

Court Administration

JUN 05 2026

Halifax, N.S.

Hfx. No. 551716

SUPREME COURT OF NOVA SCOTIA

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

An Application by CFFI Ventures Inc. (the "Applicant") for creditor protection under s. 11 of the CCAA, and other relief

REPLY SUBMISSIONS OF CFFI VENTURES INC.

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Counsel for the Moving Party, CFFI Ventures Inc.

TO: The Service List

## PART I - INTRODUCTION

1. These reply submissions are filed by the Applicant, CFFI Ventures Inc. (“CFFI”), in response to: (i) the Affidavit of Michael Scott affirmed June 2, 2026 (the “Scott Affidavit”); (ii) the Responding Brief of Law of SFPC Quantum LP (“SAF”) (the “SAF Brief” and, together with the Scott Affidavit, the “SAF Materials”); and (iii) the Affidavit of Richard Hugh sworn June 3, 2026 (the “Hugh Affidavit”). Capitalized terms that are not defined herein have the meanings ascribed thereto in the SAF Materials.

2. SAF and Mr. Brendan Paddick seek to remove Cormorant from the Non-Filing Affiliate Stay and to exclude the Cormorant Shares from CFFI’s proposed sale and investment solicitation process (the “SISP”). It is submitted, however, that neither party has provided a legitimate reason for why this is advantageous or justifiable – and that, to the contrary, this could only operate to the detriment of CFFI’s estate and restructuring efforts.

3. SAF has also requested certain other amendments to the SISP. In response, CFFI has provided a revised form of the SISP to SAF and the rest of the Service List, which incorporates certain of these amendments.

4. CFFI respectfully submits that the amendments which were not accommodated in the revised form of the SISP are inappropriate in the circumstances, as described further below.

## PART II - NON-FILING AFFILIATE STAY

### A. SAF

5. CFFI’s insolvency and CCAA filing constitute an event of default under the ARCA (the “Insolvency Default”) that results in an immediate acceleration of the indebtedness thereunder.<sup>1</sup> Without the benefit of the Non-Filing Affiliate Stay, Cormorant must immediately repay

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<sup>1</sup> Affidavit of Brittany Bartlett affirmed June 5, 2026 (the “Bartlett Affidavit”), at paras 18-19.

approximately \$28.5 million that is otherwise not payable until January 4, 2027. If SAF amends the ARCA to remove this event of default, Cormorant will not need the benefit of the Non-Filing Affiliate Stay. SAF is aware of this and has not offered such an amendment.

6. SAF's submissions with respect to the Non-Filing Affiliate Stay can be distilled to one point: Cormorant does not need this protection because it is already in default of the ARCA. The SAF Materials include lengthy details around potential "pending" events of default under the ARCA. A "pending" event of default is not an actual event of default: nor do any legal rights arise on the basis that a debtor might commit a default in the future.

7. The only asserted event of default, apart from the Insolvency Default which is stayed by the Non-Filing Affiliate Stay, is the "Change of Control" arising from the appointment of Brittany Bartlett to the Cormorant board of directors (the "Cormorant Board").<sup>2</sup>

8. This alleged default was raised for the first time on June 3, 2026, by way of service of the Scott Affidavit, notwithstanding Ms. Bartlett's appointment to the Cormorant Board on October 14, 2025 and despite Mr. Scott having stated that she was a "great addition to the Board" and which was followed with multiple amendments and waivers with respect to the ARCA, including an extension of the maturity date to January 4, 2027.<sup>3</sup> Regardless, acceleration of indebtedness under the ARCA following a Change of Control can only take place if such an event of default is continuing.<sup>4</sup> Should SAF continue to advance this alleged default, CFFI could immediately remedy it by removing Ms. Bartlett from the board, thereby curing the default and precluding any acceleration of indebtedness.

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<sup>2</sup> Scott Affidavit, at para 18.

<sup>3</sup> Bartlett Affidavit, at paras 8-10, ex A.

<sup>4</sup> Affidavit of Micheal Scott affirmed March 28, 2026, at ex A, pg 53.

9. SAF is and has always been free to take any and all enforcement steps against Cormorant that may be available to it under the provisions of the ARCA, apart from those triggered by the Insolvency Default. SAF has not taken any such step, including forcing Cormorant into a sale process. The fact that SAF can only point to so-called "pending" defaults and that Cormorant's only apparent actual default is the Insolvency Default suggests that having the Non-Filing Affiliate Stay lifted is the only way SAF can take enforcement steps against Cormorant.

**B. Brendan Paddick**

10. Mr. Paddick has previously been advised of the harm that Cormorant would face without the benefit of the Non-Filing Affiliate Stay<sup>5</sup>. As a shareholder and Director, Mr. Paddick's interest should be in preserving equity value at Cormorant. At odds with this is the fact that Mr. Paddick is concurrently seeking to have approximately \$28.5 million of indebtedness under the ARCA immediately accelerated against Cormorant, which would put SAF in a position to take enforcement steps against Cormorant.

11. The Hugh Affidavit provides that the Non-Filing Affiliate Stay has "created uncertainty regarding the ultimate beneficial owner of Cormorant" and that this is "the principal issue negatively impacting Cormorant's ability to advance its critical refinancing transaction".<sup>6</sup> The Non-Filing Affiliate Stay, however, has nothing to do with "uncertainty regarding the ultimate beneficial owner of Cormorant". Similarly, the "uncertainty created by the Stay of Proceedings and the CCAA proceedings" that is apparently having an impact on Cormorant's ability to secure project bonding and long-term directors' and officers' liability insurance<sup>7</sup> is also distinct from the

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<sup>5</sup> Bartlett Affidavit, at para 20, ex D.

<sup>6</sup> Hugh Affidavit, at para 16.

<sup>7</sup> Hugh Affidavit, at paras 17 - 18.

Non-Filing Affiliate Stay. The automatic acceleration of the ARCA indebtedness will be more detrimental to Cormorant than the Non-Filing Affiliate Stay being in place.

### **PART III – EXCLUSION OF CORMORANT SHARES FROM THE SISF**

12. The Cormorant Shares are CFFI's asset, not Cormorant's. CFFI is insolvent, not Cormorant. If Cormorant's indebtedness under the ARCA is not repaid when it matures in 2027, or if there is an event of default under the ARCA apart from the Insolvency Default, SAF will be free to exercise any corresponding enforcement rights against Cormorant and its assets available at that time. Including CFFI's shares in Cormorant in CFFI's SISF will have no impact on this hypothetical future situation at all.

13. The majority of CFFI's assets are equity interests in various entities, including Cormorant. There is nothing about the Cormorant Shares that warrants them being treated differently from the rest of CFFI's assets.

14. Cormorant can commence a sale process of its own assets if it wishes. Including CFFI's shares in Cormorant in the CFFI SISF will have no impact on this. SAF and Mr. Paddick are effectively trying to have this Court overrule Cormorant's governance – i.e. its ability to decide if, when and how to market its assets – on the basis of CFFI's insolvency, while precluding CFFI from marketing one of its assets.

### **PART III - UNANSWERED QUESTIONS**

15. The evidence before the Court is that the indebtedness under the ARCA has been paid down significantly, a near term further paydown of \$4 million is anticipated, Cormorant is materially less leveraged than when the original SAF loan was put in place, the ARCA does not mature until next year and the new management team is implementing a strategy to increase

revenues, EBITDA, and valuation multiples over a two-to-three-year time frame.<sup>8</sup> It is noteworthy that the SAF Materials do not indicate that the ARCA loan faces any degree of risk whatsoever. Why would SAF want to accelerate the ARCA indebtedness and have Cormorant as a whole put up for sale? Why would Mr. Paddick, a shareholder, support this?

16. The Scott Affidavit previewed Mr. Paddick's views with respect to the SISP prior to the Hugh Affidavit being served.<sup>9</sup> It is evident that Mr. Paddick and SAF are in dialogue with respect to Cormorant. What they are trying to achieve together, however, is unclear.

#### PART IV - OTHER SISP COMMENTS

17. The revised form of SISP prepared by CFFI accommodates several of the changes requested by SAF. It does not, however, accommodate the requested exclusion of the Cormorant Shares or the following other proposed revisions:

- (a) **Consultation Rights in Favour of Subordinate Creditors:** The proposed SISP provides that the Monitor, in consultation with CFFI, may, as it deems appropriate, consult with creditors of CFFI throughout the SISP.<sup>10</sup> Furthermore, The SISP has been revised to give SAF certain information rights with respect to bids for the Cormorant Shares given the position of their security with respect to that particular asset. The HPS Secured Creditors are provided with limited information and consultation rights so that they can determine whether or not to support a transaction that results in repayment of less than the value of the HPS Indebtedness (as defined in the proposed SISP) and/or to carve out certain assets of CFFI from

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<sup>8</sup> Bartlett Affidavit, at para 22.

<sup>9</sup> Scott Affidavit, at para 33.

<sup>10</sup> Bartlett Affidavit, at para 13.

the pool of assets they may ultimately seek to acquire by way of a credit bid or debt assumption transaction.

The Monitor, in its Third Report to the Court, has confirmed that CFFI's secured indebtedness is hundreds of millions of dollars in excess of the fair market values assigned to CFFI's assets in the Ernst & Young Fairness Opinion, which valuation the Monitor concluded is reasonable.<sup>11</sup> The Monitor's analysis, which was completed in response to requests of SAF and Mr. Paddick, indicates that unsecured creditors will not receive any recovery. SAF seeks that various unsecured creditors be provided with mandatory information and consultation rights, instead of relying on the Monitor's discretion in this regard. It is submitted that this offers no value and stands to create unnecessary cost, delay and burden on CFFI and the Monitor.

- (b) **Extension of SISP Milestones:** The milestones proposed in the SISP reflect feedback from the Monitor.<sup>12</sup> They are also consistent with other CCAA sale processes.<sup>13</sup> The longer the SISP, the more cost to CFFI. Delaying the SISP milestones is not justified, nor is the associated expense, particularly when CFFI's assets are worth a fraction of its secured debt.
- (c) **The Ability of the Monitor to Waive Requirements for a Qualified Bid:** There are limited requirements for a "Qualified Bid" under the proposed SISP, such as minimum bid value, that the bid be binding and not subject to diligence or financing conditions, and that the bid be accompanied by a deposit. There is no potential justification for any of these requirements to be waived, therefore this flexibility is

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<sup>11</sup> Third Report of the Monitor dated June 1, 2026, at para 148.

<sup>12</sup> Affidavit of Brittany Bartlett affirmed May 28, at para 17.

unwarranted. Furthermore, potential bidders should not be led to believe that a bid which does not satisfy these limited requirements has any prospect of being successful – the inclusion of this provision leads to the opposite conclusion.

PART V - RELIEF SOUGHT

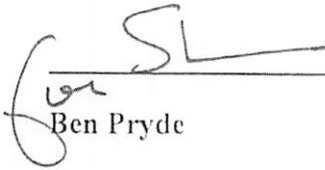
18. CFFI respectfully requests that this Court approve the proposed SISP.

All of which is respectfully submitted 5<sup>th</sup> day of June, 2026.



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Stephen Kingston



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Ben Pryde