

FORCE FILED



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: Deloitte Restructuring Inc. ("Deloitte" or the "Monitor"), in its capacity as Court-appointed Monitor of San Industries Ltd. and those parties listed on Schedule "A" (collectively, the "Petitioners" or "San Group").**

To: The Service List

TAKE NOTICE that an application will be made by the Monitor at the courthouse at 800 Smithe Street, Vancouver, British Columbia on February 25, 2026, at 9:00 a.m. for the orders set out in Part 1 below.

The Monitor estimates that the application will take 1 hour.

This application is not within the jurisdiction of an associate judge. Justice Stephens is seized of this matter.

**Part 1: ORDERS SOUGHT**

1. The Monitor seeks the following orders:
  - a) a **"Stay Extension Order"**, substantially in the form attached as **Schedule "B"** hereto, approving an extension of the stay of proceedings with respect to the Petitioners up to and including September 30, 2026;

- b) an "**Interim Distribution Order**", substantially in the form attached as **Schedule "C"** hereto, authorizing the Monitor to make a distribution to the Royal Bank of Canada ("**RBC**") with respect to the Langley Farm Transaction (as defined below); and
- c) an "**Insurance Claim Assignment Order**" substantially in the form attached as **Schedule "D"** hereto, approving the assignment of the Petitioners' right, title, and interest in the Insurance Claims (as defined below) to RBC and the Business Development Bank of Canada ("**BDC**", and together with RBC, the "**Senior Lenders**"), as applicable.

2. The Monitor may also seek such other orders as counsel for the Monitor may advise and this Court may deem appropriate in the circumstances.

3. Capitalized terms not defined in this Notice of Application shall have the meaning given to them in the Eleventh Report of the Monitor, dated February 19, 2026 (the "**Eleventh Report**").

## **Part 2: FACTUAL BASIS**

### ***Introduction and Background***

4. On November 29, 2024 (the "**Filing Date**"), this Court granted an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985 c. C-36 (the "**CCAA**") with respect to the Petitioners. Under the Initial Order, this Court granted, among other things, certain enhanced powers to the Monitor.

5. On December 9, 2024, this Court granted an amended and restated initial order and on December 19, 2024, this Court granted a second amended and restated initial order (the "**SARIO**"), which, among other things, granted the Monitor further enhanced powers.

6. On January 16, 2025, this Court approved a sales and investment solicitation process (the "**SISP**") with respect to certain of the Petitioners' business and assets.

7. These CCAA proceedings are now well advanced. The vast majority of the Petitioners' assets have been liquidated, including pursuant to a sales process approved by this Court in January 2025. In November 2025, this Court approved a transaction for the sale of the Langley Farm Property (the "**Langley Farm Transaction**"). The Monitor closed the Langley Farm Transaction on November 18, 2025, and now seeks to distribute the proceeds from that sale.

8. Another outstanding matter the Monitor seeks to address in this Notice of Application is the assignment of the Petitioners' Insurance Claims to the Senior Lenders. As discussed below, the Petitioners have certain outstanding Insurance Claims with respect to two fires that occurred at different San Group sites prior to the commencement of these CCAA proceedings. While the Monitor has worked to advance these Insurance Claims during these CCAA proceedings, the Monitor is of the view that now is the appropriate time to assign the Petitioners' interest in these Insurance Claims to the Senior Lenders.

9. As is further set out in detail below and in the Eleventh Report, the Monitor is required to advance and attend to certain remaining issues to conclude these CCAA proceedings. Therefore,

the Monitor also seeks a stay extension to the end of September to permit the Monitor to address these outstanding items.

### ***The Need for an Extension of the Stay of Proceedings***

10. The current stay of proceedings expires on February 27, 2026. Given the timeline of these proceedings and status of the Petitioners' restructuring efforts, a further extension to the stay of proceedings up to and including September 30, 2026 (the "**Stay Extension**") is both appropriate and necessary.

11. As is further set out in detail in the Eleventh Report, the Monitor requires more time to continue its efforts to, among other things:

- a) assign the Insurance Claims (as defined below) and make arrangements for the transition of information pertaining to these claims to the Senior Lenders;
- b) make further distributions to the Senior Lenders;
- c) pursue other potential estate recoveries, including by advancing next steps in an action involving, among other things, unlawful transfers of funds made by certain of the Petitioners to non-San Group companies prior to the Filing Date; and
- d) take other steps required to continue the Petitioners' restructuring.

12. While the Monitor is of the view that an extension to September 30, 2026 is appropriate and necessary, the Monitor anticipates it will appear before this Court prior to the expiry of this further Stay Extension.

13. The Monitor is of the view that the Petitioners have sufficient liquidity to fund ongoing obligations through the proposed Stay Extension. The Senior Lenders have been consulted regarding the proposed Stay Extension and have indicated their support.

### ***The Interim Distribution***

14. The Monitor has made significant progress to realize value for the San Group assets. The remaining real property of the San Group to be sold, the Langley Farm Property, has now been sold pursuant to the Langley Farm Transaction. The Langley Farm Transaction has closed.

15. The net proceeds resulting from the Langley Farm Transaction were \$2.9 million. The Monitor now seeks to make a distribution of \$2.5 million to RBC (with a holdback of the remaining \$0.4 million pending an assessment of the professional costs attributable to the Langley Farm Transaction).

### ***The Insurance Claims***

16. The San Group has ongoing insurance claims with respect to two pre-filing losses: (a) a fire that occurred in April 2020 at San Forest's re-manufacturing plant in Port Alberni, British Columbia (the "**San Forest Fire**"); and (b) a fire that occurred in April 2024, which led to the closure of Acorn Forest Products Ltd.'s ("**Acorn**") sawmill and re-manufacturing plant in Delta (the "**Acorn Fire**") (collectively, the "**Insurance Claims**").

17. As discussed in greater detail in the Eleventh Report, the Monitor has been working to advance the Insurance Claims since its appointment, including by engaging McLean and Armstrong LLP as its insurance counsel.

18. The Insurance Claims related to the Acorn Fire are as follows (collectively, the “**Acorn Fire Claims**”):

- a) a claim for coverage of losses related to stock throughput (the “**Acorn STP Claim**”), which was submitted by the Petitioners prior to the Filing Date;
- b) a claim for coverage of losses related to:
  - (i) equipment, building, parts, and professional fees (the “**Acorn Equipment Claim**”); and
  - (ii) business interruption (the “**Acorn BI Claim**”),for which proofs of loss were submitted by the Monitor after its appointment; and
- c) a potential claim against certain insurance brokers in respect of errors or omissions in the placement of the Acorn insurance policies (the “**Acorn Broker Claim**”), with respect to which no steps have been taken to pursue to date. The Acorn Broker Claim comprises two separate claims related to: (i) the stock throughput insurance policy governing the Acorn STP Claim (the “**Acorn STP Broker Claim**”), and (ii) the insurance policies governing the Acorn Equipment Claim and the Acorn BI Claim (the “**Acorn Equipment/BI Broker Claim**”).

19. The current status of the Acorn Fire Claims is further set out in detail in the Eleventh Report and can be summarized as follows:

- a) **Acorn STP Claim:** On November 29, 2024, counsel to the insurers in the Acorn STP Claim advised the Monitor that the Acorn STP Claim had been denied and the policy governing the Acorn STP Claim was considered “void ab initio.”
- b) **Acorn Equipment Claim and Acorn BI Claim:** On December 30, 2025, counsel to the insurers in relation to the Acorn Equipment Claim and the Acorn BI Claim wrote to the Monitor and advised that, among other things, coverage had been denied, the insurers had elected to void the policies governing the claims from inception, and that they would not be returning the premiums paid on the policies.  
  
On January 23, 2026, the Monitor’s counsel wrote to counsel to the insurers requesting that they provide their adjudication and investigation file.  
  
On February 2, 2026, counsel to the insurers advised that the insurers had met their obligations and declined to provide any of the information requested by the Monitor.
- c) **Acorn Broker Claim:** No steps have been taken to pursue the Acorn Broker Claim to date.

20. In respect of Acorn, the Monitor understands that Canada Revenue Agency (“**CRA**”) has asserted a deemed trust claim relating to payroll source deductions in the approximate amount of \$205,000, which may be subject to offset by certain post-filing GST refunds (the “**Acorn Deemed Trust Claim**”). Acorn has no known realizable assets other than the Acorn Fire Claims.

21. The Insurance Claims related to the San Forest Fire are as follows (collectively, the “**San Forest Fire Claims**”):

- a) a claim for coverage of losses related to:
  - (i) business interruption (the “**San Forest BI Claim**”); and
  - (ii) equipment, building, and parts (the “**San Forest Equipment Claim**”),which were submitted by the Petitioners prior to the Filing Date; and
- b) against Axis Insurance Managers Inc., Leila Ford, and Jason Fogal for errors or omissions in insurance policy placement, including (without limitation) those claims asserted in Supreme Court of British Columbia Action No. S-231959 (the “**San Forest Broker Claim**”), with respect to which a notice of civil claim was filed by the Petitioners prior to the Filing Date.

22. The current status of the San Forest Fire Claims is further set out in detail in the Eleventh Report and can be summarized as follows:

- a) **San Forest BI Claim:** \$1.5 million of coverage was paid with respect to this claim prior to the Filing Date. With respect to the remaining potential coverage, the Monitor and its insurance counsel have continued to engage in dialogue with Williams Meaden & Moore Inc., the forensic accountant retained by San Forest, in connection with the quantification of the San Forest BI Claim. Williams Meaden & Moore have also engaged in dialogue with Matson Driscoll & Damico Ltd., the insurer’s forensic accountant. No value has yet been agreed upon.
- b) **San Forest Equipment Claim:** On February 21, 2023, the insurer denied San Forest’s claim for coverage for losses related to equipment, building and parts, other than \$50,000 that had already been paid.  
  
In March 2023, San Forest and the insurers for the policy governing the San Forest BI Claim and the San Forest Equipment Claim entered into a tolling agreement which remains in effect.
- c) **San Forest Broker Claim:** The claim remains extant and includes ongoing further quantification of the losses suffered by San Forest.

23. Pursuant to the Insurance Claim Assignment Order, all of the Petitioners’ rights, title, and interest in and all obligations to and arising from the Insurance Claims will be assigned as follows:

- a) the Acorn STP Claim and the Acorn STP Broker Claim will be assigned exclusively to RBC; and

- b) the San Forest BI Claim, the San Forest Equipment Claim, the San Forest Broker Claim, the Acorn Equipment Claim, the Acorn BI Claim, and the Acorn Equipment/BI Broker Claim will be assigned exclusively to BDC.

***The Proposed Insurance Claim Assignment Order***

24. Pursuant to the Insurance Claim Assignment Order, RBC and BDC will have the full power and authority to sue for, recover, receive proceeds of and settle or compromise any claim or action in relation to the Insurance Claims they are respectively assigned.

25. The Monitor understands the Senior Lenders have agreed among themselves on the administration of, and any recoveries from, the Insurance Claims and are aligned in seeking the Insurance Claim Assignment Order. The Monitor understands there is no disagreement among the Senior Lenders regarding the proposed assignment.

26. The Insurance Claim Assignment Order further contemplates that RBC and BDC must:

- a) report to Deloitte the proceeds recovered from the Insurance Claims, net of any and all costs and expenses incurred (the “**Proceeds**”);
- b) provide Deloitte with an accounting of any and all costs and expenses incurred with respect to the Proceeds upon written request; and
- c) be authorized and empowered to pay Proceeds received in excess of their respective secured claims (the “**Excess Proceeds**”) to Deloitte without the necessity of a further Order of this Court, or hold the Excess Proceeds in trust pending further Order of this Court.

27. The proposed Insurance Claim Assignment Order being sought also includes provisions requiring that an amount of the lesser of (i) \$205,000; (ii) the amount of the Acorn Deemed Trust Claim; or (iii) such lesser amount as may be agreed with CRA, be held in trust from any net recoveries in respect of the Insurance Claims that would be subject to the potential Acorn Deemed Trust Claim.

28. Given the current status of the Insurance Claims, and following discussions with counsel to the Senior Lenders, the Monitor is of the view that it is reasonable and appropriate in the circumstances to assign the Insurance Claims to RBC and BDC, as applicable.

**Part 3: LEGAL BASIS**

***The Stay Extension is Necessary and Appropriate***

29. A stay of proceedings is the “central tool” by which this Court maintains the status quo for a debtor company, allowing it the necessary time, flexibility, and “breathing room” to carry out a supervised restructuring or organized sales process while continuing its ongoing operations.

***Canada v. Canada North Group Inc., 2021 SCC 30 at para. 19; 1057863 B.C. Ltd. (Re), 2022 BCSC 876 at paras. 31, 35.***

30. The baseline considerations and requirements for a stay extension are that a stay is “appropriate” and that the debtor company subject to the CCAA is acting in good faith and with due diligence.

**CCAA, ss. 11.02(2)-(3).**

31. As discussed above, the proposed Stay Extension is needed to provide the necessary time, flexibility, and “breathing room” for the Monitor to continue to advance the Petitioners’ CCAA proceedings.

32. In the Monitor’s view, the Stay Extension is reasonable and appropriate. The Senior Lenders have been consulted regarding the Stay Extension and have indicated their support. The Monitor does not believe any of the Petitioners’ creditors will be materially prejudiced by the Stay Extension.

***The Distribution Should Be Made***

33. Orders granting interim distributions are frequently granted by Canadian courts in insolvency proceedings, including in particular with respect to net proceeds in the context of a sale of assets.

***AbitibiBowater Inc., (Re), 2009 QCCS 6461 at para. 71;  
Ontario Securities Commission v. Bridging Income  
Fund L.P., 2022 ONSC 4472 at paras. 8, 12.***

34. The distribution contemplated by the Interim Distribution Order is to RBC, the first secured lender in respect of the Langley Farm Property, one of San Group’s primary secured lenders, and previous interim lender in these CCAA proceedings. The amounts owed to RBC are significant. As of October 2024, RBC was owed approximately CAD \$105 million and US \$1.7 million. It is expected RBC will suffer a shortfall on this secured debt. In the Monitor’s view, it is appropriate that the available funds in the San Group estate be distributed to RBC at this time.

35. As such, the Interim Distribution Order (i) is in the interests of the San Group’s stakeholders, including RBC, (ii) is an efficient means to distribute funds to verified creditors from the estate prior to the conclusion of these CCAA proceedings, and (iii) is reasonable and appropriate in the circumstances.

**CCAA, s. 11.**

***The Assignment of the Insurance Claims Should Be Approved***

36. Paragraph 29(b) of the SARIO directs and empowers the Monitor to take all actions and steps in the name and on behalf of the Petitioners to administer the Petitioners’ restructuring, including but not limited to, winding-down the Petitioners’ business, liquidating the Petitioners’ property, disposing of assets, or such other activities as may, in the Monitor’s sole discretion, be necessary or appropriate.

**SARIO at para. 29(b).**

37. Paragraph 29(i) of the SARIO further directs and empowers the Monitor to, among other things, direct the assignment or disposal of any of the Petitioners' 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 the SARIO).

**SARIO at para. 29(i).**

38. Section 11 of the CCAA provides the CCAA court with broad discretion to "make any order that it considers appropriate in the circumstances". It is widely accepted that the CCAA, and in particular section 11, allows for flexible and creative solutions to achieve its main objective of restructuring a financially distressed company.

**CCAA, s. 11; *Montreal (City) v. Deloitte Restructuring Inc.*, 2021 SCC 53 at paras. 113-115.**

39. The concept of assigning choses in action is not unusual and is contemplated under both the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "BIA") and the *Law and Equity Act*, R.S.B.C. 1996, c. 253 (the "LEA").

**BIA, s. 38; LEA, s. 36.**

40. Further to the powers granted to the Monitor under the SARIO, which expressly includes the ability to assign any of the Petitioners' property, and the broad power granted to this Court under section 11 of the CCAA, the Monitor believes it is appropriate in the circumstances at this time to seek the proposed Insurance Claim Assignment Order for the following reasons:

- a) **No Prejudice to Other Stakeholders:** The Senior Lenders are the only economic stakeholders in the Insurance Claims (and the San Group estate more generally) other than the potential Acorn Deemed Trust Claim. Even after the distributions that have been made to date to the Senior Lenders following the sale of the San Group's assets in these CCAA proceedings, the Senior Lenders are owed in excess of \$129 million (with interest continuing to accrue). Given this, the Monitor does not expect any recovery to be available to unsecured creditors from proceeds of the Insurance Claims, and the proposed assignment will not prejudice other stakeholders.
- b) **Nature of the Claims:** The Insurance Claims include: (i) claims under insurance policies that the insurers have determined to be void, (ii) claims that have been denied and are being contested, (iii) claims that may require further quantification of loss before they can be advanced, and (iv) potential claims against brokers and/or other parties that remain in abeyance pending completion of loss quantification and related factual development.

In the Monitor's view, the prosecution and/or resolution of these matters may take months to years and may involve complex coverage and liability disputes.

- c) **Efficiency of the CCAA Process:** Continuing to have the Monitor advance and manage these Insurance Claims will require the Monitor to incur ongoing professional fees, disbursements, and oversight costs over an extended period

(indeed, which will likely outlast the contemplated duration of these CCAA proceedings). This will be exclusively for the benefit of the Senior Lenders, who are better placed to oversee the Insurance Claims.

- d) **Risk Allocation and Funding:** Assigning the Insurance Claims to the Senior Lenders places the obligation to fund those efforts to recover under the Insurance Claims, which will likely be significant, with the party that stands to benefit from any recovery, rather than continuing to allocate those costs through the San Group estate.
- e) **Orderly Transition:** The assignment will facilitate an orderly transition of conduct and carriage to the Senior Lenders, without interruption to ongoing discussions, litigation, or quantification workstreams.

41. For the reasons set out above, the Monitor submits that the granting of the Insurance Claim Assignment Order is reasonable and appropriate in the circumstances.

#### **Part 4: MATERIAL TO BE RELIED ON**

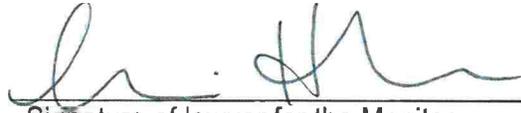
- 1. Eleventh Report of the Monitor, dated February 19, 2026; and
- 2. such further and other materials as counsel may advise.

**TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION:** If you wish to respond to this notice of 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 8 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).

Date: February 19, 2026



Signature of lawyer for the Monitor  
Peter L. Rubin / Claire Hildebrand

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  Associate Judge

## APPENDIX

### THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- 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

**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.



**General**

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

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 lawyer for the Monitor  
Claire Hildebrand

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"**

**Counsel List**

<b>COUNSEL NAME</b>	<b>PARTY REPRESENTED</b>



- (b) any assignment in bankruptcy or any petition for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**") and any order issued pursuant to any such petition; or
- (c) any provisions of any federal or provincial legislation

the Distribution contemplated by this Order shall be made free and clear of and from any and all security interests (whether contractual, statutory or otherwise), hypothecs, mortgages, trusts, or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed, and whether secured or unsecured, shall be binding on any trustee in bankruptcy that may be appointed, and shall not be void or voidable nor deemed to be a preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the *Companies' Creditors Arrangement Act* ("**CCAA**"), the BIA or any other applicable federal or provincial legislation, as against the Monitor and the party receiving the Distribution pursuant to this Order, and shall not constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

3. In addition to the rights and protections afforded to the Monitor under the Second Amended and Restated Initial Order granted by this Court on December 19, 2024 (the "**SARIO**"), the Monitor shall not be liable for any act or omission on the part of the Monitor pertaining to the Distribution made under this Order, save and except for any claim or liability arising out of any gross negligence or willful misconduct on the part of the Monitor. Nothing in this Order shall derogate from the protections afforded to the Monitor under the SARIO, or any other federal or provincial applicable law.

4. Notwithstanding any other provision of this Order and without in any way limiting the protections for the Monitor provided for under the SARIO, the CCAA, or any other federal or provincial applicable law, the Monitor shall have no obligation to make any Distribution unless the Monitor is in receipt of funds sufficient to make any such payment.

5. The Distribution made by the Monitor under this Order shall not constitute a "distribution" for the purposes of section 159 of the *Income Tax Act*, as amended, or section 270 of the *Excise Tax Act*, or any other similar federal or provincial legislation (collectively, the "**Tax Statutes**"). The Monitor in making any such Distribution is not "distributing", nor shall be considered to "distribute" nor have "distributed", such funds for the purpose of the Tax Statutes, and the Monitor shall not incur any liability under the Tax Statutes in respect of the making of the Distribution ordered or permitted under this Order.

#### **General**

6. The Monitor may apply to the Court as necessary to seek further orders and directions with respect to the Distribution made pursuant to this Order.

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

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 lawyer for the Monitor  
Claire Hildebrand

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.
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San Farming Ltd.
San Forest Specialty Ltd.
San Terminals Inc.

**Schedule "B"**

**Counsel List**

<b>COUNSEL NAME</b>	<b>PARTY REPRESENTED</b>

No. S-248267  
Vancouver Registry

IN THE SUPREME COURT  
OF  
BRITISH COLUMBIA

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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

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**ORDER MADE AFTER APPLICATION  
(INTERIM DISTRIBUTION)**

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Claire Hildebrand  
BLAKE, CASSELS & GRAYDON LLP  
Barristers and Solicitors  
1133 Melville Street  
Suite 3500, The Stack  
Vancouver, BC V6E 4E5  
604.631.3331  
Agent: Dye & Durham



- (i) for insurance coverage under Policy No. B0702GD313660n issued by Lloyd's Underwriters for the period of April 30, 2019 to April 30, 2020 (the "**San Forest Property Policy**");
  - (ii) against Axis Insurance Managers Inc., Leila Ford, and Jason Fogal for errors or omissions in insurance policy placement, including (without limitation) those claims asserted in Supreme Court of British Columbia Action No. S-231959 (Vancouver Registry);
  - (iii) for insurance coverage under Policy Nos. IP2400110 and 40348641 issued by Lloyd's Underwriters and others for the period of April 1, 2024 to April 1, 2025 and IP2404691, IP2404692, 40348642, and 0314-2434 (collectively, the "**Acorn Property/Excess Policies**"), as a result of a fire at 9355 Alaska Way, Delta, British Columbia, on April 7, 2024 (the "**Acorn Fire**"); and
  - (iv) against the Petitioners' former insurance brokers in respect of errors or omissions in the placement of the Acorn Property/Excess Policies; and
- (b) "**RBC Assigned Claims**", means any and all claims of any nature or kind whatsoever that the Petitioners have or may have:
- (i) for insurance coverage under Lloyd's Marine Stock Throughput Insurance Policy UMR: B1136CA241188 for the period of April 1, 2024 to April 1, 2025 (the "**STP Policy**"), as a result of the Acorn Fire; and
  - (ii) against the Petitioners' former insurance brokers in respect of errors or omissions in the placement of the STP Policy.

***BDC Assigned Claims***

2. All of the Petitioners' rights, title, and interest in and all obligations to and arising from the BDC Assigned Claims are hereby granted, assigned, transferred, and set over absolutely to Business Development Bank of Canada ("**BDC**") on an "as is" basis with no warranties or representations whatsoever regarding the validity, merits or enforceability of any one or more of the BDC Assigned Claims.

3. BDC shall have the full power and authority to sue for, recover, receive proceeds of and settle or compromise any claim or action in relation to the BDC Assigned Claims, including (without limitation) against the insurers of the San Forest Property Policy and the Acorn Property/Excess Policies, or any other person or entity in any way directly or indirectly related to or connected with the BDC Assigned Claims (including, without limitation, Axis Insurance Managers Inc., Leila Ford, and Jason Fogal, and other former insurance brokers of the applicable Petitioner(s)), whether such action is brought in the name of BDC, or in the name of any of the Petitioners pursuant to this Order, and whether or not such action has already been commenced.

4. BDC shall be authorized and empowered, but not directed, in the name of the applicable Petitioner insured(s), or in its own name, to seek documents from third parties (including, without limitation, the insurers of the San Forest Property Policy and the Acorn Property/Excess Policies, Axis Insurance Managers Inc., Leila Ford, and Jason Fogal, and the Petitioners' former insurance

brokers) that relate to the BDC Assigned Claims with the same rights and entitlement to those documents as the Petitioners.

5. The Petitioners shall:

- (a) promptly pay to BDC any funds received from the insurers of the San Forest Property Policy and the Acorn Property/Excess Policies, or Axis Insurance Managers Inc., Leila Ford, and Jason Fogal, and/or the Petitioners' former insurance brokers, in respect of the San Forest Property Policy and the Acorn Property/Excess Policies, or the BDC Assigned Claims after the date of this Order; and
- (b) upon request, do and perform all such further acts, and execute and deliver such further documents as may reasonably be required by BDC to allow it to pursue the BDC Assigned Claims, provided that any disbursements incurred by the Petitioners in relation thereto shall be paid directly by BDC.

6. Nothing in this Order shall modify, affect, or limit any right or entitlement of BDC to directly pursue the BDC Assigned Claims based on BDC's own rights or entitlements under the San Forest Property Policy and the Acorn Property/Excess Policies, including as a loss payee or mortgagee, as applicable.

***RBC Assigned Claims***

7. All of the Petitioners' rights, title, and interest in and all obligations to and arising from the RBC Assigned Claims are hereby granted, assigned, transferred, and set over absolutely to Royal Bank of Canada ("**RBC**") on an "as is" basis with no warranties or representations whatsoever regarding the validity, merits or enforceability of any one or more of the RBC Assigned Claims.

8. RBC shall have the full power and authority to sue for, recover, receive proceeds of and settle or compromise any claim or action in relation to the RBC Assigned Claims, including (without limitation) against the insurers of the STP Policy, or any other person or entity in any way directly or indirectly related to or connected with the RBC Assigned Claims (including, without limitation, the Petitioners' former insurance brokers), whether such action is brought in the name of RBC, or in the name of any of the Petitioners pursuant to this Order and whether or not such action has already been commenced.

9. RBC shall be authorized and empowered, but not directed, in the name of the applicable Petitioner insured(s), or in its own name, to seek documents from third parties (including, without limitation, the insurers of the STP Policy, and the Petitioners' former insurance brokers) that relate to the RBC Assigned Claims with the same rights and entitlement to those documents as the Petitioners.

10. The Petitioners shall:

- (a) promptly pay to RBC any funds received from the insurers of the STP Policy, or the Petitioners' former insurance brokers, in respect of the STP Policy or the RBC Assigned Claims after the date of this Order; and

- (b) upon request, do and perform all such further acts, and execute and deliver such further documents as may reasonably be required by RBC to allow it to pursue the RBC Assigned Claims, provided that any disbursements incurred by the Petitioners in relation thereto shall be paid directly by RBC.

11. Nothing in this Order shall modify, affect, or limit any right or entitlement of RBC to directly pursue the RBC Assigned Claims based on RBC's own rights or entitlements under the STP Policy, including as a loss payee or mortgagee, as applicable.

***Excess Proceeds***

12. In respect of the BDC Assigned Claims and RBC Assigned Claims, BDC and RBC shall:
- (a) report to Deloitte Restructuring Inc. the amount of any proceeds received by them as a result of any recovery from these claims, net of any and all costs and expenses incurred ("**Proceeds**");
  - (b) upon written request, provide Deloitte Restructuring Inc. with an accounting of any and all costs and expenses incurred with respect to the Proceeds; and
  - (c) in respect of any Proceeds received in excess of their respective secured claims ("**Excess Proceeds**"): (i) be authorized and empowered, but not directed, to pay such Excess Proceeds to Deloitte Restructuring Inc. without the necessity of a further Order of this Court; or (ii) hold such Excess Proceeds in trust pending further Order of this Court.

***Acorn Claims***

13. In respect of any and all claims of any nature or kind whatsoever that Acorn Forest Products Ltd. ("**Acorn**") has or may have for insurance coverage under the Acorn Property/Excess Policies and the STP Policy as a result of the Acorn Fire, and against its former insurance brokers in respect of errors or omissions in the placement of the Acorn Property/Excess Policies and the STP Policy (collectively, the "**Acorn Claims**"), BDC and RBC shall:

- (a) report to the Canada Revenue Agency ("**CRA**") the amount of any Proceeds received by them as a result of any recovery from these claims (the "**Acorn Proceeds**");
- (b) upon written request, provide the CRA with an accounting of any and all costs and expenses incurred with respect to the Acorn Proceeds; and
- (c) be authorized and directed to hold, or cause to be held in trust, the lesser of: (i) \$205,000; (ii) the amount of the CRA's deemed trust claim against Acorn for unremitted source deductions; (iii) such lesser amount as agreed to between BDC, RBC, and CRA, in writing; or (iv) the full amount of the Acorn Proceeds (the "**Acorn Proceeds Holdback**") pending: (1) written agreement as between BDC, RBC, and CRA as to the distribution of the Acorn Proceeds Holdback, upon and pursuant to which such funds may be paid out to any party without the necessity of a further Order of this Court; or (2) further Order of this Court.

**Monitor**

14. In addition to the rights and protections afforded to the Monitor under any orders made in these proceedings, under the CCAA, or as an officer of this Court, the Monitor shall incur no liability or obligation in connection with, or related to, the San Forest Property Policy, the Acorn Property/Excess Policies, the STP Policy, the BDC Assigned Claims, or the RBC Assigned Claims, or as result of carrying out the provisions of this Order.

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

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 lawyer for the Monitor  
Claire Hildebrand

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"**

**Counsel List**

<b>COUNSEL NAME</b>	<b>PARTY REPRESENTED</b>

No. S-248267  
Vancouver Registry

IN THE SUPREME COURT  
OF  
BRITISH COLUMBIA

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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

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**ORDER MADE AFTER APPLICATION**  
(Insurance Claim Assignment)

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Claire Hildebrand  
BLAKE, CASSELS & GRAYDON LLP  
Barristers and Solicitors  
1133 Melville Street  
Suite 3500, The Stack  
Vancouver, BC V6E 4E5  
604.631.3331  
Agent: Dye & Durham