

No. S-248267
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

NOTICE OF APPLICATION

Name of applicant: The Petitioners, the Parties Listed on Schedule "A"

To: to the Service List, and those parties who have filed registration in the personal property registries in British Columbia

TAKE NOTICE that an application will be made by the applicants to Justice Stephens at the courthouse at 800 Smithe Street in Vancouver, B.C. on December 9, 2024, at 11:00 am, as set out in the Requisition filed December 4, 2024, for the orders set out in Part 1 below.

The applicant estimates that the application will take 60 minutes.

☐ This matter is within the jurisdiction of an associate judge.

☒ This matter is not within the jurisdiction of an associate judge.

Part 1: ORDERS SOUGHT

1. An Amended and Restated Initial Order substantially in the form attached hereto as Schedule "B" (the "**ARIO**"), which among other things, includes the following additional relief to that granted on November 29, 2024 (the "**Initial Order**"):

- (a) Extending the relief and the Stay Period to and including January 10, 2025;
 - (b) Amending and increasing the amount secured by the Administration Charge (as defined in the Initial Order) to \$750,000.00;
 - (c) Elevating the priority of the Administration Charge, Interim Lender's Charge (as defined in the Initial Order), and Directors' Charge (as defined in the Initial Order) in respect of the secured creditors who did not receive notice of the Initial Order hearing, but who have been provided notice of this application.
2. Such other relief as this Honourable Court may deem just.

Part 2: FACTUAL BASIS

1. On November 29, 2024, Justice Stephens granted the Initial Order pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"), granting, among other things, a stay of proceedings in favour of the Petitioners until the initial return date of December 9, 2024 (the "**Stay Period**").
2. Since the granting of the Initial Order, the Petitioners have taken preliminary steps to notify its creditors and other stakeholders of these proceedings, and assist the Monitor in the initial stages of these proceedings under the *CCAA*. Those steps include, without limitation:
- (a) meeting and working with Deloitte Restructuring Inc. ("**Deloitte**") in its capacity as monitor of the Petitioners (the "**Monitor**") to facilitate access to and monitoring of the Petitioners' businesses and operations;
 - (b) continuing the businesses and operations of the Petitioners;
 - (c) working with the Monitor in respect of managing cash flows and disbursements in accordance with the Initial Order and the cashflow forecast appended to the Interim Lending Term Sheet (as defined in the Initial Order);

- (d) continuing negotiations and dialogue with the Petitioners' primary lenders, the Royal Bank of Canada (the "**RBC**") and Business Development Bank of Canada ("**BDC**") regarding the *CCAA*;
- (e) assisting the Monitor in the preliminary stages of its development of a sale and investment solicitation process ("**SISP**"), and starting to gather of information to populate a virtual data room;
- (f) responding to requests for information from creditors and stakeholders; and
- (g) taking initial steps towards communicating with key stakeholders, including but not limited to creditors, employees, suppliers and vendors, regarding the *CCAA* proceedings.

Extension of Stay of Proceedings

3. The Petitioners are seeking to extend the Stay Period and other relief provided for in the Initial Order to January 10, 2025. The goal of the extension is to provide time for the Monitor to seek approval of the SISP, in consultation with RBC and BDC, and under the supervision of the Court.
4. In accordance with the timeline set out in the Interim Lending Term Sheet (as defined in the Initial Order), it is an event of default if a SISP is not approved by the Court on or before January 10, 2025. The Initial Order, and the proposed form of ARIO, empowers the Monitor to bring the application to approve the SISP.
5. As evidenced in the projected cash flow attached to the first affidavit of Sukhjot Singh Sanghera, made November 27, 2024 (the "**First Sanghera Affidavit**"), the Petitioners expect to be able to sustain their operations over the requested Stay Period.
6. The Petitioners require an extension of the Stay Period to maintain the status quo and protect and preserve the value of their business for the benefit of stakeholders while the SISP is developed.

7. In the time since granting the Initial Order, the Petitioners have been and are acting in good faith with due diligence to maximize the value to their stakeholders and to respond to their concerns.
8. The Monitor supports the extension of the Stay Period.

Increase of Charges and Priority Ranking of Charges

9. The Petitioners seek an increase in the amount of the Administration Charge and elevation of the priority of the Administration Charge, the Interim Lender's Charge, and the Director's Charge, in priority to all other encumbrances, including all other court-ordered charges and those secured creditors who were initially carved out of the charge, as follows:
 - (a) First – Administration Charge (to the maximum amount of \$750,000.00);
 - (b) Second – Interim Lender's Charge (in respect of the Borrowers' Property); and
 - (c) Third – Directors' Charge (to the maximum amount of \$350,000).
10. Since the granting of the Initial Order, the Petitioners have provided notice to those entities that registered on or before the date of the Initial Order against any of the Petitioners in the British Columbia Personal Property Registry.
11. The Petitioners also provided notice to 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.
12. 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*.
13. In particular, the Monitor will be implementing a SISP, which will involve significant time expenditure during key weeks in the process. No matter how prompt the beneficiary firms

are in their invoicing, there is an inevitable delay between incurring of fees, invoicing of fees, and payment of fees.

14. It is appropriate in the circumstances for the professionals assisting the Petitioners, including the Petitioners' counsel, the Court-appointed Monitor, and counsel to the Court-appointed Monitor, to have the benefit of the Administration Charge.
15. The Interim Lender's Charge has financed the initial weeks of the Petitioners' business in the ordinary course and the preservation of the Petitioners' current and future assets, properties and undertakings. It is appropriate for the Interim Lender's Charge to benefit from elevation of the charge in respect of all other encumbrances except for the Administration Charge.
16. The Directors' Charge will indemnify the Petitioners' directors and officers over its assets, properties, and undertakings 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. The Petitioners do not have directors' and officers' insurance. The quantum of the Directors' Charge is fair and reasonable in the circumstances. The quantum of the Directors' Charge is supported by the Monitor.

Part 3:LEGAL BASIS

1. The Petitioners rely on:
 - (a) the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended ("**CCAA**"), in particular ss. 2, 3, 10, 11, 11.02, 11.03, 11.51, and 11.52;
 - (b) the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, in particular s. 2;
 - (c) the *Business Corporations Act* (British Columbia), S.B.C. 2002, c. 57;
 - (d) the *Supreme Court Civil Rules*, B.C. Reg 168/2009 (the "**Rules**"), in particular Rules 1-3, 8-1, and 13-1;
 - (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.

Extension of the Stay of Proceedings is Appropriate

2. Subsection 11.02(2) of the *CCAA* provides that the Petitioners may apply for an extension of the stay of proceedings for a period that the court considers necessary on any terms that the court may impose. Subsection 11.02(3) of the *CCAA* provides that the court shall not make the order extending the stay of proceedings unless:
 - (a) the applicant satisfies the court that circumstances exist that make the order appropriate; and
 - (b) in the case of an order under subsection (2), the applicant also satisfies the court that the applicant has acted, and is acting, in good faith and with due diligence.
3. Section 11 of the *CCAA* confers jurisdiction on the supervising court to “make any order that it considers appropriate in the circumstances”. Furthermore, jurisprudence has developed “baseline requirements of appropriateness, good faith, and due diligence in order to exercise this power. The supervising judge must be satisfied that the order is appropriate, and that the applicant has acted in good faith and with due diligence. The judge must also be satisfied as to appropriateness, which is assessed by considering whether the order would advance the policy and remedial objectives of the *CCAA*.”

Canada v. Canada North Group Inc., 2021 SCC 30,
at para 21, citing *Century Services Inc. v. Canada*
(*Attorney General*), 2010 SCC 60 (“**Century**
Services”) at para 69.
4. In the time since granting the Initial Order, the Petitioners have been and are acting in good faith with due diligence to maximize the value to their stakeholders and to respond to their concerns.
5. In determining whether the appropriate circumstances exist to extend the stay, the court should inquire whether the order sought advances the remedial purpose of the *CCAA* -

avoiding the social and economic losses resulting from liquidation of an insolvent company.

North American Tungsten Corporation Ltd. (Re), 2015 BCSC 1376 at para 25, citing *Century Services* at para 70.

6. When granting an extension, it is a prerequisite for the petitioners to provide evidence of what it intends to do to demonstrate to the court and stakeholders that extending the proceedings will advance the purpose of the *CCAA*. The debtor company must show that it has at least “a kernel of a plan”.

Azure Dynamics Corporation (Re), 2012 BCSC 781, at para 13.

7. Extending the relief granted by the Initial Order, including the Stay Period, is appropriate and necessary to provide time to undertake and complete the SISP.
8. The proposed SISP is more than, or at least “a kernel of a plan”. RBC and BDC support the approval of a SISP.
9. Extension of the Stay Period to the expected court approval date will give the Monitor time to develop the SISP to maximize the value of the Petitioners for all stakeholders.
10. It is appropriate to extend the Stay Period until January 10, 2025, because:
 - (a) the Petitioners have acted and continue to act in good faith and with due diligence, including by taking steps to advance the restructuring;
 - (b) there is a realistic prospect of a successful restructuring; and
 - (c) the Monitor supports the extension of the Stay Period.

The Charges are Necessary and Appropriate

Administration Charge

11. The Petitioners seek an order increasing the amount secured by the Administration Charge to \$750,000.00 to secure the collective fees and disbursements incurred by legal counsel to the Petitioners, the Monitor and legal counsel to the Monitor, and elevation of the charge over those secured creditors who did not have notice of the Initial Order hearing.
12. 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, section 11.52;

Re Canwest Publishing Inc. / Publications Canwest Inc.,
2010 ONSC 222 at para. 54.

13. 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.

14. The Petitioners' businesses require 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.
15. 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 Administration charge.
16. Since the granting of the Initial Order, the Petitioners have provided notice to secured creditors who did not have notice of the Initial Order hearing.

Interim Lender's Charge

17. The Petitioners seek an order elevating the priority of the Interim Lender's Charge in respect of the property of the Borrowers (as defined in the Interim Lending Term Sheet) above those secured creditors who did not have notice of the Initial Order hearing.
18. 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.
19. 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.

20. This Court has jurisdiction to approve the Interim Financing Term Sheet and the Interim Lender's 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.
21. 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 1369 at para. 35

22. 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 develops and implements the SISF;
 - (b) the Petitioners are taking care to ensure effective management of their finances, in particular through engaging with Monitor;
 - (c) RBC and BDC are satisfied that the interim financing is appropriate in the circumstances to primarily fund professional fees in relation to these proceedings;

- (d) the interim financing enhanced the prospects of a viable compromise or arrangement being made by providing liquidity in the early weeks of the CCAA proceedings;
 - (e) the Petitioners have real property that is assessed well in excess of the proposed interim financing, although the value ultimately realized on the real property may not exceed the value of the Petitioners' secured obligations;
 - (f) no creditor will be materially prejudiced as a result of the Interim Financing Term Sheet or the Interim Lender's Charge; and
 - (g) the Monitor supports the Interim Financing Term Sheet.
23. 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.
24. These factors also militate in favour of granting the Interim Lender's Charge and approving the Interim Financing Term Sheet, specifically:
- (a) bankruptcy is not in the interest of the Petitioners' stakeholders, as much of the value in the Petitioners' enterprise is in the continued operation of the businesses. The interim financing was advanced on the condition that a certain Court-ordered priority be obtained. Without that priority, the Petitioners will be in default of the Interim Financing Term Sheet and the Petitioners are not in a position to repay the facility immediately. An immediate liquidation would result in little recovery for unsecured creditors;
 - (b) the interim financing supported the early weeks of the Petitioners' restructuring by providing essential liquidity in the first weeks; and
 - (c) management for the Petitioners has approved the proposed interim financing.

25. In summary, the factors set out in the CCAA and in case law militate in favour of elevating the Interim Lender's Charge in respect of all secured creditors with notice of this hearing.

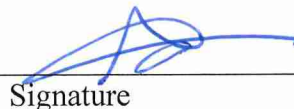
Part 4: MATERIAL TO BE RELIED ON

1. Initial Order of Justice Stephens, granted November 29, 2024;
2. Affidavit #1 of Sukhjit Singh Sanghera, made on November 27, 2024;
3. Affidavit #1 of Kimberly Lopez, made on November 29, 2024;
4. Affidavit #2 of Kimberly Lopez, made on December 4, 2024;
5. First Report of the Monitor, to be filed;
6. Petition of the Applicants, filed November 29, 2024; and
7. Such further and other materials as counsel may advise and this Honourable Court may permit.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to the application, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 12 business days after service of this notice of application,

- (a) file an application response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed application response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Dated: December 4, 2024



Signature

☐ Applicant

☒ Lawyers for the

applicant

Tevia R.M. Jeffries / Sandy Lun

THIS NOTICE OF APPLICATION is prepared and delivered by Tevia R.M. Jeffries of the firm Farris LLP, Barristers & Solicitors, whose place of business and address for service is 2500 – 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. Telephone: (604) 684-9151. Facsimile: (604) 661-9349. **Attention: Tevia R.M. Jeffries.**

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:

Dated:

Signature of

☐

Judge

☐

Associate Judge

Appendix

[The following information is provided for data collection purposes only and is of no legal effect.]

THIS APPLICATION INVOLVES THE FOLLOWING:

- ☐ discovery: comply with demand for documents
- ☐ discovery: production of additional documents
- ☐ other matters concerning document discovery
- ☐ extend oral discovery
- ☐ other matter concerning oral discovery
- ☐ amend pleadings
- ☐ add/change parties
- ☐ summary judgment
- ☐ summary trial
- ☐ service
- ☐ mediation
- ☐ adjournments
- ☐ proceedings at trial
- ☐ case plan orders: amend
- ☐ case plan orders: other
- ☐ experts
- ☒ other

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” – AMENDED AND RESTATED INITIAL ORDER

No. S-248267
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

(AMENDED AND RESTATED INITIAL ORDER)

BEFORE THE HONOURABLE)
JUSTICE STEPHENS) December 9, 2024
)

ON THE APPLICATION of the Petitioners coming on for hearing at Vancouver, British Columbia, on the 29th 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 Sukhjot Singh Sanghera sworn November 27, 2024 (“**Sanghera #1**”), the First Affidavit of Kimberly Lopez sworn November 29, 2024, the Second Affidavit of Kimberly Lopez, made on December 4, 2024; and the First Report of Deloitte Restructuring Inc. (“**Deloitte**”), in its capacity as Court-appointed monitor; 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:

1. This Amended and Restated Initial Order amends and restates the Initial Order (the “**Initial Order**”) of this Court made in these proceedings on November 29, 2024 (the “**Order Date**”).

SERVICE

2. The time for service of the Notice of Application 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 and hereby dispenses with further service thereof.

JURISDICTION

3. Each of the Petitioners are companies to which the CCAA applies.

4. 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.

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 January 10, 2025, 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 \$750,000, 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 \$750,000);

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 those claims contemplated by section 11.8(8) of the CCAA.

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 "**Chargees**") 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 Chargees 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 the Petition, any affidavits filed in support of the Petition and the Initial 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:

Signature of Tevia Jeffries
Lawyer for the Petitioners

BY THE COURT

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

Counsel Name	Party Represented
Tevia Jeffries & Sandy Lun	Petitioners
Glen Nesbitt & Kibben Jackson	Royal Bank of Canada
Kendall Anderson & Jennifer Pepper	Business Development Bank of Canada
Peter Rubin	Monitor, Deloitte Restructuring Inc.