Court File No. CV-25-00751289-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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 OR ARRANGEMENT OF NORWOOD INDUSTRIES INC.

Applicant

FACTUM OF THE APPLICANT
(CCAA APPLICATION RETURNABLE SEPTEMBER 12, 2025)

September 9, 2025

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Toronto Dominion Centre
66 Wellington Street West
Toronto, ON M5K 1E6

Attention: Sean Collins, KC / Saneea Tanvir
LSO#77838T
Tel: 403-260-3531 / 416-601-8181
Email: scollins@mccarthy.ca /
stanvir@mccarthy.ca

Lawyers for Norwood Industries Inc.

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PART I - OVERVIEW

1. This factum is filed in support of an application by Norwood Industries Inc. ("**Norwood**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") for an order substantially in the form attached as Tab 3 to the Application Record ("**Initial Order**"). Among other things, Norwood is requesting that the Court grant the following relief under the Initial Order:

(a) abridging the notice periods and validates service of the motion record;

(b) declaring that Norwood is a company to which the CCAA applies;

(c) appointing KSV Advisory Inc. ("**KSV**") as the monitor (in such capacity, the "**Monitor**") of Norwood in these proceedings;

(d) staying all proceedings, rights, and remedies, against or in respect of Norwood and its business or property, except as otherwise set forth in the Initial Order, for an initial ten day period (as may be amended or extended from time to time, the "**Stay Period**");

(e) authorizing Norwood to carry on business in a manner consistent with the preservation of its business and property;

(f) authorizing Norwood to pay the reasonable expenses incurred by Norwood in carrying out its business in the ordinary course;

(g) authorizing Norwood to pay all reasonable fees and disbursements of the Proposed Monitor, the Proposed Monitor's legal counsel, and Norwood's legal counsel;

(h) granting the following charges against Norwood's current and future assets, undertakings, and properties, of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), for the purposes of securing the payment and performance of:

(i) the fees and the disbursements of the proposed Monitor, the proposed Monitor's legal counsel, and Norwood's legal counsel (the "**Administration Charge**"), in the maximum amount of $250,000; and

(ii) Norwood's obligations to indemnify Norwood's director and officers for liabilities they may occur after the commencement of these proceedings (the "**Director's Charge**"), in the maximum amount of $364,000;

(i) declaring that the Administration Charge and the Director's Charge, (collectively, the "**Initial Order Charges**") rank in priority to all existing liens, security interests, encumbrances, or claims, with respect to, concerning, or as and against, all of the Property;

(j) setting the date of the Comeback Hearing (as defined below); and,

(k) such further and other relief as may be sought by Norwood and granted by this Honourable Court.

2. Norwood present financial difficulties have been precipitated by a combination of operational and financial challenges, including:

(a) post-COVID sales decline;

(b) rising interest rates;

(c) decline in lumber prices;

(d) decreased profitability; and,

(e) shift back to professionals.

3. After considering the various options available to Norwood, Norwood determined that a restructuring under the CCAA is in the best interests of Norwood and its stakeholders.

4. Norwood believes that relief under the CCAA is in the best interests of Norwood, its creditors, and its stakeholders for the following reasons, among others:

(a) Norwood is insolvent and is unable to meet its obligations as they become due;

(b) Norwood requires the protection of the CCAA and the assistance of restructuring professionals to consummate a going concern asset sale transaction;

(c) without the protections of the CCAA, Norwood's creditors are likely to take enforcement steps against Norwood, which will disrupt the operation of the Business;

(d) the involvement of a Court-appointed monitor under the CCAA will lend stability and assurance to Norwood's stakeholders, including its suppliers, customers, lenders, and employees.

5. Norwood intends to return to Court, at a comeback hearing to be scheduled by the Court prior to the expiry of the Stay Period (the "**Comeback Hearing**"), to seek an order granting various amendments to the Initial Order (as so amended, the "**Amended and Restated Initial Order**"), including, among other things:

(a) extending the Stay Period to a date to be determined;

(b) granting a charge to secure the fees and disbursements of G2 Capital Advisors LLC ("**G2**") and Rhett Ross as the Chief Restructuring Office (the "**CRO**") (the "**CRO Charge**", the CRO Charge and the Initial Order Charges are collectively referred to as, the "**Charges**");

(c) increasing the quantum of the Administration Charge, and potentially the Director's Charge, based upon further review by Norwood and the proposed Monitor together with declaring that the Charges rank in priority to all existing liens, security interests, encumbrances, or claims, with respect to concerning, or as and against, all of the Property, and providing for the respective priority of the Charges, as between them, as follows:

(i) **First** - Administration Charge;

(ii) **Second** – Directors' Charge; and

(iii) **Third** – CRO Charge;

(d) such further and other relief as may be sought by Norwood in connection with the Comeback Hearing.

PART II - FACTS

6. The facts in support of this application are as set out in the Affidavit #1 of Rhett Ross sworn September 9, 2025 (the "**Ross Affidavit**"), as summarized herein. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Ross Affidavit.

A. Norwood's Business

7. Norwood is a globally recognized designer and manufacturer of portable sawmills and related products with operations (the "**Business**") in Canada and the United States. Norwood has developed cutting-edge, branded, compact equipment that has broadened access to timber processes for users, ranging from seasoned professionals to enthusiastic hobbyists.

8. The Business commenced over 30 years ago in Barrie, Ontario as a small, privately held undertaking. From inception, the Business grew significantly and became an industry leader with sales across 123 countries worldwide resulting in over 35,000 fielded sawmills.

9. In November 2021, the Business was acquired by GreyLion Capital, a New York-based private equity firm.

B. Corporate Structure of Norwood

10. Norwood is a wholly-owned subsidiary of AStar Intermediate Corporation ("**AStar**"). AStar is incorporated pursuant to the *Ontario Business Corporations Act,* RSO 1990, c B.16.[1]

11. Norwood is incorporated pursuant to the *Ontario Business Corporations Act,* RSO 1990, c B.16.[2]

12. Norwood Enterprise Inc. ("**Norwood US**") is a wholly-owned subsidiary of Norwood that is organized pursuant to the laws of the state of Delaware in the United States of America.[3]

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1 Affidavit #1 of Rhett Ross sworn September 9, 2025 at Tab 2 of the Application Record (the "**Ross Affdiavit**"), para. 9.

2 Ross Affidavit, para. 10.

3 Ross Affidavit, para. 11.

C. Norwood's Operations

13. Norwood is the primary operating company for the Business. Norwood manufactures or imports the majority of the products sold by it and either ships them direct to customers, to Norwood US's distribution facility in Tonawanda, New York or to local distributors worldwide.[4]

14. Norwood's Canadian operations are conducted from leased premises located in Barrie, Ontario (the "**Barrie Premises**").[5]

15. Norwood's operations are supported by approximately 49 employees; 45 of which are salaried employees and 4 of which are hourly employees. All of these employees are employed by Norwood and are located in Ontario.[6]

16. None of Norwood's employees are unionized. Norwood does not have a pension plan. Norwood's employees are entitled to standard benefits.[7]

17. In addition to myself, Norwood's senior management team, all of whom report to me, is comprised of the following individuals:

(a) Gavin Moncur, CFO;

(b) Steven Elliot, Director of Business Analytics;

(c) Matt Santos, Director of Operations; and

(d) Roland Link, Director of Product Lines.[8]

18. Norwood's sole director is Mr. Lawrence Hirsch, who was appointed as the sole independent director of the board of directors in connection with Amendment No. 4 to the Credit and Guaranty Agreement made as of March 10, 2025.[9]

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4 Ross Affidavit, para. 12.
5 Ross Affidavit, para 13.
6 Ross Affidavit, para. 14.
7 Ross Affidavit, para. 15.
8 Ross Affidavit, para. 16.
9 Ross Affidavit, para. 17.

D. Norwood's Assets and Liabilities

19. Monroe Capital Management Advisors LLC ("**Monroe**"), as agent for and on behalf of a syndicate of lenders, provided financing in the initial aggregate principal amount of US$32,345,449.40 together with revolving commitments in the principal amount of CAD $12,500,000.00.[10]

20. Norwood's primary secured creditor is Monroe. As at September 4 ,2025, there was US$20,397,289.29 outstanding on the term facility and C$3,096,664.53 outstanding under the revolving loan facility. Interest and costs continue to accrue on this amount.[11]

21. The Monroe credit is evidenced by a Credit and Guaranty Agreement (the "**Original Monroe Credit Agreement**") dated as of November 1, 2021, as the same has been amended from time to time.[12]

22. The obligations under the Monroe Credit Agreement are secured by various Security Agreements.[13]

E. PPSA and Other Secured Liabilities

23. The Ontario Personal Property Registry confirms that each of Monroe, RBC and Xerox have registered security interests in respect of certain of Norwood's personal property.[14]

24. RBC has agreements with Norwood with respect to the operation of Norwood's bank accounts in addition to agreements that deal with RBC's rights relative to the Credit Card Indebtedness. Further details in this regard will be included prior to the Comeback Hearing.[15]

25. Xerox leases photocopiers to Norwood. The monthly lease payments of approximately $2,000.00 are current.[16]

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10 Ross Affidavit, para. 8.
11 Ross Affidavit, para. 23.
12 Ross Affidavit, para. 24, Exhibit "G" to the Ross Affidavit.
13 Ross Affidavit, para. 25, Exhibits "H"-"P" to the Ross Affidavit.
14 Ross Affidavit, para. 26.
15 Ross Affidavit, para. 27.
16 Ross Affidavit, para. 28.

F. HST, Payroll Obligors, and Lease Payments

26. Norwood is current in its HST and QST remittances.[17]

27. Norwood is current on its payroll obligations other than wages and source deductions which accrue in the normal course between bi-weekly pay periods and vacation pay, which is accrued.[18]

28. Norwood paid its regularly scheduled lease payment to the landlord of the Barrie Facility for September 2025 rent and is current with respect to its lease obligations.[19]

G. Unsecured Liabilities

29. As of July 31, 2025, Norwood's accounts payable and accrued liabilities totalled approximately $11.7 million. These obligations include:

(a) approximately $6.3 million owing to suppliers and service providers; and

(b) approximately $5.4 million of accrued liabilities, including, vacation pay, accrued wages, and amounts for services not yet invoiced by vendors.[20]

H. Financial Challenges

30. After the initial months of the COVID19 pandemic in 2020, people working and spending more time at home drove unprecedented demand for home improvement products, which fueled a boom in the portable sawmill market.[21]

31. As the world reopened, consumers gradually reallocated their spending away from home goods and renovations and back toward services, travel, and other experiences. This shift directly reduced the sales and top line revenue.[22]

32. High inflation, particularly in the timeframe between 2022 and 2023, prompted central banks to raise interest rates. This directly impacted the construction and renovation market by

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17 Ross Affidavit, para. 29.
18 Ross Affidavit, para. 30.
19 Ross Affidavit, para. 31.
20 Ross Affidavit, para. 32.
21 Ross Affidavit, para 34.
22 Ross Affidavit, para 35.

increasing borrowing costs, causing homeowners and small builders to delay or cancel projects. For Norwood's hobbyist market, where projects are often financed or supported by home equity loans, the increase in interest rates had a negative impact on Norwood.[23]

33. As demand slowed and supply chains stabilized after the pandemic, lumber prices declined sharply from their peaks in 2021. For hobbyists, this reduced the financial incentive to mill their own lumber, making it potentially more convenient or cost-effective to buy from commercial suppliers.[24]

34. In 2021, the surge in consumer demand drove lumber prices to historic highs. As this demand subsided and supply normalized, prices collapsed from their 2022 peak. The price volatility and sharp correction negatively impacted Norwood's revenue and profitability.[25]

35. As economic confidence returned, more complicated renovations were once again entrusted to professionals rather than being tackled by homeowners themselves. This reduced the demand for sawmills capable of handling larger and more complex projects.[26]

36. In summary, Norwood's revenue was highly vulnerable to the economic and psychological normalization that occurred after the peak of the COVID-19 pandemic. The boom in DIY projects and high lumber prices that defined the era's peak created unsustainable demand that eventually normalized, leaving Norwood with a shrinking market and a corresponding decrease in revenue and profitability.[27]

I. Ongoing Liquidity Issues and Interventions by Monroe

37. Since July 2022, Norwood has entered into seven amendments to the Credit Agreement with Monroe. Starting with Amendment No. 3, the amendments reflect escalating financial distress and increasing lender interventions.[28]

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23 Ross Affidavit, para 36.
24 Ross Affidavit, para 37.
25 Ross Affidavit, para 38.
26 Ross Affidavit, para 39.
27 Ross Affidavit, para 40.
28 Ross Affidavit, para. 41.

38. Collectively, these amendments demonstrate a clear and sustained pattern of financial instability, lender-imposed conditions, and the need for a court-supervised restructuring process under the CCAA.[29]

J. Norwood's Business Pre-Filing Sales Process

39. In consultation with Monroe, Norwood retained G2 in early 2025 to assist Norwood with undertaking a review of strategic alternatives available to Norwood in an attempt to right size its balance sheet and potentially restructure its affairs.[30]

40. In further consultation with G2 and Monroe, Norwood concluded that it was in the best interests of Norwood and its stakeholders to pursue a sale of the Business pursuant to a sales process run by G2 (the "**Norwood SISP**").[31]

41. Pursuant to an engagement letter dated May 14, 2025 with McCarthy Tétrault LLP ("**McCarthys**"), McCarthys, as legal counsel to Norwood, retained KSV Advisory Inc. ("**KSV Advisory**"), an affiliate of KSV Restructuring Inc., for the purpose of acting as financial advisor and assisting McCarthys in its representation of Norwood, particularly regarding Norwood's strategic options. In this regard, KSV Advisory has been kept apprised by McCarthys and G2 of the Norwood SISP. KSV Advisory engagement letter includes the following provision: If KSV is appointed as officer of the court in any formal insolvency proceeding involving the Company, this Agreement shall terminate immediately prior to the commencement of such proceedings. In that circumstance, KSV's duties and obligations will be as set out in the court order appointing it, and/or by statute, and KSV would from that date forward be acting as an officer of the court.[32]

K. Need for CCAA Protection

42. Due to its deteriorating financial condition, Norwood's liabilities significantly exceed its assets. Norwood also has insufficient cash to meet its obligations as they become due. Among other things, as of July 31, 2025 (the date of Norwood's most recently prepared internal financial

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29 Ross Affidavit, para. 42.

30 Ross Affidavit, para. 43.

31 Ross Affidavit, para. 47.

32 Ross Affidavit, para. 48.

statements), Norwood had negative working capital of approximately $7.0 million, reflecting its illiquidity.[33]

43. Norwood's key assets, including its inventory, intellectual property, and its receivables will realize proceeds in a realization that are but a fraction of the Norwood secured indebtedness.[34]

44. Furthermore, Norwood's intangible assets and goodwill, which as at July 31, 2025 had a book value of $125.74 million, does not reflect their realizable value in a liquidation or asset sale scenario because such assets are not readily transferable or monetizable in a distressed transaction.[35]

45. If the relief is not granted, Norwood will be unable to meet its obligations as they become due and will need to immediately cease operations for the detriment of their stakeholders.[36]

L. Proposed Monitor

46. Norwood seeks the appointment of KSV, as the monitor in these proceedings.[37]

47. KSV became involved with Norwood in mid-May 2025, when McCarthy Tétrault LLP engaged it as its financial advisor to assist it in reviewing strategic alternatives.[38]

48. The professionals of KSV who will have carriage of this matter have acquired knowledge of Norwood, its business, its financial circumstances and strategic and restructuring efforts to date. KSV is capable to assist Norwood with its restructuring efforts in these CCAA proceedings. KSV is a licensed insolvency trustee, well known to this Honourable Court, and has not served as the auditor of Norwood.[39]

M. Administration Charge

49. It is contemplated that a Court-ordered Administration Charge over the Property of Norwood will be granted in favour of the proposed Monitor, counsel to the proposed Monitor and

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33 Ross Affidavit, para. 54.
34 Ross Affidavit, para. 55.
35 Ross Affidavit, para. 56.
36 Ross Affidavit, para. 57.
37 Ross Affidavit, para. 60.
38 Ross Affidavit, para. 61.
39 Ross Affidavit, para. 62.

counsel to Norwood to secure the payment of their professional fees and disbursements (incurred at their standard rates and charges), whether incurred before or after the date of the Initial Order. The proposed Administration Charge is in the aggregate amount of $250,000. At the Comeback Hearing, Norwood intends to seek an increase in the Administration Charge to $500,000. The proposed size of the Administration Charge reflects the illiquidity of Norwood's business at this time. All of the beneficiaries of the Administration Charge have contributed, and will continue to contribute, to Norwood's restructuring efforts. [40]

N. Director's Charge

50. Norwood is requesting a Court-ordered Director's Charge in the amount of $364,000 over the Property of Norwood to secure the indemnity of the Director and Officers in respect of obligations and liabilities that they may incur during the initial ten-day period of these CCAA proceedings in their capacities as director and officers. The amount of the Director's Charge has been calculated based on the estimated exposure of the Director and Officers over the initial ten-day period and has been reviewed with KSV.[41]

51. AStar maintains a policy of directors' and officers' liability insurance (the "**D&O Insurance**"), which provides coverage for claims made against the directors and officers in connection with their service to Norwood. The D&O Insurance is currently in effect and is expected to remain in place throughout the proceedings.[42]

52. Notwithstanding the existence of the D&O Insurance, Norwood seeks the granting of the Director's Charge in favour of the director and officers of Norwood, including the CRO, as security for any potential liabilities incurred in their respective capacities during the course of these proceedings. The Director's Charge is intended to provide protection in circumstances where the D&O Insurance does not respond to indemnify the directors and officers, whether due to exclusions, coverage limits, or other limitations.[43]

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40 Ross Affidavit, para. 63.

41 Ross Affidavit, para. 65.

42 Ross Affidavit, para. 67.

43 Ross Affidavit, para. 68.

PART III - ISSUES

53. The issues to be addressed before this Honourable Court are whether:

(a) Norwood meets the definition of "company" and "debtor company" under the CCAA;

(b) the stay of proceedings should be granted in favour of Norwood including its directors;

(c) the Administration Charge should be granted;

(d) the Director's Charge should be granted; and,

(e) KSV should be appointed as monitor.

PART IV – LAW AND ARGUMENT

A. Norwood is a Debtor Company

54. The CCAA applies to a "debtor company" or "affiliated company" whose liabilities exceed $5 million.[44] The term "company" is defined as "any company, corporation or legal person incorporated by or under an Act of Parliament or the legislature of a province... ".[45] "Debtor company" is defined as "any company that: (a) is bankrupt or insolvent... ".[46]

55. The insolvency of a debtor is determined at the time the debtor files its CCAA application.[47]

56. While the CCAA does not define "insolvent", courts have held that a company is insolvent under the CCAA if:[48]

(a) the company meets the definition of "insolvent person" under the BIA, which includes a person "...who is for any reason unable to meet [its] obligations as they generally become due... ";[49] or

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44 s. 3(1), *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 as amended ("**CCAA**").
45 S. 2(1), CCAA.
46 S. 2(1), CCAA.
47 *Stelco Inc., Re*, 2004 CanLII 24933 (ONSC) at para 4.
48 *Stelco Inc., Re*, 2004 CanLII 24933 (ONSC) at paras 21-22, and 26.
49 s. 2, *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("**BIA**")

(b) the company faces a looming liquidity crisis.[50]

57. In *Re Stelco Inc.*, Justice Farley held that the definition of "insolvent" should be interpreted liberally and expanded to give effect to the objectives of the CCAA of allowing the debtor company to obtain breathing room in order to restructure.[51]

58. Norwood is incorporated pursuant to the laws of Ontario and has its registered head office in Ontario.[52]

59. If the relief is not granted, Norwood will be unable to meet its obligations as they become due and will need to immediately cease operations for the detriment of their stakeholders.[53]

60. Norwood has total indebtedness in excess of the $5,000,000 threshold.[54]

61. Norwood has filed the required financial information, including an interim cash flow projection, and accordingly meets the technical requirements of the CCAA.[55]

62. Accordingly, the Applicant submits that it is a debtor company to whom the CCAA applies.

B. Stay of Proceedings in favour of Norwood including its directors

63. Under section 11.02 of the CCAA, a court may grant a stay of proceedings upon an initial application under the CCAA for a period of no more than ten days, provided that the court is satisfied that circumstances exist that make the order appropriate.[56]

64. A stay of proceedings is appropriate where it provides a debtor with breathing space as the debtor seeks to restore solvency and emerge from the CCAA on a going concern basis.[57] During that breathing space, the purpose of the CCAA stay of proceedings is to maintain the status quo to provide a structured environment in which an insolvent company can continue to

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50 *Stelco Inc., Re*, 2004 CanLII 24933 (ONSC) at para 40.
51 *Stelco Inc., Re*, 2004 CanLII 24933 (ONSC) at para 26.
52 Ross Affidavit, para. 10.
53 Ross Affidavit, para. 55.
54 Ross Affidavit, para. 21.
55 Ross Affidavit, paras. 22-24, and 56, Exhibits "D" – "F" of the Ross Affidavit.
56 s. 11.02, CCAA; *Re Lydian International Limited*, 2019 ONSC 7473 at para 22.
57 *Target Canada Co.*, 2015 ONSC 303 at para 8.

carry on business and develop a restructuring plan for the benefit of the company and all of its stakeholders.[58]

65. As some commentators have noted:

> The primary purpose of a stay is to benefit a qualified debtor company by giving it a breathing space to negotiate with its creditors, to provide creditor protection by prohibiting a race for the debtor's assets and to protect the jurisdiction of the court over the debtor, its creditors and the reorganization process. The breathing space to restructure is good not only for the enterprise and the creditors, but also for the public, which includes among its members, the employers, employees, suppliers, shareholders, landlords and customers of the enterprise.[59]

66. Section 11.001 of the CCAA further provides:[60]

> An order made under section 11 at the same time as an order made under subsection 11.02(1) or during the period referred to in an order made under that subsection with respect to an initial application shall be limited to relief that is reasonably necessary for the continued operations of the debtor company in the ordinary course of business during that period.

67. Absent exceptional circumstances, the relief to be granted at the initial hearing should be limited, and whenever possible, the status quo should be maintained during the initial 10-day period.[61] This 10-day period allows for, *inter alia*, as Chief Justice Morawetz observed, "a negotiating window, followed by a comeback hearing where the request for expanded relief can be considered, **on proper notice to all affected parties**."[62]

68. On the latter point, given the limited relief normally sought at the initial hearing, the subsequent "negotiating window" of 10 days and the requirement of proper notice to all affected parties for the comeback hearing, the practice has developed of providing limited notice, and sometimes no notice (i.e., *ex parte*) especially on urgent matters, of the initial hearing. As some commentators have noted:

> The initial application often will be ex parte and accompanied by an initial application for a stay of proceedings. As the court cannot make an order to stay proceedings on a first application for more than 10 days, more often on an ex

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58 *Century Services v Canada (Attorney General)*, 2010 SCC 60 (CanLII) at para 60.

59 John D. Honsberger & Vern W. DaRe, *Debt Restructuring: Principles and Practice* (Aurora, Ont.: Thomson Reuters, 1990-) (Loose-leaf, Release No. 3, June 2024) at § 9:25.

60 s. 11.001, CCAA.

61 *Re Lydian International Limited*, 2019 ONSC 7473 at para 26.

62 *Re Lydian International Limited*, 2019 ONSC 7473 at para 30. (our emphasis)

> parte initial application courts will grant only a short stay of proceedings and direct that any application to continue the stay be on notice to the creditors.[63]

69. It also bears noting that under the court's general power under section 11 of the CCAA, the court may make any order it may see fit that it considers appropriate in the circumstances, on notice or without notice.

70. Norwood submits that given their current financial condition, a stay of proceedings at this time is in the best interests of Norwood and its stakeholders and is both necessary and appropriate.

71. Norwood has limited the relief sought on this application under section 11.001 of the CCAA to relief that is reasonably necessary in the circumstances to maintain the status quo and to give Norwood the breathing room necessary to stabilize its operations.

72. Norwood submits that the stay of proceedings should be extended to Norwood's directors and officers so that they may focus on the CCAA proceedings. Section 11.03 of the CCAA allows for the extension of the stay to a debtor's directors.[64]

C. Administration Charge

73. Norwood seeks a first-ranking court-ordered charge in the amount of $250,000 over Norwood's Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor, and counsel to Norwood to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order ("**Administration Charge**").[65]

74. Under section 11.52 of the CCAA, courts have jurisdiction to grant a priority administration charge.[66] In deciding whether to grant an administration charge, courts have considered several factors including:[67]

> (a) the size and complexity of the businesses being restructured;

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63 John D. Honsberger & Vern W. DaRe, *Debt Restructuring: Principles and Practice* (Aurora, Ont.: Thomson Reuters, 1990-) (Loose-leaf, Release No. 3, June 2024) at § 9:25.

64 s. 11.03, CCAA.

65 Ross Affidavit, para. 61.

66 s. 11.52, CCAA.

67 *Canwest Publishing Inc, Re*, 2010 ONSC 222 at para 54; see also, *Re Lydian International Limited*, 2019 ONSC 7473 at para 46.

(b) the proposed role of the beneficiaries of the charge;

(c) whether there is an unwarranted duplication of roles;

(d) whether the quantum of the proposed charge appears to be fair and reasonable;

(e) the position of the secured creditors likely to be affected by the charge; and

(f) the position of the Monitor.

75. Norwood submits that it is appropriate for this Court to exercise its discretion to grant the Administration Charge. The nature of Norwood's business requires the expertise, knowledge and continuing participation of the beneficiaries of the Administration Charge. These parties will play a critical role in assisting Norwood with the progression of the CCAA proceedings. Each proposed beneficiary of the Administration Charge is performing distinct functions and there is no duplication of roles. The quantum of the proposed Administration Charge is in line with the nature and size of Norwood's business and the involvement required by the professional advisors.[68]

76. The proposed Monitor is also supportive of the granting and quantum of the Administration Charge.[69]

D. Director's Charge

77. Norwood is requesting a Court-ordered Director's Charge in the amount of $364,000 over the Property of Norwood to secure the indemnity of the Director and Officers in respect of obligations and liabilities that they may incur during the initial ten-day period of these CCAA proceedings in their capacities as director and officers. The amount of the Director's Charge has been calculated based on the estimated exposure of the Director and Officers over the initial ten-day period and has been reviewed with KSV.[70]

78. Pursuant to section 11.51 of the CCAA, a court may grant a Director's Charge on a super-priority basis.[71]

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68 Ross Affidavit, para. 61.

69 Pre-Filing Report of the Monitor, to be filed.

70 Ross Affidavit, para. 65.

71 s. 11.51, CCAA.

79. The purpose of a Director's Charge was described in *Canwest Global Communications Corp. (Re)*:[72]

> The purpose of such a charge is to keep the directors and officers in place during the restructuring by providing them with protection against liabilities they could incur during the restructuring…Retaining the current directors and officers of the applicants would avoid destabilization and would assist in the restructuring. The proposed charge would enable the applicants to keep the experienced board of directors supported by experienced senior management.

80. In *Jaguar Mining Inc. (Re)*, the court set out the following factors to be considered with respect to the approval of a directors' charge:[73]

(a) Whether notice has been given to the secured creditors likely to be affected by the charge;

(b) Whether the amount is appropriate;

(c) Whether the applicant could not obtain adequate indemnification insurance for the director or officer at a reasonable cost; and

(d) Whether the charge does not apply in respect of any obligation incurred by a director or officer as a result of the director's or officer's gross negligence or wilful misconduct.

81. To ensure the ongoing stability of Norwood's business during the CCAA proceedings, the continued participation of its officers and directors is necessary. The officers and director have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful restructuring.

82. AStar maintains a policy of directors' and officers' liability insurance (the "**D&O Insurance**"), which provides coverage for claims made against the directors and officers in connection with their service to Norwood. The D&O Insurance is currently in effect and is expected to remain in place throughout the proceedings.[74]

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72 *Canwest Global Communications Corp. (Re)*, 2009 CanLII 55114 (ONSC) at para. 48.

73 *Jaguar Mining Inc. (Re)*, 2014 ONSC 494 at para. 45.

74 Ross Affidavit, para. 67.

83. Notwithstanding the existence of the D&O Insurance, Norwood seeks the granting of the Director's Charge in favour of the director and officers of Norwood, including the CRO, as security for any potential liabilities incurred in their respective capacities during the course of these proceedings. The Director's Charge is intended to provide protection in circumstances where the D&O Insurance does not respond to indemnify the directors and officers, whether due to exclusions, coverage limits, or other limitations.[75]

84. The proposed Monitor is also supportive of the granting and quantum of the Administration Charge.[76]

E. Appointment of Monitor

85. A court is required to appoint a person to monitor the business and financial affairs of a debtor company at the time that an initial CCAA order is made pursuant to section 11.7 of the CCAA.[77]

86. Section 11.7(2) of the CCAA also sets out certain requirements for and restrictions on who may act as a monitor, including that the monitor be a trustee within the meaning of subsection 2 of the BIA.[78]

87. KSV is a trustee within the meaning of subsection 2(1) of the BIA and is not disqualified under any of the restrictions pursuant to section 11.7(2) of the CCAA. KSV has also consented to its appointment as Monitor.[79]

88. Norwood requests that KSV be appointed monitor of Norwood during these CCAA proceedings.

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75 Ross Affidavit, para 68.

76 Pre-Filing Report of the Monitor, to be filed.

77 s. 11.7, CCAA.

78 s 11.7(2).

79 Ross Affidavit, para. 60.

PART V – RELIEF REQUESTED

89. Norwood respectfully request that this Honourable Court grant the relief provided for in the proposed Initial Order in accordance with the terms of the CCAA.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 9th day of September, 2025.

Sean Collins, KC / Saneea Tanvir
Lawyers for Norwood Industries Inc.

SCHEDULE "A"
LIST OF AUTHORITIES

Cases Cited

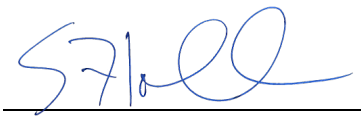
1. *Canwest Global Communications Corp. (Re)*, 2009 CanLII 55114 (ONSC)
2. *Canwest Publishing Inc, Re*, 2010 ONSC 222
3. *Century Services v Canada (Attorney General)*, 2010 SCC 60 (CanLII)
4. *Jaguar Mining Inc. (Re)*, 2014 ONSC 494
5. *Re Lydian International Limited*, 2019 ONSC 747BCAM
6. *Stelco Inc., Re*, 2004 CanLII 24933 (ONSC)
7. *Target Canada Co.*, 2015 ONSC 303

Secondary Sources

1. John D. Honsberger & Vern W. DaRe, *Debt Restructuring: Principles and Practice* (Aurora, Ont.: Thomson Reuters, 1990-) (Loose-leaf, Release No. 3, June 2024) (attached)

I certify that I am satisfied as to the authenticity of every authority that appears in this factum.

Note: Under the Rules of Civil Procedure, an authority or other document or record that is published on a government website or otherwise by a government printer, in a scholarly journal or by a commercial publisher of research on the subject of the report is presumed to be authentic, absent evidence to the contrary (rule 4.06.1(2.2)).

Date September 9, 2025 

Debt Restructuring: Principles and Practice Highlights

Debt Restructuring: Principles and Practice
John D. Honsberger, Vern W. DaRe

Publisher's Note

DEBT RESTRUCTURING: Principles and Practice
John D. Honsberger, Q.C., and Vern DaRe
Release No. 2, June 2025

This work is the authority on reorganization and debt restructuring of insolvent, or near insolvent, commercial and financial institutions, and farmers in Canada. Included is a critical discussion of the history, theory and purpose of the debt restructuring process. Also included are discussions on drafting and an interpretation of the *Bankruptcy and Insolvency Act* (BIA) and the *Companies' Creditors Arrangement Act* (CCAA). Together this provides an in-depth and overall analysis and understanding of what's on the line during the debt restructuring process.

What's New in this Update:

Release No. 2 features updates to the case law and commentary in Chapter 3 (Structuring a Plan and Prefiling Procedures), Chapter 8 (Proposals Under the Bankruptcy & Insolvency Act), Chapter 9 (Arrangements Under the Companies' Creditors Arrangement Act) and Chapter 12 (Mediation Between Insolvent Farms and Their Creditors).

Highlights:

• **CHAPTER 9—ARRANGEMENTS UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT—**While CCAA courts have confirmed their jurisdiction to approve reverse vesting transactions by the exercise of their discretion under section 11 of the CCAA, the courts have also repeatedly confirmed that reverse vesting orders should be the exception and not the rule. *Royal Bank of Canada v. Chesswood Group Ltd. et al.*, 2025 CarswellOnt 3642, 2025 ONSC 1577 (Ont. S.C.J. [Commercial List]) at para 19; *Delta 9 Cannabis Inc (Re)*, 2025 CarswellAlta 161, 2025 ABKB 52 (Alta. K.B.) at para 59. Given the extraordinary nature of reverse vesting orders, there must be sufficient evidence, and best practice would be to include direct evidence from the parties or at a minimum, explain why none is available.

• **CHAPTER 9—ARRANGEMENTS UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT—**The court's authority to order a creditor meeting is derived from sections 4 and 5 of the CCAA. These provisions are permissive and require the exercise of judicial discretion in furtherance of the CCAA's remedial purpose. The decision to order a meeting of creditors requires an assessment of whether it is in the best interests of the debtor and its stakeholders to hold the meeting. The decision to order a meeting of creditors is performed on a low standard. An order directing a creditors' meeting is often uncontroversial and generally does not involve argument as to whether the proposed plan is fair and reasonable. However, when a creditor's meeting is opposed, the court should more carefully examine the material filed and the issues or concerns raised and consider the equities as they relate to the debtor company and secured creditors.

End of Document

Debt Restructuring: Principles and Practice § 9:19

Debt Restructuring: Principles and Practice
John D. Honsberger, Vern W. DaRe

Part II. Preliminary Procedures and Legal Issues

Chapter 9. Arrangements Under the Companies' Creditors Arrangement Act

III. Commencement of Proceedings

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§ 9:19. Initial Application

Proceedings are commenced by an initial application as defined by s. 11(2) of the Act. The application must be accompanied by a projected cash flow statement of the company and all financial statements, whether audited or unaudited, prepared during the last year prior to the application, or where no such statements were prepared in the prior year, a copy of the most recent such statement. Under the new s. 10(2) of the CCAA, an initial application must be accompanied by:

(a) a statement indicating, on a weekly basis, the projected cash flow of the debtor company;
(b) a report containing the prescribed representations of the debtor company regarding the preparation of the cash-flow statement; and
(c) copies of all financial statements, audited or unaudited, prepared during the year before the application or, if no such statements were prepared in that year, a copy of the most recent such statement. The new s. 10(3) authorizes the court to order a publication ban of any cash-flow statement or any part thereof if it is satisfied the release would unduly prejudice the debtor company and the ban would not unduly prejudice the company's creditors.

The initial application which commences proceedings is usually an application to the court for a declaration that the debtor applicant is a corporation to which the C.C.A.A. applies and it has standing to apply, authorization to file plan of compromise on or before a certain date, the appointment of a monitor and its duties and contains a comeback clause. The initial order usually also will put in place stay provisions and operating financing and restructuring terms reasonably necessary for continued operation of the debtor during a brief but realistic sorting-out period on an urgent basis. Proliferation of advisory committees and extension of broad protection to the directors is best left for subsequent orders and come back clauses should not be used to provide answers to overreaching initial orders. The language of the order should not read like a trust indenture but should be clear, simple and readily understandable. [1] To achieve this and some consistency, Model Initial CCAA Orders have been developed in several provinces of Canada. For instance, Model Initial Orders have now been completed in Ontario and Quebec and are being drafted in British Columbia and Alberta.

The application is made to the court “in a summary way” by petition, by originating summons or by notice of motion in accordance with the practice of the court in which the application is made. [2]

It is further evidence that Parliament intended proceedings to commence by the filing of a plan of compromise or arrangement as the Act provides that once a compromise or arrangement is made then the company, a creditor, trustee in bankruptcy or liquidator can apply to the court to order meetings to be held to consider the plan. The Act, however, is silent as to who may make an initial application to commence proceedings to fix a date for a plan to be filed. One might assume that the initial application may be made by any of those whom the Act permits to apply for meetings to be ordered to consider a plan once it is proposed. It might even be assumed that “any person interested in the matter” may make the initial application as such a person is authorized by the Act to make an initial application for an order staying proceedings. It is the debtor corporation, however, which almost always makes the initial application to commence proceedings under the Act.

Affidavit evidence should be filed to support an initial application. It should depose to such facts as will demonstrate that the debtor company is qualified to use the Act. At a minimum it will depose that the company or affiliated debtor companies propose to make a compromise or arrangement with its, or their, creditors and it has, or they have, total claims within the meaning of s. 12 of the Act against them exceeding five million dollars. It is well to list creditors by name and their estimated claims, the total of which will amount to more than five million dollars. If creditors and their estimated claims are not listed the court may question whether it has jurisdiction. The affidavit also should describe the company and any affiliates, its history and explain how it got into the financial condition that prompted it to propose a compromise or arrangement to its creditors.

As the initial application in the proceedings usually also will be the initial application for an order staying proceedings and related relief, there should be included in the affidavit a statement indicating the projected cash flow of the company. There also should be attached copies of all financial statements, audited or unaudited, prepared during the year prior to the application, or where no such statements were prepared in the prior year, a copy of the most recent statement. [3]

The affidavit should say that the application is made in good faith and should make full disclosure and place candidly and frankly before the court all the facts and circumstances which bear on the jurisdiction of the court, the provisions of the order requested and upon which the court is asked to exercise its discretion. [4]

The initial application often will be *ex parte* and accompanied by an initial application for a stay of proceedings. As the court cannot make an order to stay proceedings on a first application for more than 10 days, more often on an *ex parte* initial application courts will grant only a short stay of proceedings and direct that any application to continue the stay be on notice to the creditors.

Initial orders usually are dealt with on an immediate basis. If an interested person on reflection feels that there should be some amendment to the order, he should make use of the come-back clause on a timely basis to seek an amendment. [5] Some courts, relying on the general or statutory authority of the court where it has been just and convenient to do so have appointed interim receivers in CCAA proceedings and have given the interim receiver similar authority to that given to interim receivers in bondholders actions, including the right to borrow money and to give interim receiver certificates to secure the repayment. [6] The power or jurisdiction of a court of equity to grant a receiver depends simply upon its jurisdiction over the person of the defendant, just as the power of jurisdiction to grant an injunction does. [7]

While it is not the usual practice for CCAA applicants to request a claims procedure and meetings order concurrently with an initial CCAA application, the court has granted such relief in appropriate circumstances. [8] For example, the support of the restructuring proposal from the only creditors with an economic interest, the existence of a comeback hearing and a sufficient claims bar date that will not prejudice creditors' right or time to assert their claims, are factors that may favour the granting of a claims procedure and meetings order concurrently with the initial application.

Footnotes

1 Royal Oak Mines Inc. (Re) (1998), 6 C.R.B. (4th) 314 (Ont. Ct. (Gen. Div.)). See *CCAA and Receivership Orders: Developing a Standard*, CBA (Ontario)—Continuing Legal Education (May 11, 2001).

2 CCAA, s. 10.

3 CCAA, s. 11(2).

4 Langley's Ltd. (Re), [1938] 3 D.L.R. 230, [1938] O.R. 123 at p. 132 (C.A.); 229531 B.C. Ltd. (Re) (1989), 72 C.B.R. (N.S.) 310 (B.C.S.C.). If the application is made *ex parte*, full disclosure of all material facts is essential: 229531 B.C. Ltd. (Re) (1989), 72 C.B.R. (N.S.) 310 (B.C.S.C.). In Re Hester Creek Estate Winery Ltd. (2004), 50 C.B.R. (4th) 73 (B.C.S.C.), the court held that full disclosure of material facts had not been provided and that it had been misled. In the circumstances, the *ex parte* order was not extended. In Re

Encore Developments Ltd. (2009), 52 C.B.R. (5th) 30, 2009 BCSC 13, the court set aside from the outset the *ex parte* initial order where the applicant failed to fully disclose, with good faith, all relevant or material information as to the urgency and the reason why notice should not be given in the circumstances. See also Re Marine Drive Properties Ltd. (2009), 56 C.B.R. (5th) 65, 2009 BCSC 1083. Similarly, see CanaSea Petrogas Group Holdings Ltd., Re, 2014 CarswellOnt 14845, 2014 ONSC 6116, at para. 36, where the Court held, on a comeback motion, that the original evidence presented on the *ex parte* application and relied upon by the Court to grant the initial CCAA order was not accurate; that the actual evidence does not support the conclusion that the Canadian debtors qualified as applicants under the CCAA; and that as a result, the initial order was declared to be void *ab initio*; leave to appeal to Ont. C.A. refused 2014 CarswellOnt 17259, 2014 ONCA 824 (Sharpe J.A.). The Court of Appeal also found, at paragraph 3, that the moving parties were unable to offer an acceptable explanation for having moved *ex parte* in the circumstances.

5 Cineplex Odeon Corp. (Re) (2001), 26 C.B.R. (4th) 21 (Ont. S.C.J.). An interested person should not feel constrained about relying on the comeback clause in an initial CCAA order in seeking to have it set aside or varied. The onus lies with the CCAA debtor in a comeback motion to satisfy the court that the terms of the initial CCAA order should be upheld: Re Warehouse Drug Store Ltd. (2005), 11 C.B.R. (4th) 323 (Ont. S.C.J. (Comm. List)).

6 See United Co-Operatives of Ontario (Re) (order dated August 27, 1984, Ont. C.A., Houlden J.A.), United Maritime Fishermen Co-op (Re) (1988), 67 C.B.R. (N.S.) 170 (Q.B.), revd on other grounds 69 C.B.R. (N.S.) 161, 88 N.B.R. (2d) 253 (C.A.).

7 Bond Brewing Holdings v. National Australia Bank, [1970] 1 A.C.S.R. 445 at p. 461, 18 I.B.L. 24 (Sup. Ct. Vict.), and see "Unsecured Creditors and Court-Appointed Receivers" (1991), 107 L.Q.R. 551.

8 SkyLink Aviation Inc., Re, 2013 CarswellOnt 2785, 2013 ONSC 1500 (Ont. S.C.J. [Commercial List]), at para. 35; and Cline Mining Corp., Re, 2014 CarswellOnt 18943, 2014 ONSC 6998, at paras. 61–65.

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Debt Restructuring: Principles and Practice § 9:25

Debt Restructuring: Principles and Practice
John D. Honsberger, Vern W. DaRe

Part II. Preliminary Procedures and Legal Issues

Chapter 9. Arrangements Under the Companies' Creditors Arrangement Act

IV. Stay of Proceedings

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§ 9:25. Generally

A stay of proceedings under the CCAA is not an automatic stay as in a proposal under the *Bankruptcy and Insolvency Act*. An application must be made. The Act provides that where an application is made under this Act in respect of a company the court may make an order staying proceedings against the company for such period as the court considers necessary, subject to the provisions of the Act. [1] Proceedings are not restricted to court proceedings but encompass regulatory proceedings. [2] A stay of proceedings will not stay a defendant's equitable right of set-off in an action brought by the debtor. [3]

The primary purpose of a stay is to benefit a qualified debtor company by giving it a breathing space to negotiate with its creditors, to provide creditor protection by prohibiting a race for the debtor's assets and to protect the jurisdiction of the court over the debtor, its creditors and the reorganization process. The breathing space to restructure is good not only for the enterprise and the creditors, but also for the public, which includes among its members, the employers, employees, suppliers, shareholders, landlords and customers of the enterprise. It is also beneficial to the public as a whole to enable enterprises to regain the opportunity to contribute to the country's economic strength. [4] The question is whether granting a stay will usefully further efforts to achieve the remedial purpose of the CCAA including avoiding the social and economic losses resulting from the liquidation of an insolvent company. [5]

Any reorganization involves a turbulent rivalry of many interests such as the debtor, its existing creditors, unionized or non-unionized employees, pensioners, possible future suppliers of credit, others whose conduct could seriously impair the debtor's ability to focus and concentrate its efforts to restructure its affairs and continue in business in the meantime [6] and, in addition, the representatives of these parties. A stay of proceedings makes it possible to maintain the status quo among all of the competing interests during the period of the stay.

Before the 1997 amendments to the Act, the court had an unlimited authority to stay proceedings. The practice developed that a short stay of proceedings initially was granted on an *ex parte* application. In order to continue the stay a new application had to be made on notice to all persons to be affected. The new procedure introduced by the 1997 amendments substantially follows the former practice. An order may be made on an initial application for a period not exceeding 30 days under the old Act. That was reduced to 10 days by the November 2019 amendments under the new section 11.02(1) of the CCAA. As was noted by the Court in a recent decision: “The intent behind the new section 11.02(1) is clear. It limits the exercise of discretion by the Court in determining the length of any stay [on an initial application] such that the maximum amount of any stay [on an initial application] will be 10 days, as opposed to the previous 30-day limit.” [7] The stay may be extended on subsequent applications. The Act, however, is now designed to provide additional evidence to assist the court in the exercise of its discretion whether to order a stay, and to provide additional supervision of the debtor company during the period of any stay.

Footnotes

1 CCAA, ss. 11 and 11.02.

2 Anvil Range Mining Corp. (Re) (1998), 3 C.B.R. (4th) 93 (Ont. Ct. (Gen. Div.)), and see **§ § 8:41 to 8:51**, "Stay of Proceedings". See also Re Just Energy Corp., 2021 CarswellOnt 3724, 2021 ONSC 1793 (Ont. S.C.J. [Commercial List]), at para. 77; BZAM Ltd. Plan of Arrangement, 2024 ONSC 1645 (Ont. S.C.J. [Commercial List]) at paras. 46-49; Tantalus Labs Ltd. (Re), 2023 BCSC 1450 (B.C. S.C.).

3 Cam-Net Communications v. Vancouver Telephone Co. (1999), 17 C.B.R. (4th) 26, 182 D.L.R. (4th) 436 (B.C.C.A.).

4 Toronto Stock Exchange Inc. v. United Keno Hill Mines Ltd. (2000), 19 C.B.R. (4th) 299, 48 O.R. (3d) 746 (S.C.J.), which considered Nova Metal Products Inc. v. Comiskey (1990), 1 O.R. (3d) 289 *sub nom.* Elan Corp. v. Comiskey, 41 O.A.C. 282 (C.A.), *per* Doherty J.A. dissenting, and Hongkong Bank of Canada v. Chef Ready Foods Ltd. (1990), 4 C.B.R. (3d) 311, 51 B.C.L.R. (2d) 84 (C.A.). See also Philip Services Corp. (Re) (1999), 13 C.B.R. (4th) 159 (Ont. S.C.J. (Comm. List)); and Redstone Investment Corp., Re, 2014 CarswellOnt 5119, 2014 ONSC 2004 (Ont. S.C.J.), at paras. 50–51; and Re Toys "R" Us (Canada) Ltd., 2017 CarswellOnt 14645, 2017 ONSC 5571 (Ont. S.C.J. [Commercial List]), at paras. 7, 14; and Bondfield Construction Company, Re, 2019 CarswellOnt 5597, 2019 ONSC 2310 (Ont. S.C.J. [Commercial List]), at paras. 14, 15.

5 Ted Leroy Trucking Ltd., Re, 2010 CarswellBC 3419 (S.C.C.), at para. 70; Re Just Energy Corp., 2021 CarswellOnt 3724, 2021 ONSC 1793 (Ont. S.C.J. [Commercial List]), at para. 36.

6 Campeau v. Olympia & York Developments Ltd. (1992), 14 C.B.R. (3d) 303, 14 C.P.C. (3d) 339 (Ont. Ct. (Gen. Div.)); Victorian Order of Nurses for Canada, Re, 2015 CarswellOnt 19150, 2015 ONSC 7371, at para. 15.

7 Miniso International Hong Kong Limited v. Migu Investments Inc., 2019 CarswellBC 2208, 2019 BCSC 1234, at para. 66 (our emphasis). In Clover Leaf Holdings Company, Re, 2019 CarswellOnt 20001, 2019 ONSC 6966 (Ont. S.C.J. [Commercial List]), at para. 13, the Court observed that the purpose of this new section is to make the "insolvency process fairer, more transparent and more accessible by limiting the decisions made at the outset of the proceedings to measures that are reasonably necessary to avoid the immediate liquidation of an insolvent company and to allow for broader participation in the restructuring process."

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SCHEDULE "B"
RELEVANT STATUTES

Companies' Creditors Arrangement Act (R.S.C., 1985, c. C-36)
s. 2(1), CCAA.
Interpretation
Definitions

2 (1) In this Act,

cash-flow statement, in respect of a company, means the statement referred to in paragraph 10(2)(a) indicating the company's projected cash flow;

claim means any indebtedness, liability or obligation of any kind that would be a claim provable within the meaning of section 2 of the *Bankruptcy and Insolvency Act*;

company means any company, corporation or legal person incorporated by or under an Act of Parliament or of the legislature of a province, any incorporated company having assets or doing business in Canada, wherever incorporated, and any income trust, but does not include banks, authorized foreign banks within the meaning of section 2 of the *Bank Act*, telegraph companies, insurance companies and companies to which the *Trust and Loan Companies Act* applies;

court means

(a) in Nova Scotia, British Columbia and Prince Edward Island, the Supreme Court,

(a.1) in Ontario, the Superior Court of Justice,

(b) in Quebec, the Superior Court,

(c) in New Brunswick, Manitoba, Saskatchewan and Alberta, the Court of Queen's Bench,

(c.1) in Newfoundland and Labrador, the Trial Division of the Supreme Court, and

(d) in Yukon and the Northwest Territories, the Supreme Court, and in Nunavut, the Nunavut Court of Justice; (tribunal)

debtor company means any company that

(a) is bankrupt or insolvent,

(b) has committed an act of bankruptcy within the meaning of the *Bankruptcy and Insolvency Act* or is deemed insolvent within the meaning of the Winding-up and Restructuring Act, whether or not proceedings in respect of the company have been taken under either of those Acts,

(c) has made an authorized assignment or against which a bankruptcy order has been made under the *Bankruptcy and Insolvency Act*, or

(d) is in the course of being wound up under the *Winding-up and Restructuring Act* because the company is insolvent;

director means, in the case of a company other than an income trust, a person occupying the position of director by whatever name called and, in the case of an income trust, a person occupying the position of trustee by whatever named called;

initial application means the first application made under this Act in respect of a company; monitor, in respect of a company, means the person appointed under section 11.7 to monitor the business and financial affairs of the company;

secured creditor means a holder of a mortgage, hypothec, pledge, charge, lien or privilege on or against, or any assignment, cession or transfer of, all or any property of a debtor company as security for indebtedness of the debtor company, or a holder of any bond of a debtor company secured by a mortgage, hypothec, pledge, charge, lien or privilege on or against, or any assignment, cession or transfer of, or a trust in respect of, all or any property of the debtor company, whether the holder or beneficiary is resident or domiciled within or outside Canada, and a trustee under any trust deed or other instrument securing any of those bonds shall be deemed to be a secured creditor for all purposes of this Act except for the purpose of voting at a creditors' meeting in respect of any of those bonds;

shareholder includes a member of a company — and, in the case of an income trust, a holder of a unit in an income trust — to which this Act applies;

Superintendent of Bankruptcy means the Superintendent of Bankruptcy appointed under subsection 5(1) of the *Bankruptcy and Insolvency Act*;

unsecured creditor means any creditor of a company who is not a secured creditor, whether resident or domiciled within or outside Canada, and a trustee for the holders of any unsecured bonds issued under a trust deed or other instrument running in favour of the trustee shall be deemed to be an unsecured creditor for all purposes of this Act except for the purpose of voting at a creditors' meeting in respect of any of those bonds.

Meaning of *related* and *dealing at arm's length*

(2) For the purpose of this Act, section 4 of the *Bankruptcy and Insolvency Act* applies for the purpose of determining whether a person is related to or dealing at arm's length with a debtor company.

Application

3 (1) This Act applies in respect of a debtor company or affiliated debtor companies if the total of claims against the debtor company or affiliated debtor companies, determined in accordance with section 20, is more than $5,000,000 or any other amount that is prescribed.

Affiliated companies

(2) For the purposes of this Act,

> **(a)** companies are affiliated companies if one of them is the subsidiary of the other or both are subsidiaries of the same company or each of them is controlled by the same person; and

(b) two companies affiliated with the same company at the same time are deemed to be affiliated with each other.

Company controlled

(3) For the purposes of this Act, a company is controlled by a person or by two or more companies if

(a) securities of the company to which are attached more than fifty per cent of the votes that may be cast to elect directors of the company are held, other than by way of security only, by or for the benefit of that person or by or for the benefit of those companies; and

(b) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the company.

Subsidiary

(4) For the purposes of this Act, a company is a subsidiary of another company if

(a) it is controlled by

(i) that other company,

(ii) that other company and one or more companies each of which is controlled by that other company, or

(iii) two or more companies each of which is controlled by that other company; or

(b) it is a subsidiary of a company that is a subsidiary of that other company.

Relief reasonably necessary

11.001 An order made under section 11 at the same time as an order made under subsection 11.02(1) or during the period referred to in an order made under that subsection with respect to an initial application shall be limited to relief that is reasonably necessary for the continued operations of the debtor company in the ordinary course of business during that period.

Stays, etc. — initial application

11.02 (1) A court may, on an initial application in respect of a debtor company, make an order on any terms that it may impose, effective for the period that the court considers necessary, which period may not be more than 10 days,

(a) staying, until otherwise ordered by the court, all proceedings taken or that might be taken in respect of the company under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*;

(b) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and

(c) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

Stays, etc. — other than initial application

(2) A court may, on an application in respect of a debtor company other than an initial application, make an order, on any terms that it may impose,

> **(a)** staying, until otherwise ordered by the court, for any period that the court considers necessary, all proceedings taken or that might be taken in respect of the company under an Act referred to in paragraph (1)(a);
>
> **(b)** restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and
>
> **(c)** prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

Burden of proof on application

(3) The court shall not make the order unless

> **(a)** the applicant satisfies the court that circumstances exist that make the order appropriate; and
>
> **(b)** in the case of an order under subsection (2), the applicant also satisfies the court that the applicant has acted, and is acting, in good faith and with due diligence.

Restriction

(4) Orders doing anything referred to in subsection (1) or (2) may only be made under this section.

Stays -directors11.03 (1) Stays — directors

11.03 (1) An order made under section 11.02 may provide that no person may commence or continue any action against a director of the company on any claim against directors that arose before the commencement of proceedings under this Act and that relates to obligations of the company if directors are under any law liable in their capacity as directors for the payment of those obligations, until a compromise or an arrangement in respect of the company, if one is filed, is sanctioned by the court or is refused by the creditors or the court.

(2) Subsection (1) does not apply in respect of an action against a director on a guarantee given by the director relating to the company’s obligations or an action seeking injunctive relief against a director in relation to the company.

(3) If all of the directors have resigned or have been removed by the shareholders without replacement, any person who manages or supervises the management of the business and affairs of the company is deemed to be a director for the purposes of this section.

Security or charge relating to director's indemnification

11.51 (1) On application by a debtor company and on notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of the company is subject to a security or charge — in an amount that the

court considers appropriate — in favour of any director or officer of the company to indemnify the director or officer against obligations and liabilities that they may incur as a director or officer of the company after the commencement of proceedings under this Act.

Priority

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

Restriction — indemnification insurance

(3) The court may not make the order if in its opinion the company could obtain adequate indemnification insurance for the director or officer at a reasonable cost.

Negligence, misconduct or fault

(4) The court shall make an order declaring that the security or charge does not apply in respect of a specific obligation or liability incurred by a director or officer if in its opinion the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct or, in Quebec, the director's or officer's gross or intentional fault. Court may order security or charge to cover certain costs.

11.52 (1) On notice to the secured creditors who are likely to be affected by the security or charge, the court may make an order declaring that all or part of the property of a debtor company is subject to a security or charge — in an amount that the court considers appropriate — in respect of the fees and expenses of

> **(a)** the monitor, including the fees and expenses of any financial, legal or other experts engaged by the monitor in the performance of the monitor's duties;
>
> **(b)** any financial, legal or other experts engaged by the company for the purpose of proceedings under this Act; and
>
> **(c)** any financial, legal or other experts engaged by any other interested person if the court is satisfied that the security or charge is necessary for their effective participation in proceedings under this Act.

Priority

(2) The court may order that the security or charge rank in priority over the claim of any secured creditor of the company.

Court to appoint monitor

11.7 (1) When an order is made on the initial application in respect of a debtor company, the court shall at the same time appoint a person to monitor the business and financial affairs of the company. The person so appointed must be a trustee, within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*.

Restrictions on who may be monitor

(2) Except with the permission of the court and on any conditions that the court may impose, no trustee may be appointed as monitor in relation to a company

(a) if the trustee is or, at any time during the two preceding years, was

(i) a director, an officer or an employee of the company,

(ii) related to the company or to any director or officer of the company, or

(iii) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the company; or

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 OR ARRANGEMENT OF NORWOOD INDUSTRIES INC.

Court File No. CV-25-00751289-00CL

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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FACTUM OF THE APPLICANT
(CCAA APPLICATION RETURNABLE SEPTEMBER 12, 2025)

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Toronto Dominion Centre
66 Wellington Street West
Toronto, ON M5K 1E6

Attention: Sean Collins, KC / Saneea Tanvir
LSO#77838T
Tel: 403-260-3531 / 416-601-8181
Email: scollins@mccarthy.ca / stanvir@mccarthy.ca

Lawyers for Norwood Industries Inc.