

NO.
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 THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, c. 57, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LEMARE
HOLDINGS LTD., LEMARE LAKE LOGGING LTD., LONE TREE LOGGING LTD., C. & E.
ROADBUILDERS LTD., COAST DRYLAND SERVICES LTD., DOMINION LOG SORT
LTD. AND CENTRAL COAST INDUSTRIES LTD.

PETITIONERS

PETITION TO THE COURT

This proceeding has been started by the petitioners for the relief set out in Part 1 below.

If you intend to respond to this proceeding, you or your lawyer must

- (a) file a response to petition in Form 67 in the above-named registry of this court within the time for response to petition described below, and
- (b) serve on the petitioner(s)
 - (i) 2 copies of the filed response to petition, and
 - (ii) 2 copies of each filed affidavit on which you intend to rely at the hearing.

Orders, including orders granting the relief claimed, may be made against you, without any further notice to you, if you fail to file the response to petition within the time for response.

Time for response to petition

A response to petition must be filed and served on the petitioners,

- (a) if you were served with the petition anywhere in Canada, within 21 days after that service,

- (b) if you were served with the petition anywhere in the United States of America, within 35 days after that service,
- (c) if you were served with the petition anywhere else, within 49 days after that service, or
- (d) if the time for response to petition has been set by order of the court, within that time.

The address of the registry is:	800 Smithe Street Vancouver, BC V6Z 2E1
The ADDRESS FOR SERVICE of the petitioners is:	Mary I.A. Buttery / H. Lance Williams Davis LLP Barristers & Solicitors 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7
Fax number address for service (if any):	604.687.1612
E-mail address for service (if any):	mbuttery@davis.ca lwilliams@davis.ca swood@davis.ca
The name and office address of petitioners' lawyers is:	Mary I.A. Buttery / H. Lance Williams Davis LLP Barristers & Solicitors 2800 Park Place 666 Burrard Street Vancouver, BC V6C 2Z7

CLAIM OF THE PETITIONERS

Part 1: ORDER(S) SOUGHT

1. An Order substantially in the form of the draft Order attached hereto as Schedule "A" (the "**Initial Order**").
2. A Declaration that the Petitioners are affiliated companies to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, (the "**CCAA**") applies.
3. A Declaration that Alvarez & Marsal Canada Inc. (the "**Monitor**") be appointed as officer of this Honourable Court to monitor the assets, business and affairs of the Petitioners.

4. An Order that, until further order of this Court, all proceedings against the Petitioners, the directors and officers of the Petitioners and the Monitor be stayed, and the Petitioners' operations be carried out in accordance with the express terms of the Initial Order, with liberty to seek to amend or extend the terms of such Initial Order.
5. An Order providing that the Toronto-Dominion Bank ("TD") and TD Equipment Finance Canada Inc. ("TD Finance") be unaffected by the provisions of any stay of proceedings.
6. An Order authorizing and permitting the Petitioners to file with this Court a plan of compromise or arrangement between the Petitioners and one or more of their classes of creditors (the "**Plan**") pursuant to the provisions of the CCAA and the *Business Corporations Act*, S.B.C. 2002, c. 57.
7. An Order authorizing the Petitioners to make payments in respect of certain pre-filing obligations, as deemed necessary by the Petitioners and approved by the Monitor.
8. An Order granting an administrative charge on the property of the Petitioners in favour of the proposed Monitor, counsel to the Monitor and counsel to the Petitioners, in priority to all other creditors of the Petitioners.
9. An Order granting a directors and officers charge on the property of the Petitioners in favour of the directors and officers of the Lemare Group.
10. An Order defining the classes of creditors of the Petitioners for the purposes of a meeting or meetings with respect to, and voting on, any Plan or Plans that may be filed.
11. An Order that, upon filing a Plan, the Petitioners may call a meeting or meetings of the affected classes of their creditors to vote upon such a Plan.
12. Such directions as may be required from time to time respecting the presentation of a Plan to the Petitioners' creditors, proofs of claim, conduct of meetings and related matters.

13. An Order sanctioning and approving any Plan, with such amendments as may be proposed by the creditors of the Petitioners and approved by the Petitioners or as may be proposed by the Petitioners.
14. An Order that the Orders in this proceeding shall have full force and effect in all provinces and territories of Canada and any other foreign country where creditors and the Petitioners are domiciled.
15. An Order that the Petitioners shall be authorized and empowered, but not required to: (i) apply as they may consider necessary or desirable, with or without notice, to any other court, tribunal, regulatory, administrative or other body, wherever located, for orders to recognize the Initial Order and/or to assist in carrying out the terms of the Initial Order and any subsequent Orders of this Court; and (ii) act as a representative in respect of these proceedings for the purpose of having these proceedings recognized and/or aided in a jurisdiction outside Canada.
16. An Order requesting the aid and recognition of other Canadian and foreign Courts, tribunal, regulatory, administrative and other bodies, including, without limitation, any Court or administrative tribunal of any federal or state court or administrative body in the United States of America (including, without limitation, in the United States Bankruptcy Court), to act in aid of and to be complementary to this Court in carrying out the terms of this Order where required.
17. An Order that the Petitioners be at liberty to serve all orders and materials (including the Plan) in this proceeding on any of their creditors by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, fax transmission or e-mail to the Petitioners' creditors at their respective addresses as last shown on the records of the Petitioners, and any such service or notice by courier, personal delivery, fax transmission or e-mail 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. Such further and other Orders as this Court may deem proper under the circumstances.

Part 2: FACTUAL BASIS

The Petitioners

19. The Petitioner Lemare Holdings Ltd. (“**Holdings**”) is a corporation pursuant to the laws of British Columbia, owned solely by Christopher and Eric Dutcyvich, as trustees of the Dutcyvich Family Trust.
20. The Petitioner Lemare Lake Logging Ltd. (“**Lemare Lake**”) is a corporation pursuant to the laws of British Columbia, owned solely by Holdings.
21. The Petitioner Lone Tree Logging Ltd. is a corporation pursuant to the laws of British Columbia, owned solely by Holdings.
22. The Petitioner C. & E. Roadbuilders Ltd. is a corporation pursuant to the laws of British Columbia, owned solely by Holdings.
23. The Petitioner Coast Dryland Services Ltd. is a corporation pursuant to the laws of British Columbia, owned solely by Holdings.
24. The Petitioner Dominion Log Sort Ltd. is a corporation pursuant to the laws of British Columbia, owned solely by Holdings.
25. The Petitioner Central Coast Industries Ltd. is a corporation pursuant to the laws of British Columbia, owned solely by Lemare Lake.
26. The Petitioners are collectively referred to herein as the “**Lemare Group**”.
27. The Lemare Group is an integrated forestry business located primarily on north Vancouver Island. It is a major employer and economic contributor in the communities which it operates.

Summary of Current Financial Difficulties

28. Following a successful internal re-organisation and restructuring that saw a change in ownership and a restructuring of the balance sheet, the Lemare Group’s core business is viable and continues to grow. However, the legacy effects of the pre-reorganisation

business continue to effect the Lemare Group such that a reorganisation cannot be completed without the aid of this Honourable Court. This includes the impact of an RCA Trust entered into by the prior owner of the Lemare Group (the “**RCA Trust**”) and a dispute with Her Majesty the Queen in Right of British Columbia relating to the proposed re-assessment of stumpage (the “**Stumpage Dispute**”), which have resulted in two large claims against the assets of the Lemare Group.

29. The Lemare Group is insolvent as the value of its alleged liabilities exceeds the value of its assets.

Toronto-Dominion Bank

30. The Lemare Group’s current operating lender is TD. Collectively, TD and its affiliate TD Finance hold a first-ranking security interest against all present and after-acquired personal property of the Lemare Group (with the exception of a relatively few pieces of equipment financed by other lenders).
31. TD and TD Finance have agreed to continue to act as bankers and lenders to the Lemare Group provided they are excluded from the stay of proceedings sought in the within action. The Lemare Group has consented to seeking such relief as:
 - (a) the cooperation of TD and TD Finance is seen as essential to any restructuring of the Lemare Group; and
 - (b) as the first secured creditor, TD and TD Finance would realise the first benefit of the Lemare Group’s assets in a liquidation regardless.

CCAA Restructuring

32. The Petitioners submit that it is appropriate for this Honourable Court to grant the Initial Order under the CCAA in order to facilitate a restructuring of its business enterprise and the continuation of the Lemare Group in business. The claims against the Lemare Group are in excess of \$5,000,000.00, and the Petitioners are affiliated for the purposes of the CCAA.

33. The Lemare Group cannot continue in business without restructuring its business. However, if the outstanding liabilities of the Lemare Group, including the RCA Trust and Stumpage Dispute, can be rationalised through a plan of arrangement, the core business of the Lemare Group remains strong.
34. The Lemare Group proposes to restructure its business in order that its creditors and other stakeholders will derive a greater benefit than would result from a liquidation or bankruptcy.

Part 3: LEGAL BASIS

1. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36;
2. *Supreme Court Civil Rules*, B.C. Reg. 241/2010, as amended, and in particular Rules 2-1(2), 4-4, 8-1, 8-2, 16-1, 22-1 and 22-4 thereof; and
3. the inherent and equitable jurisdiction of this Honourable Court.

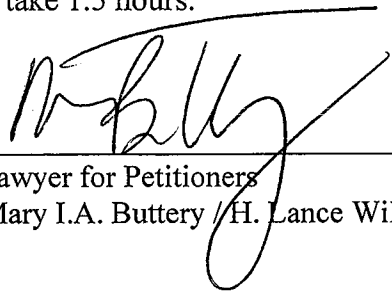
Part 4: MATERIAL TO BE RELIED ON

1. Affidavit # 1 of Eric Dutcyvich sworn June 20, 2012; and
2. such further and other material as counsel may advise and this Honourable Court may allow.

The petitioners estimate that the hearing of the petition will take 1.5 hours.

June 21, 2012

Dated


Signature of lawyer for Petitioners
Davis LLP (Mary I.A. Buttery / H. Lance Williams)

To be completed by the court only:

Order made

☐ in the terms requested in paragraphs _____ of Part 1 of this petition

☐ with the following variations and additional terms:

Date: _____

Signature of ☐ Judge ☐ Master

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SERVICES LTD., DOMINION LOG SORT LTD. AND
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PETITIONERS

PETITION TO THE COURT

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