



No. 233209

Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,

R.S.C. 1985, c. C-36, AS AMENDED

– AND –

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF SLP HOLDINGS
LTD., STRUCTURLAM MASS TIMBER CORPORATION, STRUCTURLAM MASS TIMBER U.S.,
INC. AND NATURAL OUTCOMES, LLC

PETITIONERS

THIRD REPORT OF THE INFORMATION OFFICER

ALVAREZ & MARSAL CANADA INC.

June 19, 2023



ALVAREZ & MARSAL

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1.0 INTRODUCTION

1.1 On April 21, 2023 (the “**Petition Date**”), SLP Holdings Ltd. (“**SLP**”), Structurlam Mass Timber Corporation (formerly SLP Operations Ltd., “**SMTC**”), Structurlam Mass Timber U.S., Inc. (“**SMTU**”) and Natural Outcomes, LLC (“**NOLLC**”) (together, the “**Petitioners**” or “**Structurlam**”) commenced proceedings by filing voluntary petitions for relief (the “**Chapter 11 Proceedings**”) pursuant to chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.* (“**Chapter 11**”) in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Court**”).

1.2 On April 26, 2023, the U.S. Court granted several orders in the Chapter 11 Proceedings (the “**First Day Orders**”), which includes an order that authorized SLP to act as foreign representative (the “**Foreign Representative**”) in these CCAA Proceedings (subsequently defined).

CCAA Recognition Proceedings

1.3 On April 26, 2023, the Foreign Representative filed a petition with the Supreme Court of British Columbia (the “**Court**” or this “**Honourable Court**”), pursuant to Part IV of the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) (the “**CCAA Proceedings**”, and together with the Chapter 11 Proceedings, the “**Restructuring Proceedings**”) for:

- a) an initial recognition order (the “**Initial Recognition Order**”), which *inter alia*:
 - i. recognizes the Foreign Representative in respect of the Chapter 11 Proceedings;
 - ii. recognizes the Chapter 11 Proceedings commenced by SMTU and NOLLC in the US Bankruptcy Court as “foreign main proceedings” under Part IV of the CCAA;
 - iii. recognizes the Chapter 11 Proceedings commenced by SLP and SMTC in the US Bankruptcy Court as “foreign non-main proceedings” under Part IV of the CCAA;
 - iv. grants a stay of proceedings against Structurlam; and
 - v. instructs the Foreign Representative to place a notice of the Restructuring Proceedings once a week for two consecutive weeks in the Vancouver Sun.
- b) a supplemental recognition order (the “**Supplemental Recognition Order**”), which *inter alia*:
 - i. recognizes and enforces certain First Day Orders;
 - ii. grants additional stays and protections in respect of the Petitioners until June 1, 2023 (the “**Stay Period**”);

- iii. appoints Alvarez & Marsal Canada Inc. (“**A&M**”) as the information officer in these CCAA Proceedings (the “**Information Officer**”); and
 - iv. grants certain priority charges over the Petitioners’ Canadian assets, specifically the Administration Charge and the DIP Charge (collectively, the “**CCAA Charges**”), as such terms are defined herein.
- 1.4 On April 26, 2023, A&M, in its capacity as proposed Information Officer, filed a Pre-Filing Report of the Proposed Information Officer (the “**Pre-Filing Report**”) to address the Initial Recognition Order and the Supplemental Recognition Order.
- 1.5 On April 27, 2023, this Honourable Court granted the Initial Recognition Order and the Supplemental Recognition Order and A&M was appointed as Information Officer.
- 1.6 On May 8, 2023, the U.S. Court granted an order (the “**Bidding Procedures Order**”), which, *inter alia*:
- a) approved the Bidding Procedures (subsequently defined);
 - b) approved the Stalking Horse APA and the Stalking Horse Protections (subsequently defined);
 - c) scheduled an auction (the “**Auction**”) and other key dates in respect of the Bidding Procedures;
 - d) approved the form and manner of notice of the Auction; and
 - e) approved contract assumption and assignment procedures in respect of the Bidding Procedures Order.
- 1.7 On April 28, 2023, the Foreign Representative filed a notice of application (the “**Bidding Procedures Recognition Application**”) with this Honourable Court, for an order, which, *inter alia*:
- a) recognizes the Bidding Procedures Order;
 - b) sets down a date for this Honourable Court to hear an application to recognize the expected U.S. Court order which approves a sale of Structurlam’s assets; and
 - c) extends the Stay Period until June 30, 2023 (the “**Stay Extension**”).
- 1.8 On May 12, 2023, the Foreign Representative filed the Affidavit #2 of Shawn Turkington sworn on May 11, 2023 and the Affidavit of Kevin Haggard sworn on May 11, 2023, in support of the Bidding Procedures Recognition Application, with this Honourable Court. The Information Officer filed the First Report of the Information Officer with this Honourable Court on the same day.

- 1.9 On May 16, 2023, this Honourable Court granted the order, which, among other things, recognized the Bidding Procedure Order and extended the Stay Period until June 30, 2023.
- 1.10 On May 30, 2023, the Foreign Representative filed a notice of application with this Honourable Court (the “**May 30 Application**”) to seek, among other things, the following relief:
- a) an order recognizing and giving full force and effect in Canada (the “**Canadian Sale Order**”) to the Order (i) *authorizing (A) sale of assets free and clear of all liens, claims, encumbrances and interest, and (B) the Debtors’ assumption and assignment of certain executory contracts and unexpired leases; and (ii) granting related relief*, granted by the U.S. Court on May 30, 2023 in the Chapter 11 Proceedings (the “**U.S. Sale Order**”), and further, among other things, approving the sale transaction described in the amended asset purchase agreement (the “**Purchase Agreement**”) dated April 21, 2023 between the Petitioners and Mercer International Inc. (“**Mercer**”) and (iii) vesting right, title and interest in and to the Transferred Assets (as defined in the Purchase Agreement) in Mercer free and clear of any charges, security, liens, encumbrances, claims or liabilities other than certain permitted encumbrances assumed as set out in the Purchase Agreement; and
 - b) an order (the “**Additional Recognition Order**”) recognizing and giving full force and effect in Canada to certain additional orders granted by the U.S. Court in the Chapter 11 Proceedings.
- 1.11 On May 30, 2023, the Foreign Representative filed the Affidavit #3 of Michèle Hay sworn on May 30, 2023 and on May 31, 2023, the Foreign Representative filed the Affidavit #2 of Kevin Haggard sworn on May 30, 2023, in support of the May 30 Application. On May 31, 2023, the Information Officer filed the Second Report of the Information Officer (the “**Second Report**”) with this Honourable Court in support of the May 30 Application.
- 1.12 On June 1, 2023, this Honourable Court granted the Canadian Sale Order and the Additional Recognition Order.
- 1.13 On June 19, 2023, the Foreign Representative filed a notice of application (the “**Second Stay Extension Application**”), with this Honourable Court, for an order to extend the Stay Period until October 31, 2023 (the “**Second Stay Extension**”).
- 1.14 On June 19, 2023, the Information Officer filed a notice of application with this Honourable Court to seek a declaration by this Honourable Court that SMTC meets the criteria prescribed by section 3.2 of the *Wage Earner Protection Program Regulations*, SOR/2008-22 (“**WEPPR**”), such that certain former employees may be entitled to receive payments under the *Wage Earner Protection Program Act*, SC 2005, c 47, (“**WEPPA**”).

- 1.15 Copies of the documents filed in the Chapter 11 Proceedings are posted by Kurtzman Carson Consultants LLC (“**KCC**”) at: www.kccllc.net/Structurlam (the “**Chapter 11 Website**”). Copies of the Initial Recognition Order and Supplemental Recognition Order along with other documents filed in these CCAA Proceedings (the “**Filed Materials**”) are posted on the Information Officer’s website at www.alvarezandmarsal.com/structurlam (the “**CCAA Website**”).
- 1.16 Capitalized terms not defined in this third report (the “**Third Report**”) are as defined in the Filed Materials.

2.0 PURPOSE

- 2.1 This Third Report has been prepared by the Information Officer to provide information in respect of:
- a) an update of the Chapter 11 Proceedings since the Second Report;
 - b) an update of the sale transaction between the Petitioners and Mercer;
 - c) the Information Officer’s review of SMTC’s WEPPA eligibility;
 - d) the Second Stay Extension;
 - e) the activities of the Information Officer; and
 - f) the Information Officer’s conclusions and recommendations.

3.0 TERMS OF REFERENCE

- 3.1 In preparing this report, A&M has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by certain senior management of Structurlam (“**Management**”) and its Canadian and U.S. legal counsel. Although this information has been subject to review, A&M has not conducted an audit nor otherwise attempted to verify the accuracy or completeness of any of the information prepared by Management or otherwise provided by the Petitioners. Accordingly, A&M expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information contained in this report, or otherwise used to prepare this report.
- 3.2 Certain of the information referred to in this report consists of financial forecasts and/or projections prepared by Management. An examination or review of financial forecasts and projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from those forecasts and/or projected and the variations could be significant.

- 3.3 All monetary amounts contained in this Third Report are expressed in Canadian dollars unless otherwise noted.

4.0 STATUS OF THE CHAPTER 11 PROCEEDINGS

- 4.1 Since the Second Report, the U.S. Court issued various retention orders approving the retention of legal and financial advisors to the Official Committee of Unsecured Creditors (the “UCC”).
- 4.2 The U.S. Court has scheduled omnibus hearings on July 28, 2023 and August 24, 2023.

5.0 STATUS OF THE SALE TRANSACTION

- 5.1 As discussed in the Second Report, as a result of the Auction which took place on May 24, 2023 and pursuant to the Bidding Procedures, Mercer was the named Winning Bidder of Structurlam’s U.S. and Canadian assets, with its Winning Bid at USD \$83.5 million, comprised of a cash component of USD \$81.1 million plus credit for the Break-Up Fee and Expense Reimbursement Amount totaling USD \$2.4 million. Weyerhaeuser Company was designated as the Back-up Bidder with its Back-up Bid at USD \$80.0 million for Structurlam’s U.S. assets.
- 5.2 As outlined above, on May 30, 2023, the U.S. Court entered the U.S. Sale Order, authorizing the sale of substantially all of the Petitioners’ assets to Mercer pursuant to the Purchase Agreement. On June 1, 2023, the Foreign Representative sought and was granted the Canadian Sale Order by this Honourable Court.
- 5.3 On June 15, 2023 (the “**Closing Date**”), pursuant to the terms and conditions of the U.S. Sale Order, the Canadian Sale Order and the Purchase Agreement, the sale transaction between the Petitioners and Mercer closed.
- 5.4 The Petitioners are in the process of arranging for a repayment of the amounts due to Bank of Montreal, including the pre-petition debt and the interim financing, by June 20, 2023.
- 5.5 Under the Purchase Agreement, certain executory contracts and unexpired leases were not assumed by Mercer. Accordingly, on June 15, 2023, the Petitioners filed a *Notice of Rejection of Certain Executory Contracts and/or Unexpired Leases* with the U.S. Court to reject any contracts that were not assumed and no longer required by Structurlam. Pursuant to the Bar Date Order, the deadline to file a claim for damages against any of the Petitioners arising from rejection of an executory contract or unexpired lease is set to be the later of the General Bar Date (July 10, 2023) or 5:00 p.m. (prevailing Eastern Time) on the date that is twenty-one (21) days following service of an order approving rejection of any executory contract or unexpired lease.

6.0 WEPPA

- 6.1 Pursuant to the Purchase Agreement, while Mercer assumed SMTC's collective agreement and the unionized employees, Mercer will be offering employment in writing to select Structurlam employees who are not unionized employees, as opposed to assuming the employment contracts of all non-unionized employees of Structurlam.
- 6.2 It is the Information Officer's understanding that as of the Closing Date, Mercer (or its affiliate) had extended new employment offers to certain of the SMTC employees and all of the SMTU employees. As a result, on June 15, 2023, SMTC issued 10 termination letters to SMTC employees who were not offered new employment by Mercer (or its affiliate).
- 6.3 It is Structurlam's intention to pay all terminated employees their outstanding wages and vacation pay but not termination and/or severance pay. As a result, SMTC and the Information Officer would like to assist its Canadian employees to be able to forthwith file claims under WEPPA for unpaid termination and severance pay.
- 6.4 Section 5(5) of the WEPPA provides that, on application by any person, a court may, in proceedings under the CCAA, determine that the former employer meets the criteria prescribed by regulation for an individual to be eligible to receive payment under the WEPPA. Pursuant to section 3.2 of the WEPPR, "a court may determine whether the former employer is the former employer all of whose employees in Canada have been terminated other than any retained to wind down its business operations".
- 6.5 As Mercer has assumed substantially all the assets of Structurlam (including SMTC) upon the closing of the Purchase Agreement, SMTC will have to be wound down upon the closing of the Purchase Agreement.
- 6.6 Based on the above, the Information Officer is of the view that it is appropriate for this Honourable Court to declare that SMTC meets the criteria as prescribed in WEPPR and that former employees of SMTC are entitled to receive payments under WEPPA, in order for terminated employees to access their statutory entitlements with respect to unpaid termination and/or severance pay.
- 6.7 Subject to this Honourable Court's approval of the declaration that SMTC meets the criteria prescribed by WEPPR, the Information Officer will assist terminated employees to file claims for payments under WEPPA. All claims remain subject to the adjudication process pursuant to Chapter 11.

- 6.8 Structurlam continues to be led by its interim Chief Executive Officer, Mr. Matthew Karmel, and its interim Chief Financial Officer, Mr. Shawn Turkington, as neither executive transitioned to Mercer.

7.0 EXTENSION OF STAY OF PROCEEDINGS

- 7.1 The current Stay Period will expire on June 30, 2023. The Petitioners are seeking an extension of the Stay Period to October 31, 2023.

- 7.2 The Information Officer supports the Second Stay Extension for the following reasons:

- a) the extension of the Stay Period to October 31, 2023 will allow the claims process under the Chapter 11 Proceedings to conclude;
- b) the Second Stay Extension will also provide adequate time for Structurlam to develop, and potentially implement, a liquidating plan under the Chapter 11 Proceedings;
- c) no creditor of Structurlam would be materially prejudiced by the extension of the Stay Period; and
- d) Structurlam has acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Recognition Order.

8.0 ACTIVITIES OF THE INFORMATION OFFICER

- 8.1 Since the Second Report and up to and including the date of this Third Report, the Information Officer's activities have included the following:


- a) reviewed relevant materials and orders filed in the Chapter 11 Proceedings;
- b) maintained the CCAA Website to make available copies of the orders granted in the CCAA Proceedings and other court-filed materials;
- c) monitored the Chapter 11 Website for activities in the Chapter 11 Proceedings;
- d) communicated with counsel to Structurlam and Management regarding matters relevant to the CCAA Proceedings and the Chapter 11 Proceedings;
- e) considered the impact on Canadian creditors (including, but not limited to, employees) upon the closing of the Purchase Agreement;
- f) responded to inquiries from creditors; and
- g) prepared this Third Report.


9.0 RECOMMENDATIONS

- 9.1 The Information Officer, based on the foregoing, recommends that this Honourable Court grant the Second Stay Extension and declare that SMTC meets the criteria prescribed by WEPPR.

All of which is respectfully submitted to this Honourable Court this 19th day of June, 2023.

**Alvarez & Marsal Canada Inc.,
in its capacity as Information Officer of
Structurlam and not in its personal or corporate capacity**


Per: Anthony Tillman
Senior Vice President


Per: Pinky Law
Vice President