COURT FILE NUMBER:	2601-07007
COURT:	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE:	CALGARY
	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 CANADABIS CAPITAL INC., 1998643 ALBERTA LTD., STIGMA PHARMACEUTICALS INC., 2103157 ALBERTA LTD., AND FULL SPECTRUM LABS LTD.
PLAINTIFF(S)/APPLICANTS:	CANADABIS CAPITAL INC., 1998643 ALBERTA LTD., STIGMA PHARMACEUTICALS INC., 2103157 ALBERTA LTD., AND FULL SPECTRUM LABS LTD.
DOCUMENT:	**BENCH BRIEF OF THE APPLICANTS**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT:	THORNTON GROUT FINNIGAN LLP TD West Tower, Toronto-Dominion Centre 100 Wellington Street West, Suite 3200 Toronto, Ontario M5K 1K7 Attn: **Mitchell W. Grossell / Derek Harland / Andrew Nesbitt** Telephone: 416-304-1616 Email: mgrossell@tgf.ca / dharland@tgf.ca / anesbitt@tgf.ca

Application before the Honourable Justice Simard to be held on August 27, 2026 at 10:00 am on the Commercial List

TABLE OF CONTENTS

Page No.

OVERVIEW[1]

1. This Bench Brief is submitted on behalf of the Applicants in support of an application for:

   (a) an RVO that, among other things:

      (i) approves the Subscription Agreement among the Applicants and the Purchaser and the Transaction contemplated therein, and authorizes the Applicants to enter into the Subscription Agreement;

      (ii) vests the Applicants' right, title and interest in and to the Excluded Assets, Excluded Contracts, and Excluded Liabilities to ResidualCo;

      (iii) grants releases in favour of the Applicants, the Monitor, ResidualCo and 220, including certain of their representatives;

      (iv) grants the Monitor with enhanced powers in respect of ResidualCo, including the authority to assign ResidualCo into bankruptcy; and

   (b) a Stay Extension and Termination Order, that, among other things, (i) extends the stay of proceedings up to and including October 30, 2026, (ii) terminates these CCAA proceedings upon the filing of a Monitor's certificate, and (iii) approves the activities of the Monitor and the fees and disbursements of the Monitor and its counsel.

2. This Court should grant the relief sought today for the following reasons:

---

[1] Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Affidavit of Jeffrey Holmgren sworn August 19, 2026 (the "**First Holmgren Affidavit**"). All references to monetary amounts are in Canadian dollars unless otherwise noted.

(a) **RVO:** The proposed Transaction is the outcome of a comprehensive sales process conducted by the Monitor, in consultation with the Applicants' senior secured creditor, and resulted in multiple bids. It preserves the Applicants' business as a going concern, including the continued employment of at least 90% of the Applicants' employees. The RVO is needed to maintain the non-transferable cannabis licences without further delay, cost or execution risk associated with a conventional asset sale;

(b) **Releases:** The releases have been appropriately tailored to this proceeding and are rationally connected to the restructuring. The proposed Released Parties were essential to the restructuring and the outcome of the sales process. Without the Released Parties, this proceeding would have most likely ended in a liquidation and substantial erosion of value for all stakeholders resulting in a worse overall outcome.

(c) **Stay Extension and Termination Order**: The proposed stay extension is necessary to allow the Applicants and the Monitor to close the Transaction and conclude these CCAA proceedings, including the assignment of ResidualCo into bankruptcy. Granting the relief at this stage provides for the cost-effective completion of these proceedings without the need for a further application.

SUMMARY OF FACTS

3. The relevant facts in support of the relief sought are more particularly set out in the First Holmgren Affidavit and the Third Report of the Monitor, to be filed (the "**Third Report**").

A. Background

4. The Applicants are a vertically integrated cannabis company operating out of Red Deer, Alberta engaged in the cultivation, extraction, product development, and sale of cannabis and cannabis products.[2]

5. 199 is the operating arm of the Applicants' corporate group and holds all material assets and licences required for the cannabis business.[3] 199 currently sells its cannabis products across most of Canada pursuant to supply agreements with cannabis regulators in Alberta, Ontario, British Columbia, Saskatchewan, Manitoba, Yukon, Nunavut, and the Northwest Territories.[4]

6. The Applicants commenced these CCAA proceedings because 199 received a demand from the CRA for the repayment of over $7 million in excise taxes.[5] The Applicants did not have sufficient cash to satisfy this demand, were unable to raise additional capital, and required the protection of the CCAA to stay any enforcement action and preserve the Applicants' business.[6]

7. On April 17, 2026, the Court granted an Initial Order. Among other things, the Initial Order granted an initial ten-day stay of proceedings and appointed FTI Consulting Canada Inc. as Monitor of the Applicants.[7] On April 27, 2026, the Court granted the ARIO which: (a)

---

[2] First Holmgren Affidavit at para 6.
[3] First Holmgren Affidavit at para 7.
[4] First Holmgren Affidavit at para 7.
[5] Pre-Filing Report of the Monitor dated April 16, 2026 (the "**Pre-Filing Report**"), at para 62.
[6] Pre-Filing Report at para 61.
[7] First Holmgren Affidavit at para 8; Third Report at para 2(b), (c).

extended the stay of proceedings to June 11, 2026, and (b) increased the maximum amount of the Charges and elevated their priority.[8]

8. On June 10, 2026, the Court granted the SARIO which: (a) extended the stay of proceedings to September 11, 2026; and (b) authorized the Applicants to make certain termination and severance payments. On the same day, the Court granted the SISP Order approving the SISP.[9]

B. The SISP[10]

9. The SISP was broadly designed as a two-phase sales process to solicit interest in: (a) one or more sales of all or substantially all of the Applicants' Property or Business, and/or (b) an investment, restructuring, recapitalization or other reorganization of the Applicants or their Business. This includes the ability to pursue either an asset or share transaction.[11]

10. The Monitor extensively canvassed the market for potential purchasers and investors. A Teaser Letter was distributed to approximately 128 parties, and the Monitor arranged for notice of the SISP to be published in *The Globe and Mail* (National Edition), *Insolvency Insider* and *StratCann*, a cannabis industry publication.[12] Seven parties executed confidentiality agreements and were provided access to the Data Room.[13]

11. The SISP required management of the Applicants to declare their intention to participate in the SISP by no later than June 30, 2026, and on June 25, 2026, Travis McIntyre, on

---

[8] First Holmgren Affidavit at para 9.
[9] First Holmgren Affidavit at para 10.
[10] Capitalized terms used in this section that are not otherwise defined have the meanings ascribed to them in the SISP.
[11] First Holmgren Affidavit at para 16.
[12] First Holmgren Affidavit at para 18(b), (c); Third Report at para 27.
[13] First Holmgren Affidavit at para 18; Third Report at paras 24-31.

behalf of the Purchaser provided written notice of the Purchaser's intention to participate.[14] In accordance with the SISP, Mr. McIntyre was excluded by the Monitor from any internal discussions or communications relating to the SISP, including the evaluation and selection of bids.[15]

12. At the end of Phase I of the SISP, the Monitor received LOIs from two bidders.[16] Following the Phase I Bid Deadline, the Monitor and the Applicants' counsel consulted with Servus, the Applicants' senior secured creditor. The Monitor ultimately invited both bids to participate in Phase II of the SISP.[17]

13. One aspect of the Purchaser's Phase I Bid included a deal with Servus. As the SISP prohibited Servus from engaging with any SISP participants to preserve the integrity of the SISP, the Monitor modified the SISP to permit Servus and the Purchaser to have discussions provided that the Monitor was included on any correspondence and discussions.[18]

14. Following the Phase II Bid Deadline, the Monitor received two Phase II Bids.[19] After reviewing the bids and consulting with Servus, on August 10, 2026, the Monitor (with approval of the Applicants) declared the Purchaser as the Successful Bidder in the SISP and advised the other Phase II Bidder that its bid had not been accepted.[20]

---

[14] First Holmgren Affidavit at para 15.
[15] First Holmgren Affidavit at paras 13-14; Third Report at paras 28 and 32.
[16] Third Report at para 33.
[17] Third Report at para 33.
[18] Third Report at paras 28-30; First Holmgren Affidavit at paras 19-20.
[19] Third Report at para 37.
[20] Third Report at para 41.

C. The Subscription Agreement[21]

15. On August 19, 2026, the Applicants and the Purchaser entered into the Subscription Agreement. The material terms of the Subscription Agreement are summarized as follows:[22]

(a) the Purchaser will acquire 100% of the issued and outstanding shares of CanadaBis through a reverse vesting transaction.[23] All existing Equity Interests will be cancelled through an amendment to CanadaBis' articles of incorporation and the RVO;[24]

(b) all Excluded Assets, Excluded Liabilities, and Excluded Contracts will be transferred to and vested in ResidualCo;[25] and

(c) the Purchaser will make offers of employment to no fewer than 90% of the Applicants' current employees.[26]

16. The Subscription Agreement is subject to customary closing conditions, including the granting of the RVO and receipt of required regulatory approvals. The Subscription Agreement is also subject to completion of the Servus Refinancing. The Purchaser and Servus are in ongoing discussions with respect to the Servus Refinancing, and the Applicants and the Monitor have requested that this condition be waived by no later than August 25, 2026.[27]

---

[21] Capitalized terms used in this section that are not otherwise defined have the meanings ascribed to them in the Subscription Agreement.
[22] First Holmgren Affidavit at Exhibit C.
[23] First Holmgren Affidavit at para 25.
[24] First Holmgren Affidavit at Exhibit C at section 2.01.
[25] First Holmgren Affidavit at para 30(b).
[26] First Holmgren Affidavit at para 25;
[27] Third Report at para 40(f)(i).

17. The Subscription Agreement provides that closing should occur as soon as practicable following satisfaction or waiver of the closing conditions and by no later than the outside date, October 8, 2026.[28]

D. CCAA Termination

18. Assuming the Court grants the RVO and once the Transaction closes, the purpose of these CCAA proceedings will be effectively accomplished because ResidualCo has no material assets. In these circumstances, certain of the secured creditors will not receive payment in full and there will be no proceeds available to unsecured creditors.

19. Accordingly, the Applicants do not intend to establish a claims process or pursue a plan of compromise or arrangement in respect of ResidualCo. Instead, ResidualCo will be assigned into bankruptcy to facilitate the orderly wind-up of its estate.[29]

20. The proposed Stay Extension and Termination Order provides for the termination of these CCAA proceedings once the Monitor has determined that all administrative matters have been completed, upon the service and filing of the Termination Certificate. At that time, FTI will be released and discharged as the Monitor, and each of the Court-ordered charges will be discharged.[30]

21. To facilitate the orderly wind-up of ResidualCo, the proposed Stay Extension and Termination Order authorizes ResidualCo to make an assignment in bankruptcy pursuant

[28] Third Report at para 46(h); First Holmgren Affidavit at paras 13, 25.
[29] First Holmgren Affidavit at paras 76-78; Third Report at paras 60-62.
[30] First Holmgren Affidavit at paras 74-75; Third Report at paras 58-60.

to the *Bankruptcy and Insolvency Act*[31] prior to the CCAA Termination Time, and authorizes, but does not require, FTI to act as trustee in bankruptcy.[32]

ISSUES

22. The issues to be determined by this Court are whether:

    (a) the Subscription Agreement and Transaction should be approved;

    (b) the Approval and Reverse Vesting Order should be approved;

    (c) the Releases should be granted; and

    (d) the Stay Extension and Termination Order should be granted?

23. For the reasons provided herein, the Applicants respectfully submit that the answer should be "yes" to each of the issues.

LAW & ARGUMENT

A. The Subscription Agreement and Transaction Should be Approved

24. The Court has the jurisdiction under the CCAA to approve the Subscription Agreement and the Transaction pursuant to section 36(1) of the CCAA.[33] When considering whether to approve a proposed transaction, the Court will consider the non-exhaustive factors set out in subsection 36(3) of the CCAA[34] and the foundational principles articled in *Royal Bank v Soundair*.[35] Taken together, these factors are:

---

[31] *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 [**BIA**].
[32] First Holmgren Affidavit at paras 78-79.
[33] *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 s.36(1). [*CCAA*];
[34] *CCAA* s.36(3).
[35] *Royal Bank v Soundair Corp,* 1991 CanLII 2727, 4 OR (3d) 1(ONCA). [*Soundair*].

(a) whether the process leading to the proposed sale or disposition was reasonable in the circumstances;

(b) whether the monitor approved the process leading to the proposed sale or disposition;

(c) whether the monitor filed with the Court a report stating that in its opinion the sale or disposition would be more beneficial to creditors than a sale or disposition under a bankruptcy;

(d) the extent to which creditors were consulted;

(e) the effects of the proposed sale or disposition on the creditors and other interested parties;

(f) whether the consideration to be received for the assets is reasonable and fair, taking into account their market value; and

(g) whether sufficient effort has been made to obtain the best price and that the debtors have not acted improvidently.[36]

25. The Applicants have satisfied these factors and the Court should approve the Subscription Agreement and the Transaction. For example:

(a) **The process leading to the Transaction was reasonable:** The SISP was developed by the Applicants in consultation with the Monitor and Servus, and the Monitor conducted the SISP in accordance with its terms.[37] The Monitor broadly canvassed the market by providing the Teaser Letter to approximately 128 potential

---

[36] *CCAA* s. 36(3); *Harte Gold Corp. (Re)*, 2022 ONSC 653 at paras 20-21 [*Harte Gold*]; *Soundair*.
[37] First Holmgren Affidavit at para 13.

purchasers and investors, and issued notice of the SISP in the *Globe and Mail* and *Insolvency Insider* and *StratCann*, a cannabis industry publication.[38] The Monitor is satisfied that the SISP was commercially reasonable and no further marketing efforts would yield a better result;[39]

(b) **The Monitor concludes that the Transaction provides a better result than a liquidation:** The Monitor compared the impact of the Transaction on the Applicants' stakeholders against the estimated realizations in a liquidation scenario and concludes that the Transaction produces a better recovery than a liquidation;[40]

(c) **The Applicants' senior secured creditor was consulted throughout the SISP:** Servus was consulted in the development of the SISP and throughout the SISP, including following the Phase I Bid Deadline, the Phase II Bid Deadline and in the selection of the Successful Bidder. Servus has not expressed any concerns with the SISP and is a key element in the proposed Transaction.[41]

(d) **The Transaction maximizes value for the fulcrum creditors and the Applicants other stakeholders:** After broadly canvassing the market, the proposed Transaction has emerged as the value maximizing transaction.[42] The Transaction preserves the Applicants' business as a going concern, including the cannabis licences, provides for continued employment to at least 90% of the Applicants' employees.[43] Although the Excluded Assets, Excluded Contracts and Excluded

---

[38] Third Report at para 27; First Holmgren Affidavit at para 18(b)(c)
[39] First Holmgren Affidavit at paras 16-18; Third Report at paras 24-33, 48.
[40] Third Report at paras 42(c)-(e), 43.
[41] First Holmgren Affidavit at paras 19-23; Third Report at paras 33-38, 46(f)(i), 47.
[42] First Holmgren Affidavit at para 41.
[43] First Holmgren Affidavit at para 25.

Liabilities are transferred to ResidualCo, which will not have any assets, the balance of the Applicants' creditors are out of the money and will not be materially prejudiced by the proposed Transaction;[44]

(e) **The consideration is fair and reasonable:** Between Phase I and Phase II, the Purchaser increased the overall consideration provided to the Applicants.[45] The Monitor has satisfied itself that the Transaction maximizes value in the circumstances and that the terms and conditions of the Subscription Agreement are commercially reasonable.[46] The Monitor is also satisfied that the consideration under the Subscription Agreement is superior to the offer made by the other Phase II Bid;[47] and

(f) **Sufficient efforts were made to obtain the best price and the Applicants acted providently:** The Monitor was responsible for conducting the SISP and extensively canvassed the market. The overall length of the SISP lasted 62 days, and no interested parties requested additional time to consider a transaction with the Applicants.[48] Following the Phase II Bid Deadline, the Monitor, the Monitor's counsel and the Applicants' counsel, in consultation with Servus, reviewed the competing bids and selected the Purchaser as the Successful Bidder.[49]

26. As 220 is owned and controlled by Mr. McIntyre, the Court must also consider the additional factors set out in subsection 36(4) of the CCAA, and be satisfied that: (a) good

---

[44] First Holmgren Affidavit at paras 25, 31-42; Third Report at paras 45, 48(d), (e).
[45] Third Report at para 48(c).
[46] Third Report at para 48(f)
[47] Third Report at paras 48(c), (f), 52.
[48] First Holmgren Affidavit at para 13; Third Report at paras 6, 37.
[49] First Holmgren Affidavit at para 23; Third Report at paras 37-41, 48(c), (d).

faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the Applicants; and (b) the consideration to be received is superior to the consideration that would be received under any other offer made in accordance with the SISP.[50]

27. In these circumstances, the Applicants have satisfied both requirements. First, as set out above, once the Purchaser advised the Monitor of its intention to participate in the SISP, the SISP provided that Mr. McIntyre would be excluded from any internal updates in respect of the SISP, including the review and selection of bids.[51] Second, the SISP resulted in a bid from a third party that the Monitor concluded was worse than the bid made by the Purchaser.[52]

28. Finally, the Monitor has recommended the Court approve the Subscription Agreement and the proposed Transaction.[53]

B. The Court Should Grant the RVO

29. Reverse vesting transactions have been recognized as an appropriate way for a debtor to sell its business as a going-concern where the circumstances justify such a structure.[54] In this case, compelling circumstances exist to justify the use of a reverse vesting structure.

30. The Court has found jurisdiction to approve a reverse vesting transaction by relying on section 11 of the CCAA, which gives the Court broad authority to grant any order it sees fit in the circumstances.[55]

---

[50] *CCAA*, s. 36(4).
[51] First Holmgren Affidavit at para 16; Third Report at paras 32, 39.
[52] First Holmgren Affidavit at paras 13-14; Third Report at paras 32, 39-41, 51-52.
[53] Third Report at para 48.
[54] *Harte Gold* at para 38.
[55] *Harte Gold* at paras 36-37.

31. In this case, compelling circumstances exist to justify the proposed reverse vesting structure. The structure is necessary to implement the best available transaction, preserve the Applicants' licences and regulatory approvals, and facilitate the going-concern continuation of the Applicants' business.[56]

32. In *Harte Gold*, Justice Penny of the Ontario Superior Court of Justice set out the following factors that the Court's should consider when faced with a reverse vesting transaction:

(a) whether the reverse vesting order is necessary;

(b) whether the reverse vesting transaction structures produces an economic result at least as favourable as any other viable alternative;

(c) whether any stakeholder is worse off under the reverse vesting transaction structure than they would have been under any other viable alternative; and

(d) whether the consideration being paid for the debtors' business reflects the importance and value of the licences and permits (or other intangible assets) being preserved under the reverse vesting transaction structure.[57]

33. In Alberta, the Court has granted reverse vesting orders in appropriate circumstances and considering the *Harte Gold* factors in *Delta 9*, *Freedom Cannabis* and *Long Run*.[58]

34. Courts have held that reverse vesting orders are particularly appropriate where: (a) a debtor operates in a highly regulated environment (such as the cannabis industry) in which its existing permits, licences or other rights are difficult or impossible to assign to a purchaser;

---

[56] *Harte Gold* at para 38.
[57] *Harte Gold* at para 38; *Delta 9 Cannabis Inc (Re)*, 2025 ABKB 52 at para 61 [*Delta 9*].
[58] *Delta 9*; *Freedom Cannabis Inc (Re)*, 2025 ABKB 272 [*Freedom Cannabis*]. *Long Run Exploration Ltd (Re),* 2024 ABKB 710 [*Long Run*].

(b) the debtor is party to key agreements that are similarly difficult or impossible to assign; or (c) maintaining the existing legal entities preserves tax attributes that would otherwise be lost in a conventional asset sale.[59] In *Delta 9*, the Court held that these considerations should be considered against the backdrop of whether the proposed reverse vesting structure furthers the remedial objectives of the CCAA and the section 36(3) factors.[60]

35. In these circumstances, the Applicants clearly satisfy the *Harte Gold* factors. For example:

(a) **The reverse vesting structure is necessary in the circumstances:** The Applicants operate in the highly regulated cannabis industry. 199 holds the Health Canada licence and CRA excise licence required to operate the Applicants' cannabis business, neither of which can be transferred.[61] If the transaction was structured as a conventional asset sale, the purchaser would be required to obtain new cannabis licences before it is permitted to operate the business.[62] This process could take many months and with no assurance that the licences would be ultimately issued. This dynamic only increases execution risk of the proposed transaction and the costs to both the Applicants and the purchaser.[63] The reverse vesting structure avoids this delay and execution risk by preserving the licensed entities and permitting the Applicants' business to immediately continue as a going concern;[64]

---

[59] *Arrangement relatif à Blackrock Metals Inc,* 2022 QCCS 2828 at paras. 114-116; *Harte Gold,* at para. 71; *Quest University Canada (Re)*, 2020 BCSC 1883 at para. 136, referring to the RVO granted in *Re Comark Holdings Inc et al*, (July 13, 2020), Toronto CV-20-00642013-00CL (Ont. SCJ [Commercial List]) proceeding to preserve tax attributes, and para. 142, referring to the RVO granted in *JMB Crushing Systems Inc. (Re)*, 2020 ABQB 763 to preserve both licenses and tax attributes.
[60] *Delta 9* at para 61.
[61] First Holmgren Affidavit at para 33.
[62] First Holmgren Affidavit at para 33.
[63] First Holmgren Affidavit at para 33.
[64] First Holmgren Affidavit at paras 32-37; Third Report at para 48(d), (e).

(b) **The Transaction produces an economic result more favourable than any other alternative:** The Transaction represents the best outcome available for the Applicants and their stakeholders when considered holistically.[65] The SISP resulted in two competitive Phase II Bids, and the Monitor determined that the consideration provided by the Purchaser in the Subscription Agreement is superior to the consideration available under the other bid. The Monitor's liquidation analysis also demonstrates that the proposed Transaction results in better recoveries to the creditors than through a liquidation.[66] There is no evidence that further marketing would produce a superior transaction and the Applicants do not have sufficient liquidity to continue marketing efforts;[67]

(c) **Stakeholders are not materially prejudiced by the reverse vesting structure:** The reverse vesting structure does not materially impair any creditors' rights relative to a conventional asset sale.[68] In these circumstances, Servus and 220 appear to be the fulcrum creditors, because there are no recoveries for any other creditors, and both are participants in the proposed Transaction. Unfortunately, there will be no recoveries for any other creditors of the Applicants;[69] and

(d) **The consideration is fair and reasonable and reflects the value of the business being preserved:** The consideration under the Subscription Agreement was tested through a competitive SISP that resulted in two binding bids.[70] The Purchaser increased its bid between Phase I and Phase II, and the Monitor is satisfied that the

---

[65] First Holmgren Affidavit at para 43(c); Third Report at para 50(c).
[66] Third Report at para 43.
[67] First Holmgren Affidavit at paras 23, 38; Third Report at paras 48(c)-(e), 49, 52.
[68] First Holmgren Affidavit at para 39.
[69] First Holmgren Affidavit at paras 25-29, 39-42; Third Report at paras 45-48.
[70] Third Report at para 37.

Transaction provides the greatest recovery available in the circumstances, that its terms are commercially reasonable, and that the consideration is superior to the consideration available under the other Phase II Bid.[71]

36. The Transaction also furthers the remedial objectives of the CCAA.[72] The Transaction preserves the Applicants' business as a going concern, maintains the licences and regulatory approvals required to operate that business, preserves employment for a substantial majority of the Applicants' employees, and provides for a better outcome to creditors than a liquidation.[73]

37. The Monitor supports the proposed reverse vesting structure and recommends that the Court grant the RVO.[74]

C. The Court should grant the Releases

38. The proposed RVO includes releases in favour of the Applicants and their current directors, officers, employees and financial and legal advisors, the Purchaser and its current directors, officers, employees and financial and legal advisors, the Monitor and its legal counsel, and their respective directors, officers and employees, and ResidualCo and its legal counsel, and their respective directors, officers and employees (collectively, the "**Released Parties**").[75]

39. The claims that are being released are broad and include present and future claims based in whole or in part on any act, omission, transaction, dealing or other occurrence that

---

[71] First Holmgren Affidavit at paras 23; Third Report at paras 48(c), (f), 52.
[72] *Delta 9* at para 33.
[73] First Holmgren Affidavit at paras 25, 29(a), 36; Third Report at paras 2(f), 48(e), 49, 54(a), (b).
[74] Third Report at paras 48, 53.
[75] First Holmgren Affidavit at para 45.

existed or took place before the filing of the Monitor's Certificate, or undertaken or completed in connection with the CCAA proceedings, arising in connection with the Subscription Agreement, the completion of the Transaction, the closing documents and any other matter arising in connection with or pursuant to the foregoing (collectively, the "**Released Claims**").[76] The Released Claims expressly exclude claims for fraud, gross negligence, wilful misconduct, or any claims that are not permitted to be released pursuant to section 5.1(2) of the CCAA.[77]

40. The purpose of the releases is to provide the Applicants and its representatives with a fresh start following consummation of the Transaction, consistent with the underlying remedial purpose of the CCAA.[78] The Released Claims include all pre-filing claims (secured or unsecured) and any post-filing claims up to and including the date that the Monitor serves and files the Monitor's Certificate.[79]

41. Although releases of directors, officers and other third parties are commonly granted in connection with CCAA plans, the absence of a CCAA plan does not deprive the Court of the jurisdiction to grant such releases in favour of third parties.[80] The Court may exercise its broad jurisdiction under section 11 of the CCAA to approve releases where they are appropriate in the circumstances, including in connection with a sale or vesting transaction.[81]

[76] Approval and Reverse Vesting Order at para 24.
[77] First Holmgren Affidavit at para 46.
[78] First Holmgren Affidavit at para 47; *Delta 9* at para 33.
[79] First Holmgren Affidavit at para 47;
[80] *Green Relief Inc. (Re)*, 2020 ONSC 6837 at paras 23 and 25 [*Green Relief*].
[81] *Green Relief* at para 76; *In the Matter of the CCAA Proceeding of Fire & Flower Holdings Corp. et al*, Court File No. CV-23-00700581-00CL, Endorsement of Justice Osborne dated August 30, 2023 at paras 24-26.

42. In *Delta 9* and *Freedom Cannabis*, the Court considered the following non-exhaustive list of factors in connection with the release of third parties:

(a) whether the claims to be released are rationally connected to the purpose of the plan;

(b) whether the plan can succeed without the releases;

(c) whether the parties being released contributed to the plan;

(d) whether the releases benefit the debtors as well as the creditors generally;

(e) whether the creditors voting on the plan have knowledge of the nature and effect of the releases; and

(f) whether the releases are fair, reasonable and not overly-broad.[82]

43. No single factor is determinative, and some may have greater weight depending on the circumstances.[83]

44. The releases are reasonable and appropriate in the circumstances and should be granted for the following reasons:

(a) **The Released Claims are rationally connected to the purpose of the restructuring:** The underlying purpose of these CCAA proceedings is to restructure the Applicants and provide them with a fresh start to continue operations. The proposed Transaction accomplishes the continued operations, and the proposed releases will facilitate the fresh start for the Applicants and the other

---

[82] *Delta 9* at para 30 citing *Lydian International Limited (Re)*, 2020 ONSC 4006 at para 54; *Freedom Cannabis* at para 27.
[83] *Delta 9* at para 31.

Released Parties. As a result, the Released Claims are rationally connected to the overall purpose of the restructuring;[84]

(b) **The Released Parties contributed to the restructuring:** The Released Parties made significant contributions to the Applicants' restructuring throughout these CCAA proceedings. Among other things:

(i) the Applicants' management, employees and advisors maintained the Applicants' operations, supported the SISP and advanced the Transaction throughout these proceedings.[85] Travis McIntyre and Kim McIntyre played critical roles in maintaining the Applicants' regulatory compliance, preserving their licences and going-concern value, and the continued operation of the Applicants' business;[86]

(ii) the Monitor and its counsel have overseen the Applicants' restructuring, monitored their business and financial affairs, administered the SISP, engaged with bidders and stakeholders, considered and implemented safeguards applicable to the related-party bid, reviewed and assisted with the negotiation of the Subscription Agreement and RVO structure, and advanced the Transaction;[87]

(iii) the Purchaser and its advisors participated in the SISP, negotiated and entered into the Subscription Agreement, and devoted time and resources to completing the Transaction; and

[84] First Holmgren Affidavit at para 46.
[85] First Holmgren Affidavit at paras 48.
[86] First Holmgren Affidavit at paras 47, 50-60.
[87] First Holmgren Affidavit at para 48; Third Report at paras 58, 67.

(iv) ResidualCo and its sole director will be responsible for the conclusion of these CCAA proceedings.[88]

(c) **Creditors will have notice of the releases:** The Applicants' materials in support of this motion, including the proposed RVO setting out the scope of the Released Parties and Released Claims, will be served on the Service List in advance of the hearing;

(d) **The releases are fair, reasonable, and not overly broad:** The Released Claims are confined to pre-filing claims that will be compromised as part of this restructuring, and matters connected with these CCAA proceedings, including claims for all matters arising prior to the filing of the Monitor's Certificate, the Subscription Agreement and the Transaction, and expressly exclude claims for fraud, gross negligence, wilful misconduct, and that cannot be released pursuant to section 5.1(2) of the CCAA. The CCAA specifically allows releases for pre-filing claims.[89] The Monitor considers the releases to be reasonable, not overly broad and consistent with releases granted in other restructuring proceedings.[90]

45. Similar releases have been granted in recent CCAA proceedings in Alberta in connection with similar reverse vesting transactions.[91]

46. The Monitor supports the proposed releases.[92] In its view, each of the persons and entities benefiting from the releases contributed meaningfully to these CCAA proceedings and was

---

[88] First Holmgren Affidavit at para 49.
[89] *Delta 9* at para 29; *Wiebe v Weinrich Contracting Ltd*, 2020 ABCA 396 at para 32.
[90] First Holmgren Affidavit at para 46; Third Report at paras 57-58, 61.
[91] *Delta 9*; *Freedom Cannabis*.
[92] Third Report at paras 58-61.

necessary to the Applicants' restructuring efforts, the administration of the SISP or the advancement of the Transaction.[93]

47. Accordingly, the proposed releases are appropriately tailored to the contributions made by the Released Parties and the matters necessary to implement the Transaction, and should be granted.

D. The Court Should Grant the Stay Extension and Termination Order

Extension of the Stay Period

48. The Applicants seek an extension of the Stay from September 11, 2026 to October 30, 2026.

49. Section 11.02 of the CCAA gives this Court the authority to grant an extension of the Stay period for any period "it considers necessary".[94] To do so, this Court must be satisfied that: (a) circumstances exist that make the order appropriate; and (b) the debtor has acted, and is continuing to act, in good faith and with due diligence.[95]

50. The Stay currently expires on September 11, 2026. The extension of the Stay is necessary and appropriate in the circumstances to provide the Applicants and the Monitor with the time necessary to complete the Transaction and bring a conclusion to these CCAA proceedings.

51. Since the Initial Order was granted, the Applicants have acted in good faith and with due diligence to, among other things, stabilize their business, implement the SISP, and

---

[93] Third Report at paras 58.
[94] *CCAA* s.11.02(1).
[95] *CCAA* s 11.02(2), 11.02(3).

negotiate the Transaction that is now before the Court for approval.[96] The Applicants are also projected to have sufficient cash to operate during the requested Stay.[97]

52. The Monitor supports the extension of the Stay to October 30, 2026.[98]

The CCAA Should be Terminated upon the Filing of the Termination Certificate

53. Following closing of the Transaction, the purpose of these CCAA proceedings will have been accomplished. Although the Applicants will be removed as applicants under the RVO and ResidualCo added, ResidualCo is not expected to have any material assets. Accordingly, the Applicants do not anticipate commencing a claims process or filing a plan of compromise or arrangement. Instead, ResidualCo will be assigned into bankruptcy.[99]

54. The Court has previously granted similar orders when there are no material steps left in the CCAA proceedings and permitted the termination of a CCAA proceeding upon the filing of the Termination Certificate at a future date.[100] Once the proposed Transaction closes, these CCAA proceedings will have served their purpose by providing the Applicants with the stability to achieve a successful outcome in the SISP, and the stay of proceedings is no longer necessary. Granting the Stay Extension and CCAA Termination Order at this stage will reduce the professional costs of these CCAA proceedings involved in a future application.

55. The Monitor supports the termination of these CCAA proceedings.[101]

---

[96] First Holmgren Affidavit at para 70.
[97] First Holmgren Affidavit at para 69.
[98] First Holmgren Affidavit at para 68.
[99] First Holmgren Affidavit at paras 72-79.
[100] *Re Chalice Brands Ltd.* (28 September 2023), Toronto CV-23-00699872-00CL (Ont. Sup. Ct. [Comm. List] CCAA Termination Order); *Trees et al*, Stay Extension, Fee Approval and CCAA Termination Order dated April 5, 2024 [Court File No. CV-23-00711935-00CL]
[101] Third Report at para 85; First Holmgren Affidavit at paras 66-68, 80.

The Monitor's Reports and Fees Should be Approved

56. The Applicants seek approval of the Monitor's Reports (as defined in the Third Report) and the activities of the Monitor described therein. Courts have recognized the policy and practical reasons to approve the Monitor's activities and provide a level of protection for the Monitor during CCAA proceedings.[102] In the present case, the Monitor's Reports and the conduct and activities of the Monitor referred to therein should be approved. The Monitor has acted responsibly and carried out its activities in a manner consistent with the provisions of the CCAA and in compliance with the Initial Order. No party has put forward evidence to the contrary.

57. The Monitor also seeks approval of the fees and disbursements of the Monitor and its counsel, Fasken, together with their estimated fees and disbursements to complete the remaining administrative matters.[103] Pursuant to the Initial Order, the Monitor and its counsel are entitled to be paid their reasonable fees and disbursements, each at their standard rates and charges.[104]

58. The applicable test is the overriding principle of reasonableness, having regard to the overall value contributed by the Monitor and its counsel rather than a line-by-line assessment of their accounts.[105] The Court should have regard to the following non-exhaustive list of factors when evaluating the fairness and reasonableness of a court-appointed officer's fees:

---

[102] *Laurentian University of Sudbury*, 2022 ONSC 5850 at para 17.
[103] Third Report at paras 67-71.
[104] *CanadaBis Capital Inc. et al*, Initial Order dated April 27, 2026 [Court File No. 2601-07007] at para 26.
[105] *Laurentian University of Sudbury*, 2022 ONSC 2927 at para 9 [*Laurentian*]; *Bank of Nova Scotia v. Diemer*, 2014 ONCA 851 at para 45.

(a) the nature, extent and value of the assets being handled;

(b) the complications and difficulties enscountered;

(c) the degree of assistance provided by the company, its officers or its employees;

(d) the time spent;

(e) the Monitor's knowledge, experience and skill;

(f) the diligence and thoroughness displayed;

(g) the responsibilities assumed;

(h) the results achieved; and

(i) the cost of comparable services when performed in a prudent and economical manner.[106]

59. Applying these factors, the fees and disbursements of the Monitor and Fasken are fair and reasonable. These CCAA proceedings involved a complex and highly regulated business, a time-sensitive SISP, and additional protections arising from the Purchaser's related-party bid. The Monitor and Fasken discharged their respective responsibilities diligently, and the time and costs incurred were commensurate with the scope and complexity of their mandates.[107] Their efforts have also resulted in a successful SISP and the proposed Transaction, which represents the best available outcome for the Applicants and their stakeholders and preserves the Applicants' business as a going concern.[108]

---

[106] *Laurentian* at para 10.
[107] Third Report at para 68, 70.
[108] Third Report at para 15(h), 22-41.

60. Approval of the estimated fees and disbursements to complete the remaining administrative matters is also appropriate and will avoid the cost and use of judicial resources associated with a further fee approval motion. The Monitor considers the fees and disbursements of the Monitor and Fasken, including the estimated subsequent fees and disbursements, to be fair and reasonable.[109]

ORDER REQUESTED

61. For the foregoing reasons, the Applicants submit that the requested relief is appropriate in the circumstances, and respectfully request that this Court grant the proposed Approval and Reverse Vesting Order and the Stay Extension and Termination Order.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 19th day of August, 2026.

Thornton Grout Finnigan LLP

Thornton Grout Finnigan LLP

Mitchell Grossell / Derek Harland /Andrew Nesbitt
Counsel for the Plaintiffs /Applicants, Canadabis Capital Inc., 1998643 Alberta Ltd., Stigma Pharmaceuticals Inc., 2103157 Alberta Ltd., and Full Spectrum Labs Ltd.

[109] Third Report at para 70.

LIST OF AUTHORITIES

A. Statutes

1. *Companies' Creditors Arrangement Act*, RSC 1985, c C36.

2. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3.

B. Case Law

1. *Harte Gold Corp. (Re)*, 2022 ONSC 653

2. *Royal Bank v Soundair Corp*, 1991 CanLII 2727, 4 OR (3d) 1(ONCA).

3. *Delta 9 Cannabis Inc (Re)*, 2025 ABKB 52

4. *Arrangement relatif à Blackrock Metals Inc*, 2022 QCCS

5. *Quest University Canada (Re)*, 2020 BCSC 1883

6. *Freedom Cannabis Inc (Re)*, 2025 ABKB 272

7. *Green Relief Inc. (Re)*, 2020 ONSC 6837

8. *Lydian International Limited (Re)*, 2020 ONSC 4006

9. *Laurentian University of Sudbury*, 2022 ONSC 5850

10. *Laurentian University of Sudbury*, 2022 ONSC 2927

11. *Long Run Exploration Ltd (Re)*, 2024 ABKB 710

12. *Wiebe v Weinrich Contracting Ltd*, 2020 ABCA 396

C. Endorsements and Orders

1. *In the Matter of the CCAA Proceeding of Fire & Flower Holdings Corp. et al*, Court File No. CV-23-00700581-00CL, Endorsement of Justice Osborne dated August 30, 2023

2. *Re Chalice Brands Ltd.* (28 September 2023), Toronto CV-23-00699872-00CL (Ont. Sup. Ct. [Comm. List] CCAA Termination Order).

3. Trees et al, Stay Extension, Fee Approval and CCAA Termination Order dated April 5, 2024 [Court File No. CV-23-00711935-00CL]

4. *CanadaBis Capital Inc. et al*, Initial Order dated April 27, 2026 [Court File No. 2601-07007

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 CANADABIS CAPITAL INC., 1998643 ALBERTA LTD., STIGMA PHARMACEUTICALS INC., 2103157 ALBERTA LTD., AND FULL SPECTRUM LABS LTD.

Court File No. 2601-07007

ALBERTA
COURT OF KING'S BENCH
COMMERCIAL LIST

Proceeding commenced at **Calgary**

BENCH BRIEF OF THE APPLICANTS

THORNTON GROUT FINNIGAN LLP
100 Wellington Street West, Suite 3200, TD West Tower
Toronto ON M5K 1K7

Mitchell Grossell (LSO# 69993I)
Tel: 416-304-0595
Email: mgrossell@tgf.ca

Derek Harland (LSO #79504N)
Tel: 416-304-1127
Email: dharland@tgf.ca

Andrew Nesbitt (LSO #90514O)
Tel: 416-307-2413
Email: anesbitt@tgf.ca

Lawyers for the Applicants