



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

**FIRST REPORT OF THE INFORMATION OFFICER**

**ALVAREZ & MARSAL CANADA INC.**

**May 12, 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.* 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 (the "**Second Turkington Affidavit**") and the Affidavit of Kevin Haggard sworn on May 11, 2023, in support of the Bidding Procedures Recognition Application, with this Honourable Court.
- 1.9 Copies of the Bidding Procedures Order along with other documents filed in the Chapter 11 Proceedings are posted by Kurtzman Carson Consultants LLC at: [www.kccllc.net/Structurlam](http://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 (including the Second Turkington Affidavit, the “**Filed Materials**”) are posted on the Information Officer’s website at [www.alvarezandmarsal.com/structurlam](http://www.alvarezandmarsal.com/structurlam) (the “**CCAA Website**”).

- 1.10 Capitalized terms not defined in this first report (the “**First Report**”) are as defined in the Filed Materials.

## **2.0 PURPOSE**

- 2.1 This First Report has been prepared by the Information Officer to provide information in respect of:

- a) an update of the Chapter 11 Proceedings since the Pre-Filing Report;
- b) the Stalking Horse APA and the Bidding Procedures;
- c) the Stay Extension;
- d) the activities of the Information Officer; and
- e) 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 First Report are expressed in Canadian dollars unless otherwise noted.

#### **4.0 STATUS OF THE CHAPTER 11 PROCEEDINGS**

4.1 Since the Pre-filing Report, Structurlam's counsel has filed a number of motions which are scheduled to be heard by the U.S. Court over the coming weeks. The motions filed include, among others, the following proposed orders:

- a) authorizing and approving procedures to reject executory contracts and unexpired leases, and a separate motion to reject the Walmart contract, which are scheduled to be heard on May 19, 2023;
- b) authorizing retention and employment of various professionals effective as of the Petition Date, including Chipman Brown Cicero & Cole, LLP (counsel to Structurlam), Miller Buckfire & Co., LLC (Sales Agent, defined as Sales Advisor below), Alvarez & Marsal Canada ULC ("A&M ULC") (financial advisors), Kurtzman Carson Consultants LLC (administrative advisor) and Gowling WLG (Canada) LLP (special counsel), all of which are scheduled to be heard on May 30, 2023;
- c) establishing bar dates and related procedures for filing proofs of claim under the Chapter 11 Proceedings, scheduled to be heard on May 30, 2023; and
- d) establishing procedures for interim compensation and reimbursement of expenses of professionals in the Chapter 11 Proceedings, which is scheduled to be heard May 30, 2023.

4.2 On May 3, 2023, the U.S. Trustee appointed two unsecured creditors to the committee of unsecured creditors (the "UCC"). On May 5, 2023, the U.S. Trustee appointed a third unsecured creditor to the UCC.

4.3 On May 8, 2023 the U.S. Court granted the Bidding Procedures Order, which is discussed in further detail below.

4.4 The U.S. Court and the U.S. Trustee have scheduled a number of important dates and deadlines, which are listed as follows:

- a) the Final Hearing on First Day Motions – May 19, 2023;
- b) the Meeting of Creditors – May 23, 2023; and
- c) the Omnibus Hearing – May 30, 2023.

4.5 Information in respect of the Bidding Procedures Order is available in the Second Turkington Affidavit.

## 5.0 STALKING HORSE SALES PROCESS

- 5.1 As discussed in the Pre-Filing Report, upon consultation with Structurlam's secured lender, Bank of Montreal ("**BMO**"), on or about February 10, 2023, the Petitioners retained Stifel, Nicolaus & Company, Incorporated and Miller Buckfire (collectively, the "**Sales Advisor**"), to solicit offers for the sale or recapitalization of the Petitioners outside of a court process (the "**Sales Process**").
- 5.2 As noted in the Pre-Filing Report, during the Sales Process, the Sales Advisor was in contact with a total of 74 strategic parties and 16 financing parties. 37 of the strategic parties and five (5) financing parties signed Non-Disclosure Agreements ("**NDAs**") and accessed the dataroom that was set up for the Sales Process.
- 5.3 On March 24, 2023, the deadline for binding Asset Purchase Agreements ("**APA**") from interested parties, Structurlam received unexecuted bids from two parties, and ultimately, received a binding offer and APA from one party, Mercer International Inc. ("**Mercer**").
- 5.4 As a result of the Sales Process, Structurlam, in consultation with BMO and A&M ULC, selected Mercer as the successful bidder for Structurlam's assets. On April 21, 2023, Structurlam (SLP, SMTC, SMTU, and NOLLC) executed the APA with Mercer (the "**Stalking Horse APA**").
- 5.5 Pursuant to the Stalking Horse APA, Mercer is obligated to purchase and acquire from Structurlam the entirety of its rights, title and interest in and to substantially all of its assets, properties and rights of every kind and nature, whether real, personal or mixed, tangible or intangible (including goodwill), wherever located, in the physical possession of Structurlam or another Person (as defined in the Stalking Horse APA). Mercer has also agreed to assume certain Assumed Liabilities, described at Section 1.3 of the Stalking Horse APA.
- 5.6 The purchase price under the Stalking Horse APA is USD \$60 million (the "**Purchase Price**").
- 5.7 Pursuant to the Stalking Horse APA and the Bidding Procedures Order, Mercer will act as the Stalking Horse in a sales process to be conducted during these Restructuring Proceedings, which will provide transaction certainty to Structurlam and its stakeholders, while enabling the Petitioners, with the assistance of the Sales Advisor, to further test the market and pursue the possibility of a superior transaction.
- 5.8 Under the Stalking Horse APA, the Closing Date is scheduled to be three (3) business days following the date the last of the conditions set forth in the Stalking Horse APA has been satisfied or waived. The primary substantive conditions to closing are (i) the issuance of the U.S. Sale Order and the Canadian Sale Order by the respective courts, and (ii) the Bond issued in respect of the

Conway Facility be redeemed or cancelled as contemplated by Section 6.3(b) of the Stalking Horse APA.

- 5.9 The Stalking Horse APA includes an Expense Reimbursement of up to USD \$600,000 (being up to 1.0% of the Purchase Price) for reasonable out-of-pocket expenses incurred by Mercer in connection with the Stalking Horse APA, and a Break-Up Fee of USD \$1.8 million (being 3.0% of the Purchase Price, together with the Expense Reimbursement, at a maximum of 4.0% of the Purchase Price) in the event Mercer's stalking horse bid is not the successful bid in the Restructuring Proceedings (together, the "**Stalking Horse Protections**").
- 5.10 The Bid Procedures Order approved the proposed procedures (the "**Bidding Procedures**") that were developed by Structurlam and its counsel, in consultation with the Sales Advisor, A&M ULC, BMO and Mercer. Capitalized terms used but not otherwise defined have the meanings ascribed to them in the Bidding Procedures Order, a copy of which is attached to the Second Turkington Affidavit.

#### **Summary of the Bidding Procedures and Timetable**

- 5.11 Select key terms in respect of the Bidding Procedures are as follows:
- a) to participate under the Bidding Procedures, each Potential Bidder must execute a confidentiality agreement;
  - b) a Bid will be considered a Qualified Bid and each Bidder that submits a Qualified Bid will be considered a Qualified Bidder, if the Petitioners, in consultation with BMO, determine the Bid satisfies the requirements and it is reasonably likely the Qualified Bid would close within a reasonable amount of time;
  - c) in order for the Bid to be considered, a deposit of 10% must be remitted to the escrow agent;
  - d) any initial Overbid to the Stalking Horse APA shall be no less than USD \$62.9 million, which is the Purchase Price (USD \$60 million) plus the Stalking Horse Protections (USD \$2.4 million) and the minimum overbid increment of USD \$500,000; and
  - e) each overbid by Mercer will take into account the Stalking Horse Protections of USD \$2.4 million.



5.12 Key Bidding Procedures events and dates are summarized in the following table:

<b>Event</b>	<b>Date (prevailing Eastern time if time-specific)</b>
Hearing on Bidding Procedures	May 8, 2023
Sale Objection Deadline	May 18, 2023 at 4:00pm
Bid Deadline	May 23, 2023 at 4:00pm
Contract Objection Deadline	May 23, 2023 at 4:00pm
Committee Sale Objection Deadline	May 23, 2023 at 4:00pm
Auction (via teleconference)	May 24, 2023 at 10:00am
Notice of Winning Bidder, Back-Up Bidder and Assigned Contracts	Within one (1) day after the cancellation or completion of the Auction
Winning Bidder Adequate Assurance Objection Deadline	May 26, 2023 at 4:00pm
Reply Deadline	May 29, 2023 at 12:00pm
U.S. Sale Hearing	May 30, 2023 at 2:00pm

#### **Post-Chapter 11 marketing efforts**

5.13 Upon the commencement of the Chapter 11 Proceedings, the Sales Advisor followed-up with 89 previously contacted potential parties, and contacted 22 additional parties to further advance the sales process. As of May 10, 2023, the Sales Advisor had contacted 111 parties in total (parties contacted during the Sales Process: 90), and confirmed that multiple parties are still active in the post-Chapter 11 sales process.

#### **Information Officer's observations and comments**

5.14 The Information Officer's comments on the Bidding Procedures are as follows:

- a) the Bidding Procedures were developed with the assistance of A&M ULC and input from the Sales Advisor, which has extensive transaction and Chapter 11 experience;
- b) the Bidding Procedures were approved by Mercer and are incorporated by reference into the Stalking Horse APA;
- c) BMO, Structurlam's secured creditor, has been consulted in respect of the Bidding Procedures;
- d) the Information Officer is aware that the Sales Process commenced in mid-February 2023 and has been ongoing since then. Accordingly, while the "in-proceeding" marketing period appeared to be short (32 days), the total marketing period for Structurlam's assets is in fact

longer at approximately 14 weeks. Moreover, the majority of the potential bidders have been identified in the Sales Process conducted by the Sales Advisor prior to the Chapter 11 Proceedings, and therefore, are familiar with the assets; and

- e) the Information Officer is aware that, Structurlam's UCC and Walmart Inc. ("**Walmart**") each filed limited objections to the Bidding Procedures Motion prior to the U.S. Court hearing. The UCC and Walmart, among other things, requested that the Bidding Procedures be extended by at least 14 days, and that the Stalking Horse Protections be reduced (from a maximum of 4.0% to a maximum of 2.5%). It is noted that, notwithstanding the limited objections of the UCC and Walmart, the U.S. Court granted the Bidding Procedures Order as filed.

## **6.0 EXTENSION OF STAY OF PROCEEDINGS**

6.1 Pursuant to the Supplemental Recognition Order, the Stay Period will expire on June 1, 2023. The Petitioners are seeking an extension of the Stay Period to June 30, 2023.

6.2 The Information Officer supports the Stay Extension for the following reasons:

- a) the extension of the Stay Period to June 30, 2023 will provide adequate time for Structurlam to fulfill any conditions to closing and to consummate the Winning Bid;
- b) no creditor of Structurlam would be materially prejudiced by the extension of the Stay Period; and
- c) Structurlam has acted in good faith and with due diligence in these CCAA Proceedings since the date of the Initial Recognition Order.

## **7.0 ACTIVITIES OF THE INFORMATION OFFICER**

7.1 Since the Pre-filing Report and up to and including the date of this First Report, the Information Officer's activities have included the following:

- a) engaged DLA Piper Canada LLP as independent legal counsel to assist the Information Officer in these CCAA Proceedings;
- b) reviewed relevant materials filed in the Chapter 11 Proceedings and drafts of the application materials for the CCAA Proceedings;
- c) maintained the CCAA Website to make available copies of the orders granted in the CCAA Proceedings and other court-filed materials;
- d) reviewed and considered the orders made in the Chapter 11 Proceedings;
- e) monitored the Chapter 11 Website for activities in the Chapter 11 Proceedings;

- f) communicated with counsel to Structurlam and Management regarding matters relevant to the CCAA Proceedings and the Chapter 11 Proceedings;
- g) responded to inquiries from creditors; and
- h) prepared this First Report.


## **8.0 RECOMMENDATIONS**


8.1 The Information Officer understands that recognition by this Honourable Court of the Bidding Procedures Order is relevant to the conduct of the Restructuring Proceedings. The Information Officer, together with its legal counsel, has reviewed the Bidding Procedures Order and is of the view that granting recognition of the order is reasonable and appropriate in the circumstances. Based on the foregoing, the Information Officer respectfully recommends that this Honourable Court grant the relief requested by the Foreign Representative.

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All of which is respectfully submitted to this Honourable Court this 12<sup>th</sup> day of May, 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