



No. B-220035
Vancouver Registry

In the Supreme Court of British Columbia

IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C. 1985, C. B-3, AS AMENDED

AND

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE
A PROPOSAL OF BC CRAFT SUPPLY CO. LTD.

PETITIONER

ORDER MADE AFTER PETITION

BEFORE) THE HONOURABLE MR. JUSTICE)
) GROVES) 26/January /2022
))

ON HEARING of the Petition VIA MS TEAMS at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia, on January 26, 2022; AND ON HEARING Helen Sevenoaks and John Fiddick, counsel for the Petitioner, and those other counsel listed in Schedule "A" hereto; AND UPON READING the material filed, including Affidavit #1 of Matthew Watters sworn January 25, 2022, and the First Report of Crowe MacKay & Company Ltd. in its capacity as the Proposal Trustee of the Petitioner to be filed (in such capacity, the "Proposal Trustee") (the "Report"); AND PURSUANT TO the Bankruptcy and Insolvency Act, R.S.C. 1985, C. B-3, as amended (the "BIA"), the British Columbia Supreme Court Rules and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES that:

ADMINISTRATION CHARGE

- 1. The Proposal Trustee, counsel to the Proposal Trustee, if any, and counsel to the Petitioner shall be paid their pre-filing and post-filing reasonable fees and disbursements,

in each case at their standard rates and charges, by the Petitioner as part of the cost of these proceedings. The Petitioner is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel to the Proposal Trustee, if any, and counsel to the Petitioner on a periodic basis.

2. The Proposal Trustee and its legal counsel, if any, shall pass their accounts from time to time, and for this purpose the accounts of the Proposal Trustee and its legal counsel, if any, are hereby referred to a judge of the Supreme Court of British Columbia.
3. The Proposal Trustee, counsel to the Proposal Trustee, if any, and counsel to the Petitioner shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Petitioner's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"), which charge shall not exceed an aggregate amount of \$200,000, as security for their respective fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order which are related to the Petitioner's restructuring and proposal to its creditors. The Administration Charge shall have the priority set out in paragraphs 10 and 12 hereof.

INTERIM FINANCING

4. The Petitioner is hereby authorized and empowered to obtain and borrow under a credit facility from Avro Capital Corp. (the "Interim Lender") in order to finance the continuation of the Petitioner's business and preservation of the Property, provided that borrowings under such credit facility shall not exceed \$415,000 unless permitted by further Order of this Court.
5. Such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Petitioner and the Interim Lender dated as of January 20, 2022 (the "Commitment Letter"), filed.
6. The Petitioner is hereby authorized and empowered 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 Commitment Letter or as may be reasonably required by the Interim Lender pursuant to the terms thereof, and the Petitioner is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.
7. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the "Interim Lender's Charge") on the 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 10 and 12 hereof.

8. Notwithstanding any other provision 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 14 days notice to the Petitioner and the Proposal Trustee, may exercise any and all of its rights;
 - (c) and remedies against the Petitioner or the Property under or pursuant to the Commitment Letter, Definitive Documents and the Interim Lender's Charge, including without limitation, to cease making advances to the Petitioner and set off and/or consolidate any amounts owing by the Interim Lender to the Petitioner against the obligations of the Petitioner to the Interim Lender under the Commitment Letter, 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 Petitioner and for the appointment of a trustee in bankruptcy of the Petitioner; and
 - (d) 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 Petitioner or the Property.
9. The Interim Lender, in such capacity, shall be treated as unaffected in any proposal filed by the Petitioner under the BIA, or a plan of arrangement or compromise filed by the Petitioner under the *Companies' Creditors Arrangement Act* (Canada), or any, with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

10. The priorities of the Administration Charge and the Interim Lender's Charge, as among them, shall be as follows:
 - First – Administration Charge (to the maximum amount of \$200,000); and
 - Second – Interim Lender's Charge (to the maximum amount of \$415,000, plus interest, costs, fees and disbursements payable under the Commitment Letter).
11. Any security documentation evidencing, or the filing, registration or perfection of, the Administration Charge and the Interim Lender's Charge (collectively, the "Charges") shall

not be required, and that the Charges shall be effective as against the Property 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.

12. Each of the Charges shall constitute a mortgage, security interest, assignment by way of security and charge on the Property 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.
13. Except as otherwise expressly provided herein, or as may be approved by this Court, the Petitioner shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges, unless the Petitioner obtains the prior written consent of the Proposal Trustee, the Interim Lender and the beneficiaries of the Administration Charge.
14. The Administration Charge, the Commitment Letter, the Definitive Documents and the Interim Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the Interim Lender 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 Petitioner; and notwithstanding any provision to the contrary in any Agreement:
 - (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents shall create or be deemed to constitute a breach by the Petitioner of any Agreement to which it is 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 Petitioner entering into the Commitment Letter, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
 - (c) the payments made by the Petitioner pursuant to this Order, the Commitment Letter or the Definitive Documents, 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.

AID AND RECOGNITION

15. 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 Petitioner and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Petitioner and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

SERVICE AND NOTICE

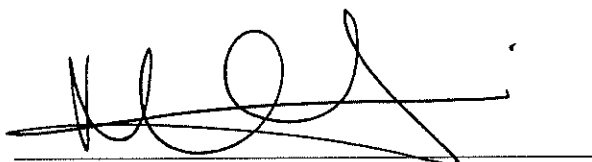
16. Time for service of the Petition dated January 26, 2022 herein be and is hereby abridged such that the Petition is properly returnable today and service thereof on any interested party is hereby dispensed with.
17. The Petitioner and the Proposal Trustee are at liberty to serve this Order, any other 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 to the Petitioner's creditors or other interested parties at their respective addresses as last shown on the records of the Petitioner 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.
18. Any person that wishes to be served with any application and other materials in these proceedings must deliver to the Proposal Trustee 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 Proposal Trustee.

GENERAL

19. Nothing in this Order shall prevent the Proposal Trustee from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Petitioner, its business or the Property.
20. The Petitioner is hereby at liberty to apply for such further interim or interlocutory relief as it deems advisable within the time limited for persons to file and serve Responses to the Petition.

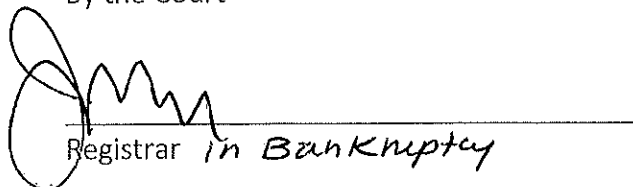
21. Leave is hereby granted to hear any application in these proceedings on two (2) clear days' notice after delivery to all parties on the Service List of such Notice of Application and all affidavits in support, subject to the Court in its discretion further abridging or extending the time for service.
22. Any interested party (including the Petitioner and the Proposal Trustee) 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.
23. Endorsement of this Order by counsel appearing at the hearing of this petition, other than counsel for the Petitioner, is hereby dispensed with.
24. This Order and all of 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 lawyer for the Petitioner
Helen Sevenoaks

By the Court



Registrar in Bankruptcy



Schedule "A"

LIST OF COUNSEL

<u>Name of Counsel</u>	<u>Party Represented</u>
Jeff Scouten	Avro Capital Corp.
Ben La Borie	Proposal Trustee