribute our products to customers. Moreover, we could incur significantly higher costs and longer lead times associated with distributing our products to our customers during the time that it retakes for us to reopen or replace a damaged facility. If any of these events were to occur, our business, financial condition and results of operations could be adversely affected.

In addition, general weather patterns affect our operating results throughout the year, with adverse weather historically reducing construction activity in the first and fourth quarters in the markets in which we primarily operate. Adverse weather events, natural disasters or similar events, including as a result of climate change, could generally reduce or delay construction activity, which could adversely impact our business, financial condition and results of operations.

Furthermore, if certain markets where we have made significant investments become less desirable for new home building due to the frequency of adverse weather events or climate change, we could incur significant losses at our customer service centers throughout these markets.

Geopolitical Instability and global supply chain disruption.

Our business relies on global supply chains and transportation routes to source products and distribute goods to customers. Geopolitical tensions, trade disputes, political unrest and other unforeseen events may disrupt these supply chains and transportation routes, leading to delays, increased costs, or shortages of critical inputs. Such disruptions could adversely affect our production schedules, inventory levels, customer relationships, and financial performance. While we may implement contingency plans and diversify our supplier base to mitigate these risks, there can be no assurance that such measures will be effective in fully addressing the impact of geopolitical instability on our operations and financial results. Any significant disruption to our global supply chains or transportation routes could have a material adverse effect on our business, financial condition, and results of operations.

Environmental, Social and Governance (ESG) risks could adversely affect our reputation and shareholder, employee, customer and third party relationships.

Our business faces increasing public scrutiny related to ESG activities. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as diversity, equity and inclusion (DEI), environmental stewardship, including with respect to climate change, human capital management, support for our local communities, corporate governance and transparency, or fail to consider ESG factors in our business operations.

Additionally, investors and shareholder advocates are placing an increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. We may incur meaningful costs with respect to our ESG efforts and if such efforts are negatively perceived, our reputation, business, financial condition and results of operations may suffer.

Climate change could adversely affect our business and damage our reputation.

Concerns over the long-term impacts of climate change have led and will continue to lead to governmental efforts around the world to mitigate those impacts. Consumers and businesses are also changing their behavior and business preferences as a result of these concerns. New governmental regulations or guidance relating to climate change, as well as changes in consumers' and businesses' behaviors and business preferences, may affect whether and on what terms and conditions we will engage in certain activities or offer certain products or services. The governmental and supervisory focus on climate change could also result in our becoming subject to new or heightened regulatory requirements. Any such new or heightened requirements could result in increased regulatory, compliance or other costs. Our business, reputation and ability to attract and retain employees may also be harmed if our response to climate change is perceived to be ineffective or insufficient.

Competition in our markets may lead to reduced revenues and profitability.

The architectural building product distribution industry is fragmented. We compete directly with a significant number of distributors for suppliers and customers. Our direct competitors include local and regional businesses. Many of our competitors lack our size, geographic diversification and financial resources. New competitors may enter the architectural building products distribution market in the future. Additionally, existing or future competitors may succeed in entering and establishing successful operations in new geographic markets prior to our entry into those markets. If existing or future competitors seek to gain or retain market share by reducing margins on goods sold, we may also be required to reduce our margins, which may reduce our revenue and harm our operating results and financial condition.

Product liability claims could adversely affect our revenues, profitability and reputation.

We face an inherent risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in economic loss, personal injury or property damage or violated environmental or other laws. In the event that any of our products proves to be defective or otherwise in violation of applicable law, we may be required to recall or redesign such products. Further, in such instances, we may be subject to legal action. We maintain insurance against some forms of product liability claims, but such coverage may not be available or adequate for the liabilities actually incurred. A successful claim brought against us in excess of available insurance coverage, or any claim or product recall that results in significant adverse publicity against us, may have a material adverse effect on our business, results of operations and financial condition.

Importation of components or other innovative products may replace products manufactured in North America.

Products manufactured with hardwood lumber or sheet goods are often imported into North America from countries with low labor costs. These products commonly include cabinets and furniture. Any increase in the importation of products constructed using hardwood lumber and sheet goods could increase competition for manufacturers of similar products in North America. Although we do not typically focus our sales efforts upon manufacturers who compete with these imported products, a reduction in the production of cabinets or furniture in North America could reduce our sales and opportunities for growth and adversely affect our business, financial condition and results of operations.

Disruptive technologies could lead to reduced revenues or a change in our business model.

Technology continues to evolve at a rapid pace, which has the potential to influence how the architectural building products industry uses materials, conducts transactions, and how we manage our business. Technological innovation includes the use of web based and mobile technology as an alternative for customers to place orders. Disruptive technologies that cause significant changes in our industry could reduce our sales and opportunities for growth and adversely affect our business, financial condition and results of operations.

Our insurance may be insufficient to cover losses that may occur as a result of our operations.

We maintain property, general liability and business interruption insurance and directors and officers liability insurance. This insurance may not remain available to us at commercially reasonable rates, and the amount of our coverage may not be adequate to cover any liability we incur. Future increases in insurance costs, coupled with the increase in deductibles, will result in higher operating costs and increased risk.

Our credit facility affects our liquidity, contains restrictions on our ability to borrow funds, and imposes restrictions on distributions that can be made by us and certain of our subsidiaries.

Our credit facility contains numerous restrictive covenants that may limit our discretion with respect to certain business matters. These covenants place significant restrictions on, among other things, our ability and the ability of certain of our subsidiaries to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, our credit facility contains a number of financial covenants that require us to meet certain financial ratios and financial condition tests. Our ability to remain in compliance with these financial covenants depends on our financial performance, as does our ability to meet our debt service obligations under the credit facility. If our financial performance or that of our subsidiaries is negatively affected by any of the risk factors identified herein, it is uncertain if we will remain in compliance with these financial covenants or our debt service obligations. A failure to comply with the obligations could result in a default which, if not cured or waived, could result in a termination of distributions by us and certain of our subsidiaries and permit acceleration of the relevant indebtedness. If indebtedness under our credit facility were to be accelerated, there can be no assurance that our consolidated assets would be sufficient to repay in full such indebtedness.

In addition, interest on our credit facility is charged on a variable rate basis, and changes in interest rates may increase our borrowing costs. Our credit facilities mature in July of 2026. There can be no assurance that future borrowings or equity financing will be available to us or our subsidiaries, or available on acceptable terms, in an amount sufficient to our needs. If future borrowings are not available or obtained on less favourable terms than under our credit facility, our business, financial condition and results of operations may be negatively impacted.

The market price of our Shares will fluctuate.

The market price for our Shares will fluctuate and may be significantly affected by changes in our business, financial condition and results of operations. The market price for our Shares may also be affected by third parties' consideration of environment, social and governance factors. Additionally, the market price for our Shares may be affected by changes in general market conditions, fluctuations in the markets for equity securities and other factors beyond our control.

There is a possibility of dilution of existing Shareholders.

We have the authority to issue an unlimited number of Shares. Additional Shares may be issued in the future by us pursuant to fund raising activities, acquisitions or equity compensation plans, including our long term incentive plan. Our Shareholders will have no pre-emptive rights in connection with such further issues. The increase in the number of Shares outstanding and the possibility of issuances of such Shares may have a negative impact on the market price of Shares already outstanding. In addition, in the event of an issuance of additional Shares, the voting power of our existing Shareholders would be diluted.

Exchange rate fluctuations between the Canadian and US dollar could affect our performance.

We conduct business in both Canada and the United States. Approximately 92% of our sales in 2023 was generated in the United States. We report our financial results in US dollars. Changes in the currency exchange rates of the Canadian dollar against the US dollar will affect the results presented in our financial statements and cause our earnings to fluctuate. In addition, most of the products we distribute in Canada are purchased from suppliers in the United States. While changes in the costs of products purchased by us in the United States as a result of any appreciation of the Canadian dollar against the US dollar are usually absorbed by the Canadian market, when the product is resold in Canada it is generally sold at a lower Canadian dollar equivalent selling price, and accordingly revenues in Canada are effectively reduced. Conversely, when there is an appreciation of the US dollar against the Canadian dollar, the product resold in Canada is generally sold at a higher Canadian dollar equivalent selling price, and accordingly revenues in Canada are effectively increased. An increase or decrease in the value of the Canadian dollar against the US dollar will affect our business, financial condition and results of operations. We do not maintain a currency hedging program. See "Currency Considerations".

DIVIDENDS

Dividend Policy

Our Directors have adopted a dividend policy of paying Cdn$0.14 per Share dividend per fiscal quarter. The amount and payment of future dividends is subject to the discretion of our Directors, and will be dependent upon the satisfaction of certain solvency requirements of the *Canadian Business Corporations Act*, our results of operations, financial condition, cash requirements and other factors deemed relevant by our Directors. A failure to comply with the obligations contained in our credit facilities could result in a default which, if not cured or waived, could result in the termination of dividends by us. See "Risk Factors".

Historical Dividends

We have declared payable the following dividends to Shareholders during the three financial years ending December 31, 2023:

Record Date	Payment Date	Total Distribution (Cdn)	Dividend Per Share (Cdn)
January 15, 2024	January 26, 2024	$3,140,454	$0.14
October 16, 2023	October 27, 2023	2,905,231	0.13
July 17, 2023	July 28, 2023	2,905,023	0.13
April 17, 2023	April 28, 2023	2,905,157	0.13
January 16, 2023	January 27, 2023	2,900,399	0.13
October 17, 2022	October 28, 2022	2,720,909	0.12
July 18, 2022	July 29, 2022	2,772,479	0.12
April 18, 2022	April 29, 2022	2,856,203	0.12
January 17, 2022	January 28, 2022	2,772,747	0.12
October 18, 2021	October 29, 2021	2,128,825	0.10
July 19, 2021	July 30, 2021	2,128,825	0.10
April 19, 2021	April 30, 2021	2,128,825	0.10
January 18, 2021	January 29, 2021	2,124,154	0.10

CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of Shares. Shareholders are entitled to receive dividends if, as and when declared by the Directors and are entitled to one vote per Share on all matters to be voted on at a meeting of Shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of the Company, Shareholders are entitled to receive pro rata the remaining assets of the Company.

MARKET FOR SECURITIES

Trading Price and Volume

The Shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “ADEN”. The following table sets forth certain trading information for the Shares on the Toronto Stock Exchange for the most recently completed financial year:

	Month	High (Cdn)	Low (Cdn)	Close (Cdn)	Volume
2023	January	$32.35	$28.00	$32.20	1,536,400
	February	35.88	30.32	32.50	1,431,400
	March	32.80	24.28	25.78	1,450,800
	April	26.28	24.00	26.02	615,200
	May	29.79	25.59	28.09	656,000
	June	32.73	27.83	32.50	587,900
	July	35.22	31.79	34.83	681,000
	August	36.50	29.86	33.69	835,900
	September	34.00	29.90	30.68	429,200
	October	30.62	25.25	25.40	530,800
	November	28.54	24.64	25.61	568,200
	December	32.41	25.15	31.97	1,309,300

Prior Sales

During the most recently completed financial year the Company issued 66,418 Shares on March 31, 2023 at an effective price of Cdn$25.78 per Share, 1,836 shares on May 26, 2023 at an effective price of Cdn$28.46 and 84,875 Shares on December 31, 2023 at an effective price of Cdn$31.97 per Share. These issuances were completed pursuant to the Company’s long term incentive plan.

DIRECTORS AND OFFICERS

The following table sets out, for each of our Directors and executive officers (collectively, the "**Management Group**"), the person's name, province or state, and country of residence, their positions and offices with us, their principal occupation, and the period during which each Director has served as a Director:

Name and Province or State, and Country of Residence	Position of Office[3]	Principal Occupation	Period as a Director
ROBERT J. BROWN.......................... British Columbia, Canada	Director, President and Chief Executive Officer	President and Chief Executive Officer	Since January 7, 2016
PETER M. BULL[1][2] .... British Columbia, Canada	Director	President of P.M. Bull & Company Ltd.	Since April 2, 2013
CHARLOTTE F. BURKE[1] .... Ontario, Canada	Director	Corporate Director	Since September 19, 2022
GEORGE R. JUDD............................. Georgia, USA	Director	Corporate Director	Since November 1, 2021
MICHELLE A. LEWIS[1][2] .... Texas, USA	Director	Corporate Director	Since May 19, 2017
JIM C. MACAULAY[1][2] .... Michigan, USA	Director	Chief Executive Officer of Duininck, Inc.	Since August 4, 2016
QI TANG[2] .... Ontario, Canada	Director	Chief Financial Officer, Skyservice Investments Inc.	Since May 12, 2022
ROBERT L. TAYLOR[1] .... Texas, USA	Director	President, Sonepar Americas	Since July 31, 2019
GRAHAM M. WILSON[1][2].............. British Columbia, Canada	Chair and Director	President, Grawil Consultants Inc.	Since January 30, 2004
LANCE R. BLANCO .... British Columbia, Canada	Senior Vice President, Corporate Development	Senior Vice President, Corporate Development	N/A
DREW H. DICKINSON .... Texas, USA	President, US Industrial	President, US Industrial	N/A
DAN FIGGINS .... California, USA	Vice President, Imports	Vice President, Imports	N/A
DAVE HUGHES .... Vermont, USA	Senior Vice President, Acquisitions	Senior Vice President, Acquisitions	N/A
FAIZ H. KARMALLY .... British Columbia, Canada	Chief Financial Officer and Secretary	Chief Financial Officer and Secretary	N/A
W. JEFFREY LEYS............................ Michigan, USA	President, US Home Centers & Pro Dealers	President, US Home Centers & Pro Dealers	N/A
RENEE V. MURDOCH...................... British Columbia, Canada	Vice President, Human Resources	Vice President, Human Resources	N/A
JASON R. WEST................................ British Columbia, Canada	Vice President, Canada	Vice President, Canada	N/A

(1) Member of the Compensation, Nominating and Corporate Governance Committee.
(2) Member of the Audit Committee.

(3) As of March 15, 2024, based solely upon reports filed on the System for Electronic Disclosure by Insiders (SEDI) at www.sedi.ca, the Management Group, as a group, collectively beneficially owned, or exercised control or direction, directly or indirectly, 5,606,753 Shares, representing approximately 25% of the then issued and outstanding Shares.

The following are brief profiles of our Management Group.

Directors

Robert J. Brown, Director, President and Chief Executive Officer. Mr. Brown joined us in August 2004 as Vice President Finance, was appointed our Chief Financial Officer in November 2004 and Chief Operating Officer in March 2015. On January 7, 2016, Mr. Brown was appointed President and Chief Executive Officer. Mr. Brown was a manager in the Canadian operations of Weyerhaeuser Company and MacMillan Bloedel Limited's building products distribution businesses from 1998 to 2004. From 1997 to 1998, Mr. Brown was the Director of Acquisitions for Wajax Limited, and prior to that he worked at Deloitte & Touche in Vancouver, British Columbia, and at a predecessor firm to PriceWaterhouseCoopers in the United Kingdom. Mr. Brown is a Chartered Professional Accountant, holds a Chartered Financial Analyst designation, and has a Bachelor of Commerce degree from the University of British Columbia.

Peter M. Bull, Director. Mr. Bull is the Chairman of the West Property Group, the President of P.M. Bull & Company Ltd., a wholly owned private investment company and the past president and owner of Blenheim Realty Ltd., an advisor to Canadian institutional investors and European and Asian commercial property owners. He is also currently a director and Vice-Chair of Providence Health Care and a director of Tree Island Steel Ltd. Previously, Mr. Bull served on the boards of Vancouver College, Corpus Christi and St. Mark's Colleges. Mr. Bull has a Bachelor of Commerce in Urban Land Economics and Finance from the University of British Columbia.

Charlotte F. Burke, Director. Ms. Burke is a corporate director and retired senior executive with over 30 years of experience leading high growth consumer technology businesses including Microsoft, Bell Consumer Internet, Bell Mobility, Sony and Hewlett Packard. Ms. Burke's 20 years of board experience spans over both publicly traded and private company boards and she has served on Audit/Finance, Governance, Human Resources and Risk Committees. She is currently a Director and HRC Chair of Coast Capital Savings a federally regulated co-op and a strategic advisor to CEOs of scaling software companies. Her past directorships include Halton Health Services (Hospitals), Postmedia Networks, Ontario Lottery and Gaming Corporation, Acadia University and several privately held companies. Ms. Burke has a Master of Business Administration from Harvard University, a Bachelor of Business Administration in accounting from Acadia University and holds an ICD.D designation from the Institute of Corporate Directors.

George R. Judd, Director. Mr. Judd has over 25 years of senior leadership experience, driving growth for public and private companies in the building industry. His career includes roles as the Chief Executive Officer of Novo Building Products, PrimeSource Building Products, Snappy HVAC and Bluelinx Holdings. Mr. Judd's experience further includes serving as Chairman and a director of several companies focused on manufacturing and distribution operations in Canada and the United States. He is a Strategic Advisor to Blue Wolf Capital Partners. Mr. Judd has a Bachelor of Business Administration from Western Connecticut State University.

Michelle A. Lewis, Director. Ms. Lewis is an experienced public company C-Suite Officer and Independent Director who has overseen several strategic transitions in the energy and industrial distribution sectors. She has experience in facilitating strategic inorganic and organic growth as well as pragmatic cultural transformations. Her career includes roles as a Principal of The CapStreet Group, a middle-market private equity firm investing in industrial distribution and software, and Chief Strategy Officer for NOW Inc. (NYSE: DNOW), a distributor for the energy and industrial markets. She was also a Senior Vice President of Strategy & Shared Services for the Distribution and Transmission division of National Oilwell Varco (NYSE: NOV). Prior to NOV, Ms. Lewis spent several years in various managerial and interim management roles in Consulting and Corporate Restructuring. She also serves on the Board of e2log, a venture capital backed software company focused on door-to-door supply chain management, and on the Advisory Board at The University of Texas at Austin McCombs School of Business John Brumley Texas Venture Labs. Ms. Lewis holds a Bachelor of Fine Arts from The University of Texas and a Master of Business Administration from the Jesse H. Jones Graduate School of Business at Rice University.

Jim C. Macaulay, Director. Mr. Macaulay is currently the Chief Executive Officer of Duinick, Inc., a privately held group of companies whose main lines of business are asphalt paving, concrete ready-mix manufacturing and golf course construction. Prior that that, he was Chief Financial Officer of the Marvin Companies, a group of companies specializing in the construction of windows and doors from 2013 to 2022. In addition to these roles, he has held several senior positions at multiple companies, including Steelcase, Inc. and Carlson Companies. He received his Master of Management with concentrations in Finance and Management Policy from the J.L. Kellogg Graduate School of Management. In his career, Mr. Macaulay has also served in the capacity of Vice President of Supply Chain Management, Global Procurement Officer, and Vice President of Corporate Strategy.

Qi Tang, Director. Ms. Tang is a senior finance executive and corporate director with 25 years of experience in finance and business leadership. Ms. Tang's experience spans over both publicly traded and private companies operating in Canada or globally. She is currently Chief Financial Officer of Skyservice Investments Inc. and was the former Chief Financial Officer and Senior Vice President of RioCan Real Estate Investment Trust. Prior to RioCan, Ms. Tang held progressively senior finance executive positions with Dream Global REIT, Symphony Senior Living Inc., Chartwell Retirement Residences, Waterfront Toronto and KPMG. Ms. Tang is a Trustee of Choice Properties (TSX:CHP.UN), a Trustee of Dream Office REIT (TSX: D.UN) and Chair of the Audit Committee, a member of the Board of Governors for a school in Toronto and is also a community member of the Capital Development Advisory Committee for the North York General Hospital Board of Governors in Toronto. Ms. Tang is a Chartered Professional Accountant, Chartered Accountant and a Chartered Financial Analyst Charterholder and holds a Master of Science in Accounting degree from the University of Saskatchewan.

Robert L. Taylor, Director. Mr. Taylor is President of Sonepar Americas and is responsible for operations in the U.S., Canada, Mexico, Central America and South America. Sonepar is an independent family-owned company with global market leadership in B-to-B distribution of electrical products, solutions and related services. Before joining Sonepar, Mr. Taylor led the global sales and marketing integration efforts for Eaton's acquisition of Cooper Industries. Prior to this role, Mr. Taylor was the Chief Marketing Officer for Cooper Industries. Mr. Taylor worked for General Electric for 16 years prior to joining Cooper Industries where he served as GM, Canada for GE's Consumer and Industrial Division and president of GE Home Electric Products. Mr. Taylor graduated from Bowling Green State University with a dual major in production and operations management and procurement and materials management. Mr. Taylor also has a Master of Business Administration from Baldwin Wallace College.

Graham M. Wilson, Chair and Director. Mr. Wilson is President of Grawil Consultants Inc., a consulting and investments company. Prior to March 2002, Mr. Wilson was Executive Vice President and Chief Financial Officer and President and Chief Executive Officer, Services Division of Westcoast Energy Inc. Mr. Wilson has a Bachelor of Science from McGill University and a Master of Business Administration from University of Western Ontario.

Management

Lance R. Blanco, *Senior Vice President, Corporate Development.* Mr. Blanco joined us in July 2010 as President and Chief Executive Officer. Mr. Blanco held that position until January 7, 2016, at which time he, for health reasons related to a bicycling accident, stepped down as our President and Chief Executive Officer and was appointed our Senior Vice President, Corporate Development. Mr. Blanco held senior positions in sales, distribution, marketing, manufacturing and supply chain optimization with Weyerhaeuser Company and MacMillan Bloedel Limited including, Vice President of Enterprise Supply Chain Management, of Business Development, and of the Cedar Group from 1983 to 2009. Mr. Blanco holds a Bachelor of Arts in Business Administration degree from Simon Fraser University.

Drew H. Dickinson, President, US Industrial. Mr. Dickinson joined us in July 2016 when we acquired Rugby Acquisition, LLC ("Rugby") was acquired by us. Mr. Dickinson joined Rugby in 1992, serving as General Manager and later Vice President of Operations. In June 2010, he was named Chief Operating Officer of Rugby. In August 2018, Mr. Dickinson was appointed President of Rugby and in December 2022, he was promoted to President, US Industrials. Mr. Dickinson has a bachelor's degree from Stephen F. Austin State University.

Dan Figgins, Vice President, Imports. Mr. Figgins joined our Livermore, California location in 1994 and in 1999 was promoted to Branch Manager of our Sacramento branch. From 1999 to 2015, Mr. Figgins held progressively senior positions with the Company, including Import Manager and General Manager. In October 2015, he was promoted to Vice President, Imports. Mr. Figgins has a Bachelor of Arts in Business Administration (Marketing) from California State University, Chico.

David Hughes, Senior Vice President, Acquisitions. In August 2018, Mr. Hughes was appointed Senior Vice President, Acquisitions. Mr. Hughes joined us in July 2016 when we acquired Rugby. Mr. Hughes joined Rugby in 2009 and grew the company four-fold through a series of acquisitions. Prior to Rugby, he was the Chief Executive Officer of a specialty steel distributor from 2006 to 2009, and from 1994 to 2006, he was a senior executive and principal of North Pacific Group, Inc., one of the largest distributors of building materials in the United States at the time. Prior to his building materials career, Mr. Hughes spent 10 years managing asset-based and commercial lending with Fleet Bank and Shawmut Bank. Mr. Hughes has a Bachelor of Science from the University of Vermont.

Faiz H. Karmally, Vice President, Chief Financial Officer and Secretary. Mr. Karmally joined us in October 2014 as Corporate Controller and was appointed Chief Financial Officer in March 2015. Prior to joining us, Mr. Karmally was a Senior Manager with PriceWaterhouseCoopers from 2012 to 2014. From 2003 to 2012, Mr. Karmally worked for Grant Thornton and held progressively senior positions in assurance and financial advisory services. Mr. Karmally is a Chartered Professional Accountant and has a Bachelor in Administrative and Commercial Studies from the University of Western Ontario.

W. Jeffrey Leys, President, US Home Centers and Pro Dealer. Mr. Leys serves as President, US Home Centers and Pro Dealer, with responsibility for Novo Building Products (comprised of Empire Moulding and Millwork, Southwest Moulding and Millwork LJ Smith stair Systems, Ornamental Decorative Millwork and Novo Direct, collectively "**Novo**") and Mid-Am Building Supply. Mr. Leys joined Novo in January 2007 and has held various senior leadership roles including President and COO of Novo since

2021. Prior to joining Novo, Mr. Leys held leadership positions with Zeeland Lumber and Supply from 1995 to 2006. Mr. Leys has a Bachelor of Arts from Calvin University.

Renee V. Murdoch, Vice President, Human Resources. Ms. Murdoch joined us in December 2016 as Director, Human Resources. She was appointed Vice President, Human Resources in August 2021. Prior to joining us, Ms. Murdoch was Director, Human Resources at Britco Modular Construction and held senior human resources roles at BC Hydro subsidiary Powertech, the BC Cancer Foundation and the Vancouver Organizing and Bid Committees for the 2010 Olympics. Ms. Murdoch has a Bachelor of Science from the University of British Columbia and holds a Certified Professional HR Designation.

Jason R. West, Vice President, Canada. Mr. West has been with us since 1999, when he joined our customer service center in Langley, British Columbia. Since that time Mr. West has held progressively senior positions within our British Columbia region, including Sales Manager and Branch Manager. In October 2015, Mr. West was promoted to Vice President, Canada.

Corporate Cease Trade Orders

To the knowledge of the Company, no member of the Management Group is, at the date hereof, or was within the ten years before the date hereof, a director, chief executive officer or chief financial officer of any company, that: (i) was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the member of the Management Group was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the member of the Management Group ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Penalties or Sanctions

To the knowledge of the Company, no member of the Management Group or a Shareholder holding a sufficient number of Shares of the Company to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Bankruptcies

To the knowledge of the Company, no member of the Management Group or a Shareholder holding a sufficient number of Shares of the Company to affect materially the control of the Company: (i) is, at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold such persons assets.

Conflicts of Interest

Other than as disclosed herein, to the knowledge of the Company, there are no existing or potential material conflicts of interest among us and any member of the Management Group.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, no directors or officers of the Company, no person that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Shares, and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year of the Company that has materially affected or is reasonably expected to materially affect the Company.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are not aware of any legal proceedings to which we are or were a party to, or that any of our property is or was the subject of, during our financial year ended December 31, 2023, that involve a claim for damages in excess of 10% of our current assets. Nor are we aware of any such legal proceedings being contemplated. In addition, we are not aware of any penalties or sanctions imposed against us by a court relating to securities legislation or by a securities regulatory authority during our financial year ended

December 31, 2023 or any other penalties or sanctions imposed by a court or regulatory body against us that would likely be considered important to a reasonable investor in making an investment decision, and we have not entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during our financial year ended December 31, 2023.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is Odyssey Trust Company having its principal transfer offices in Vancouver, British Columbia, Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

There are no contracts entered into by us, other than in the ordinary course of business and not required by applicable securities law to be filed with a securities regulatory authority in Canada, that are material to us and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect.

INTEREST OF EXPERTS

The auditors of the Company are KPMG LLP, Chartered Professional Accountants, of Vancouver, British Columbia. KPMG LLP have confirmed with respect to the Company that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

AUDIT COMMITTEE INFORMATION

Terms of Reference of the Audit Committee

The Audit Committee of the Company supports the Board in fulfilling its oversight responsibilities regarding the integrity of our accounting and financial reporting, internal controls and disclosure controls, legal and regulatory compliance, timeliness of filings with regulatory authorities, the independence and performance of our external auditor, the management of our risks, and whistleblower procedures. The terms of reference of the Audit Committee of the Company are attached as Schedule A to this AIF.

Composition of the Audit Committee

The Audit Committee presently consists of Peter M. Bull, Jim C. Macaulay (Chair), Qi Tang and Graham M. Wilson.

The Board has determined that each member of the Audit Committee is independent and financially literate, as such terms are defined in *National Instrument 52-110 Audit Committees* and that Jim C. Macaulay, Qi Tang and Graham M. Wilson are financial experts and have the required accounting or related financial management expertise.

Relevant Education and Experience

The education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is described below:

Peter M. Bull – Mr. Bull is the President of P.M. Bull & Company Ltd., a private investment firm that holds investments in real estate and building material companies. This position requires Mr. Bull to analyze and evaluate financial statements. As a result, Mr. Bull has an understanding of accounting principles, including in the context of estimates, accruals and provisions, and has an understanding of internal controls and procedures for financial reporting.

Jim C. Macaulay – Mr. Macaulay is the Chief Executive Officer of Duininck, Inc., a privately held group of companies whose main lines of business are asphalt paving, concrete ready-mix manufacturing and golf course construction. Prior to this, he was the Chief Financial Officer of the Marvin Companies. In these roles, Mr. Macaulay was and is responsible for understanding and assessing accounting principles, including in the context of estimates, accruals and provisions, and implementing internal controls and procedures for financial reporting. In the Chief Financial Officer role, Mr. Macaulay was also responsible for, and supervised others engaged in, preparing, analyzing and evaluating financial statements. Mr. Macaulay has a Bachelor of Arts in Business and Psychology and a Master of Business Administration in Finance and Strategy from Northwestern University Kellogg School of Management.

Qi Tang – Ms. Tang is the Chief Financial Officer of Skyservice Investments Inc. and was the former Chief Financial Officer and Senior Vice President of RioCan Real Est ate Investment Trust. In these roles, Ms. Tang was and is responsible for understanding and assessing accounting principles, including in the context of estimates, accruals and provisions, and has an understanding of internal controls and procedures for financial reporting. As a Chief Financial Officer, Ms. Tang is responsible for, and supervises other engaged in, preparing, analyzing and evaluating financial statements. Ms. Tang has a Bachelor of Economics, Western Accounting, Master of Science of Accounting, Accounting and Business and is a Chartered Professional Accountant, Chartered Accountant and a Chartered Financial Analyst and has an ICD.D designation from the Institute of Corporate Directors.

Graham M. Wilson – Mr. Wilson served from 1988 to March 2002 as Executive Vice President and Chief Financial Officer of Westcoast Energy Inc., a natural gas transmission and energy company, where he was responsible for understanding and assessing accounting principles, including in the context of estimates, accruals and provisions, and implementing internal controls and procedures for financial reporting. In such role, Mr. Wilson was also responsible for, and supervised others engaged in, preparing, analyzing and evaluating financial statements.

Prior Approval Policies and Procedures

The Audit Committee of the Company must pre-approve all non-audit services to be provided to the Company or its subsidiaries by the Company's external auditor, other than non-audit services where:

(a) the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the Company's external auditor during the fiscal year in which the services are provided;

(b) the Company or its subsidiary, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

(c) the services are promptly brought to the attention of the Audit Committee of the Company and approved, prior to the completion of the audit, by the Audit Committee of the Company or by one or more of its members to whom authority to grant such approvals had been delegated by the Audit Committee of the Company.

The Audit Committee may delegate to one or more members of the committee the authority to grant such pre-approvals for non-audited services. The decision of such member(s) regarding approval of "non-audit" services is to be reported by such member(s) to the full committee at its first scheduled meeting following such pre-approval.

External Auditor Service Fees (by category)

The following table sets forth, by category, the fees billed by KPMG LLP, the Company's auditors, for the fiscal years ended December 31, 2023 and December 31, 2022:

Fee category	2023	2022
Audit fees(1)	Cdn$1,201,194	Cdn$1,182,461
Tax fees(2)	932,635	728,227
All other fees(3)	264,860	855,640
Total fees	Cdn$2,398,689	Cdn$2,766,328

Notes:

(1) Includes fees paid to KMPG LLP for the audit of the annual consolidated financial statements, and review of the interim financial statements.
(2) Includes fees paid to KPMG LLP for tax compliance and tax advisory services related to acquisition support and tax planning services.
(3) Includes fees related to supply chain review of $264,860 for the year ended December 31, 2023. Includes fees related to supply chain review in the amount of $815,640 for the year ended December 31, 2022, and fees related environmental, social and governance advisory services in the amount of $40,000 for the year ended December 31, 2022.

ADDITIONAL INFORMATION

Additional information relating to us may be found on SEDAR+ at www.sedarplus.ca. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans, as applicable, is contained in our information circular for our most recent annual meeting of Shareholders that involves the election of Directors. Additional financial information is provided in our audited consolidated financial statements and management's discussion and analysis for our most recently completed financial year.

GLOSSARY OF TERMS

"**AIF**" means this annual information form;

"**Company**" means ADENTRA Inc., a corporation established under the federal laws of Canada;

"**Directors**" means the directors of the Company, or any one of them;

"**HSP Canada**" means Hardwoods Specialty Products Canada;

"**HSP US**" means Hardwoods Specialty Products US;

"**Management Group**" has the meaning given to it under "Directors and Officers";

"**Mid-Am**" means Mid-Am Holdings, LLC, a limited liability company established under the laws of the State of Delaware;

"**Novo**" means Novo Building Products Holdings, LLC, a limited liability company established under the laws of the State of Delaware;

"**Paxton**" means Paxton Hardwoods LLC, a limited liability company established under the laws of the State of Delaware;

"**Rugby**" means Rugby Acquisition, LLC, a limited liability company, and its subsidiaries;

"**Shareholders**" means the registered holders of Shares; and

"**Shares**" means the common shares of the Company.

SCHEDULE A

ADENTRA INC.
(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

I. PURPOSE

The board of directors (the “Board”) of the Company shall appoint an Audit Committee (the “Committee”) of the Company to assist the Board in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the Company, the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of the Company. In addition, the Committee is responsible for directing the auditors’ examination of specific areas and for the selection of the independent auditors, for the approval of all non-audit services for which the auditors of the Company may be engaged and for assisting the Board with Environmental, Social and Governance oversight and reporting.

II. STRUCTURE AND OPERATIONS

The Committee shall be comprised of at least three members, each of whom is a director of the Company and who satisfies the “independence” and “financial literacy” requirements of National Instrument 52-110 – Audit Committees (“NI 52-110”), as amended. For greater clarification, each member of the Committee shall be “independent” of the Company and its subsidiaries.

For the purposes of these Terms of Reference (“Terms”), see Tab D of the Directors’ Information Manual for a complete definition of “independence” as set out in NI 52-110.

A member of the Committee is “financially literate” if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the financial statements of the Company.

The members of the Committee shall be annually appointed by the Board and shall serve until such member’s successor is duly elected and qualified or until such member’s earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority of the Board.

III. CHAIR OF THE COMMITTEE

Unless the Board elects a Chair of the Committee, the members of the Committee shall designate a Chair by the majority vote of the full Committee membership.
The Chair of the Committee shall:

a. call and conduct the meetings of the Committee;

b. be entitled to vote to resolve any ties;

c. prepare and forward to members of the Committee the agenda for each meeting of the Committee, and include, in the agenda, any items proposed for inclusion in the agenda by any member of the Committee;

d. review with the Chief Financial Officer (“CFO”) and the auditors for the Company any matters referred to the Chair by the CFO or the auditors of the Company;

e. appoint a secretary, who need not be a member of the Committee, to take minutes of the meetings of the Committee; and

f. act in a manner that the Committee meetings are conducted in an efficient, effective and focused manner.

IV. MEETINGS

The Committee shall meet at least quarterly or more frequently as circumstances dictate. As part of its goal to foster open communication, the Committee shall periodically meet with management and the external auditors in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. The Committee may meet privately with outside counsel of its choosing and the CFO, as necessary. In addition, the Committee shall meet with the external auditors and management quarterly to review the Company's financial statements in a manner consistent with that outlined in Section IV of these Terms.

The Committee may invite to its meetings any directors or management of the Company and its subsidiaries, and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities.

A majority of the Committee members, but not less than two, shall constitute a quorum. A majority of members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent with respect to matters that may be acted upon without a formal meeting.

A resolution approved in writing by all the members shall be as valid and effective as if it had been passed at a meeting duly called and constituted. Such resolution may be in two or more counterparts which together shall be deemed to constitute one resolution in writing. Such resolution shall be filed with the minutes of the proceedings of the Committee and shall be effective on the date stated thereon or on the latest date stated on any counterpart.

The Committee shall maintain minutes or other records of meetings and activities of the Committee. Notice of the time and place of every meeting shall be given in writing or email communication to each member of the Committee at least 24 hours prior to the time fixed for such meeting; provided, however, that a member may in any manner waive a notice of a meeting. Attendance of a member at a meeting is a waiver of notice of the meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

V. RESPONSIBILITIES, DUTIES, AUTHORITY

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in Section I of these Terms. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal and other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of this Committee outlined in Section I.

The Committee in discharging its oversight role is empowered to investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside counsel, accounting, or other advisors for this purpose, including authority to approve the fees payable to such advisors and other terms of retention. In addition, the Committee shall have the authority to communicate directly with both external and internal auditors of the Company and its entities.

The Committee shall be given full access to the directors and employees of the Company and its subsidiaries directly and indirectly responsible for financial reporting; and independent accountants, as necessary, to carry out these responsibilities. While acting within the scope of this stated purpose, the Committee shall have all the authority of the Board.

The Committee shall be responsible for assessing the range of risks that the Board shall focus on and make recommendations to the Board about how appropriate responsibilities for continuing to identify, monitor and manage these risks are to be delegated.

In addition, the Committee shall encourage continuous improvement of, and foster adherence to, the Company's financial policies, procedures and practices at all levels in the organization; and provide an avenue of communication among the independent auditors, management and the Board.

Absent actual knowledge to the contrary (which shall promptly reported to the Board), each member of the Committee shall be entitled to rely on (i) the integrity of those persons or organizations within and outside the Company from which it receives information, (ii) the accuracy of the financial and other information provided to the Committee by such persons or organizations and (iii) representations made by Management and the external auditors, as to any information technology, internal audit and other non-audit services provided by the external auditors to the Company and its subsidiaries.

Document Reports/Reviews

Annual Financial Statements

1. The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination:

    a. the annual audited consolidated financial statements;

    b. the external auditor's review of the annual consolidated financial statements and their report;

    c. any significant changes that were required in the external audit plan;

    d. any significant issues raised with management during the course of the audit, including any restrictions on the scope of activities or access to information; and

    e. those matters related to the conduct of the audit that are required to be discussed under Canadian generally accepted accounting principles applicable to publicly accountable enterprises.

    Following completion of the matters contemplated above, the Committee shall make a recommendation to the Board with respect to the approval of the annual financial statements with such changes contemplated and further recommended, as the Committee considers necessary.

Interim Financial Statements

2. The Committee shall review with management and the external auditors, both together and separately, prior to public dissemination, the interim unaudited consolidated financial statements of the Company, including a discussion with the external auditors of those matters required to be discussed under generally accepted auditing standards applicable to the Company.

Management's Discussion and Analysis

3. The Committee shall review with management and the external auditors, both together and separately prior to public dissemination, the annual and interim Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A").

Approval of Annual MD&A, Interim Financial Statements and Interim MD&A

4. The Committee shall make a recommendation to the Board with respect to the approval of the annual MD&A with such changes contemplated and further recommended by the Committee as the Committee considers necessary. In addition, the Committee shall approve the interim financial statements and interim MD&A of the Company if the Board has delegated such function to the Committee. If the Committee has not been delegated this function, the Committee shall make a recommendation to the Board with respect to the approval of the interim financial statements and interim MD&A with such changes contemplated and further recommended as the Committee considers necessary.

Press Releases

5. The Committee shall review the Company's financial statements, MD&A and annual and interim profit or loss press releases before the Company publicly discloses this information.

6. The Committee shall review with management, prior to public dissemination, the annual and interim earnings press releases (paying particular attention to the use of any "pro forma" or "adjusted non-GAAP" information) as well as financial information and earnings guidance provided to analysts and rating agencies.

7. The Committee shall be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, other than public disclosure referred to in subsection (5), and periodically assess the adequacy of those procedures.

Environmental, Social and Corporate Governance (ESG) Oversight

8. To assist the Board in ESG oversight and oversee the Company's reporting in relation to ESG, review and make appropriate recommendations to the Board on the sustainability report, and periodically review and assess the Company's communications in respect to its policies and practices in the area of ESG.

Reports and Regulatory Returns

9. The Committee shall review and discuss with management, and the external auditors to the extent the Committee deems appropriate, such reports and regulatory returns of the Company as may be specified by law.

Other Financial Information

10. The Committee shall review the financial information included in any prospectus, annual information form or information circular with the management and the external auditors, both together and separately, prior to public dissemination, and shall make a recommendation to the Board with respect to the approval of such prospectus, annual information form or information circular with such changes contemplated and further recommended as the Committee considers necessary.

Financial Reporting Processes

Establishment and Assessment of Procedures

11. The Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Company and assess the adequacy of these procedures annually.

Application of GAAP

12. The Committee shall assure itself that the external auditors are satisfied that the accounting estimates and judgements made by management, and their selection of accounting principles reflect an appropriate application of Canadian generally accepted accounting principles applicable to publicly accountable enterprises.

Practices and Policies

13. The Committee shall review with management and the external auditors, together and separately, the principal accounting practices and policies of the Company.

External Auditors

Oversight and Responsibility

14. The Committee shall recommend to the Board the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer; and the compensation of the external auditor.

15. The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditors regarding financial reporting.

Reporting

15. The external auditors shall report directly to the Committee and are ultimately accountable to the Committee.

Performance and Review

16. The Committee shall annually review the performance of the external auditors and recommend to the Board the appointment of the external auditors or approve any discharge of the external auditors when circumstances warrant, for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company.

Annual Audit Plan

17. The Committee shall review with the external auditors and management, together and separately, the overall scope of the annual audit plan and the resources the external auditors will devote to the audit. The Committee shall annually review and approve the fees to be paid to the external auditors with respect to the annual audit.

Non-Audit Services

18. "Non-audit services" means all services performed by the external auditors other than audit services. The Committee shall pre-approve all non-audit services to be provided to the Company or any subsidiary entities by the Company's external auditor and permit all non-audit services, other than non-audit services where:

    a. the aggregate amount of all such non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiary entities to the Company's external auditor during the fiscal year in which the services are provided;

    b. the Company or a subsidiary entity of the Company, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and

    c. the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals had been delegated by the Committee.

19. The Committee may delegate to one or more members of the Committee the authority to grant such pre-approvals for non-audited services. The decisions of such member(s) regarding approval of "non-audit" services shall be reported by such member(s) to the full Committee at its first scheduled meeting following such pre-approval.

20. The Committee shall adopt specific policies and procedures for the engagement of the non-audit services if:

    a. the pre-approval policies and procedures are detailed as to the particular services;

b. the Committee is informed of each non-audit service; and

c. the procedures do not include delegation of the Committee's responsibilities to management.

Independence Review

21. The Committee shall review and assess the qualifications, performance and independence of the external auditors, including the requirements relating to such independence of the law governing the Company. At least annually, the Committee shall receive from and review with the external auditors, their written statement delineating all relationships with the Company and, if necessary, recommend that the Board take appropriate action to satisfy itself of the external auditors' independence and accountability to the Committee.

Reports to the Board

Reports

22. In addition, to such specific reports contemplated elsewhere in these Terms, the Committee shall report regularly to the Board regarding such matters, including:

a. with respect to any issues that arise with respect to the quality or integrity of the financial statements of the Company, compliance with legal or regulatory requirements by the Company, or the performance and independence of the external auditors of the Company;

b. following meetings of the Committee; and

c. with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.

Recommendations

23. In addition, to such specific recommendations contemplated elsewhere in these Terms, the Committee shall provide such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or any other member of the Committee designated by the Committee to make such report.

Whistle-Blowing

Procedures

24. The Committee shall establish procedures for:

a. the receipt, retention and treatment of complaints received by the Company regarding questionable accounting, internal accounting controls, or auditing matters; and

b. the confidential, anonymous submission by employees and of concerns regarding questionable accounting or auditing matters.

Notice to Employees

25. To comply with the above, the Committee shall ensure each of the Company and its subsidiaries advises all employees, by way of a written code of business conduct and ethics (the "Code"), or if such Code has not yet been adopted by the respective Board, by way of a written or electronic notice, that any employee who reasonably believes that questionable accounting, internal accounting controls, or auditing matters have been employed by the Company and its subsidiaries,

or their external auditors is strongly encouraged to report such concerns by way of communication directly to the Chair. Matters referred may be done so anonymously and in confidence.

Neither the Company nor its subsidiaries shall take or allow any reprisal against any employee for, in good faith, reporting questionable accounting, internal accounting, or auditing matters. Any such reprisal shall itself be considered a very serious breach of this policy.

All reported violations shall be investigated by the Committee following rules of procedure and process as shall be recommended by outside counsel.

Internal Controls and Information Management Oversight

26. Review with management the adequacy and effectiveness of the Company's system of internal control and management information systems and security.

27. Monitor policies and procedures for internal accounting and financial control. Monitor policies, procedures and plans for management information systems, electronic data control and cyber security, including crisis management and business continuity plans.

28. Oversee investigations of alleged fraud and illegality relating to the Company's finances and any resulting actions.

General

Access to Counsel

28. The Committee shall review, periodically, with outside counsel of its choosing, any legal matter that could have a significant impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

Hiring of Partners and Employees of External Auditors

29. The Committee shall annually review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Company.

General

30. The Committee shall perform such other duties and exercise such powers as may, from time to time, be assigned or vested in the Committee by the Board, and such other functions as may be required of an audit committee by law, regulations or applicable stock exchange rules.

Annual Performance Review

Annual Review

31. The Committee shall perform a review and evaluation, annually, of the performance of the Committee and its members, including a review of the compliance of the Committee with these Terms. In addition, the Committee shall evaluate the adequacy of these Terms annually and recommend any proposed changes to the Board.

32. The Committee shall annually review transactions and any conflicts of interests involving directors and officers, including a review of travel expenses and entertainment expenses, related party transactions and any conflicts of interests.

33. Management shall be required to provide the Committee, at least annually, a report on internal controls, including reasonable assurance that such controls are adequate to facilitate reliable and timely financial information. The

Committee shall also review and follow-up on any areas of internal control weakness identified by the external auditors with the auditors and management.