

This is the 1st affidavit
of Sukhjit Singh Sanghera in this case
and was made on November 27, 2024

No. _____

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36

AND

IN THE MATTER OF THE CANADA BUSINESS CORPORATIONS ACT, R.S.C. 1985,
c. C-44, THE BUSINESS CORPORATIONS ACT, S.B.C. 2002, c. 57

AND

IN THE MATTER OF SAN INDUSTRIES LTD., AND THOSE PARTIES LISTED ON
SCHEDULE "A"

PETITIONERS

AFFIDAVIT

I, Sukhjit Singh Sanghera, care of 2500-700 West Georgia Street, Director, AFFIRM THAT:

1. I am one of the founders of the San Group, defined herein, and as such have personal knowledge of the facts and matters hereinafter deposed to, except where same are stated to be on information and belief, and where so stated I verily believe them to be true.
2. I am authorized by the Petitioners to make this affidavit on their behalf, in support of an application for an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**").
3. In preparing this affidavit, I have reviewed the business records maintained by the Petitioners in respect of the matters at issue, which I believe were made in the ordinary and usual course of their business.

The Petitioners

4. The Petitioners are collectively known as San Group, a Canadian based producer of lumber since 1979. San Group operates a multi-faceted forest products enterprise. Together, the entities within the San Group:
 - a. harvest timber within British Columbia;
 - b. transport the timber to a sawmill in Port Alberni for primary processing;
 - c. transfer the processed lumber to re-manufacturing facilities to create lumber products; and
 - d. sell those products to end users in local and global markets, ranging from large builders and developers to individual consumers and indigenous groups and nations.
5. Kamal Sanghera also known as Kamaljit Singh Sanghera (“**Kamal**”), Iqbal Deol (“**Iqbal**”) and I are the founders of San Industries Ltd. (“**San Industries**”).
6. San Industries is the main operating arm of the San Group. Iqbal, Kamal, and I through each of our respective family trusts and our respective holding companies own controlling shares in San Industries.
7. San Industries owns controlling shares in San Holdings Inc. (the “**Holding Company**”). The Holding Company owns 100% of:
 - (a) Coulson Manufacturing 2017 Ltd. (“**Coulson**”)
 - (b) San Forest Products Ltd (“**San Forest**”);
 - (c) Axon Lumber Ltd. (“**Axon**”);
 - (d) San Cedar Direct Sales. Ltd. (“**San Cedar**”) owns 100% of:
 - (i) 1260729 BC Ltd.; and

(ii) 1224676 BC Ltd.

(together (i.) and (ii), the “**Store Entities**”); and

- (e) Mountainside Logging Ltd. (“**Mountainside**”)
- (f) 1170518 BC Ltd.;
- (g) 1175465 BC Ltd.;
- (h) San Farming Ltd. (“**San Farming**”);
- (i) San Forest Specialty Ltd. (“**San Forest Specialty**”);
- (j) San Terminals Inc. (“**San Terminals**”);
- (k) Acorn Forest Products Ltd. (“**Acorn**”).

8. San Industries is the primary entity that acquires and sells products as follows:

- (a) its contractors harvest the lumber, and San Industries owns the product from the harvest through the sales process;
- (b) the revenue from and costs of sales are realized through San Industries; and
- (c) the end purchasers purchase from it.

9. Coulson owns land located in Port Alberni, with a 2023 tax assessed value of \$4,801,900.00 (the “**Coulson Lands**”).

10. On the Coulson Lands, Coulson operates a sawmill facility, converting raw lumber to timber, which in turn is either transported to a re-manufacturing facility, or sold as raw unfinished timber. The sawmill employs approximately 100 people.

11. Coulson is a service provider to San Industries and its revenue receipts are intercompany amounts payable by San Industries. Its primary expenses are those related to the specific sawmill facility, including:

- (a) Mortgage expenses;

- (b) Labour costs; and
 - (c) Costs associated with the property and maintaining the facility.
12. Sancoul Holdings Ltd. (“**SanCoul**”) owns controlling shares of Coulson and Mountainside. To streamline these proceedings and to satisfy the test of an affiliated company under the CCAA, on November 4, 2024, the shares of SanCoul were transferred to the Holding Company for nominal consideration, as shares of an insolvent company. Attached hereto and marked as **Exhibit “A”** to my affidavit is a copy of SanCoul’s central securities register.
13. San Forest owns two adjacent parcels of land in Port Alberni, with 2023 tax assessed values of \$16,560,900.00 (5105 Nuupts’ Ikapis Way, Port Alberni, B.C.) and \$587,400.00 (Stamp Ave, Port Alberni, B.C.) (the “**San Forest Lands 1**” and “**San Forest Lands 2**, respectively”). On its lands, San Forest operates a re-manufacturing facility, converting lumber to a re-manufactured purpose.
14. Like Coulson, San Forest operates as a service provider to San Industries, and its revenue receipts are intercompany amounts payable by San Industries.
15. San Forest’s primary expenses are those related to the specific re-manufacturing facility, including:
- (a) Mortgage expenses; and
 - (b) Costs associated with the property and maintaining the facility.
16. Axon owns two adjacent parcels of land in Langley, B.C., with 2023 tax assessed values of \$3,299,400.00 (25895 88 Ave, Langley, B.C.) and \$22,954,700.00 (25583 88 Ave, Langley, B.C.) (the “**Axon Lands 1**” and “**Axon Lands 2**”, respectively).
17. Axon Lands 1 is currently listed on the market for sale for \$7,500,000.00. Attached hereto and marked as **Exhibit “B”** to my affidavit is a copy of the current listing for Axon Lands 1.

18. Axon is a holding company and pays financing costs in respect of that property and charges rent amounts to San Industries. San Group's current head office is located at Axon Lands 2, from which office San Industries operates as the key operating entity of the San Group.
19. Axon's primary expenses are those related to the specific re-manufacturing facility and head office expenses, including:
 - (a) Mortgage expenses; and
 - (b) Costs associated with the property and maintaining the facility.
20. San Forest Specialty owns two adjacent parcels of land in Port Alberni, with 2023 tax assessed values of \$135,000.00 (1-6030 Hector Road, Port Alberni, B.C.) and \$27,100.00 (2-6030 Hector Road, Port Alberni, B.C.) (the "**San Forest Specialty 1**" and "**San Forest Specialty Land 2**", and collectively with Coulson Lands, San Forest Lands 1 and 2, Axon Lands 1 and 2, the "**Lands**"). On the land is a small speciality sawmill facility that is currently non-active and non-operational.
21. San Cedar is the San Group's retail division, operating out of the Langley, B.C. location (Axon) and Port Alberni, B.C. location (San Forest). San Cedar owns 100% of each of the retail Store Entities.
22. 1170518 BC Ltd. is the original San Group retail location in Surrey B.C. ("**San Cedar Direct Sales Surrey**"), until San Group expanded with San Cedar and the Store Entities. The Holding Company and Pal Singh Randhawa owns 100% of San Cedar Direct Sales Surrey.
23. San Farming is San Group's agriculture division. San Farming employs approximately 4 employees.
24. San Terminals was set up for port activities and is inactive with no current projects.
25. 1175465 BC Ltd. is inactive with no current projects.
26. Mountainside conducts logging operations and marketing of logs.

27. Finally, Super-Cut Lumber Industries Ltd. ("**Super-Cut**") is a payroll services entity.
28. Iqbal owns 90% of Super-Cut and San Industries own 10% of Super-Cut.
29. Super-Cut is the employer for the head office employees, and any employees within the San Group outside those employed with specific facilities.
30. Super-Cut is funded by intercompany payables. All non-union employees are paid by Super-Cut with the exception of some employees who are paid through San Industries, depending on the employee's work permit.
31. All the companies owned by the Holding Company and Super-Cut are collectively referred to as the "**Petitioners**".
32. All the Petitioners except San Cedar are corporations organized pursuant to the law of the Province of British Columbia.
33. San Cedar is a federally incorporated company and registered extra provincially in British Columbia.
34. The Petitioners listed at Schedule "A" have an address for service in these proceedings at 2500-700 West Georgia Street, Vancouver, B.C. V7Y 1B3.
35. Now produced and shown to me and marked as **Exhibit "C"** to my affidavit is a copy of corporate searches of each of the Petitioner entities.

The Petitioners' Business

36. Taken together, the San Group:
 - (a) harvests timber within British Columbia;
 - (b) transports the timber to a sawmill in Port Alberni for primary processing;
 - (c) transfers the processed lumber to re-manufacturing facilities to create lumber products; and

(d) sells those products to end users in local and global markets, ranging from large builders and developers to individual consumers and indigenous groups and nations.

37. The primary purchasers of the San Group's products are distributors.
38. The primary assets of the Petitioners are the Lands, (the entities that own the Lands are collectively referenced as the "**Land Entities**"), related equipment and machinery, and inventory. The Petitioners also have positive relationships with suppliers, contractors, and distributors.
39. According to the draft year-end unaudited consolidated financial information report as of October 31, 2023, for San Industries, Coulson, Axon, Super-Cut, San Forest, and Acorn ("**Consolidated Draft Financial Information**"), current assets include the following:
 - (a) Accounts receivables: \$10,000,314.00;
 - (b) Raw and processed inventory: \$97,936,848.00 and
 - (c) Prepaid expenses: \$3,835,249.00.
40. Collectively, the 2023 assessed value of the Land Entities is approximately \$48,366,400.00. Now produced and shown to me as **Exhibit "D"** to my affidavit is a copy of the BC Assessment roll reports and searches for the Land Entities.
41. Now produced and shown to me as **Exhibit "E"** to my affidavit is a copy of the BC land title searches retrieved from the Land Title and Survey Authority of British Columbia, and BC Manufactured Home Registry Search for all the Land Entities.
42. The Petitioners tangible assets include modest cash balances from time to time as well as equipment and machinery, and inventory. The Petitioners estimate that tangible book value assets (being construction equipment, wood processing machines and systems, trucks, trailers, tractors, wheel loader, excavators, forklifts, tillers, etc.) as being worth approximately \$89,877,911.00 as of October 31, 2023, according to Consolidated Draft Financial Information.

43. The Petitioners have approximately 250 employees.

Cash Management

44. The Petitioners currently manage their cash on a consolidated and pooled basis.
45. While the Petitioners maintain separate bank accounts with separate balances for each of the Petitioner entities, cash is transferred between entities in the ordinary course of business to smooth out the cash flows of each individual Petitioner entity. Further, as discussed in more detail below, the separate bank accounts are all cross-collateralized.
46. Given the current cash flow challenges within the group, the use of a consolidated Cash Management System is essential to the Petitioners' ability to operate their businesses in the ordinary course and ensure that critical payables, including payroll, are paid.
47. All the Petitioners current bank accounts are held at Royal Bank of Canada ("RBC").
48. Attached hereto and marked as **Exhibit "F"** to my affidavit is a copy of the Consolidated Draft Financial Information. Attached hereto and marked as **Exhibit "G"** to my affidavit is a copy of the non-consolidated draft financial statements for San Industries, Coulson, Axon, Super-Cut, San Forest, and Acorn for the year-end as of October 31, 2023.
49. Further to the above, attached hereto and marked as **Exhibit "H"** to my affidavit is a copy of the most recent year-end financial statements (unless stated otherwise) that are available for the following Petitioners:
- (a) 1170518 B.C. Ltd. for the financial year-end as of December 31, 2019;
 - (b) 1175465 B.C Ltd. for the financial year-end as of December 31, 2020;
 - (c) 1224676 B.C. Ltd. for the financial-year end as of December 31, 2020;
 - (d) Financial information for Mountainside for the financial-year end as of December 31, 2023; and
 - (e) San Cedar for the financial year-end as of December 31, 2020.

50. The Petitioners have never prepared financial statements for the following entities because these entities are holding companies or inactive companies with no active operations:

- (a) San Farming Ltd.;
- (b) San Forest Specialty Ltd. (holds lands but has not active operations);
- (c) San Terminals Inc.;
- (d) San Holdings Inc.
- (e) 1260729 BC Ltd.

RBC, formerly HSBC

San Industries and Coulson Credit Facilities

51. The Petitioners' primary secured lender is RBC, formerly HSBC Bank Canada ("HSBC"). Through a Share Purchase Agreement between RBC and HSBC, on March 28, 2024, RBC acquired 100% of the issued common equity in HSBC and acquired all the preferred shares and the outstanding subordinated debt issued by HSBC. RBC purchased and became the legal owner of all loan agreements HSBC had with the Petitioners.

52. San Industries and Coulson are the primary borrowers on:

- (a) Two demand operating revolving loan facilities;
- (b) Seven demand non-revolving loan facilities, including one Business Credit Availability Program ("BCAP");
- (c) Two letters of guarantee facility (one in CAD and one in USD);
- (d) One demand revolving foreign exchange facility;
- (e) One interest rate swap facility;
- (f) One master equipment lease (San Industries); and

(g) One master equipment lease (Coulson).

(collectively, the “**San Industries and Coulson Credit Facilities**”)

53. According to the San Industries and Coulson Credit Facilities letter, the below guarantors are intended to guarantee the San Industries and Coulson Credit Facilities:

- (a) San Industries Ltd.;
- (b) Coulson Manufacturing 2017 Ltd.;
- (c) Axon Lumber Ltd.;
- (d) San Forest Products Ltd.;
- (e) Super-Cut Lumber Industries Ltd.;
- (f) San Holding Inc.;
- (g) San Cedar Direct Sales Ltd.;
- (h) Acorn Forest Products Ltd.;
- (i) Sukhjit Singh Sanghera;
- (j) Kamaljit Singh Sanghera; and
- (k) Iqbal Singh Deol.

54. Attached hereto and marked as **Exhibit “I”** to my affidavit is a copy of the San Industries and Coulson Credit Facilities letter with HSBC, dated August 28, 2023, with the original facility letter amended and restated.

55. Attached hereto and marked as **Exhibit “J”** to my affidavit is a copy of the guarantees with RBC, formerly HSBC that is in San Group’s possession.

56. In connection with the COVID-19 pandemic, the Petitioners entered into a loan agreement with RBC co-loaned with the Business Development Bank of Canada (“**BDC**”), pursuant

to the BCAP program. Pursuant to the BCAP program, BDC and RBC co-loaned a demand non-revolving loan facility to San Industries and Coulson for the original principal amount of \$5,000,000.00 from RBC and BDC in the amount of \$20,000,000.00. The BCAP facility is secured in favour of RBC and BDC. The current amount outstanding on the BCAP is approximately \$3,624,999.89. See above **Exhibit "I"** at page 10 (of the of the San Industries and Coulson Credit Facilities letter) for the BDC co-lend operating capital loan facility.

57. The first demand operating revolving loan facility ("**Operating LF 1**") was made available to San Industries and Coulson with a bulge limit of \$47,000,000.00 to February 29, 2024, and an ordinary limit of \$25,000,000.00 from March 1, 2024, payable on demand.
58. Coulson's obligations to RBC are secured by mortgage in the amount of \$10,000,000.00, creating first ranking charge over all the lands and premises of the Coulson Lands. Now produced and shown to me and marked as **Exhibit "K"** to my affidavit is a copy of the mortgage registered under no. CA 5974732, modified by CA 9736338 and assignment of rents registered under no. CA5974733 on May 4, 2017 from the BC land title office.
59. In or around December 2023 and January 2024, the Petitioners attempted restructuring efforts with BDC and HSBC to paydown HSBC Operating LF1 by refinancing San Forest 1 and San Forest 2, as described further below, for the further amount of \$13,000,000.00, with the additional loan amount secured by BDC on certain terms, and with written evidence and commitments from HSBC. BDC issued a letter of offer dated January 3, 2024, but the parties ultimately were unable to reach an agreement due to certain commitment terms, and all this comes against the backdrop of the HSBC and RBC transition.
60. In or around March 2024, the Petitioners and HSBC had discussions for a forbearance agreement with respect to the San Industries and Coulson Credit Facilities, and Axon Credit Facilities (as described further below). Ultimately the forbearance agreement was not executed as there were concerns that certain timelines and milestones were not achievable and would result in an inevitable breach. Accordingly, there were no further amendments to the Operating LF 1.

61. On or around June 17, 2024, Five Peaks Capital Ltd. granted Coulson a second mortgage over all the lands and premises of the Coulson Lands in the amount of \$3,000,000.00. Now produced and shown to me and marked as **Exhibit “L”** to my affidavit is a copy of the mortgage registered under no. CB 1381654 and assignment of rents under no. CB 1381655 on June 17, 2024, from the BC land title office.

Axon Credit Facilities

62. Axon is the primary borrower on the following facilities:
- (a) Three demand non-revolving loan facility; and
 - (b) One letter of guarantee facility.
- (the “**Axon Credit Facilities**”)
63. According to the Axon Credit Facilities, the following are intended to be guarantors to the Axon Credit Facilities:
- (a) San Industries Ltd.;
 - (b) Coulson Manufacturing 2017 Ltd.;
 - (c) Super-Cut Lumber Industries Ltd.;
 - (d) Sukhjit Singh Sanghera;
 - (e) Kamaljit Singh Sanghera; and
 - (f) Iqbal Singh Deol.
64. Axon’s obligations to RBC are secured by mortgage in the amount of:
- (a) \$3,500,000.00, creating a first ranking charge over all the lands and premises known as Axon Lands 1; and

- (b) \$15,000,000.00, creating a first ranking charge over all the lands and premises known as Axon Lands 2.
65. Now produced and shown to me and marked as **Exhibit “M”** to my affidavit is a copy of the mortgage retrieved from the BC land title office registered under no. CA5296887 and assignment of rents under no. CA5296888 as of June 28, 2016, for Axon Lands 1, and no. CA3092376 and assignment of rents under no. CA3092377 on April 25, 2013 for Axon Lands 2.
66. On or around October 25, 2024, RBC issued demand letters on the guarantors pursuant to the Axon Credit Facilities and Coulson Credit Facilities.
67. According to RBC’s demand letters, the current aggregate outstanding on the Axon Credit Facilities is approximately CAD \$4,674,070.97 and the current aggregate outstanding on the San Industries and Coulson Credit Facilities is approximately CAD \$100,280,661.54 and USD \$1,700,000.00. Attached hereto and marked as **Exhibit “N”** to my affidavit is a copy of demand letters issued by RBC.
68. San Industries, Coulson, Acorn, Axon, Super-Cut, and San Cedar’s obligations to RBC are secured by first position personal property security registered in British Columbia in favour of RBC, and assignments of book debts and subordination, postponement, and assignment agreements in favour of RBC. Attached hereto as **Exhibit “O”** is a copy of BC Personal Property Registry search results for the Petitioner entities.
69. San Forest’s obligations to RBC are secured by second position personal property security registered in British Columbia in favour of RBC, and assignments of book debts and subordination, postponement, and assignment agreements in favour of RBC.

Business Development of Canada

70. San Forest is the primary borrower on Loan No. 143805-4 for the purchase of the Acorn sawmill and purchase of Acorn sawmill inventory (“**Loan 143805-4**”).
71. According to Loan 143805-4, the following are intended to be guarantors of Loan 143805-4:

- (a) Super-Cut Lumber Industries Ltd;
- (b) San Industries Ltd.;
- (c) Axon Lumber Ltd.;
- (d) Coulson Manufacturing 2017 Ltd.;
- (e) Sukhjit Singh Sanghera (limited to \$1,000,000, plus interest and cost);
- (f) Kamaljit Singh Sanghera (limited to \$1,000,000, plus interest and cost); and
- (g) Iqbal Singh Deol (limited to \$1,000,000, plus interest and cost).

Attached hereto and marked as **Exhibit "P"** to my affidavit is a copy of Loan 143805-4.

- 72. Acorn is the primary borrower on Loan No. 232436-1 for the purchase of the Acorn sawmill and purchase of Acorn sawmill inventory ("**Loan 232436-1**").
- 73. According to Loan 232436-1, the following are intended to be guarantors of Loan 232436-1:
 - (a) San Forest Products Ltd.;
 - (b) San Industries Ltd.;
 - (c) Coulson Manufacturing 2017 Ltd.;
 - (d) Axon Lumber Ltd.;
 - (e) Super-Cut Lumber Industries Ltd;
 - (f) Sukhjit Singh Sanghera (limited to \$1,000,000, plus interest and cost);
 - (g) Kamaljit Singh Sanghera (limited to \$1,000,000, plus interest and cost); and
 - (h) Iqbal Singh Deol (limited to \$1,000,000, plus interest and cost).

Attached hereto and marked as **Exhibit "Q"** to my affidavit is a copy of Loan No. 232436-1.

74. San Forest is the primary borrower on Loan No. 143805-03 ("**Loan 143805-03**"). According to Loan No. 143805-03, the following are intended to be guarantors of Loan No. 143805-03:

- (a) Acorn Forest Products Ltd, formerly 1330258 BC Ltd.;
- (b) Super-Cut Lumber Industries Ltd.;
- (c) San Industries Ltd.;
- (d) Axon Lumber Ltd.;
- (e) Coulson Manufacturing 2017 Ltd.;
- (f) Sukhjit Singh Sanghera (limited to \$1,000,000, plus interest and cost);
- (g) Kamaljit Singh Sanghera (limited to \$1,000,000, plus interest and cost); and
- (h) Iqbal Singh Deol (limited to \$1,000,000, plus interest and cost).

Attached hereto and marked as **Exhibit "R"** to my affidavit is a copy of Loan No. 143805-3.

75. San Forest is also the primary borrower on Loan No. 143805-02 ("**Loan 143805-02**"). According to Loan 143805-02, the following guaranteed the Loan 143805-02:

- (a) Super-Cut Lumber Industries Ltd.;
- (b) San Industries Ltd.;
- (c) Axon Lumber Ltd.;
- (d) Coulson Manufacturing 2017 Ltd.;
- (e) Sukhjit Singh Sanghera (limited to \$1,000,000, plus interest and cost);

(f) Kamaljit Singh Sanghera (limited to \$1,000,000, plus interest and cost); and

(g) Iqbal Singh Deol (limited to \$1,000,000, plus interest and cost).

Attached hereto and marked as **Exhibit “S”** to my affidavit is a copy of Loan No. 143805-2.

76. San Industries is the primary borrower on Loan No. 187509-01 (“**Loan 187509-01**”). According to Loan 187509-01, the following guaranteed the Loan 187509-01:

(a) Coulson Manufacturing 2017 Ltd.;

(b) Super-Cut Lumber Industries Ltd.;

(c) Axon Lumber Ltd.; and

(d) San Forest Products Ltd.

Attached hereto and marked as **Exhibit “T”** to my affidavit is a copy of Loan No. 187509-01.

(Loan 232436-1 and Loan 143805-4, Loan 143805-03, Loan 143805-02, and Loan 187509-01, collectively, “**BDC Credit Facilities**”)

77. San Forest, San Industries, and Acorn’s obligations to BDC are secured by mortgages creating a first ranking charge over all the lands and premises known as San Forest Lands 1 and San Forest Lands 2. Attached hereto and marked as **Exhibit “U”** to my affidavit is a copy of BDC’s mortgage registered under no. CA7196293 on November 19, 2018.

78. San Forest’s obligations to BDC are secured by first position personal property security registered in British Columbia in favour of BDC, and assignments of book debts and subordination, postponement, and assignment agreements in favour of BDC.

79. On or around November 7, 2024, BDC issued demand letters on the guarantors pursuant to the BDC Credit Facilities. According to BDC’s demand letters, the current aggregate

outstanding on the BDC Credit Facilities is approximately \$43,426,57.30. Attached hereto and marked as **Exhibit "V"** to my affidavit is a copy of demand letters issued by BDC.

Other Liabilities

80. To maintain operations, the Petitioners have prioritized payments to their employees and critical suppliers, and they are in arrears with Canada Revenue Agency ("CRA"), some of their trade creditors and landlords. The Petitioners have significant liabilities to CRA relating to source deductions in the aggregate amount of approximately \$5,049,650.67 as of August 31, 2024. The following Petitioners owe GST in an aggregate amount of approximately \$1,013,022.23:

- (a) Axon;
- (b) Acorn;
- (c) Super-Cut;
- (d) Coulson; and
- (e) Mountainside.

Attached hereto as **Exhibit "W"** to my affidavit is a spreadsheet setting out the current amounts owing to CRA.

81. On or around June 21, 2021, the Port Alberni Port Authority leased San Industries certain land areas totaling in the aggregate of 484,345 sq ft, from Berth Number 3, at the Port Alberni Terminals (the "**Port Alberni Port Lease**").

82. San Industries guaranteed all payments of rent and other financial liabilities of the Port Alberni Port Lease, *inter alia*. Attached hereto and marked as **Exhibit "X"** to my affidavit is a copy of the Port Alberni Port Lease.

83. On or around May 14, 2022, Acorn assumed the lease between Interfor Corporation, the assignor, and Vancouver Fraser Port Authority for certain parcels of land and waterlot areas, formally described as Parcel "A" (Plan with Fee C32774), North East Quarter of

Section 35, Township 4, New Westminster District, Corporation of Delta, Province of British Columbia (the “**Vancouver Port Lease**”).

84. San Industries guaranteed all payments of rent and other financial liabilities of the Vancouver Port Lease, *inter alia*. As of October 25, 2024, the outstanding rent, including interest on the Port Lease is \$1,835,630.17. Attached hereto and marked as **Exhibit “Y”** to my affidavit is a copy of the original Vancouver Fraser Port Lease and as **Exhibit “Z”** is a copy of the consent to assignment and amending agreement.
85. San Holdings’ obligations to His Majesty the King in the Right of the Province of British Columbia (“**HKBC**”) are secured by first position personal property security registered in British Columbia in favour of HKBC, and assignments of book debts and subordination, postponement, and assignment agreements in favour of HKBC.
86. Further, Coulson owes HKBC approximately \$22,000,000.00 in stumpage fees due to the harvesting of timber from Crown land. The amount of stumpage paid is based on timber volumes, species and grades, and the stumpages rates for its timber.
87. HKBC obtained a judgment against Coulson on February 5, 2024, in the amount of \$7,481,606.46 and obtained a judgment on September 12, 2024, in the amount \$14,608,092.02.
88. Coulson has been in discussion with HKBC regarding the overdue stumpage fees and has been working on a payment plan to pay off the stumpage fee. Attached hereto and marked as **Exhibit “AA”** to my affidavit is a copy of the March 5, 2024, and September 13, 2024, certificate of judgments.
89. The Ministry of Forests, Lands and Natural Resource Operations has been sending letters regarding the unpaid stumpage fees.
90. As at the date of this Petition, the Petitioners have outstanding union accruals for vacation entitlements in the amount of approximately \$400,008.26.
91. Finally, the amount owing on trade and other payables (including amounts payable to contractors who harvest the lumber) fluctuates during the course of any given month. As

of August 31, 2024, the Petitioners had unsecured trade debt in the approximate amount of \$13,810,897.65 resulting from trade supply obligations arising in the normal course. Attached hereto and marked as **Exhibit "BB"** is a copy of a schedule setting out San Group's accounts payable and contractual commitments as of August 31, 2024.

Recent Financial Difficulties

92. Historically, the Petitioners have run their operations profitably. Unfortunately, the Petitioners began facing significant liquidity challenges in 2023 due to external factors and can no longer continue to meet their obligations as they become due.
93. Starting in 2023 and continuing into the beginning of 2024, there has been an erosion in the lumber markets in North America and globally, as lumber prices have significantly dropped since the beginning of 2022.
94. When coupled with inflationary pressures which increased labour and other input costs and rapidly escalating interest rates, ultimately increasing debt service costs, the Petitioners have been faced with reduced liquidity in their ongoing operations.
95. Specifically, the Petitioners have been experiencing wood fibre supply challenges which has reduced the overall operations of the San Group.
96. On October 17, 2024, the San Group temporarily shut down its largest-log sawmill (Coulson Lands) and manufacturing plant (San Forest Lands 1 and San Forest Lands 2) in Port Alberni.
97. Last year, on or around June 6, 2023, BC Highway 4 was closed due to a wildfire on Vancouver Island, which shut down the only highway that connects the island's two coasts.
98. The majority of the lumber for the group is housed on the Coulson Lands, San Forest Lands 1, and San Forest Lands 2 in Port Alberni, B.C., which are then subsequently shipped to Axon Lands 1 and Axon Lands 2 in Langley, B.C. for remanufacturing.
99. Axon is also the main distribution hub and ships approximately 60-70% of the finished lumber from Langley, B.C. to local and global markets.

100. Due to the highway closure, lumber and inventory were unable to be distributed and shipped out of Port Alberni, B.C. The only way for supplies and lumber to leave the island by land was through an hours-long detour on a narrow logging road.
101. Highway 4 was shut down for majority of summer 2023 and the San Group relied on the old logging road to get some lumber out but was only a fraction of the typical workflow. Now produced and shown to me as **Exhibit “CC”** to my affidavit is a copy of CBC article titled “A wildfire closed down a Vancouver Island highway. Local businesses say the impact has been ‘devastating’”.
102. Further from July 1 to July 13, 2023, there was a 13-day port strike in British Columbia which prevented the movement of cargo at thirty port terminals, including the port in Port Alberni. All cargo was stuck and could not be shipped out of Port Alberni or to the Lower Mainland, which further affected San Group’s cash flow. Now produced and shown to me as **Exhibit “DD”** to my affidavit is a copy of the Times Colonist article about San Group being “stuck between a rock and a hard place” due to port strike.
103. After the 13-day port strike and the Highway 4 forest fire closure in the summer of 2023, which significantly curtailed San Groups’ inventory, production, and export of lumber, the Petitioners became concerned over their cashflow needs. Summer is typically our most profitable time of the year with the winter season typically having reduced inventory.
104. Because of their concerns, the Petitioners contacted BDC to discuss their liquidity constraints. In or around December 2023 and January 2024, the Petitioners attempted restructuring efforts with BDC and HSBC to paydown HSBC Operating LF 1 by refinancing San Forest 1 and San Forest 2, for the further amount of \$13,000,000.00, with the additional loan amount secured by BDC on certain terms, and with written evidence and commitments from HSBC.
105. BDC issued a letter of offer dated January 3, 2024, but the parties ultimately were unable to reach an agreement due to certain commitment terms. At this time, the Petitioners became aware of the HSBC and RBC transition.

106. The Petitioners attempted again in or around March 2024, to negotiate a forbearance agreement with HSBC with respect to San Industries and Coulson Credit Facilities, and the Axon Credit Facilities.
107. Ultimately, the forbearance agreement was not executed as the parties could not agree to timelines and milestones were achievable and a breach would have been inevitable.
108. On or around April 7, 2024, Acorn's sawmill suffered a significant fire of about 15 by 30 metres in size; seven trucks and 30 firefighters were sent on the scene. Now produced and shown to me as **Exhibit "EE"** to my affidavit is a copy of CTV News article, titled "Crews battle large fire at mill in Delta".
109. As of the date of filing, Acorn has filed a fire insurance claim, although there is still significant work that needs to be done to prove the claim.
110. Once the claim is proven, the Petitioners expect that the proceeds of the insurance claim will assist with paying down the secured debt.
111. The insurance claim and any proceeds thereof are significant asset of Acorn that is subject to the lenders' security.
112. Lastly, as mentioned, Coulson owes HKBC approximately significant overdue stumpage fees.
113. The amount is in dispute, however, the HKBC's initial position is that \$22,000,000.00 is due and owing. The Petitioners have been working with the HKBC to determine how much is due and owing and to negotiate a payment plan.
114. On or around October 25, 2024, the Operating LF 1 became due and payable and RBC issued demand letters against the guarantors of the San Industries and Coulson Credit Facilities, and Axon Credit Facilities.
115. On or around November 7, 2024, BDC issued demand letters against the guarantors of the BDC Credit Facilities.

116. We have been in discussions with our lenders towards a cooperative filing for creditor protection for several weeks, especially after demand was made.
117. During that time, certain information came to light regarding obligations of the Petitioners that resulted in a reduction in our borrowing base for the RBC facilities. For example, we had to take on write-downs of inventory due to poor recoveries on raw materials.
118. Although the borrowing base has been negatively affected during the time we have been negotiating towards a filing, the Petitioners' sales have been in line with forecasts.
119. The Petitioners have also been able to keep current on payments for payroll and other items during this period.
120. In preparation for this filing, significant work has been done towards cash flow forecasting different levels of operations under creditor protection, including reduced operations, and shutdown of operations, to assess cash flow needs and collateral risks.
121. The cash flow forecast as referenced at Exhibit "FF" below contemplates reduced operations but does not contemplate a shutdown.
122. Management believes that the forecasted ongoing operations are beneficial to stakeholders because of the significant work done to develop certain customer relationships that the San Group wants to maintain as going-concern value.
123. In addition, if the Petitioners were to shut down all operations, aside from the loss of jobs and enterprise value, there would also be ongoing costs involved in protecting the assets from damage, theft or loss.
124. Specifically, each site would require several shifts of security workers, and a minimum of 5-7 head office individuals.
125. In addition, to maintain the value of the equipment and machinery, significant expenditure would be required to develop and implement a proper winterization plan for the plants and equipment.

126. Given the significant expenses, and loss in value, associated with a shut down of operations, management is of the view that the level of operations set out in the cash flow attached to this affidavit is the best path forward for stakeholders.
127. On or around November 9, 2024, during the time the Petitioners were working with their lenders towards a CCAA filing, Jaskaran Gill, the Corporate Operating Officer of San Group, had to take an unexpected trip to India due to an immediate family member being hospitalized. All close family members were told to go to India immediately.
128. Mr. Gill returned to Vancouver, B.C. on November 22, 2024, at around 6:30 am.
129. During Mr. Gill's time in India, Mr. Gill informed me that he had intermittent internet connection and I understood from Mr. Gill that he was having difficulties accessing San Group's file servers.
130. Mr. Gill informed me that, during his time in India, he took part in conversations with financial advisors from KPMG on November 11, 2024, and November 15, 2024. I understand from Mr. Gill that the meetings took place at around 3:30 am local time in India. Specifically, on November 15, 2024, Mr. Gill informed me that there was a joint call with Deloitte to discuss cash flow and ongoing operations of San Group.
131. Mr. Gill informed me that, when he returned to Vancouver, B.C., he had a joint meeting with KPMG, Deloitte, and the San Group on November 23, 2024, at around 11:00 am to go through the current cash flow as it stood then.
132. Based on that discussion, the Petitioners updated our cash flow and then sent the revised cash flow forecast to Deloitte on Sunday, November 24, 2024, at around 7:03 pm.
133. Mr. Gill informed me that the next day, the San Group had another joint discussion with Deloitte regarding the cash flow.
134. On November 26, 2024, the Petitioners provided its cash flow for the interim order, as referenced at Exhibit "FF" below.

135. All this occurred while a close family member of Jasmin Sanghera, San Group's VP Finance, had a medical emergency on November 12, 2024. I was informed by Ms. Sanghera that the medical emergency resulted in her close family member being admitted into the intensive care unit. I understand that Ms. Sanghera's close family member is currently on life support.
136. As a result, Ms. Sanghera was not in the office and was unavailable to work. Ms. Sanghera informed me that during this time she was only able to perform the task of issuing payroll for the staff at San Group.
137. Ms. Sanghera further informed me that, during the week of November 18, 2024, she was in the office for a few hours per day to complete only necessary tasks, such as payment to vendors and collecting account receivables.
138. Due to these family emergencies, discussions with the proposed Monitor, Deloitte, regarding the cash flow are still ongoing. If changes are made between now and the hearing date, the Petitioners will provide an updated cash flow.

Proposed Restructuring Plan

139. The Petitioners have been consulting with their principal secured creditors, RBC and BDC, regarding a consensual path forward to address the San Group's current debt obligations.
140. If the Initial Order is granted, the Petitioners intend to seek approval of a sales and investment solicitation process ("SISP"), to be run by the Court-appointed Monitor, in consultation with RBC and BDC, and under the supervision of the Court.
141. The Petitioners require a stay of proceedings to maintain the status quo and protect and preserve the value of their business for the benefit of stakeholders while the SISP is implemented.
142. Current ownership and management intend to participate as a bidder in the SISP. Consequently, the Petitioners are seeking to expand the powers of the monitor to implement the SISP and ensure an open and fair process.

143. RBC and BDC have agreed in principle to a CCAA proceeding with a monitor-run SISP. However, as of the time I am swearing this affidavit, the lenders and the Petitioners have not come to an agreement as to the terms of the interim order.
144. Management believes that RBC and BDC benefit by the continued operation of the enterprise by present management, subject to enhanced monitor's powers to market and sell assets.

Cash Flow

145. Now produced and shown to me and marked as **Exhibit "FF"** to my affidavit is a copy of the Petitioners' project cash flow.
146. As demonstrated by this projected cash flow, the Petitioners expect to be able to sustain their operations over 90 days while restructuring their businesses.

Urgency

147. The Petitioners have missed loan payments and are facing increasing pressure from the government in respect to overdue source deductions and GST payments (and face the risk that they will garnish the Petitioners' accounts, which will only increase the strain on their cash resources). As described herein, the HKBC has asserted that the Petitioners owe approximately \$22,000,000.00 in stumpage fees.
148. As of November 11, 2024, due to the expiry of San Group's United States customs import bonds, the Petitioners can no longer export to United States, their primary export market.
149. The customs bond was a one-year contract with a surety company licensed by the US Department of Treasury and the US Customs and Border Protection.
150. Accordingly, San Group made a payment of approximately \$200,000.00 USD in order to temporary export to the United States, their primary export market, for three months. This payment assisted the Petitioners to maintain its sales, which have been in line with forecasts.

151. The Petitioners' secured lenders have made demand.

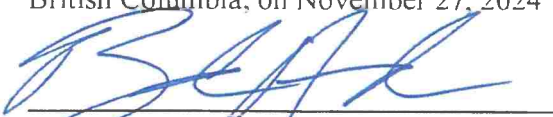
152. The Petitioners urgently need the breathing space afforded by a stay of proceedings to ensure that they have cash to cover upcoming payroll and other critical operating expenses.

Charges

153. The Petitioners are seeking:

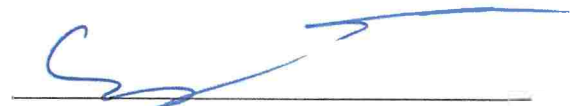
- (a) An administration charge in the amount of \$300,000.00, for which the Petitioners may seek an increase at the comeback hearing. The basis for this number is the cash flow projections prepared by the Petitioners; and
- (b) A directors' and officers' charge in an amount to be determined in discussion with the Petitioners' lenders and proposed Monitor.

AFFIRMED BEFORE ME at city of Surrey,
British Columbia, on November 27, 2024



A Commissioner for taking Affidavits
for British Columbia

B. SUNNY AUJLA
Barrister • Solicitor
FARRIS LLP
Unit 602 13737 96 Avenue
Surrey, BC V3V 0C6



Sukhjit Singh Sanghera