



Court File No. S-242700

VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

**IN THE MATTER *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

AND

**IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF TEAL-
JONES GROUP AND THOSE OTHER PARTIES LISTED IN SCHEDULE "A"**

PETITIONERS

FIFTEENTH REPORT OF THE MONITOR

May 2, 2025

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INTRODUCTION

1. On April 25, 2024, Teal Jones Holdings Ltd., Teal Cedar Products Ltd., Columbia River Shake & Shingle Ltd., Teal-Jones Aviation GP Ltd., Teal-Jones Group, Teal-Jones Aviation Limited Partnership, Teal Jones Holdings USA Inc., Teal Jones Lumber Services Inc., Teal Jones Dry Kilns LLC, Teal Jones Lumber Sales, LLC, Pine Products, LLC, Potomac Supply, LLC, Teal Jones Lumber LLC, Teal Jones Louisiana Holdings, LLC, GreenTree Lumber Company, LLC (collectively the “**Petitioners**” or the “**Group**” or the “**TJ Entities**”), were granted an order (the “**Initial Order**”) commencing proceedings (the “**CCAA Proceedings**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Under the Initial Order, PricewaterhouseCoopers Inc. (“**PwC**”) was appointed as the monitor of the Petitioners (the “**Former Monitor**”).
2. Pursuant to the Initial Order, among other things, all creditors were stayed from commencing or continuing any proceedings against the Petitioners until and including May 3, 2024 (the “**Stay of Proceedings**”).
3. On April 30, 2024, the Petitioners filed a notice of application returnable May 3, 2024 (the “**Comeback Hearing**”), seeking an amended and restated initial order (the “**ARIO**”) and two sale approval orders. On May 2, 2024, the Former Monitor filed its First Report to the Court in connection with the Petitioners’ motion for the ARIO.
4. At the Comeback Hearing, the Court granted the ARIO which, among other things:
 - a. extended the Stay of Proceedings from May 3, 2024, to August 1, 2024;
 - b. approved the Interim Financing Facility made available to the Petitioners by the Wells Fargo Capital Finance Corporation Canada and Export Development Canada (the “**Interim Lenders**”) pursuant to the restructuring support agreement (“**RSA**”), and created a super-priority charge on the property, assets, and undertakings of the Petitioners in the amount of \$116,509,000, plus interest, fees, costs, and other expenses payable under the RSA (the “**Interim Lenders’ Charge**”);

- c. increased the Administration Charge from \$350,000 to \$650,000;
 - d. approved the HG Property Sale and Softwood Duties Sale; and
 - e. authorized the Petitioners to sell any non-material real property, with the Monitor's approval, not exceeding \$2,000,000 in any one transaction or \$10,000,000 in the aggregate.
5. On May 7, 2024, the Petitioners filed a notice of application returnable May 10, 2024 (the "**May 10 Hearing**"), seeking orders approving a SISP and the distribution of proceeds from the HG Property Sale and the Softwood Duties Sale. On May 8, 2024, the Former Monitor filed its Second Report to the Court containing information pertaining to the SISP and the Petitioners' application.
6. At the May 10 Hearing, the Court granted the orders as sought, which among other things:
- a. approved the SISP as described in the Second Report;
 - b. approved the distribution of the proceeds from the HG Property Sale to RBC and BDC; and
 - c. approved the distribution of the proceeds of the Softwood Duties Sale to the WF Syndicate.
7. At the May 10 Hearing, the Court issued the Second Amended and Restated Initial Order (the "**SARIO**") updating the validity and priority of charges created by the Initial Order, including:
- a. updating section 43 of the ARIIO to clarify an issue that was brought forward regarding the priming of equipment subject to BAL Global Finance Canada Corporation and Banc of America Leasing and Capital, LLC (collectively, "**BoA**") equipment liens and overlapping security claims. The SARIO, under section 43, recognizes BoA's equipment liens on the BoA Equipment, subordinate only to the

Administration Charge. The SARIO also recognizes the priority of the Interim Lenders' Charge on the Overlapping Equipment; and

- b. recognizing a first-ranking charge on the Performance Payment and the Post-Performance Threshold Distributions, if any, in favour of OCP Lumber LLP, the purchaser in the Softwood Duties Sale.
8. On May 13, 2024, the Petitioners filed a Notice of Application returnable May 14, 2024 seeking declaratory relief confirming that the Stay of Proceedings applies to Intact Insurance Company ("**Intact**") and the customs bond issued by Intact to U.S. Border Protection ("**US CBP**") on behalf of the Petitioners (the "**Customs Bond Stay Application**"). On May 14, 2024, the Petitioners and Intact agreed to adjourn the Customs Bond Stay Application.
9. On July 24, 2024, the Petitioners filed a notice of application returnable July 30, 2024 (the "**July 30 Hearing**"), seeking orders extending the Stay of Proceedings to November 23, 2024. On July 25, 2024, the Former Monitor filed its Third Report to the Court supporting the Petitioners' application and applied for the Court's approval of its activities to date.
10. At the July 30 Hearing, the Court extended the Stay of Proceedings to November 23, 2024. The court also approved the Former Monitor's activities to the Third Report.
11. On August 20, 2024, Intact filed an Application Response, and accompanying affidavit, opposing the relief sought in the Customs Bond Stay Application.
12. On September 18, 2024, the Petitioners filed a notice of application returnable September 23, 2024 (the "**September 23 Hearing**") seeking approval of the sale of the Cessna plane (the "**Cessna Approval and Vesting Order**") and an order authorizing the Petitioners to distribute the proceeds of the sale to the Interim Lenders (the "**Cessna Distribution Order**"). On September 20, the Former Monitor filed its Fourth Report to the Court containing information pertaining to the sale of the Cessna plane and the distribution of the proceeds.

13. At the September 23 Hearing, the Court issued the Cessna Approval and Vesting Order and the Cessna Distribution Order.
14. On October 17, 2024, the Petitioners filed materials for the hearing scheduled to take place on October 21, 2024 (the “**October 21 Hearing**”) seeking the following:
 - a. an order (the “**Parcel 11 Approval and Vesting Order**”) approving the sale of property, building and equipment at 3631 and 3721 Trans Canada Highway in Revelstoke, British Columbia (“**Parcel 11**”); and
 - b. a distribution order relating to the sales proceeds from the sale of Parcel 11 (the “**Parcel 11 Distribution Order**”).
15. Also on October 17, 2024, the Petitioners reset the Customs Bond Stay Application to the October 21 Hearing, seeking an order confirming that the Stay of Proceedings applies to Intact.
16. On October 20, 2024, the Former Monitor issued the Fifth Report to the Court, which provided updates on various aspects of the CCAA Proceedings, and supported the Petitioners’ application for the Parcel 11 Approval and Vesting Order and related Parcel 11 Distribution Order.
17. At the October 21 Hearing, the Court:
 - a. Granted the Parcel 11 Approval and Vesting Order and Parcel 11 Distribution Order;
 - b. Adjourned the hearing for the Customs Bond Stay Application until November 5, 2024; and
 - c. Adjourned a hearing related to Mr. Arora’s Application to November 8, 2024.
18. On November 1, 2024, the Petitioners filed a notice of application for the hearing scheduled to take place on November 5, 2024, seeking an order (the “**Substitution Order**”) including the following:

- a. appointing Ernst & Young Inc. in place of the Former Monitor as Monitor of the Petitioners (in such capacity, Ernst & Young Inc. is the “**Monitor**”);
- b. discharging PwC as the Former Monitor of the Petitioners, and providing that PwC is to complete such matters as may be required to fulfill any outstanding statutory or other duties;
- c. approving activities of PwC, in its capacity as Former Monitor, as set out in its reports filed with the Court; and
- d. releasing PwC and its respective affiliates, officers, directors, partners, employees, advisors and agents from any liability relating to the acts of omission of such persons while acting as or on behalf of the Former Monitor, as described in the Substitution Order.

19. On November 5, 2024, the Court:

- a. adjourned the Customs Bond Stay Application to December 12, 2024 on terms related to potential examinations of affiants, and requested that Intact file an Application to lift the Stay of Proceedings in case it is determined that the Stay of Proceedings does apply to the Replacement Customs Bond (as defined below) and Intact still wishes to proceed with the cancellation of the Replacement Customs Bond; and
- b. granted the Substitution Order.

20. On November 8, 2024, the Petitioners came to a settlement with Amandeep Singh Arora, who had previously sought to lift the Stay of Proceedings in order to vary or set aside an Order granted on December 16, 2022, by the Honourable Justice Groves in Action No. 246296 (the “**Injunction Order**”). By a Consent Order on the same day, the Court set aside and discharged the Injunction Order as it related to Mr. Arora.

21. On November 18, 2024, the Petitioners filed materials for the hearing scheduled to take place on November 21, 2024 (the “**November 21 Hearing**”) seeking an order extending the Stay of Proceedings to January 31, 2025.

22. At the November 21 Hearing, the Court granted an order extending the Stay of Proceedings to January 31, 2025.
23. On December 10, 2024, the Petitioners filed a notice of application returnable December 12, 2024, seeking an order updating the transaction thresholds specified in section 12(b) of the SARIO regarding the sale of Non-SISP Assets. On December 12, 2024, the Court granted the order.
24. The Customs Bond Stay Application was partially heard on December 12, 2024, and thereafter adjourned generally to allow for the cross-examination of the Petitioners' customs bond broker, Mr. MacDonald.
25. On January 24, 2025, the Group filed materials for the hearing scheduled to take place on January 29, 2025 (the "**January 29th Hearing**"), at which the Group sought the following:
- a. an order extending the Stay of Proceedings from January 31, 2025 to June 27, 2025; and
 - b. an order approving an amendment to the Support Agreement to extend the maturity date of the Interim Financing Facility from January 31, 2025, to June 27, 2025.
26. On January 30, 2025, the Court granted the orders sought by the Group at the January 29th Hearing.
27. On February 7, 2025, the Group filed materials for the hearing scheduled to take place on February 14, 2025, at which the Group is seeking an order (the "**Parcel 10 Approval and Vesting Order**") approving the sale of property, building and equipment at 4110 40th Ave S.E. & 4051 45th Street S.E., Salmon Arm, British Columbia.
28. On February 14, 2025, the Court granted the Parcel 10 Approval and Vesting Order.
29. On March 18 and 19, 2025, the Group filed materials for the hearing scheduled to take place on March 25, 2025, at which the Group sought the following orders:

- a. (the “**Parcels 2 and 5 Approval and Vesting Order**”) approving the sale of the property, building and equipment at 417838 East 1950 Road, Antlers, Oklahoma (“**Parcel 2**” or the “**Antlers Mill**”) and at 4622 Old McComb Liberty Road, Liberty, Mississippi (“**Parcel 5**” or the “**Greentree Mill**”);
 - b. (the “**Parcel 9 Approval and Vesting Order**”) approving the sale of the timber tenure forest license A19201 and related assets (“**Parcel 9**”);
 - c. a distribution order related to the sales proceeds from the sale of Parcel 2 and Parcel 5 (the “**Parcels 2 and 5 Distribution Order**”); and
 - d. a distribution order related to the sales proceeds from the sale of Parcel 9 (the “**Parcel 9 Distribution Order**”).
30. At the hearing on March 25, 2025, this Honourable Court granted the Parcels 2 and 5 Approval and Vesting Order. Following opposition raised by two affected First Nations, the application in respect of the Parcel 9 Approval and Vesting Order and the Parcel 9 Distribution Order was adjourned on agreement of the parties until April 4, 2025.
31. On April 4, 2025, this Honourable Court granted the Parcel 9 Approval and Vesting Order and the Parcel 9 Distribution Order.
32. On April 3, 2025, the Group filed materials for the hearing scheduled to take place on April 15, 2025, at which the Group is seeking the following orders:
- a. (the “**Parcel 1 Approval and Vesting Order**”) approving the sale of the Group’s equity interest in Teal Jones Louisiana Holdings, LLC, representing its interest in Project Horntail LLC and Teal Jones Plain Dealing, LLC (collectively, “**Parcel 1**”); and
 - b. a distribution order related to the sales proceeds from the sale of Parcel 1 (the “**Parcel 1 Distribution Order**”).

33. On April 7, 2025, the Monitor filed a Notice of Application seeking an order approving the Monitor's fees and activities as well as the fees and activities of its counsel (the "**Fee Approval Order**").
34. On April 15, 2025, the Court granted the Parcel 1 Approval and Vesting Order, the Parcel 1 Distribution Order, the Parcels 2 and 5 Distribution Order, and the Fee Approval Order.
35. On April 23, 2025, the Group filed materials for the hearing scheduled to take place on May 1, 2025, at which the Group is seeking an order approving a claims process in respect of the Petitioners (the "**Claims Process Order**").
36. On April 22, 2025, Intact filed a Notice of Application (the "**Intact Application**") for the hearing scheduled to take place on May 7, 2025, at which Intact is seeking an order lifting the Stay of Proceedings for the purposes of cancelling the Replacement Customs Bond.
37. On April 30, 2025, the Petitioners filed an Application Response, and accompanying affidavits, opposing the order sought in the Intact Application (the "**Response to the Intact Application**").
38. On May 1, 2025, the Court granted the Claims Process Order.

Chapter 15 Proceedings

39. On April 26, 2024, the Petitioners filed a Chapter 15 Petition for Recognition of a Foreign Proceeding and sought to obtain an order from the U.S. Bankruptcy Court recognizing the CCAA Proceedings.
40. On May 9, 2024, a provisional hearing in the U.S. Bankruptcy Court for the District of Delaware was held and the Petitioners obtained an Order granting Provisional Relief under section 1519 of the Bankruptcy Code in the U.S. Bankruptcy Court.
41. On May 29, 2024, a further hearing was held in the state of Delaware, where Teal Jones Holdings Ltd, as the Foreign Representative of the Petitioners, obtained an order

granting recognition of the CCAA Proceedings as a foreign main proceeding and certain related relief on a final basis (the “**Recognition of Foreign Main Proceeding Order**”). Among other items, the Recognition of Foreign Main Proceeding Order provided the following:

- a. the CCAA Proceedings were granted recognition as a foreign main proceeding pursuant to section 1517 of the Bankruptcy Code; and
- b. the Initial Order, including any extensions, amendments, or modifications (which would include the ARIO and the SARIO), was enforced on a final basis and given full force and effect in the United States.

42. On June 14, 2024, the Petitioners applied for recognition of the SISP Order in the Chapter 15 Proceedings. The hearing was originally scheduled for July 1, 2024. On June 24, 2024, High Cotton Capital, LLC and Borrego Holdings, LLC, two of the minority owners in Project Horntail, LLC, the company involved in the construction of the Louisiana Sawmill, filed objections (collectively, the “**Objection**”). As a result, the hearing was delayed to August 2, 2024. The Objection was subsequently resolved through the inclusion of certain provisions of the order sought.
43. Subsequently, on July 31, 2024, the U.S. Bankruptcy Court issued an order recognizing and enforcing the SISP Order.
44. On March 31, 2025, the Group filed a motion with the U.S. Bankruptcy Court for recognition of the Parcels 2 and 5 Approval and Vesting Order and approval of a vesting order with respect to the Antlers and Greentree Mills.
45. On April 17, 2025, the U.S. Bankruptcy Court issued an order recognizing and enforcing the Parcels 2 and 5 Approval and Vesting Order and granted a vesting order with respect to the Antlers and Greentree Mills.
46. On April 18, 2025, the Group filed a motion with the U.S. Bankruptcy Court for recognition of the Parcel 1 Approval and Vesting Order. This hearing is scheduled for May 15, 2025.

PURPOSE

47. The purpose of this Fifteenth Report of the Monitor (the “**Fifteenth Report**”) is to provide information to this Honourable Court with respect to both the Intact Application and the Petitioners’ Customs Bond Stay Application. This Fifteenth Report should be read in conjunction with the Notice of Application filed by Intact on April 22, 2025, Affidavit #1 of Riccardo Orsini, made August 7, 2024, Affidavit #2 of Meena Lally, made April 21, 2025, the Application Response filed by the Petitioners on April 30, 2025, Affidavit #1 of Jason Meneghin, made May 13, 2024, Affidavit #2 of Jason Meneghin, made October 17, 2024, Affidavit #3 of Jason Meneghin, made October 29, 2024 (the “**Third Meneghin Affidavit**”), and Affidavit #4 of Jason Meneghin, to be filed, Affidavit #1 of Clint MacDonald, made October 31, 2024, and Affidavit #2 of Clint MacDonald, made April 30, 2025.

TERMS OF REFERENCE AND DISCLAIMER

48. In preparing this Fifteenth Report and making the comments herein, the Monitor has been provided with and has relied upon certain unaudited, draft and/or internal financial information, books and records prepared by the Petitioners, and discussions with management of the Petitioners (“**Management**”) (collectively, the “**Information**”).

49. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information.

50. Some of the information referred to in this Fifteenth Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

51. Future-oriented financial information referred to in this Fifteenth Report was prepared based on Management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
52. Unless otherwise indicated, the Monitor's understanding of factual matters expressed in this Fifteenth Report concerning the Petitioners and their business is based on the Information, and not independent factual determinations made by the Monitor.
53. The Monitor has prepared this Fifteenth Report solely for the use of this Court and the stakeholders in these proceedings.
54. Capitalized terms not defined in this Fifteenth Report are defined in the prior reports of the Monitor and Former Monitor.
55. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.
56. The Monitor has set up a website at: www.ey.com/ca/tealjones.

THE INTACT APPLICATION

Background

57. The U.S. operations of the Petitioners have shut down, other than limited operations at their Sumas Facility, and their new facility in Pain Dealing, Louisiana, which was the subject of the Parcel 1 Approval and Vesting Order. Accordingly, the Petitioners rely almost entirely on cashflows generated by the sale of lumber produced at their Surrey Mill to support operations in furtherance of their restructuring efforts. The vast majority of lumber produced at the Surrey Mill is exported into the U.S., where it is sold.
58. Since 2017, Intact has provided a customs bond on behalf of the Petitioners which allows for the immediate release of the Petitioners' lumber imported into the U.S. prior to the final determination of any required tariff, duty, taxes and/or fees owing to US

CBP. The following is a brief history of the relationship between Intact and the Petitioners related to the Customs Bonds (as defined below).

59. In June 2017, the Petitioners, through their insurance agent, requested that Intact issue a customs bond for USD \$1 million (the “**2017 Customs Bond**”). Following its review, Intact, through a wholly owned subsidiary, agreed to issue the 2017 Customs Bond, which became effective on July 16, 2017.
60. In August 2018, the Petitioners’ insurance agent requested that Intact increase the amount of the 2017 Customs Bond from USD \$1 million to USD \$2.5 million. US CBP does not allow for an increase in a customs bond. In order to post the increased customs bond, the Petitioners were required to cancel the 2017 Customs Bond and obtain a replacement bond for the increased amount.
61. On September 15, 2018, a cancellation notice for the 2017 Customs Bond was filed with US CBP. Effective September 16, 2018, Intact, through a wholly owned subsidiary, issued a new customs bond in the amount of USD \$2.5 million and filed the same with US CBP (the “**2018 Customs Bond**”).
62. As is contemplated by the governing US CBP legislation, all of the Customs Bonds continue annually as a matter of course, subject to the filing of the continuation certificate and the payment of required premiums, unless or until a 30-day cancellation notice is filed with US CBP.
63. On April 29, 2024, only 4 days after the commencement of these CCAA Proceedings, Intact purported to file with US CBP a cancellation of the 2018 Customs Bond with an effective date of May 14, 2024. The Petitioners objected to the cancellation of the 2018 Customs Bond stating that the cancellation was in contravention of the Stay of Proceedings.
64. US CBP does not allow for a customs bond to be reinstated once a notice of cancellation has been filed. On May 15, 2024, Intact, through a wholly owned subsidiary, issued a new customs bond in the amount of USD \$2.5 million (the “**Replacement Customs**”).

Bond", and, together with the 2017 Customs Bond and the 2018 Customs Bond, the "**Customs Bonds**").

65. On March 1, 2025, Intact issued a continuation certificate for the Replacement Customs Bond, continuing the Replacement Customs Bond until May 15, 2026. On April 30, 2025, the Petitioners paid the premium set out in such continuation certificate to continue the Replacement Customs Bond.
66. On April 2, 2025, counsel for Intact advised it would be seeking to cancel the Replacement Customs Bond effective May 14, 2025.
67. Since the earliest days of the within CCAA Proceedings, Intact first sought to cancel the 2018 Customs Bond, and now seeks to cancel the Replacement Customs Bond. The Petitioners have sought out alternative suppliers but have not been able to find another provider willing to provide the required customs bond on behalf of the Petitioners.
68. Contrary to the suggestion made by Intact in the Intact Application, without a customs bond in place, the Petitioners would be prohibited from importing lumber into the U.S. The Petitioners are simply not in a position to access sufficient cash or other credit to post appropriate security with US CBP to replace the Replacement Customs Bond.

Intact's Response to the Petitioners' Customs Bond Stay Application

69. As outlined above, the Petitioners objected to the cancellation of the 2018 Customs Bond on the basis that the cancellation was in contravention of the Stay of Proceedings. As a result, the Petitioners filed the Customs Bond Stay Application on May 13, 2024. On May 14, 2024, the Petitioners and Intact agreed to adjourn the Customs Bond Stay Application. On August 20, 2024, after the Replacement Customs Bond was issued, Intact filed an Application Response to the Customs Bond Stay Application, together with an accompanying affidavit, opposing the relief sought in the Customs Bond Stay Application ("**Response to the Customs Bond Stay Application**").

70. The Customs Bond Stay Application was partially heard on December 12, 2024, and thereafter adjourned generally to allow for the cross-examination of the Petitioners' customs bond broker, Mr. MacDonald.
71. Given that the Monitor was appointed after the time that most of these materials were filed, the Monitor believes it is appropriate to now provide the Court with its views on the Customs Bond Stay Application.
72. In its Response to the Customs Bond Stay Application, Intact takes the position that the Replacement Customs Bond is a credit or cash equivalent and not an insurance contract. As such, Intact asserts that section 11.01(b) of the CCAA is engaged, Intact is not required to extend further credit, and the Replacement Customs Bond is excluded from the purview of the Stay of Proceedings.
73. The Monitor does not agree with this position. The Monitor supports the view of the Petitioners that the Replacement Customs Bond is a type of insurance contract or surety bond to which the *British Columbia Insurance Act*, R.S.B.C. 2012, c 1, and its regulations apply. As will be discussed in greater detail below, the Customs Bonds are not the first or even second source for the payment of customs duties or other charges, but rather a guarantee or insurance in the event that neither the Petitioners nor their customs broker, Livingston International ("**Livingston**") pay the requisite duties and other charges to US CBP. Accordingly, the Monitor is of the view that the Replacement Customs Bond is a contract that is subject to the Stay of Proceedings, and is not a post-filing service or advance of credit that is exempted by virtue of s. 11.01 of the CCAA.

The Intact Application

74. In the Intact Application, Intact is seeking an order to lift the Stay of Proceedings solely for the purposes of permitting them to cancel the Replacement Customs Bond. Alternatively, Intact submits that the Stay of Proceedings should be lifted to allow Intact to register security of USD \$5 million. The Monitor notes that Intact never requested the Petitioners post security for the 2017 and 2018 Customs Bonds, and to the Monitor's knowledge, there is no statutory or contractual requirement which

requires security to be posted before the Customs Bonds can be relied upon, yet now, due to the CCAA Proceedings, Intact is making such a demand.

75. In the Intact Application, Intact takes the position that the Replacement Customs Bond is causing them significant prejudice with no resulting prejudice to the Petitioners or their creditors.

76. Intact is of the view that the Petitioners can simply post the USD \$2.5 million in cash or otherwise with US CBP and continue to export lumber into the U.S.

The Petitioners' Response to the Intact Application

77. The Petitioners oppose the relief sought in the Intact Application. In their response to the Intact Application, the Petitioners state that the cancellation of the Replacement Customs Bond would have a devastating effect on the Surrey Mill, which would materially prejudice their operations and restructuring efforts and, in turn, their suppliers, creditors, employees and other stakeholders.

78. The Third Meneghin Affidavit describes that Intact's exposure with respect to the Customs Bonds provided to the Petitioners is contingent in nature and that any exposure would only crystallize if any of the following situations occur:

- a. the Petitioners or their customs broker, Livingston, fail to pay the estimated duty at the time of entry based on the estimated prevailing rates at the time of entry, as set by US CBP (the "**Prevailing Customs Duties**"); or
- b. US CBP makes a determination of additional customs duties upon liquidation of customs entries which exceed the Prevailing Customs Duties already paid and the Petitioners fail to pay this excess amount.

The Monitor's Commentary

79. Both the Petitioners and Intact refer to the list of factors considered by courts when presented with an application to lift the Stay of Proceedings, which factors were set out

in a decision rendered in the CCAA proceedings of *Canwest Global Communications Corp.*

80. The Monitor's commentary on these factors is as follows:

a. When the plan is likely to fail:

In recent months, the Petitioners have made significant progress with respect to their restructuring, which has been documented in prior Monitor reports. These efforts include the sale of several SISP parcels, including sawmills in both Canada and the U.S. and a forest licence. Additionally, the Petitioners have been actively marketing and selling several real estate assets that were not included as parcels in the SISP. Currently, and subject to certain future outcomes unfolding as expected, the Petitioners believe they have a path to present a plan of arrangement with the goal of emerging from CCAA protection. In anticipation of preparing a plan of arrangement, the Petitioners sought the approval of a claims process from this Honourable Court, and a Claims Process Order was issued by this Honorable Court on May 1, 2025.

b. The applicant shows hardship (the hardship must be caused by the stay itself and be independent of any pre-existing condition of the applicant creditor)

As mentioned above, Intact's exposure under the Customs Bonds only crystallizes in situations where there is an uncured non-payment or uncured underpayment of duties owing to US CBP. As was discussed in the Petitioners' Application Response, Intact has never in the history of its relationship with the Petitioners had to make a payment to US CBP under the Customs Bonds. The Monitor is not aware of any amount actually owing to US CBP and, accordingly, there is presently no obligation for Intact to make any payments in respect of the Replacement Customs Bond.

c. The applicant shows necessity for payment (where the creditors' financial problems are created by the order or where the failure to pay the creditor would cause it to close and thus jeopardize the debtor's company's existence)

The Intact Application does not seek payment of any amounts, and the Monitor is not aware of any indication that the continued honouring of the Replacement Customs Bond would jeopardize Intact's existence. In that regard, the Monitor notes that Intact is a member company of Intact Financial Corporation, the largest provider of property and casualty insurance in Canada and a leading provider of specialty insurance in North America. As such, the Monitor is of the view that honouring its obligations under the Replacement Customs Bond, if ever required, would not jeopardize Intact's existence.

d. The applicant would be significantly prejudiced by the refusal to lift the stay and there would be no resulting prejudice to the debtor company or the positions of creditors

In the Intact Application, Intact asserts that there is prejudice to it resulting from the lack of charge or collateral associated with the Replacement Customs Bond. It is not clear to the Monitor that Intact has experienced any prejudice whatsoever. It is also not clear to the Monitor why the lack of a charge or collateral is prejudicial to Intact if they did not require a charge or collateral prior to the commencement of the CCAA Proceedings. Since there was never any requirement for security prior to the CCAA Proceedings, the Monitor believes that requiring or demanding same now to simply honour an existing contractual obligation is not appropriate.

On the other hand, the Monitor is of the view that the prejudice which is likely to befall the Petitioners from the lifting of the Stay of Proceedings for the purposes of cancelling the Replacement Customs Bond would be material and could potentially force the Petitioners to cease operations altogether, resulting in material prejudice to the Petitioners and to their various other stakeholders. As noted above, the Petitioners rely heavily on cash flows generated by lumber sales in U.S. markets in order to continue operating.

e. It is necessary to permit the applicant to take steps to protect a right which could be lost by the passing of time

The Monitor is not aware of any rights which could be lost by the passage of time.

- f. After the lapse of a significant time period, the insolvent is no closer to a proposal than at the commencement of the stay period**

As mentioned above, the Petitioners have recently sought the approval of the sale of several SISP parcels and a claims process. The Monitor is of the view that significant progress continues to be made with respect to the Petitioners' restructuring. However, allowing the cancellation of the Replacement Customs Bond could have the effect of frustrating a restructuring of the Petitioners.

- g. There is a real risk that a creditor's loan will become unsecured during the stay period**

Prior to the commencement of the CCAA Proceedings, Intact had a contingent unsecured claim against the Petitioners. To date, no claim has crystallized and Intact does not have security over any of the Petitioners' assets. Therefore, there has been no change in Intact's position, and Intact continues to have a contingent unsecured claim against the Petitioners.

- h. It is necessary to allow the applicant to perfect a right that existed prior to the commencement of the stay period**

The Monitor is not aware of any right that existed prior to the Stay of Proceedings that requires perfection.

- i. It is in the interests of justice to do so**

The Monitor is of the view that lifting the Stay of Proceedings for the purposes of cancelling the Replacement Customs Bond would likely cause the complete shut down of the Petitioners' operations, and thereby harm a great many of their stakeholders, including employees, suppliers and creditors. It is therefore the Monitor's view that it is not in the interests of justice to lift the Stay of Proceedings as requested by Intact.

Posting Cash as an Alternative to the Replacement Customs Bond

81. The Intact Application states that a “cash substitute” for the Replacement Customs Bond is immediately available to the Petitioners. The Monitor does not agree with this statement.

82. The Petitioners have access to a credit facility pursuant the RSA between the Petitioners and the Interim Lenders. The RSA provides for an asset-based loan under which the Petitioners’ availability is calculated based on amounts borrowed and the value of the assets collateralized. The Petitioners do not have the availability to post an amount of USD \$2.5 million, or more, with US CBP as collateral security and still continue funding their operations.

RECOMMENDATION

83. Based on the foregoing, the Monitor respectfully recommends that the Intact Application be dismissed.

All of which is respectfully submitted this 2nd day of May, 2025.

**Ernst & Young Inc., in its capacity as
court-appointed Monitor of the Petitioners
and not in its personal capacity**

Per:

 *for:*

John Barrett, CPA, CA, CIRP, LIT
Senior Vice-President



Philippe Mendelson, CPA, CMA, CIRP, LIT
Vice-President

SCHEDULE "A"

List of Petitioners

1. Teal Jones Holdings Ltd.
2. Teal Cedar Products Ltd.
3. Columbia River Shake & Shingle
4. Teal-Jones Aviation GP Ltd.
5. Teal-Jones Group
6. Teal-Jones Aviation Limited Partnership
7. Teal Jones Holdings USA Inc.
8. Teal Jones Lumber Services Inc.
9. Teal Jones Dry Kilns, LLC
10. Teal Jones Lumber Sales, LLC
11. Pine Products, LLC
12. Potomac Supply, LLC
13. Teal Jones Lumber LLC
14. Greentree Lumber Company, LLC
15. Teal Jones Louisiana Holdings, LLC