



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

NOTICE OF APPLICATION

(First Extension of the Time to File a Proposal & Stay Period)

Name of applicant: BC Craft Supply Co. Ltd. (the "Petitioner" or "BC Craft")

TO: The Service List, a copy of which is attached hereto as Schedule "A"

TAKE NOTICE that an application will be made by the Petitioner to the presiding judge at the courthouse at 800 Smithe Street, Vancouver, British Columbia on February 22, 2022 at 9:00 a.m. by MS Teams for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. The Petitioner seeks an order substantially in the form of a draft order attached hereto as Schedule "B", inter alia:
 - (a) extending the time for filing a proposal with the Official Receiver in the proceedings of the Petitioner, including the stay of proceedings, from February 23, 2022 to 11:59 p.m. Vancouver time, on April 8, 2022; and
 - (b) abridging the time for service such that this Application is returnable February 22, 2022, and that service upon any interested party is dispensed with.

Part 2: FACTUAL BASIS

1. On January 24, 2022, the Petitioner filed a Notice of Intention to Make a Proposal (the "NOI") to its creditors under the Bankruptcy and Insolvency Act (Canada) providing the Petitioner with a stay of proceedings and the opportunity to restructure its affairs. Crowe MacKay & Company Ltd. consented to act as the proposal trustee (the "Proposal Trustee").
2. Upon filing the NOI, the Petitioner was granted an initial 30-day stay of proceedings and time to file a proposal to its creditors, which is set to expire on February 23, 2022.

3. At a hearing on January 26, 2022, on the hearing of the Petition (the “**Petition**”) this Court granted orders: (i) authorizing and empowering the Petitioner to obtain and borrow under an interim financing facility (the “**Interim Facility**”) from Avro Capital Corp. to finance the continuation of its business, to meet its normal course obligations as they become due, (ii) granting in favor of the interim lender a priority charge over the assets of the Petitioner (the “**Interim Lender’s Charge**”), and (iii) granting in favor of the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Petitioner, a priority charge (the “**Administration Charge**”) over the assets, property and undertakings of the Petitioner.
4. The Petitioner is seeking a 45-day extension of time for filing the proposal with the Official Receiver including the stay of proceedings, until 11:59 p.m. Vancouver time on April 8, 2022 (the “**First Extension**”).
5. Since the relief in the Petition was granted by this Court, the Petitioner has:
 - (a) worked in good faith and with due diligence in stabilizing and continuing its business affairs and operations;
 - (b) assisted the Proposal Trustee in understanding the Petitioner’s business, including, but not limited to, its assets, liabilities such as interests in certain subsidiaries and intellectual property assets, in order to enable the Proposal Trustee to draft its report to creditors; and
 - (c) worked closely with the Proposal Trustee to develop a viable proposal, which has included the initial drafting of a proposal, and entered into discussions with some of its significant creditors.
6. Despite having made good progress towards formulating a proposal, the Petitioner will not be in the position to file one by February 23, 2022. The proposal is currently in draft. There are details yet to be worked out, including in relation to payments to unsecured creditors from the proceeds of sales revenues, the Proposals Trustee’s analysis of the Petitioner’s final position and the ultimate recommendation. While those matters will take additional time to sort out, the Petitioner expects that a viable proposal can be filed by April 8, 2022.

Part 3: LEGAL BASIS

Extending the Time for Filing a Proposal and the Stay of Proceedings

1. In seeking an extension of time to file a proposal to its creditors and the stay of proceedings, the Petitioner relies on:
 - (a) Section 50.4(9) of the *Bankruptcy and insolvency Act*, R.S.C. 1985, C. B-3, as amended;
 - (b) The *Supreme Court Civil Rules*, B.C. Reg. 241/2010, as amended;
 - (c) The inherence and equitable jurisdiction of this Honourable Court; and
 - (d) Such further and other legal basis as counsel may advise and this Honourable Court may allow.

2. Subsection 50.4(9) of the BIA provides that this Court may grant an insolvent person an extension of time to file a proposal for a period not exceeding 45 days if satisfied that:
 - (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
 - (b) the insolvent person would likely be able to make a viable proposal if the extension applied for were granted; and
 - (c) no creditor would be materially prejudiced if the extension applied for were granted.

BIA s. 50.4(9)

3. The Section 50.4(9) factors are assessed from an objective standard, considering what is reasonable in the circumstances.

Cantrail Coach Lines Ltd. (Re), 2005 B.C.J. No. 552, para. 11

4. The onus of demonstrating whether all three elements of the test are satisfied, lies with the debtor to prove on a balance of probabilities that an extension is justified.

Royalton Banquet & Convention Centre Ltd. (Re), 2007 O.J. No. 2352, para. 14

5. For an application to be successful, the Court must be satisfied that all three prerequisites of the application have been established on a balance of probabilities before extending the time for filing a proposal. In essence, it is a three part test that should satisfy all levels.

H & H Fisheries Ltd. (Re), 2005 N.S.J. No. 513, para. 14

BC Craft has Acted with Good Faith and Due Diligence

6. To find good faith and due diligence, a Court must be satisfied that the insolvent company is not acting in bad faith and making initial steps towards forming a proposal. A court need only look for "some diligence".

Enirgi Group Corp. v. Andover Mining Corp., 2013 B.C.J., para. 58

7. BC Craft has acted in good faith and with due diligence prior to and during the proceedings, in stabilizing and continuing its business affairs and operations, and working with the Proposal trustee.

BC Craft and its Viable Proposal

8. A debtor need only to show that a viable proposal is likely, as opposed to certainly, in presenting a viable proposal. To a reasonable creditor "viable" is "reasonable on its face" while "likely" does not require certainty, rather, that it is reasonably expected, or is probable that the proposal will occur.

Baldwin Valley Investors inc. (Re), 1994 O.J. No. 271, para. 3

Entegrity Wind Systems Inc. (Re), 2009 P.E.I.J. No. 42, para. 17

Heritage Flooring Ltd. (Re), 2004 N.B.J. No. 286, para. 32

9. A viable proposal not only means feasible, but also practicable from an economic standpoint. The test is not whether or not a specific creditor would be prepared to support the proposal.

Cantrail Coach Lines Ltd. (Re), 2005 B.C.J. No. 552, para. 10

Heritage Flooring Ltd. (Re), 2004 N.B.J. No. 286, para. 32

10. BC Craft is working together with the Proposal Trustee to develop a viable proposal within the timeframe specified, which has included the initial drafting of a proposal, and discussions and negotiations between the Petitioner and some of its significant creditors, and continues to work together for a proposal. The Petitioner expects that a viable proposal can be filed by April 8, 2022.

No Creditor will be Materially Prejudiced if the Extension is Granted

11. To find that no creditor will be materially prejudiced by the extension, a court must be satisfied that none of the insolvent company's creditors will face "substantial" or "considerable" prejudice above and beyond the normal prejudice imposed on all creditors by the *BIA* during the proposal period.

Cantrail Coach Lines Ltd. (Re), 2005 B.C.J. No. 552, para. 21-22

12. The Petitioner is unaware of any creditor that would be prejudiced by the extension sought.
13. Should an extension not be granted, BC Craft and its creditors will likely face an issue of bankruptcy, displacing all secured and unsecured creditors. The creditors will be materially prejudiced. They will not be able to recover their shared interests in BC Craft, and will face substantial and considerable more harm should an extension not be made. In order to complete a viable proposal that the creditors will benefit from as a whole, an extension is required.
14. The existing secured creditor, who is also the DIP Lender, Avro Capital Corp., is supportive of the extension of time to file a proposal and stay period.
15. The Proposal Trustee recommends the extension of time to file a proposal and stay period.
16. As noted in the Second Report of the Proposal Trustee, it is the Proposal Trustee's view that:
- (a) to date, the Petitioner has acted, and continues to act in good faith and with due diligence during this restructuring period, and management has been made aware of its obligations under the relevant sections of the *BIA* and the implications of non-compliance;
 - (b) the extension is appropriate and necessary to allow the Petitioner to formalize a viable proposal; and
 - (c) no stakeholder or creditor will be materially prejudiced if the extension is granted.

Part 4: MATERIAL TO BE RELIED ON

1. Affidavit #2 of Matthew Watters, made February 14, 2022.
2. The Second Report of the Proposal Trustee, dated February 15, 2022.
3. Such further and other materials as counsel may advise and this Honourable Court may permit.

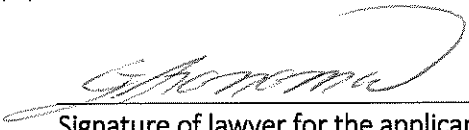
The applicant estimates that the application will take 45 minutes.

- This matter is within the jurisdiction of a master.
- This matter is not within the jurisdiction of a master.

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).

Dated: 16 /Feb/2022



Signature of lawyer for the applicant
per: Helen Sevenoaks

To be completed by the court only:

Order made

in the terms requested in paragraph _____ of Part 1 of this notice of application

with the following variations and additional terms:

Dated: _____/Feb/2022

Signature of

Judge Master

APPENDIX

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 matters 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"

SERVICE LIST

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

SERVICE LIST

As at February 14, 2022

<p>Whitelaw Twinning Law Corporation 200 Granville St #2400, Vancouver, BC V6C 1S4 Attention: Helen Sevenoaks & John Fiddick Email: hsevenoaks@wt.ca jfiddick@wt.ca Counsel to BC Craft Supply Co. Ltd.</p>	<p>Bojm, Funt & Gibbons LLP 330 – 1168 Hamilton Street Vancouver, BC V6B 2S2 Attention: Jeff Scouten Email: jscouten@bfg-law.ca Counsel to Avro Capital Corp.</p>
<p>Crowe MacKay & Company Ltd. 1100 - 1177 West Hastings Street, Vancouver BC V6E 4T5 Attention: Derek Lai & Nelson Allan Email: Derek.Lai@crowemackay.ca; nelson.allan@crowemackay.ca Proposal Trustee</p>	<p>Bridgehouse Law LLP 9th Floor, 900 West Hastings Street, Vancouver, BC V6C 1E5 Attention: Benjamin La Borie Email: blaborie@bridgehouselaw.ca Counsel to the Proposal Trustee</p>

<p>Ministry of Labour of British Columbia, Employment Standards Branch</p> <p>Attention: Brandi Blaine, Collections Officer</p> <p>Email: Brandi.M.Blaine@gov.bc.ca</p> <p>Employment Standards Branch of British Columbia</p>	<p>Fasken Martineau DuMoulin LLP 550 Burrard Street, Suite 2900, Vancouver, British Columbia V6C 0A3</p> <p>Attention: Robert Millar</p> <p>Email: rmillar@fasken.com; rmillarlc@gmail.com (effective from January 31, 2022)</p> <p>Counsel for Wetcoast Holdings Ltd.</p>
<p>Tycor Ventures Inc. c/o G. Moroso & Associates Inc.</p> <p>337 Arbutus Avenue, Duncan, BC V9L 5X6</p> <p>Attention: Greg Moroso, Licensed Insolvency Trustee</p> <p>Email: gmoroso@hotmail.com</p> <p>Agent on behalf of Tycor Ventures Inc.</p>	

SCHEDULE "B"

DRAFT FORM OF ORDER

In the Supreme Court of British Columbia

IN BANKRUPTCY AND INSOLVENCY

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PETITIONER

ORDER MADE AFTER APPLICATION

BEFORE) THE HONOURABLE JUSTICE)
) WATCHUK) 22/February /2022
))

ON HEARING of the Application VIA MS TEAMS at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia, on February 22, 2022; AND ON HEARING Helen Sevenoaks, counsel for the Petitioner, and those other counsel listed in Schedule "A" hereto; AND UPON READING the material filed, including Affidavit #2 of Matthew Watters sworn February 14, 2022, and the Second Report of Crowe MacKay & Company Ltd. in its capacity as the Proposal Trustee of the Petitioner dated February, 15, 2022 (in such capacity, the "Proposal Trustee"); 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:

EXTENSION OF PROPOSAL AND STAY PERIOD

1. Pursuant to subsection 50.4(9) of the BIA, the time for filing a proposal with the Official Receiver in the proceedings of the Petitioner, including the stay of proceedings, is hereby extended from February 23, 2022 to 11:59 p.m. Vancouver time, on April 8, 2022.

SERVICE

2. The time for service of this Notice of Application is abridged and service is validated such that this Application is properly returnable today and hereby dispenses with further service thereof.

AID AND RECOGNITION

3. 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.

GENERAL

4. Endorsement of this Order by counsel appearing at the hearing of this application, other than counsel for the Petitioner, is hereby dispensed with.
5. 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

Schedule "A"

LIST OF COUNSEL

<u>Name of Counsel</u>	<u>Party Represented</u>
Ben La Borie	Proposal Trustee