

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Mercy Falls BC Inc. (Re)*,
2026 BCSC 764

Date: 20260423
Docket: S253718
Registry: Vancouver

**In the Matter of the *Companies' Creditors Arrangement Act*,
R.S.C. 1985, c. C-36, as amended**

And

**In the Matter of the *Canada Business Corporations Act*,
R.S.C. 1985, c. C-44, as amended**

And

In the Matter of the Compromise or Arrangement of Mercy Falls BC Inc.

Petitioner

Before: The Honourable Justice Basran
(via videoconference)

Oral Reasons for Judgment

In Chambers

Counsel for Mercy Falls BC Inc.:

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Place and Date of Hearing:

Vancouver, B.C.
April 23, 2026

Place and Date of Judgment:

Vancouver, B.C.
April 23, 2026

[1] **THE COURT:** The petitioner applicant, Mercy Falls BC Inc., seeks an order extending the stay period to November 30, 2026.

Background

[2] The petitioner is an entity incorporated to produce and complete a film adaptation of the novel “*Shiver*” (the “Film”).

[3] Mercy Falls Films, LLC (“Studio”) is a limited liability company incorporated under the laws of Wyoming, USA. Studio owns the copyright, motion picture rights, and licences required to produce the Film.

[4] Studio's failure to meet its funding obligations to the petitioner led to the petitioner's insolvency and the commencement of these proceedings.

[5] On May 16, 2025, this Court granted the initial order in the proceeding under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 [CCAA], a ten-day stay of proceedings, and the appointment of MNP Ltd. as monitor (the “Monitor”).

[6] The petitioner was granted an amended and restated initial order on May 26, 2025, which provided for a stay extension to August 25, 2025 (the “Stay Period”). The Stay Period was subsequently extended:

- a) on August 12, 2025, the Stay Period was extended to September 8, 2025;
- b) on September 8, 2025, the Stay Period was extended to December 5, 2025; and
- c) on December 4, 2025, the Stay Period was extended to April 30, 2026.

[7] Since the commencement of the CCAA proceedings, the petitioner has, among other things:

- a) paid some court-approved prefiling amounts to critical suppliers;

- b) engaged in negotiations with Studio to try and resolve the dispute arising from Studio's failure to advance funds to the petitioner in accordance with the Production Services Agreement (defined below);
- c) obtained leave to adjudicate the Contract Claim (defined below) against Studio within these CCAA proceedings;
- d) obtained the Default Judgment Orders (defined below) against Studio;
- e) taken steps to enforce the Default Judgment Orders against Studio, including seeking the appointment of a receiver over the property of Studio in the United States;
- f) received a notice of audit from the Canada Revenue Agency ("CRA") in respect of its GST and HST returns, and worked with its accountants and advisors to resolve them;
- g) filed its corporate income tax return and worked with its accountants and advisors to finalize it;
- h) received a significant Tax Credit Refund (defined below);
- i) repaid its senior secured creditor, the National Bank of Canada ("National Bank") in full; and
- j) commenced negotiations with third parties interested in working the petitioner to complete the production if they acquire rights to the Film.

[8] The petitioner seeks an extension of the Stay Period to November 30, 2026 in order to:

- a) carry out civil enforcement steps against Studio regarding the Default Judgment Orders, including in the United States, and

- b) continue negotiations with third parties interested in acquiring the Film, either through a private agreement or through receivership proceedings in the United States.

[9] Importantly, this application is unopposed.

The Production Services Agreement, the Production, and the Contract Claim

[10] In July 2024, Studio engaged the petitioner's services to produce the Film in British Columbia (the "Production Services"). The arrangements between the parties were documented in a Production Services Agreement dated July 25, 2024 (the "Production Services Agreement").

[11] The petitioner agreed to provide the Production Services to Studio, and Studio agreed to advance to the petitioner the funds necessary for it to complete the production of the Film (the "Production").

[12] On August 19, 2024, Studio provided a guarantee letter to the petitioner (the "Guarantee") in which Studio agreed to honour and guarantee payment of all approved amounts owed by the petitioner to fund the Production.

[13] By November 2024, Studio had fallen several million dollars behind on its funding obligations pursuant to the Production Services Agreement and the Guarantee. This halted the Production.

[14] The petitioner brought a breach of contract claim against Studio for the loss and damage caused by that breach (the "Contract Claim").

[15] On September 8, 2025, the petitioner sought and obtained leave to adjudicate the Contract Claim within these CCAA proceedings. The Court also heard several applications filed by the petitioner and ordered, among other things:

- a) the petitioner may proceed against Studio for default judgment if Studio fails to file an application response;

- b) an increase to the interim facility and the interim lender's charge to a maximum principal amount of \$1.1 million; and
- c) the Stay Period be continued and extended to December 5, 2025.

[16] On October 23, 2025, the petitioner applied for default judgment regarding the contract claim. The Court granted judgment in favour of the petitioner against Studio (the “Default Judgment Orders”), including orders that

- a) the petitioner is granted default judgment with damages summarily assessed in the amount of \$4,736,455; and
- b) the petitioner shall be at liberty to apply for a further summary assessment of damages for amounts from and after October 1, 2025, including the amounts not yet known or incurred.

[17] Also on October 23, 2025, a further hearing was scheduled for November 25, 2025. As the Court was unavailable on that day, the hearing was reset to December 4, 2025. On December 4, 2025, on further application by the petitioner, the Court extended the stay to April 30, 2026.

Enforcement of the Default Judgment Orders

[18] Since obtaining the Default Judgment Orders, the petitioner has taken steps to enforce them including:

- a) serving the Default Judgment Orders on Studio and making demand for payment;
- b) commencing proceedings in the Superior Court of California (the “Superior Court of California”) by complaint filed November 17, 2025, and summons filed November 21, 2025;
- c) serving Studio with the complaint summons on November 25, 2025;

- d) applying for entry of default judgment against Studio in January 2026, which was not processed until March 9, 2026; and
- e) securing the appointment of a judge of the Superior Court of California in March 2026 who was assigned to the matter.

[19] The entry of the default judgment was not processed until March 27, 2026.

[20] The petitioner filed a motion for the appointment of a receiver over Studio in the Superior Court of California, and the Superior Court of California has scheduled this hearing for May 14, 2026.

[21] If the Superior Court of California appoints the receiver, the petitioner anticipates the receiver will take steps to sell the assets of Studio, including the intellectual property rights to the Film.

[22] The petitioner is engaging in negotiations with third parties who expressed an interest in providing funding for the completion and release of the Film. The petitioner intends to use any funds received through realization to repay its creditors. Notably, an increase to the interim lending facility is neither necessary nor sought at this time.

[23] The Monitor's fourth report confirms that no further funding is necessary and that its cash flow projections suggest that it will have \$75,000 on hand as of November 30, 2026.

Resolution of the CRA Audit of GSH/HST and Corporation Income Tax Return

[24] Global Incentives Inc. is responsible for preparing and filing tax documents for the petitioner. The petitioner has fully resolved the previously reported CRA audits of its GST, HST, and corporate income tax returns.

[25] On August 20, 2025, the petitioner filed its corporate income tax return for the period of July 25, 2024 to and May 31, 2025 (the "Income Tax Return"). The CRA subsequently commenced an audit of that Income Tax Return.

[26] On or around March 24, 2026, the CRA issued an assessment of the Income Tax Return to the petitioner and confirmed the tax refund in the amount of \$3,950,128.26 (the “Tax Credit Refund”) would be issued to the petitioner.

[27] National Bank confirmed that the Tax Credit Refund had been deposited into the petitioner's account. As of March 30, the total amount owing by the petitioner to National Bank was \$3,312,355.64.

[28] With respect to its GST/HST return, the CRA issued a notice of assessment to the petitioner. The petitioner had a GST balance owing to the CRA of \$91,081, but that GST balance has now been paid to the CRA.

[29] On or around April 10, 2026, National Bank applied the payment towards its outstanding indebtedness. The balance of the Tax Credit Refund, approximately \$560,000, has been transferred to the petitioner's account at the Royal Bank of Canada.

Legal Principles

[30] The court may grant an extension of a stay period if it is satisfied that:

- a) the petitioner has acted and is acting in good faith and with due diligence;
and
- b) circumstances exist that make a stay of proceedings appropriate.

CCAA, ss. 11.02(2) and (3)

[31] The threshold for a debtor company to obtain a stay of proceedings pursuant to the CCAA is low. The debtor company must only satisfy the court that a stay of proceedings would “usefully further” its efforts to reorganize, and this requires nothing more than a “germ of a plan”. The threshold to extend the stay of proceedings is similarly low, and the debtor company must only demonstrate that it has at least a “kernel of a plan”. See *North American Tungsten Corporation Ltd. (Re)*, 2015 BCSC 1376 at para. 26.

[32] To have a kernel of a plan, “there must only be some sense of what the petitioners intend to do so as to give the court and [...] the stakeholders, some comfort that there is some utility in continuing further with these proceedings”: *Azure Dynamics Corporation (Re)*, 2012 BCSC 781 at para 13.

Discussion and Disposition

[33] In my view, the petitioner meets the test to extend the stay period because it has more than a “kernel of a plan”. It has made notable progress in the past four months to advance its affairs and pursue a plan to repay its creditors.

[34] The evidence is that the petitioner, under the supervision of the Monitor, has acted in good faith and with due diligence. Specifically, the petitioner has:

- a) obtained leave to pursue the Contract Claim in these proceedings and obtained the Default Judgment Orders;
- b) paid the essential pre-filing amounts required for the completion of the Production as authorized by this Court;
- c) worked with its tax advisors to respond to CRA audits, which have now been resolved;
- d) paid its senior secured lender, National Bank, in full;
- e) obtained the Tax Credit Refund which improved its cash-flow position; and
- f) responded to stakeholder inquiries and demands, and kept its creditors apprised of material developments.

[35] In my view, the circumstances exist which make a further stay of proceedings appropriate.

[36] As noted in previous hearings, numerous creditors have filed actions or taken enforcement steps against the petitioner. If the stay period is not extended further,

the petitioner may be forced to defend numerous actions separately and expensively.

[37] This is a somewhat fragile period because the petitioner now has a positive bank balance from the Tax Credit Refund. If a stay extension is not granted, one or more creditors may attempt to garnish the petitioner's bank accounts or take other enforcement steps to be paid ahead of other unsecured creditors.

[38] Now that the petitioner has been successful in obtaining default judgment against Studio, any realization efforts by the petitioner against Studio will be for the benefit of the petitioner's creditors.

[39] Importantly, the cashflow forecast to November 30, 2026 prepared by the Monitor confirms the petitioner has sufficient liquidity to meet its obligations throughout the extended stay period. I note that the Monitor's fourth report contains a cash flow estimate to August 31, 2026. During the hearing of this application, the Monitor confirmed that the petitioner has sufficient cash flow with an estimated closing balance of \$75,000 as of November 30, 2026.

[40] Further time is also required to continue to allow the petitioner to negotiate with third parties on agreements to realize on the intellectual property rights of the Film.

[41] The Monitor supports the application for the stay extension to November 30, 2026. I am satisfied that it is appropriate for an extended stay of proceedings to continue to be in effect while the petitioner enforces the Default Judgment Orders through the appointment of a receiver in the Superior Court of California.

[42] The order is granted as sought. The stay period is extended to November 30, 2026.

“Basran J.”