



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CV-24-00730212-00CL

DATE: July 29, 2025

NO. ON LIST: 2

TITLE OF PROCEEDING:

ROYAL BANK OF CANADA v. CHESSWOOD GROUP LIMITED, ET AL

BEFORE: JUSTICE KIMMEL

PARTICIPANT INFORMATION

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ENDORSEMENT OF JUSTICE KIMMEL:

- [1] On October 29, 2024, pursuant to the Initial Order in these proceedings, FTI Consulting Canada Inc. was appointed as monitor (the "Monitor") of the CCAA Parties (defined in the Monitor's factum dated July 27, 2025 in support of this motion) and granted expanded powers to conduct and control the financial affairs and operations of the CCAA Parties.
- [2] The Monitor is presently seeking an order (the "Bishop AVO") approving the transaction agreement dated July 22, 2025, among the Pawnee Vendor, North Mill Equipment Finance, LLC ("North Mill") and ResidualCo (the "Transaction Agreement") and the transactions contemplated therein (the "Proposed Transactions").
- [3] Capitalized terms not otherwise defined in this endorsement shall have the meanings ascribed to them in the Monitor's factum filed in support of this motion.
- [4] On December 19, 2024, this Court issued an order approving a sale and investment solicitation process (the "SISP") in respect of the CCAA Parties (other than the Rifco Entities). The court has approved various transactions since the SISP was concluded.
- [5] Most recently, on June 9, 2025, the Court issued an order approving the sale by Chesswood Capital Management Inc. of all issued and outstanding shares in the capital of Waypoint Investment Partners Inc, which transaction is currently anticipated to close by early August 2025.
- [6] Prior to that, on March 7, 2025, this Court issued an order (the "Pawnee RVO") approving the sale by the Pawnee Vendor of all of the issued and outstanding shares in the capital of Pawnee and Tandem to North Mill pursuant to a share purchase agreement (the "Pawnee SPA") through a reverse vesting transaction, and vesting certain excluded assets and liabilities in ResidualCo (the "Pawnee Transaction "). The Pawnee Transaction closed on April 1, 2025.
- [7] Pursuant to the Pawnee RVO, an equity interest of approximately 10% at that time (the "Bishop Equity Interest") in Bishop Holdings LLC, a Delaware limited liability corporation ("Bishop Holdings"), was vested in ResidualCo. W-Bishop S LLC (the "Wafra Member") holds the remaining equity in Bishop Holdings. ResidualCo's Bishop Equity Interest has since been diluted and reduced to 8.7% because of the inability of ResidualCo to fund a US \$300,000 capital call made by Bishop Holdings after the closing of the Pawnee RVO.

- [8] In the absence of a sale of the Bishop Equity Interest, ResidualCo could receive payments pursuant to the terms of the Limited Liability Company Agreement of Bishop Holdings (as amended, the "Bishop LLC Agreement") based on any excess cashflows or repayments on loan and lease assets previously sold and/or contributed to Bishop Trust. In the normal course, these payments would be mainly spread out over the course of approximately three years. However, ResidualCo faces the risk of further dilution of the Bishop Equity Interest with each capital call given its inability to fund them.
- [9] The Pawnee SPA provides that the Pawnee Vendor is entitled to receive 50% of net recoveries on "charge-offs" (i.e. ., debts previously written off, which the Monitor understands would typically occur after 154 days of non-payment) ("Charge-Off Payments"), subject to certain exceptions and deductions, up to a maximum payment to the Pawnee Vendor of US\$2.5 million (the "Maximum Charge-Off Payment Amount"). Pursuant to the Pawnee SPA, the first Charge-Off Payment will become due 30 days after June 30, 2025 in respect of the months of April, May and June 2025. There are costs associated with monitoring and reconciling these potential Charge-Off Payments and the collectability of such amounts may decrease on an ongoing basis with the passage of time.
- [10] Following the completion of the SISP, which did not culminate in a transaction involving the Bishop Equity Interest, and the closing of the Pawnee Transaction, the Monitor and North Mill engaged in discussions regarding (i) the potential acquisition of the Bishop Equity Interest and (ii) the potential replacement of the right to receive the Charge-Off Payments over time (subject to the Maximum Charge-Off Payment Amount) with a one-time incremental payment. These discussions culminated in the Transaction Agreement for which approval is now sought. Court approval is a condition of that agreement.
- [11] The Proposed Transactions include a disposition of the Purchased Assets to the North Mill and the Charge-Off Settlement. Pursuant to subsection 36(1) of the CCAA, the court may authorize a debtor company to sell or otherwise dispose of assets outside the ordinary course of business. Further, CCAA courts have the jurisdiction to approve settlements entered into by debtors during the course of CCAA proceedings, which authority derives from the court's general discretion granted under s. 11 of the CCAA.
- [12] The s. 36(3) CCAA factors overlap significantly with the *Soundair* factors that were applied in approving sale transactions prior to the CCAA amendments introducing section. For all of the reasons detailed in the Monitor's Seventh Report dated July 22, 2025 (the "Seventh Report") and factum filed on this motion, I am satisfied that the s. 36 CCAA factors and the *Soundair* principles have been met.
- [13] Notably, there is no suggestion of any unfairness in the working out of this process. To the contrary, interested parties were presented with the opportunity to purchase the Bishop Equity Interest as part of a Court-sanctioned SISP. The Monitor carried out the SISP, and is satisfied that its extensive marketing attempts demonstrate the improbability of receiving a better offer. Further, the Pre- Filing Lenders support the Proposed Transactions. The

Wafra Member that holds the remaining equity in Bishop Holdings and it was served and advised counsel for the Monitor that it does not oppose the motion. Nor did any other stakeholder raise any opposition to or concerns about the relief being sought.

- [14] The Monitor is of the view that the Proposed Transactions should be approved and that the proposed Bishop AVO is necessary, reasonable and justified in the circumstances. The Monitor's reasons for recommending approval are summarized in paragraphs 31 and 32 of its Seventh Report.
- [15] In such circumstances, the court "should uphold the business judgment of the Monitor as to the result of the sales process and should not lightly interfere" with the exercise of this judgment "so long as the sale process was fair, reasonable, transparent and efficient": *Pride Group Holdings Inc. et al.*, 2024 ONSC 5908, at paras. 10-14, citing *Royal Bank v. Soundair Corp.* (1991), 4 O.R. (3d) 1. The Proposed Transactions are approved.
- [16] The Bishop AVO contemplates, among other things, that the aggregate cash proceeds from the Proposed Transactions will be distributed to the Pre-Filing Agent as repayment of the indebtedness under the Existing Credit Agreement. The court has previously approved distributions to these Pre-Filing Lenders, whose security has already been vetted by the Monitor and its counsel. It is anticipated the Pre-Filing Lenders will suffer a significant shortfall in recovery. The proposed distribution is approved.
- [17] On the basis of the court's approval of the Proposed Transactions, the request for a sealing order in respect of the unredacted version of the July 22, 2025 Transaction Agreement at confidential appendix A-2 to the Seventh Report was withdrawn and an unredacted version of that agreement has now been appended to the revised form of Approval and Vesting Order in respect of the Proposed Transactions signed by me today.

A handwritten signature in dark ink, appearing to read "Kimmel J.", with a stylized, cursive script.

KIMMEL J.