



S-248267

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**

**PETITION TO THE COURT**

**ON NOTICE TO:**

Attention: Kibben Jackson & Glen Nesbitt  
Counsel for Royal Bank of Canada  
Fasken Martineau DuMoulin LLP  
550 Burrard Street, Suite 2900  
Vancouver, B.C. V6C 0A3  
Emails: kjackson@fasken.com; gnesbitt@fasken.com

Attention: Kendall Andersen & Jennifer Pepper  
Counsel for Business Development Bank of Canada  
Borden Ladner Gervais LLP  
1200 Waterfront Centre  
200 Burrard St. P.O. Box 48600  
Vancouver B.C. V7X 1T2  
Emails: kandersen@blg.com; jpepper@blg.com

**The address of the registry is:** 800 Smithe Street, Vancouver, B.C. V6Z 2E1

The Petitioners estimate that the hearing of the petition will take 60 minutes.

☐ This matter is an application for judicial review.

☒ This matter is not an application for judicial review. **This proceeding has been started by the petitioners for the relief set out in Part 1 below.**

If you intend to respond to this petition, you or your lawyer must

- (a) file a response to petition in Form 67 in the above-named registry of this court within the time for response to petition described below, and
- (b) serve on the petitioners
  - (i) 2 copies of the filed response to petition, and
  - (ii) 2 copies of each filed affidavit on which you intend to rely at the hearing.

**Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the response to petition within the time for response.**

### **TIME FOR RESPONSE TO PETITION**

A response to petition must be filed and served on the petitioners,

- (a) if you were served with the petition anywhere in Canada, within 21 days after that service,
- (b) if you were served with the petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the petition anywhere else, within 49 days after that service, or
- (d) if the time for response has been set by order of the court, within that time.

(1)	The ADDRESS FOR SERVICE of the petitioners is:  25 <sup>th</sup> Floor, 700 West Georgia Street, V7Y 1B3
(2)	The name and office address of the petitioners' lawyer are:  Farris LLP Barristers & Solicitors 2500 - 700 West Georgia Street Vancouver, British Columbia V7Y 1B3  Attention: Tevia R.M. Jeffries & Sandy Lun  Fax number address for service (if any) of the petitioners: N/A E-mail address for service (if any) of the petitioners: tjeffries@farris.com; slun@farris.com

### **CLAIM OF THE PETITIONERS**

#### **PART 1: ORDERS SOUGHT**

1. The Petitioners seek an order in the form attached hereto as Schedule "B" (the "**Initial Order**") for certain relief pursuant to the *Companies' Creditors Arrangement Act* R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), including, *inter alia*:

- (a) abridging the time for service of this Petition and the Petition Record and dispensing with further service thereof other than in accordance with the Initial Order;
- (b) a declaration that the CCAA applies to the Petitioners;
- (c) appointing Deloitte LLP ("**Deloitte**") as an officer of this Court to monitor the assets, business, and affairs of the Petitioners (in such capacity, the "**Monitor**");
- (d) staying all proceedings, enforcement processes, and remedies taken, or that might be taken in respect of the Petitioners or any of their property, except as otherwise set out in the Initial Order;
- (e) authorizing and permitting the Petitioners to file with this Court a formal plan or plans (the "**Plan**" and "**Plans**", respectively) of compromise and arrangement between the Petitioners and one or more classes of their creditors pursuant to the provisions of the CCAA;
- (f) authorizing the Petitioners to carry on business in a manner consistent with the preservation of their property and business and to make payments in respect of certain pre-filing obligations and to certain critical supplies and service providers;
- (g) authorizing the Petitioners to continue to utilize the central cash management system currently in place as described in the Affidavit #1 of Sukhjot Singh Sanghera or replace it with another substantially similar central cash management system (the "**Cash Management System**");
- (h) authorizing the Petitioners to enter into an interim lending term sheet and facility, to be secured by an interim financing charge;
- (i) granting the following charges over the assets, property, and undertakings of the Petitioners in priority to all other creditors of the Petitioners and which shall have the relative priority as set out below, as security for the obligations of the Petitioners to the beneficiaries of the following charges:

- (a) firstly, an administrative charge in favour of the Petitioners' counsel, the Monitor, and the Monitor's counsel;
  - (b) second, a directors' and officers charge;
  - (c) third, an interim financing charge in favour of an interim lender, if necessary.
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- (j) defining the classes of creditors of the Petitioners for the purposes of a meeting or meetings with respect to, and voting on, any Plan or Plans that may be filed;
  - (k) that, upon filing a Plan, the Petitioner may call a meeting or meetings of the affected classes of its creditors to vote upon such a plan;
  - (l) such directions as may be required from time to time respecting the presentation of a Plan to the Petitioners' creditors, proofs of claim, conduct of meetings, and related matters;
  - (m) sanctioning and approving any Plan with such amendments as may be proposed by the creditors of the Petitioners and approved by the Petitioners or as may be proposed by the Petitioners;
  - (n) that the orders in this proceeding shall have full force and effect in all provinces and territories of Canada and any other foreign country where creditors of the Petitioners are domiciled;
  - (o) that the Petitioners shall be authorized and empowered, but not required to:
    - (a) apply as they may consider necessary or desirable, with or without notice, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize the Initial Order and/or to assist in carrying out the terms of the Initial Order and any subsequent orders of this Court; and

- (b) act as a foreign representative in respect of these proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada;
- (p) requesting the aid and recognition of other Canadian and foreign courts, tribunals, regulatory, administrative and other bodies, including, without limitation, any court or administrative tribunal of any federal or state court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of the Initial Order where required;
- (q) an order that the Petitioners be at liberty to serve all orders and materials (including a Plan) in this proceeding on any of their creditors by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, fax, or email to the Petitioners' creditors at their respective addresses as last shown on the records of the Petitioners, and any such service or notice by courier, personal delivery, fax, or email shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing;
- (r) scheduling a comeback hearing (the "**Comeback Hearing**") for December 9, 2024 or some other date and time to be set by this Court; and
- (s) such further and other relief as the Petitioners may request and this Honourable Court may deem just.

## **PART 2: FACTUAL BASIS**

### **OVERVIEW**

2. 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.
3. The finished products include dimensional lumber, as well as building products like siding, soffits, decking, fencing, and exterior and interior cladding and finishing in both general and custom designs.

***Recent Financial Difficulties***

4. Historically, the Petitioners have run their operations profitably. However, in 2023, the Petitioners began facing significant liquidity challenges due to external factors and can no longer continue to meet their obligations as they become due.
5. Starting in 2023 and continuing into the beginning of 2024, there has been an erosion in the lumber markets in North America and globally. Lumber prices have significantly dropped since the beginning of 2022. This drop in price has been coupled with inflationary pressures which increased labour and other input costs. Interest rates also escalated rapidly, ultimately increasing debt service costs. As a result of all these factors combined, the Petitioners have been faced with reduced liquidity in their ongoing operations.
6. In addition to the above, the Petitioners have been experiencing wood fibre supply challenges which has reduced the overall operations of the San Group. 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 (as defined below).
7. In further addition to the above, 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. Because of where the majority of the group's lumber is housed (in Port Alberni BC, on lands owned by Coulson and San Forest), and where it gets

shipped for remanufacturing and distribution (Langley BC, at Axon's facility), the highway shutdown crippled the Petitioners' business. Due to the highway closure, lumber and inventory could not 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. 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.

8. While dealing with the business impacts of the wildfires, 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.
9. 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 San Group's most profitable time of the year with the winter season typically having reduced inventory.
10. Because of their concerns, the Petitioners contacted the Business Development Bank of Canada ("**BDC**") to discuss their liquidity constraints. In or around December 2023 and January 2024, the Petitioners attempted restructuring efforts with BDC and HSBC Bank Canada ("**HSBC**") to paydown HSBC's first demand operating revolving loan facility ("**Operating LF 1**") by refinancing San Forest 1 and San Forest 2 (as defined 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.
11. 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 Royal Bank of Canada ("**RBC**") transition.

12. 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 (as defined below).
13. Ultimately, the forbearance agreement was not executed as the parties could not agree to achievable timelines and milestones. A breach would have been inevitable.
14. On or around April 7, 2024, Acorn Forest Products Ltd.'s ("**Acorn**") sawmill suffered a significant fire of about 15 by 30 metres in size; seven trucks and 30 firefighters were sent on the scene. 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. Once the claim is proven, the Petitioners expect that the proceeds of the insurance claim will assist with paying down the secured debt. The insurance claim and any proceeds thereof are significant asset of Acorn that is subject to the lenders' security.
15. As part of the financial repercussions of the above, His Majesty the King in the Right of the Province of British Columbia ("**HKBC**") as asserted claims against Coulson Manufacturing 2017 Ltd. ("**Coulson**") for significant overdue stumpage fees. 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.
16. On or around October 25, 2024, RBC issued demand for more than CAD\$100,000,000.00. On or around November 7, 2024, BDC issued demand letters for over \$43,000,000.00.
17. The Petitioners have been in discussions with their lenders towards a cooperative filing for creditor protection for several weeks, especially after demand was made. In November 2024, during those discussions, both Jaskaran Gill, the Corporate Operating Officer of San Group and Jasmin Sanghera, San Group's VP Finance, had to take time away from the office due to unexpected family emergencies.
18. Also during the period that the Petitioners have been negotiating with their secured creditors, certain information came to light regarding obligations of the Petitioners that resulted in a reduction in the Petitioners' borrowing base for the RBC facilities. For



example, the Petitioners had to take on write-downs of inventory due to poor recoveries on raw materials. Although the borrowing base has been negatively affected during the time the Petitioners have been negotiating towards a filing, the Petitioners' sales have been in line with forecasts. The Petitioners have also been able to keep current on payments for payroll and other items during this period notwithstanding certain of their RBC accounts being in overdraft and therefore treated as deposit-only.

19. 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. San Group's 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. 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, including costs related to winterization of equipment and site security. Given the significant expenses, and loss in value, associated with a shut down of operations, San Group's management is of the view that the level of operations set out in the cash flow is the best path forward for stakeholders.

#### *San Group's Corporate Structure and Operations*

20. Kamal Sanghera also known as Kamaljit Singh Sanghera ("**Kamal**"), Suki Sanghera, also known as Sukhjot Singh Sanghera ("**Suki**"), and Iqbal Deol ("**Iqbal**") are the founders of San Industries Ltd. ("**San Industries**"). San Industries is the main operating arm of the San Group. Iqbal, Suki and Kamal through each of their respective family trusts and their respective holding companies own controlling shares in San Industries. San Industries own controlling shares in San Holdings Inc. (the "**Holding Company**"). The Holding Company owns 100% of:

- (a) 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.

- 21. 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.
- 22. Coulson owns land located in Port Alberni, with a 2023 tax assessed value of \$4,801,900.00 (the “**Coulson Lands**”).
- 23. 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.

24. 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.
25. 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.
26. 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.
27. Like Coulson, San Forest operates as a service provider to San Industries, and its revenue receipts are intercompany amounts payable by San Industries.
28. 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.
29. 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).
30. Axon Lands 1 is currently listed on the market for sale for \$7,500,000.00.

31. 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.
32. 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.
33. 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.
34. 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.
35. 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.
36. San Farming is San Group's agriculture division. San Farming employs approximately 4 employees.
37. San Terminals Inc. was set up for port activities and is inactive with no current projects.
38. 1175465 BC Ltd. is inactive with no current projects.
39. Mountainside conducts logging operations and marketing of logs.

40. Finally, Super-Cut Lumber Industries Ltd. ("**Super-Cut**") is a payroll services entity.
41. Iqbal owns 90% of Super-Cut and San Industries own 10% of Super-Cut.
42. Super-Cut is the employer for the head office employees, and any employees within the San Group outside those employed with specific facilities.
43. 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.
44. All the companies owned by the Holding Company and Super-Cut are collectively referred to as the "**Petitioners**".
45. All the Petitioners except San Cedar are corporations organized pursuant to the law of the Province of British Columbia.
46. San Cedar is a federally incorporated company and registered extra provincially in British Columbia.
47. 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.
48. Taken together, the San Group:
  - (a) harvests lumber through its contractors;
  - (b) transports the lumber through contractors to its sawmills;
  - (c) at San Group's own sawmills, transforms the raw timber into lumber;
  - (d) either sells the lumber or transports it to one of San Group's re-manufacturing facility; and
  - (e) from the re-manufacturing facility, San Group sells to the end purchaser.
49. The primary purchasers of the San Group's products are distributors.

## ASSETS

50. 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.
51. 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.
52. Collectively, the 2023 assessed value of the Land Entities is approximately \$48,366,400.00.
53. 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.
54. The Petitioners have approximately 250 employees.

## CASH MANAGEMENT

55. The Petitioners currently manage their cash on a consolidated and pooled basis.
56. 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.

57. 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.
58. All the Petitioners current bank accounts are held at RBC.

## **LIABILITIES**

### ***Loan Agreements – Royal Bank of Canada, formerly HSBC***

#### **San Industries and Coulson Credit Facilities**

59. The Petitioners' primary secured lender is RBC, formerly 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.
60. 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**")

61. 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.
62. In connection with the COVID-19 pandemic, the Petitioners entered into a loan agreement with RBC co-loaned with the 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.
63. The 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.
64. 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.
65. 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.

66. 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.
67. 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.

Axon Credit Facilities

68. 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”)

69. 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.
70. 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.
71. On or around October 25, 2024, RBC issued demand letters on the guarantors pursuant to the Axon Credit Facilities and Coulson Credit Facilities
72. 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.
73. 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.
74. 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.

***Loan Agreements – Business Development Bank of Canada***

75. 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**").
76. 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).
77. Acorn is the primary borrowers on Loan No. 232436-1 for the purchase of the Acorn sawmill and purchase of Acorn sawmill inventory ("**Loan 232436-1**").
78. 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).
79. 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).
80. 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).
81. 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.

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

- 82. 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.
- 83. 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 RBC.
- 84. 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.

***Other Obligations***

- 85. 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.

86. 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**”).
87. San Industries guaranteed all payments of rent and other financial liabilities of the Port Alberni Port Lease, *inter alia*.
88. 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**”).
89. 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.
90. The Port of Vancouver has been sending letters regarding the outstanding rent.
91. San Holdings’ obligations to 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.
92. 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.
93. 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.
94. 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.

95. The Ministry of Forests, Lands and Natural Resource Operations has been sending letters regarding the unpaid stumpage fees.
96. As at the date of this Petition, the Petitioners have outstanding union accruals for vacation entitlements in the amount of approximately \$400,008.26.
97. 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.

#### **PROPOSED RESTRUCTURING PLAN**

98. 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. The form of Initial Order sought contemplates providing the Court-appointed Monitor expanded powers to market and sell the Petitioners' assets. If the Initial Order is granted, the Petitioners or the Court-appointed Monitor will shortly thereafter seek approval of a sales and investment solicitation process ("**SISP**"), to be run by the Monitor, in consultation with RBC and BDC, and under the supervision of the Court.
99. 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.
100. 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.
101. RBC and BDC have agreed in principle to a CCAA proceeding with a Monitor-run SISP. 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.

102. 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.
103. As part of the Petitioners' restructuring, the Petitioners also plan to seek interim financing.

#### **CASH FLOW**

104. A copy of the Petitioners' projected cash flow is attached to the affidavit #1 of Sukhjit Singh Sanghera filed in this proceeding.
105. 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**

106. 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.
107. As of November 11, 2024, San Group's United States customs import bonds expired and the Petitioners could not export to United States, their primary export market.
108. 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.
109. 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.
110. The Petitioners' secured lenders have made demand for nearly \$105,000,000.00 in debt.



111. 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.

**RELIEF REQUESTED**

112. The Petitioners are seeking a 10-day stay of proceedings and certain related relief.
113. At the Comeback Hearing, the Petitioners intend to seek:
- (a) An extension of the stay of proceedings;
  - (b) an increase to the administration charge and elevation of the administration charge over secured creditors not given notice of the Initial Order;
  - (c) elevation of the directors and officers charge and interim financing charge over secured creditors not given notice of the Initial Order and.
114. Depending on consultations in the coming days with stakeholders (in particular with RBC and BDC), at the Comeback Hearing, the Monitor may seek a sale and investment solicitation process order.

***Monitor***

115. The Petitioners intend to appoint Deloitte as Monitor with expanded powers to market and sell the Petitioners' assets. Deloitte has consented to act as CCAA monitor.
116. Jeff Keeble is a Licensed Insolvency Trustee, and neither of Mr. Keeble nor Deloitte has acted as director, officer, or employee of any of the Petitioners, neither is related (as defined in the *Bankruptcy and Insolvency Act*) to any of the Petitioners or any director or officer thereof, and neither has been the auditor, accountant, or legal counsel for any of the Petitioners.

***Administration Charge***

117. The Petitioners are seeking an administration charge over their assets, properties and undertakings up to a maximum amount of \$300,000.00 to secure payment of the fees and disbursements of the Petitioners' legal counsel, the Monitor, and the Monitor's legal

counsel. The Administration Charge would rank in priority to all other encumbrances, including all other court-ordered charges, except for those secured creditors who did not receive notice of the CCAA filing.

118. At the Comeback Hearing, the Petitioners will seek an increase on the Administration Charge at the Comeback Hearing in priority to all other encumbrances, including all other court-ordered charges and those secured creditors who will initially be carved out of the charge.
119. The Administration Charge will ensure that the Petitioners retain access to the professionals whose expertise and knowledge is required to pursue a restructuring under the CCAA.

***Directors Charge***

120. The Petitioners are seeking a charge (the “**Directors Charge**”) in favour of its directors and officers over the Petitioners’ assets, properties and undertakings to indemnify the directors and officers in respect of liabilities they may incur as directors and officers of the Petitioners during these proceedings, up to a maximum amount of \$350,000.00. The Directors Charge would rank in priority to all other encumbrances, including all other encumbrances, except for the Administration Charge, the Interim Lender’s Charge, and those secured creditors who did not receive notice of the CCAA filing.
121. The Petitioners do not have insurance policies in respect of their directors and officers’ potential liabilities. Accordingly, the Petitioners believe the quantum of the Directors charge is fair and reasonable in the circumstances, based on the Petitioners’ payroll cycle as detailed in the cash flow statement. The quantum of the Directors Charge is supported by the proposed Monitor.
122. At the Comeback Hearing, the Petitioners intend to seek an elevation of the priority of the Directors’ Charge in priority to all other encumbrances, including all other court-ordered charges and those secured creditors who will initially be carved out of the charge.

***Interim Lending Charge***

123. In discussing these proceedings with its bank lenders, and the need for an interim facility, RBC (in such capacity, the "**Interim Lender**") has agreed to provide the Petitioners with \$600,000 in interim financing on certain conditions (the "**Interim Financing**").
124. It is expected that the Interim Financing will be advanced in the first 10 days of the proceedings, and the Initial Order will reflect what is needed for that initial 10-day period.
125. The Interim Lender and the Petitioners have negotiated a term sheet for the Interim Financing (the "**Interim Financing Credit Agreement**"), which is subject to Court approval.
126. The key terms of the Interim Financing Credit Agreement are:
- a. the Interim Lender will provide to the Petitioners the Interim Financing as a non-revolving facility up to a maximum of \$600,000 (the "Loan");
  - b. the Loan will be secured by a super-priority charge in favour of the Interim Lender over the assets of all the Petitioners (the "**Interim Financing Charge**") in priority to existing security and charges other than the Administration Charge;
  - c. the Loan will be fully due and payable on the earlier of:
    - i. after an event of default, on the date on which the Interim Lender demands repayment;
    - ii. the sale of all or substantially all of the Petitioners' assets;
    - iii. the termination of these CCAA proceedings;
    - iv. the complete or partial lifting of the stay of proceedings in these CCAA proceedings; or
    - v. March 31, 2024, or such other later date as may be agreed by the Interim Lender;

- d. the Interim Lender will have certain oversight and approval rights in relation to the Petitioners' cash flow projections and intended expenditures; and
  - e. the Loan will bear interest at a rate of 10% per annum.
127. The Petitioners and their advisors have considered different financing options and determined that it would be difficult to obtain the requisite financing for these CCAA proceedings with another third-party lender, as opposed to the Interim Lender. Any such financing would likely have to involve a priming of the senior secured lenders' security position over their objections.
128. The Petitioners believe the amount and the terms of the Interim Financing Credit Agreement are reasonable, given what is required to operate and preserve their businesses in the ordinary course, and to fund the various costs of the restructuring during that period.
129. The Petitioners will use the Interim Financing to:
- a. pay the costs associated with these proceedings, including of the Monitor, Monitor's counsel, and Petitioners' counsel; and
  - b. pay operating expenses during the early weeks of these proceedings, given that the accounts in use by the Petitioners prior to the filing were in overdraft and deposit-only.
130. As mentioned above, it is a condition to the Interim Financing Facility that the Petitioners obtain a charge in favour of the Interim Lender over the assets of all the Petitioners in priority to existing security and charges other than the Administration Charge.
131. Without the Interim Financing and the cooperation of the Interim Lender, the Petitioners risk not having sufficient cash on hand to satisfy their first few weeks of post-filing obligations in a timely manner. Without such funding, the Petitioners' restructuring is at risk in these critical early weeks and the Petitioners may be unable to continue these CCAA proceedings for the benefit of all stakeholders.

132. The Petitioners are seeking approval of the Interim Financing Credit Agreement, and the Interim Financing provided for therein. The Petitioners are also seeking approval of the Interim Financing Charge, being a second priority charge on the assets, property and undertakings of the Petitioners, in priority to all other charges other than the Administration Charge, up to a maximum amount of \$600,000 plus interest and costs.

### **PART 3: LEGAL BASIS**

133. The Petitioners rely on:

- (a) the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 ("CCAA");
- (b) the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3 ("BIA");
- (c) the *Supreme Court Civil Rules*, B.C. Reg 168/2009 ("**Rules**");
- (d) the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57 ("**BC BCA**");
- (e) the inherent and equitable jurisdiction of this Court; and
- (f) such further and other legal basis as counsel may advise and this Court may allow.

### **THE CCAA APPLIES TO THE PETITIONERS**

134. The CCAA applies in respect of a "debtor company" or "affiliated debtor companies" when the total amount of claims against the debtor or its affiliates exceeds five million dollars (\$5,000,000).

CCAA, ss. 2 and 3

135. A "debtor company" includes any company that is bankrupt or insolvent. Insolvency is defined in the BIA, which provides that an insolvent person (i) is for any reason unable to meet their obligations as they generally become due; or (ii) has ceased paying their current obligations in the ordinary course of business as they become due; or (iii) the aggregate of whose property is not, at fair valuation, sufficient, or, if disposed of at a fairly-conducted

sale under legal process, would not be sufficient to enable payment of all their obligations, due and accruing due.

CCAA s. 2, BIA, s. 2

136. Each of the Petitioners is a “company” incorporated under the BC BCA. The definition of “company” includes a company incorporated under an Act of the legislature of a province.

CCAA s. 2

137. Under the CCAA, companies are affiliated companies if:

- (a) one of them is the subsidiary of the other;
- (b) both are subsidiaries of the same company; or
- (c) each of them is controlled by the same person; and

two companies affiliated with the same company at the same time are deemed to be affiliated with each other.

CCAA, s. 3(2)

138. Each and all of the Petitioners other than Super-Cut is owned, directly or indirectly, by the Holding Company.

139. In the context of the CCAA, the definition of “insolvent person” includes a company that is “reasonably expected to run out of liquidity within a reasonable proximity of time as compared with the time reasonably required to implement a restructuring.”

*Re Stelco Inc.*, 2004 CarswellOnt 1211 (Sup. Ct. J. (Commercial List)) at para. 26, leave to appeal to C.A.  
ref'd 2004 CarswellOnt 2936, leave to appeal to S.C.C.  
ref'd, CarswellOnt 5200

140. The Petitioner, Super-Cut, is not an affiliated company pursuant to the CCAA. Super-Cut is owned by Iqbal and San Industries. However, the Petitioners operate as one group and procedural consolidation is warranted in this matter.

141. CCAA Courts have found it warranted in the circumstances to order consolidation for administrative purposes of multiple companies to whom the CCAA applies, even if not technically an affiliated company under the Act.

*Arrangement relatif à Cirque du Soleil Canada inc.*, 2020 QCCS 2123

142. While Super-Cut may not satisfy the definition of “affiliated” pursuant to the CCAA because it traces ownership and control back to Iqbal and San Industries instead of the Holding Company, Super-Cut satisfies the test for a debtor company under the CCAA. Super-Cut is a guarantor on the group’s bank debt and owes more than \$5 million. The San Group run as a cohesive corporate group, and all the entities are treated as part of that group.
143. Procedural consolidation will allow for the costs of one proceeding to be borne between all of the Petitioners, increasing the possible recovery for stakeholders. As procedural consolidation will not affect a consolidation of the assets and property of each of the Petitioners, there will be no prejudice to creditors by allowing procedural consolidation.
144. The Petitioners are affiliated companies, or companies subject to consolidation, and collectively owe at least \$170,636,957.55, including CRA, RBC, and BDC debt, source deduction and tax arrears, landlord arrears and vendor payables. The Petitioners are also insolvent as they cannot pay their debts as they become due.
145. Procedural consolidation is also permitted by BC Supreme Court Rule 22-5(8) by order of the court.
146. The Petitioners have complied with their obligations under s. 10(2) of the CCAA which requires the following documentation:
- (a) a statement indicating, on a weekly basis, the projected cash flow of the debtor company;
  - (b) a report containing the prescribed representations of the debtor company regarding the preparation of the cash-flow statement; and

- (c) copies of all financial statements, audited or unaudited, prepared during the year before the application or, if no such statements were prepared in that year, a copy of the most recent such statement.

**THE RELIEF SOUGHT IS URGENT**

- 147. The Petitioners have given notice of this application to RBC and BDC, but no notice to secured creditors with personal property security and unsecured creditors or other parties. RBC and BDC support this application and the Petitioners' proposed restructuring as described herein.
- 148. Section 11 of the CCAA provides that the Court may make orders thereunder on notice or without notice, as the Court may see fit.
- 149. Rule 8-5(6) of the Rules provides that "[t]he court may make an order without notice in the case of urgency."
- 150. The Petitioners require urgent relief to address their liquidity challenges and to prevent enforcement steps from being taken in respect judgments, to prevent a rush to judgment by unsecured creditors, to prevent action by landlord or employees, and to preserve the opportunity to restructure their business, in order to preserve enterprise value.
- 151. The Petitioners are of importance to their stakeholders, and all stakeholders benefit from their continued operation as a going concern, particularly since in the event of a realization all stakeholders will suffer:
  - (a) RBC and BDC will suffer a shortfall on its security, with no prospect of recovery;
  - (b) Employees will likely be terminated in a receivership or shutdown; and
  - (c) Unsecured creditors will likely recover nothing.
- 152. It is not required at the stage of an initial order that there be a fully formed plan or arrangement. However, there is more than a "germ" of a plan at this point, given RBC and BDC's support.



### **THIS COURT IS THE APPROPRIATE FORUM**

153. This Court is the appropriate forum in which to initiate proceedings.

CCAA, s. 9(1)

154. In particular, the Petitioners are managed on a consolidated basis out of a head office in British Columbia, and on an individual entity level, each of the Petitioners' place of business is situated in British Columbia.

### **A STAY IS APPROPRIATE**

155. Section 11.02 of the CCAA authorizes the court to order a temporary stay of proceedings against the debtor. The purpose of the stay is to assist the debtor in maintaining the status quo while working to stabilize its affairs and negotiate a plan of arrangement with creditors, thus benefitting both the debtor and its creditors.

*Re: Ted Leroy Trucking [Century Services] Ltd.*, 2010 SCC 60 ("Century Services") at paras. 60–62.

156. The power to grant a stay of proceedings should be construed broadly to facilitate the CCAA's legislative purpose. A stay, the primary policy instrument available under the CCAA, helps to facilitate compromises and arrangements between companies and their creditors. The CCAA stay provides a necessary reprieve from litigation, allowing a debtor company to instead focus on negotiating with creditors.

*Campeau v. Olympia & York Developments Ltd.*, 1992 CarswellOnt 185 (Ct. J. (Gen. Div.)) at para. 17

157. The stay facilitates the ongoing operations of the debtor's business, preserves the value of the operations, and provides the debtor with the necessary time, flexibility, and "breathing room" to carry out a court-supervised restructuring or sales process.

*Re Lehndorff General Partners Ltd.*, 1993 CarswellOnt 183 (Ct. J. (Gen. Div.)) at paras. 5–7

158. Further, any stay of proceedings in an Initial Order under the CCAA is restricted to ten days, albeit subject to extension at the first comeback application and subsequently thereafter. This short initial stay period is meant to minimize prejudice to creditors who

may have received short or no notice of the initial petition. Any creditor with concerns about the adequacy of service is only required to wait ten days to make its case in opposition to the debtor company's filing or the resulting stay of proceedings.

CCAA, s. 11.02(1)

159. On the hearing of an application for an initial order, the Court may make an initial order with the accompanying stay when it is appropriate and necessary to preserve the Petitioners' assets, having regard to the purpose of the CCAA, which is to facilitate the making of a compromise or arrangement between an insolvent debtor company and its creditors so as to enable the company to continue to exist.

*Re: Purcell Basin*, 2018 BCSC 949

160. In this proceeding, without a stay of proceedings:
- (a) RBC and BDC will be in a position to enforce their security;
  - (b) HKBC may take enforcement steps on its unpaid stumpage fees;
  - (c) landlords may be in a position to distrain, potentially in priority to RBC's security; and
  - (d) there may be a rush to judgment by unsecured creditors.
161. Therefore, the Petitioners submit that a ten-day stay of proceedings until the scheduled Comeback Hearing is appropriate in these circumstances.

#### **DELOITTE SHOULD BE APPOINTED AS MONITOR**

162. Section 11.7 of the CCAA provides that the court shall appoint a person to monitor the business and affairs of a debtor company granted relief under the CCAA.
163. The Petitioners seek to have Deloitte appointed as Monitor in these proceedings.
164. Deloitte is not restricted from acting as Monitor by section 11.7(2) of the CCAA, as at no time in the preceding two years have any members of Deloitte been:

- (a) a director, officer, or employee of the Petitioners;
  - (b) related to the company or to any director or officer of the Petitioners; or
  - (c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the Petitioners.
165. Further Deloitte is not under a trust indenture or power of attorney related to the Petitioners, nor is it related to a holder of any such indenture or power of attorney.
166. RBC and BDC support the expansion of the Monitor's powers to encompass the power to market and sell.

#### **THE CHARGES ARE NECESSARY AND APPROPRIATE**

##### ***Administration Charge***

167. The Petitioners seek an Administration Charge in the amount of \$300,000.00 to secure the collective fees and disbursements incurred by legal counsel to the Petitioners, the Monitor and legal counsel to the Monitor. The Petitioners will seek an increase on the Administration Charge at the Comeback Hearing.
168. Section 11.52 of the CCAA provides that the court may grant a priority charge in respect of certain professional fees and expenses in proceedings under the CCAA. The factors to consider in determining whether to approve an administration charge include:
- (a) the size and complexity of the businesses being restructured;
  - (b) the proposed role of the beneficiaries of the charge;
  - (c) whether there is an unwarranted duplication of roles;
  - (d) whether the quantum of the proposed charge appears to be fair and reasonable;
  - (e) the position of the secured creditors likely to be affected by the charge; and
  - (f) the position of the Monitor.

CCAA, s. 11.52;  
*Re Canwest Publishing Inc. / Publications Canwest Inc.*, 2010 ONSC 222 at  
para. 54

169. Without this priority afforded to professional advisor fees, the objectives of the CCAA would be frustrated because professionals would be unlikely to risk offering their services without any assurance of ultimately being paid. Specifically, a failure to provide protection for professional fees will “result in the overwhelming likelihood that the CCAA proceedings would come to an abrupt halt, followed, in all likelihood, by bankruptcy proceedings.”

*Re Timminco Ltd.*, 2012 ONSC 506 at para. 66

170. Factors the court will consider in granting a charge under s. 11.52 include: the size and complexity of the business being restructured, the proposed role of the beneficiaries of the charge, whether there is unwarranted duplication of roles, whether the quantum of the proposed charge appears to be fair and reasonable, the position of secured creditors likely to be affected by the charge, and the views of the monitor.

*Re Canwest Publishing Inc.*, 2010 ONSC 222 at para. 64

171. The Petitioners’ business requires the expertise, knowledge, and continuing participation of the proposed beneficiaries of the administration charge in order to carry out a restructuring. The Administration Charge is necessary to ensure their continued assistance and participation in these proceedings.
172. The quantum of the proposed Administration Charge was determined in consultation with the Monitor and is fair and reasonable in light of the significant size and complexity of the business and the scope of the proposed restructuring. It is not expected that there will be duplication of the role of the beneficiaries of the administrative charge.
173. The Petitioners are not seeking to prime any secured creditor who did not have notice of the initial order hearing. Although the Petitioners will provide notice upon making of the initial order, and intends to seek to prime secured creditors at the Comeback Hearing.

***Directors' Charge***

174. The Petitioners seek the Directors Charge in the amount of \$350,000.00 to secure the indemnity of the Directors.
175. The Court has jurisdiction to grant a 'charge relating to directors' and officers' indemnification on a priority basis pursuant to s. 11.51 of the CCAA, provided that notice has been given to affected secured creditors and the Court is satisfied with the amount of the charge and that the charge will not provide coverage for wilful misconduct or gross negligence.

CCAA, s. 11.51  
*Re Canwest Global Communications Corp.*, 2009 CarswellOnt 6184,  
[2009] O.J. No. 4286 (Sup. Ct.), at para. 46  
*Canwest Publishing, supra*, at paras. 56-57

176. The Directors Charge sought is consistent with the British Columbia Model CCAA Initial Order and appropriate in light of section 11.51 of the CCAA. The Petitioners are not seeking to prime any secured creditor who did not have notice of the initial order hearing. Although the Petitioners will provide notice upon making of the initial order, and intends to seek to prime secured creditors at the Comeback Hearing.
177. The continued participation of the directors in the management of the Petitioners is essential to continuing operations and preserving enterprise value while the Petitioners work to implement and carry out a plan of compromise or arrangement.
178. The proposed Monitor supports the proposed quantum of the Directors Charge as reasonable in the circumstances.

***Interim Financing Charge***

179. The Petitioners are seeking to have the Interim Financing Charge granted over the assets of the Petitioners in priority to all other claims, charges, and encumbrances, other than the Administration Charge. Secured creditors without notice of the interim order hearing would be carved out until the comeback hearing.

180. The Interim Lender has agreed to provide the Petitioners with the Interim Financing to continue their operations during these CCAA proceedings and to finance the cost of the restructuring.
181. While the Interim Lender is RBC, which holds a prior secured interest as against the Petitioners, the Interim Lender is advancing the Interim Financing Facility as a new loan. The proposed Interim Financing Charge will not secure any pre-filing obligations. The proposed Interim Financing Charge will also be secured against the assets of the Petitioner.
182. The CCAA authorizes a court to grant approval of an interim financing and also order a charge with respect to the same, over the assets of a debtor company, in priority to any secured creditor of the debtor. The application must be on notice to the secured creditors who are likely to be affected by such security or charge. The interim financing must be in an amount that the court considers appropriate having regard to the debtor company's cash flow statement. The security or charge may not secure an obligation that exists before the order granting the charge is made.
183. As recently stated by the Supreme Court of Canada, interim financing protects the going-concern value of the debtor company while it develops a workable solution to its insolvency issues, enabling the preservation and realization of the value of a debtor's assets.

*9354-9186 Quebec Inc. v. Callidus Capital Corp.*, 2020 SCC 10 at para. 85.

184. This Court has jurisdiction to approve the Interim Financing Term Sheet and the Interim Financing Charge pursuant to section 11.2 of the CCAA, which sets out a list of non-exhaustive factors to be considered by courts in deciding whether to approve interim financing and grant an interim lenders' charge, including:
  - a. the period during which the company is expected to be subject to CCAA proceedings;
  - b. how the company's business and financial affairs are to be managed during the proceedings;
  - c. whether the company's management has the confidence of its major creditors;

- d. whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company;
  - e. the nature and value of the company's property;
  - f. whether any creditor would be materially prejudiced as a result of the security or the charge; and
  - g. the views of the Monitor.
185. No one factor set out in s. 11.2(4) governs or limits the Court's consideration. The exercise is necessarily one of balancing the respective interests of the debtors and its stakeholders towards ensuring, if appropriate, that the financing will assist the debtor company to obtain the "breathing room" said to be needed to hopefully achieve a restructuring acceptable to the creditors and the court.

*1057863 B.C. Ltd. (Re)*, 2020 BCSC 1359 at para. 35

186. The Petitioners clearly meet the statutory factors, as:
- a. the Petitioners expect to be subject to CCAA proceedings for a number of months, as the Monitor implements a sale process;
  - b. the Petitioners are taking care to ensure effective management of their finances, in particular through engaging with Monitor and providing additional oversight and authority over spending and accounts;
  - c. the Petitioners' management has the confidence of both RBC and BDC in pursuing this CCAA and sale process, in particular given the additional powers proposed to be provided to the Monitor;
  - d. the Interim Financing will enhance the prospects of a viable compromise or arrangement being made by providing sufficient time for the Monitor to implement a sale process, in consultation with their primary secured creditors;

- e. the Petitioners have real property and other assets with values estimated well in excess of the proposed Interim Financing;
- f. given the above, and as discussed below, no creditor will be materially prejudiced as a result of the Interim Financing or the Interim Financing Charge; and
- g. the Monitor supports the granting of the Interim Financing.

187. In addition to the statutory factors set out above, courts have determined that several additional factors are relevant to an application under section 11.2. These include whether:

- a. the petitioner would be forced to stop operating without interim financing and whether bankruptcy would be in the interest of the petitioner's stakeholders;
- b. the proposed interim financing will support the petitioner's restructuring plans, including implementation of a sales process; and
- c. the proposed facility has been approved by the petitioner's management.

*North American Tungsten Corp. (Re)*, 2015 BCSC 1376 at paras. 33-35;  
*8440522 Canada Inc. (Re)*, 2013 ONSC 6167 at para. 32.

188. These factors also militate in favour of granting the Interim Financing Charge and approving the Interim Financing Term Sheet, specifically:

- a. bankruptcy is not in the interest of the Petitioners' stakeholders. Because of the overdraft on their operating accounts, without interim financing, the Petitioners would have to go into liquidation and little recovery for unsecured creditors;
- b. the proposed interim financing supports the Petitioners' restructuring as the liquidity significantly increases the likelihood that the Petitioners will be able to navigate cash flow challenges while implementing the SISP; and
- c. management for the Petitioners has approved the proposed facility.

189. In summary, the factors set out in the CCAA and in case law militate in favour of approving the Interim Financing. The terms of the Interim Financing Term Sheet are the best terms



available to the Petitioners in the circumstances. Finding financing from a third-party lender would likely involve more onerous terms and be opposed by RBC and BDC and other stakeholders. Approval of the Interim Financing supports the Petitioners' restructuring efforts, including the completion of the sale process.

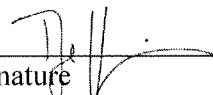
190. No creditor will be materially prejudiced because of the approval of the Interim Financing or the granting of the Interim Financing Charge. Indeed, it is in the interest of all creditors that the Petitioners continue to operate during the SISP to provide time to market and sell the going-concern business.

**PART 4: MATERIALS TO BE RELIED ON**

1. Affidavit #1 of Sukhjot Singh Sanghera, made November 27, 2024;
2. Affidavit #1 of Kimberly Lopez, made November 29, 2024;
3. Such further and other material as counsel may advise and this Honourable Court may allow.

The petitioners estimate that the hearing of the petition will take 60 minutes.

Dated: November 29, 2024

  
\_\_\_\_\_  
Signature  
☒ Lawyer for petitioners  
**Tevia R.M. Jeffries/ Sandy Lun**

**To be completed by the court only:**

Order made in the terms requested in paragraphs of Part 1 of this notice of application with the following variations and additional terms:

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Judge or Associate Judge

**SCHEDULE "A" – LIST OF PETITIONERS**

1.	Acorn Forest Products Ltd.
2.	Axon Lumber Ltd.
3.	Coulson Manufacturing 2017 Ltd.
4.	San Cedar Direct Sales Ltd.
5.	San Farming Ltd.
6.	San Forest Products Ltd.
7.	San Forest Specialty Ltd.
8.	San Holdings Inc.
9.	San Terminals Inc.
10.	Super-Cut Lumber Industries Ltd.
11.	Mountainside Logging Ltd.
12.	1170518 BC Ltd.
13.	1175465 BC Ltd.
14.	1224676 BC Ltd.
15.	1260729 BC Ltd.

**SCHEDULE "B"**  
**DRAFT INITIAL ORDER**

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, AS AMENDED

AND

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

AND

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

PETITIONERS

**ORDER MADE AFTER APPLICATION**

**(INITIAL ORDER)**

BEFORE THE HONOURABLE )  
JUSTICE STEPHENS ) November 29, 2024  
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 29<sup>th</sup> day of November, 2024 (the "**Order Date**"); AND ON HEARING Tevia Jeffries, counsel for the Petitioners, and those other counsel listed on Schedule "B" hereto; AND UPON READING the materials filed, including the First Affidavit of Sukhjit Singh Sanghera sworn November 27, 2024 ("**Sanghera #1**"), and the First Affidavit of Kimberly Lopez sworn November 29, 2024; AND UPON BEING ADVISED of the consent of Deloitte Restructuring Inc. ("**Deloitte**") to act as Court-appointed monitor; and that the secured creditors who are likely to be affected by the charges created herein were given notice; AND PURSUANT TO the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 as amended (the "**CCAA**"), the *British Columbia Supreme Court Civil Rules* and the inherent jurisdiction of this Honourable Court;

**THIS COURT ORDERS AND DECLARES THAT:****SERVICE**

1. The time for service of the Petition and the materials filed in support of the application for this Order (collectively, the “**Application**”) is hereby abridged such that service of the Application is declared to be good and sufficient and the Application is properly returnable today.

**JURISDICTION**

2. Each of the Petitioners are companies to which the CCAA applies.
3. These CCAA proceedings are consolidated in respect of the Petitioners and such consolidation shall be for administrative purposes only and shall not effect a consolidation of the assets and property of each of the Petitioners including, without limitation, for the purposes of any Plan (as defined in paragraph 5 of this Order) that may be hereafter proposed.

**SUBSEQUENT HEARING DATE**

4. The hearing of the Petitioners’ application for an extension of the Stay Period (as defined in paragraph 17 of this Order) and for any ancillary relief shall be held at the Courthouse at 800 Smithe Street, Vancouver, British Columbia at \_\_\_\_ .m. on the \_\_\_\_ day of December, 2024, or such other date as this Court may order.

**PLAN OF ARRANGEMENT**

5. The Petitioners shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

## POSSESSION OF PROPERTY AND OPERATIONS

6. Subject to this Order and any further Order of this Court, the Petitioners shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”), and, subject to the oversight and consent of the Monitor as contemplated by the terms of this Order, carry on their business (the “**Business**”) in the ordinary course and in a manner consistent with the preservation of the Business and the Property. The Petitioners, with the consent of the Monitor, shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as the Petitioners, with the consent of the Monitor, deem reasonably necessary or desirable in the ordinary course of business or for carrying out the terms of this Order.

7. Subject to all of the Petitioners’ existing accounts wherever situated (each, an “**Account**”, and collectively, the “**Accounts**”) being held with Royal Bank of Canada (“**RBC**”) and all of the Petitioners’ banking being done with RBC, the Petitioners shall be entitled to utilize the central cash management system currently in place as described in Sanghera #1, or replace it with another substantially similar cash management system (the “**Cash Management System**”), and any present or future bank providing the Cash Management System, including RBC: (a) shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Petitioners of the funds transferred, paid, collected or otherwise dealt with in the Cash Management System; (b) shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Petitioners, pursuant to the terms of the documentation applicable to the Cash Management System; and (c) shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

8. The Petitioners shall be entitled, but not required, to pay the following expenses whether incurred prior to, on, or after the Order Date:

- (a) all outstanding wages, salaries, employee and pension benefits (including long and short term disability payments), vacation pay and expenses (but excluding severance pay) payable before or after the Order Date, in each case incurred in the ordinary course of business and consistent with the relevant compensation policies and arrangements existing at the time incurred (collectively “Wages”);
- (b) with the consent of the Monitor, amounts owing, to the maximum of \$200,000, for goods and services actually supplied to the Petitioners prior to the Order Date by third party suppliers, if such third party is critical to the Business and ongoing operations of the Petitioners; and
- (c) the fees and disbursements of any Assistants retained or employed by the Petitioners which are related to the Petitioners’ restructuring, at their standard rates and charges, including payment of the fees and disbursements of legal counsel retained by the Petitioners, whenever and wherever incurred, in respect of these proceedings and any related corporate matters.

9. Except as otherwise provided herein, and subject to paragraph 32, the Petitioners shall be entitled to pay all expenses reasonably incurred by the Petitioners in carrying on the Business in the ordinary course following the Order Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably incurred and which are necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors’ and officers’ insurance), maintenance and security services;
- (b) all obligations incurred by the Petitioners after the Order Date, including without limitation, with respect to goods and services actually supplied to the Petitioners following the Order Date (including those under purchase orders outstanding at the Order Date but excluding any interest on the Petitioners’ obligations incurred prior to the Order Date); and

- (c) fees and disbursements of the kind referred to in paragraph 8(c) which may be incurred after the Order Date,

provided that any expenditure over the sum of \$15,000 must first be approved by the Monitor.

10. The Petitioners are authorized to remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from Wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes or any such claims which are to be paid pursuant to Section 6(3) of the CCAA;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Petitioners in connection with the sale of goods and services by the Petitioners, but only where such Sales Taxes accrue or are collected after the Order Date, or where such Sales Taxes accrued or were collected prior to the Order Date but not required to be remitted until on or after the Order Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal property taxes, municipal business taxes or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors.

11. Until such time as a real property lease is disclaimed in accordance with the CCAA, the Petitioners shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable as rent to the landlord under the lease) based on the terms of existing lease arrangements or as otherwise may be negotiated between the Petitioners and the landlord from time to time ("**Rent**"), for the period commencing from and including the Order Date, twice-monthly in equal payments on the first and fifteenth day of the month in advance (but not



in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including Order Date shall also be paid.

12. Except as specifically permitted herein, the Petitioners are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Petitioners to any of their creditors as of the Order Date, except as expressly authorized by this Order;
- (b) to make no payments in respect of any financing leases which create security interests;
- (c) to grant no security interests, trusts, mortgages, liens, charges or encumbrances upon or in respect of any of the Property, nor become guarantors or sureties, nor otherwise become liable in any manner with respect to any other person or entity except as authorized by this Order;
- (d) to not grant credit except in the ordinary course of business, and then only to their customers for goods and services actually supplied to those customers, provided such customers agree that there is no right of set-off in respect of amounts owing for such goods and services against any debt owing by the Petitioners to such customers as of the Order Date; and
- (e) to not incur liabilities except in the ordinary course of business.

## **RESTRUCTURING**

13. Subject to such requirements as are imposed by the CCAA, the Petitioners shall have the right to:

- (a) with the Monitor's consent, permanently or temporarily cease, downsize or shut down all or any part of the Business or operations and commence marketing efforts in respect of any of their redundant or non-material assets and to dispose of

redundant or non-material assets not exceeding \$1,000,000 in any one transaction or \$5,000,000 in the aggregate;

- (b) terminate the employment of such of their employees or temporarily lay off such employees as they deem appropriate; and
- (c) pursue all avenues of refinancing for their Business or Property, in whole or part;

all of the foregoing to permit the Petitioners to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

14. The Petitioners shall provide each of the relevant landlords with notice of the Petitioners’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Petitioners’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors who claim a security interest in the fixtures, such landlord and the Petitioners, or by further Order of this Court upon application by the Petitioners, the landlord or the applicable secured creditors on at least two (2) clear days’ notice to the other parties. If the Petitioners disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any dispute concerning such fixtures (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Petitioners’ claim to the fixtures in dispute.

15. If a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours on giving the Petitioners and the Monitor 24 hours’ prior written notice; and (b) at the effective time of the disclaimer, the landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims the landlord may have against the Petitioners, or any other rights the

landlord might have, in respect of such lease or leased premises and the landlord shall be entitled to notify the Petitioners of the basis on which it is taking possession and gain possession of and re-lease such leased premises to any third party or parties on such terms as the landlord considers advisable, provided that nothing herein shall relieve the landlord of its obligation to mitigate any damages claimed in connection therewith.

16. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronics Documents Act*, S.C. 2000, c. 5 and Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, and any regulations promulgated under authority of either Act, as applicable (the “**Relevant Enactment**”), the Petitioners, in the course of these proceedings, are permitted to, and hereby shall, disclose personal information of identifiable individuals in their possession or control to stakeholders, their advisors, prospective investors, financiers, buyers or strategic partners (collectively, “**Third Parties**”), but only to the extent desirable or required to negotiate and complete the Restructuring or to prepare and implement the Plan or transactions for that purpose; provided that the Third Parties to whom such personal information is disclosed enter into confidentiality agreements with the Petitioners binding them in the same manner and to the same extent with respect to the collection, use and disclosure of that information as if they were an organization as defined under the Relevant Enactment, and limiting the use of such information to the extent desirable or required to negotiate or complete the Restructuring or to prepare and implement the Plan or transactions for that purpose, and attorning to the jurisdiction of this Court for the purposes of that agreement. Upon the completion of the use of personal information for the limited purposes set out herein, the Third Parties shall return the personal information to the Petitioners or destroy it. If the Third Parties acquire personal information as part of the Restructuring or the preparation and implementation of the Plan or transactions in furtherance thereof, such Third Parties may, subject to this paragraph and any Relevant Enactment, continue to use the personal information in a manner which is in all respects identical to the prior use thereof by the Petitioners.

## **STAY OF PROCEEDINGS, RIGHTS AND REMEDIES**

17. Until and including December 9, 2024, or such later date as this Court may order (the “**Stay Period**”), no action, suit or proceeding in any court or tribunal (each, a “**Proceeding**”)

against or in respect of the Petitioners or the Monitor, or affecting the Business or the Property, shall be commenced or continued except with the written consent of the Petitioners and the Monitor or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Petitioners or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

18. During the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Petitioners or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Petitioners and the Monitor or leave of this Court.

19. Nothing in this Order, including paragraphs 17 and 18, shall: (i) empower the Petitioners to carry on any business which they are not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a mortgage, charge or security interest (subject to the provisions of Section 39 of the CCAA relating to the priority of statutory Crown securities); or (iv) prevent the registration or filing of a lien or claim for lien or the commencement of a Proceeding to protect lien or other rights that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such lien, claim for lien or Proceeding except for service of the initiating documentation on the Petitioners.

#### **NO INTERFERENCE WITH RIGHTS**

20. During the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Petitioners except with the written consent of the Petitioners and the Monitor or leave of this Court.

## **CONTINUATION OF SERVICES**

21. During the Stay Period, all Persons having oral or written agreements with the Petitioners or mandates under an enactment for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation, services, utility or other services to the Business or the Petitioners are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, or terminating the supply of such goods or services as may be required by the Petitioners and that the Petitioners shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Order Date are paid by the Petitioners in accordance with normal payment practices of the Petitioners or such other practices as may be agreed upon by the supplier or service provider and the Petitioner and the Monitor, or as may be ordered by this Court.

## **NON-DEROGATION OF RIGHTS**

22. Notwithstanding any provision in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the Order Date, nor shall any Person be under any obligation to advance or re-advance any monies or otherwise extend any credit to the Petitioners on or after the Order Date. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

23. During the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against the directors or officers of the Petitioners with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Petitioners whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Petitioners,

if one is filed, is sanctioned by this Court or is refused by the creditors of the Petitioners or this Court. Nothing in this Order, including in this paragraph, shall prevent the commencement of a Proceeding to preserve any claim against a director or officer of the Petitioners that might otherwise be barred or extinguished by the effluxion of time, provided that no further step shall be taken in respect of such Proceeding except for service of the initiating documentation on the applicable director or officer.

#### **DIRECTORS AND OFFICERS INDEMNIFICATION AND CHARGE**

24. The Petitioners shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Petitioners after the commencement of the within proceedings, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

25. The directors and officers of the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$350,000, as security for the indemnity provided in paragraph 24 of this Order. The Directors' Charge shall have the priority set out in paragraphs 50 and 52 herein.

26. Notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Petitioners' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 24 of this Order.

#### **APPOINTMENT OF MONITOR AND MONITOR'S POWERS**

27. Deloitte is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Petitioners with the powers and

obligations set out in the CCAA or set forth herein, and that the Petitioners and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Petitioners pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

28. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Petitioners' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Petitioners and the Borrowers (as hereinafter defined) in their dissemination to the Interim Lender (as hereinafter defined) and its counsel of financial and other information, including as agreed to between the Borrowers and the Interim Lender, which may be used in these proceedings, including reporting on a basis to be agreed with the Interim Lender;
- (d) advise the Petitioners in their preparation of the Petitioners' cash flow statements and the Borrowers in respect of their reporting required by the Interim Lender, which information shall be reviewed with the Monitor and delivered to the Interim Lender and its counsel on a period basis as agreed between the Borrowers and the Interim Lender;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Petitioners (collectively, the "**Books and Records**"), to the extent that is

necessary to adequately assess the Petitioners' business and financial affairs or to perform its duties arising under this Order;

- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

29. In addition to its prescribed rights pursuant to the CCAA, and the powers and duties set out in paragraph 28 of this Order, and without altering in any way the limitations on and obligations of the Petitioners arising under the CCAA and this Order, the Monitor shall be authorized and empowered, but not required to:

- (a) rely on the Books and Records of the Petitioners without independent investigation, unless otherwise ordered by this Court, and, for greater certainty, the Monitor shall not be liable for any claims or damages resulting from any errors or omissions in such Books and Records or information;
- (b) market, conduct, supervise, and direct the sale, conveyance, transfer, lease, assignment or disposal of any Property, or any part or parts thereof, whether or not outside of the normal course of business, subject to any approval of this Court as may be required pursuant to the CCAA and this Order; and: (i) to apply to this Court for approval of any process or procedures in relation thereto; and (ii) to sign or execute on behalf of and in the name of the Petitioners any conveyance or other closing documents in relation thereto;
- (c) assist the Petitioners to claim any and all insurance proceeds or refunds, or tax refunds, including refunds of goods and services taxes and harmonized sales taxes, to which any of the Petitioners are entitled;



- (d) report to, meet with and discuss with such affected Persons as the Monitor considers appropriate on all matters relating to the Business, Property, and these proceedings, and to receive and share information, subject to such confidentiality terms as the Monitor considers appropriate;
- (e) advise and assist the Petitioners to propose one or more plans of distribution or plans of compromise and arrangement, provided that the Petitioners shall be deemed to have formulated any such plans, and any distributions made thereunder shall be deemed to have been made by the Petitioners and not the Monitor;
- (f) perform such other duties or take any steps reasonably incidental to the exercise of any powers and obligations conferred on the Monitor by this Order or any other order of this Court; and
- (g) apply to this Court for advice and directions in respect of the exercise and discharge of its powers and duties hereunder.

30. For greater certainty, in each case where the Monitor takes any actions or steps authorized by subparagraphs 29(b), (d), (f), and (g), it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons, including the Petitioners and their past or present directors, officers and shareholders, and without interference from any other Person.

31. The Petitioners and their employees, consultants, agents, representatives, Assistants and advisors shall cooperate fully with the Monitor and any directions it may provide pursuant to this Order and shall provide such assistance as the Monitor may reasonably request from time to time to enable the Monitor to carry out its duties and powers pursuant to the CCAA, this Order, and any other order granted in these proceedings. The Petitioners' directors or officers (past or present) shall not be liable for any actions taken by them in accordance with a direction of the Monitor.

32. The Monitor is authorized and empowered, but not required, to operate and control, on behalf of the Petitioners, all of the Accounts (including with RBC) in such manner as the Monitor deems necessary or appropriate, including, without limitation, to:

- (a) exercise control over the funds credited or deposited to the Accounts;
- (b) effect any disbursement from the Accounts permitted by this Order or any other order granted in these proceedings;
- (c) give instructions from time to time with respect to the Accounts and the funds credited or deposited thereto, including to transfer the funds credited or deposited into such Accounts to such other account or accounts as the Monitor may direct; and
- (d) add or remove persons having signing authority with respect to any Account, or to direct the closing of any Account,

and any financial institution with which the Accounts are held (including RBC) shall not be under any obligation whatsoever to inquire into the propriety, validity, or legality of any transfer, payment, collection or other action taken in accordance with the instructions of the Monitor as to the use or application of funds transferred, paid, collected, or otherwise dealt with in accordance with such instructions, and such financial institution shall be authorized to act in accordance with and in reliance upon the instructions of the Monitor without any liability to any Person in respect thereof.

33. Notwithstanding paragraphs 28 through 32 of this Order, the directors and officers of the Petitioners are authorized and empowered to retain and instruct counsel to the Petitioners in these proceedings to bring applications and make submissions in these proceeding on behalf of the Petitioners on all matters affecting or relating to these proceedings.

## MONITOR'S PROTECTIONS

34. In addition to the rights and protections afforded to the Monitor under this Order, under the CCAA, or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment, the carrying out of the provisions of this Order, the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, save and except for any gross negligence or wilful misconduct on its part.

35. The Monitor is not, and shall not be deemed to be, a director, officer, or employee of the Petitioners.

36. Notwithstanding the enhancement of the Monitor's powers and duties as set forth herein, the exercise by the Monitor of any of its powers, or the performance by the Monitor of any of its duties, the Monitor:

- (a) is not, and shall not be deemed to be, an owner of any of the Property for any purpose, including without limitation for purposes of Environmental Legislation (for the purposes of this Order, the term "**Environmental Legislation**" shall mean any federal, provincial, territorial or other jurisdictional legislation, statute, regulation, or rule of law or equity respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Fisheries Act*, the *British Columbia Environmental Management Act*, the *British Columbia Riparian Areas Protection Act* and regulations thereunder); and
- (b) is not required or allowed to occupy or to take control, charge, occupation, possession or management (separately, and/or collective, "**Possession**") of any part of the Property which may be a pollutant or contaminant, or cause or contribute to a spill, discharge, release or deposit of a substance contrary to any Environmental Legislation. For greater certainty, the Monitor shall not, as a result of this Order, or anything done in furtherance of the Monitor's duties and powers

under this Order, be deemed to be in Possession of any of the Property within the meaning of the Environmental Legislation, unless it is actually in possession thereof.

37. The Monitor shall not be liable under any Environmental Legislation in respect of any Adverse Environmental Condition (for the purposes of this Order, the term “**Adverse Environmental Condition**” shall include without limitation, any injury, harm, damage, impairment or adverse effect to the environmental condition of the Property and the unlawful storage or disposal of waste or other contamination on or from the Property) with respect to the Property or any part thereof that arose or occurred prior to the Order Date.

38. All employees of the Petitioners shall remain the employees of the Petitioners. Nothing in this Order, including without limitation the enhancement of the Monitor’s powers as set forth herein, the exercise by the Monitor of any of its powers, the performance by the Monitor of any of its duties, or the use or employment by the Petitioners of any person under the direction of the Monitor in connection with the Monitor’s appointment and the exercise and performance of its powers and duties, shall be construed as resulting in the Monitor being an employer, successor employer or related employer of the Petitioners’ employees, within the meaning of any provincial, federal, municipal legislation or common law governing employment or labour standards or any other statute, regulation or rule of law or equity for any purpose whatsoever or expose the Monitor to liability to any individuals arising from or relating to their employment by the Petitioners. The Monitor shall not be liable for any employee related liabilities of the Petitioners, including any successor employer liabilities as provided for in Section 14.06(1.2) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “**BIA**”), other than the amounts the Monitor may specifically agree in writing to pay. Nothing in this Order shall, in and of itself, cause the Monitor to be liable for an employee related liabilities of the Petitioners, including wages, severance pay, termination pay, vacation pay, and pension or benefit amounts.

39. Nothing in in this Order or any other Order granted in these proceedings shall constitute or be deemed to constitute the Monitor as a receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of the Petitioners within the meaning of any relevant legislation, including subsection 159(2) of the *Income Tax Act* (Canada), as

amended (the “ITA”), and any distributions to creditors of the Petitioners by the Monitor will be deemed to have been made by the Petitioners themselves. Nothing in this Order shall constitute or be deemed to constitute the Monitor as a person subject to subsection 150(3) of the ITA.

40. The Monitor shall provide any creditor of the Petitioners and the Interim Lender with information provided by the Petitioners in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Petitioners is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court, or on such terms as the Monitor and the Petitioners may agree.

#### **ADMINISTRATION CHARGE**

41. The Monitor, counsel to the Monitor, and counsel to the Petitioners shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Petitioners as part of the cost of these proceedings. The Petitioners are hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, and counsel to the Petitioners on a periodic basis, and, in addition, the Petitioners are hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Petitioners, retainers in the amount of \$75,000, \$75,000, and \$50,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time, in addition to any existing retainers currently being held by the Monitor, counsel for the Monitor, and counsel for the Petitioners.

42. The Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the British Columbia Supreme Court who may determine the manner in which such accounts are to be passed, including by hearing the matter on a summary basis or referring the matter to a Registrar of this Court.

43. The Monitor, counsel to the Monitor, and counsel to the Petitioners shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for their respective fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order which are related to the Petitioners’ restructuring. The Administration Charge shall have the priority set out in paragraphs 50 and 52 hereof. For greater clarity, the Administration Charge does not secure fees or disbursements related to advice provided to directors and officers or to individual guarantors.

### INTERIM FINANCING

44. San Industries Ltd., Coulson Manufacturing 2017 Ltd., Axon Lumber Ltd., San Forest Products Ltd., Super-Cut Lumber Industries Ltd., San Holdings Inc., San Cedar Direct Sales Ltd., and Acorn Forest Products Ltd. (collectively, the “**Borrowers**”) are hereby authorized and empowered to obtain and borrow under a credit facility (the “**Interim Lending Facility**”) from RBC (in such capacity, the “**Interim Lender**”) in order to finance the continuation of the Business and preservation of the Property, provided that borrowings under such credit facility shall not exceed \$600,000 unless permitted by further order of this Court.

45. The Interim Lending Facility shall be on the terms and subject to the conditions set forth in the Interim Lending Facility Term Sheet between the Borrowers and the Interim Lender dated as of November 29, 2024 (the “**Interim Lending Term Sheet**”), copy of which is attached to Affidavit #1 of Kimberly Lopez.

46. The Borrowers are hereby authorized and empower to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**Definitive Documents**”), as are contemplated by the Interim Lending Term Sheet or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Borrowers are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Interim Lending Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

47. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the “**Interim Lender’s Charge**”) on the Borrowers’ current and future assets, undertakings, and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Borrowers’ Property**”). The Interim Lender’s Charge shall not secure an obligation that exists before this Order is made. The Interim Lender’s Charge shall have the priority set out in paragraphs 50 and 52 hereof.

48. Notwithstanding any other provisions of this Order:

- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under any of the Definitive Documents or the Interim Lender’s Charge, the Interim Lender, upon three (3) Business Days’ (as defined in the Interim Lending Term Sheet) notice to the Borrowers and the Monitor, may exercise any and all of its rights and remedies against the Borrowers or the Borrowers’ Property under or pursuant to the Interim Lending Term Sheet, Definitive Documents and the Interim Lender’s Charge, including without limitation, to cease making advances to the Borrowers and set off and/or consolidate any amounts owing by the Interim Lender to the Borrowers against the obligations of the Borrowers to the Interim Lender under the Interim Lending Term Sheet, the Definitive Documents or the Interim Lender’s Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Borrowers and for the appointment of a trustee in bankruptcy of the Borrowers; and
- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Borrowers or the Borrowers’ Property.

49. The Interim Lender, in such capacity, shall be treated as unaffected in any plan of arrangement or compromise filed in respect of the Borrowers under the CCAA, or any proposal filed in respect of the Borrowers under the BIA, with respect to any advances made under the Interim Lending Term Sheet or the Definitive Documents.

## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

50. The priorities of the Administration Charge, the Interim Lender's Charge, and the Directors' Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$300,000);

Second – Interim Lender's Charge (in respect of the Borrowers' Property); and

Third – Directors' Charge (to the maximum amount of \$350,000).

51. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge, the Interim Lender's Charge, and the Directors' Charge (together, the "**Charges**") shall not be required, and that the Charges shall be effective as against the Property and the Borrowers' Property, as applicable, and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Charges coming into existence, notwithstanding any failure to file, register or perfect any such Charges.

52. Each of the Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Property or the Borrowers' Property, as applicable, and such Charges shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any Person, save and except for: (a) those claims contemplated by section 11.8(8) of the CCAA; and (b) any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (British Columbia) or such other applicable legislation that has not been served with notice of this Application.



53. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioners and the Borrowers shall not grant or suffer to exist any Encumbrances over any Property nor the Borrowers' Property that rank in priority to, or *pari passu* with the Charges, unless the Petitioners or the Borrowers, as applicable, obtain the prior written consent of the Monitor, the Interim Lender, and the beneficiaries of the Charges.

54. The Administration Charge, the Directors' Charge, the Interim Financing Term Sheet, the Definitive Documents and the Interim Lender's Charge shall not be rendered invalid or unenforceable, and the rights and remedies of the Charges entitled to the benefit of the Charges (collectively, the "**Charges**") shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, mortgage, security agreement, debenture, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Petitioners or the Borrowers; and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create nor be deemed to constitute a breach by the Petitioners or the Borrowers of any Agreement to which they are a party;
- (b) none of the Charges shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Petitioners and/or the Borrowers pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

55. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Petitioners' or the Borrowers' interest in such real property leases.

## SERVICE AND NOTICE

56. The Monitor shall: (a) without delay, publish in the *Vancouver Sun* and the *Alberni Valley News* newspapers notices containing the information prescribed under the CCAA; (b) within five days after Order Date: (i) make this Order publicly available in the manner prescribed under the CCAA; (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Petitioners of more than \$1,000; and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

57. The Petitioners and the Monitor are at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission (including by e-mail) to the Petitioners' creditors or other interested parties at their respective addresses as last shown on the records of the Petitioners and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

58. Any Person that wishes to be served with any application and other materials in these proceedings must deliver to the Monitor by way of ordinary mail, courier, personal delivery or electronic transmission a request to be added to a service list (the "**Service List**") to be maintained by the Monitor. The Monitor shall post and maintain an up-to-date form of the Service List on its website at: <https://www.insolvencies.deloitte.ca/SanGroup> (the "**Monitor's Website**").

59. Any party to these proceedings may serve any court materials in these proceedings by emailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor shall post a copy of all prescribed materials on the Monitor's Website.

60. Notwithstanding paragraphs 57 and 59 of this Order, service of the Petition, the Notice of Hearing of Petition, any affidavits filed in support of the Petition and this Order shall be made on the Federal and British Columbia Crowns in accordance with the *Crown Liability and Proceedings Act*, R.S.C. 1985, c. C-50, and regulations thereto, in respect of the Federal Crown, and the *Crown Proceeding Act*, R.S.B.C. 1996, c. 89, in respect of the British Columbia Crown.

#### **OTHER**

61. The requirement for the Petitioners to prepare audited financial statements for the fiscal year ending 2024 is hereby waived.

#### **GENERAL**

62. The Petitioners or the Monitor may from time to time apply to this Court for directions in the discharge of its powers and duties hereunder.

63. Nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioners, the Business or the Property.

64. **THIS COURT REQUESTS** the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory or administrative bodies, including any Court or administrative tribunal of any federal or State Court or administrative body in the United States of America, to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Petitioners and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order,

to grant representative status to the Monitor in any foreign proceeding, or to assist the Petitioners and the Monitor and their respective agents in carrying out the terms of this Order.

65. Each of the Petitioners and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order and the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada, including acting as a foreign representative of the Petitioners to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended.

66. The Petitioners may (subject to the provisions of the CCAA and the BIA, and with the prior written consent of the Monitor) at any time file a voluntary assignment in bankruptcy or a proposal pursuant to the commercial reorganization provisions of the BIA if and when the Petitioners determine that such a filing is appropriate.

67. The Petitioners are hereby at liberty to apply for such further interim or interlocutory relief as they deem advisable within the time limited for Persons to file and serve Responses to the Petition.

68. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.

69. Any interested party (including the Petitioners and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to all parties on the Service List and to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

70. Endorsement of this Order by counsel appearing on this application, other than counsel for the Petitioners, is hereby dispensed with.

71. This Order and all its provisions are effective as of 12:01 a.m. local Vancouver time on the Order Date.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

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Signature of Tevia Jeffries  
Lawyer for the Petitioners

BY THE COURT

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REGISTRAR

**Schedule "A"****Petitioners**

Acorn Forest Products Ltd.
Axon Lumber Ltd.
Coulson Manufacturing 2017 Ltd.
San Cedar Direct Sales Ltd.
San Forest Products Ltd.
San Holdings Inc.
Super-Cut Lumber Industries Ltd.
1224676 B.C. Ltd
1260729 B.C. Ltd
Mountainside Logging Ltd.
1170518 B.C. Ltd.
1175465 B.C. Ltd.
San Farming Ltd.
San Forest Specialty Ltd.
San Terminals Inc.

**Schedule "B"**  
**Appearance List**

<b>Counsel Name</b>	<b>Party Represented</b>
Tevia Jeffries & Sandy Lun	Petitioners
Glen Nesbitt	Royal Bank of Canada
Kendall Anderson	Business Development Bank of Canada
Peter Rubin	Proposed Monitor, Deloitte Restructuring Inc.