



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**

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Application before the Honourable Justice Armstrong to be held on June 10, 2026 at 2:00 P.M. on the Commercial List

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PART I - OVERVIEW¹

1. This Bench Brief is submitted on behalf of CanadaBis Capital Inc., Stigma Pharmaceuticals Inc., 2103157 Alberta Ltd., Full Spectrum Labs Ltd., and 1998643 Alberta Ltd. (“**199**”) (collectively, the “**Applicants**”) in support of their application for:
 - (a) an order (the “**SISP Order**”) granting, among other things:
 - (i) approval of the sale and investment solicitation process (“**SISP**”) substantially in the form attached at Schedule “A” to the SISP Order;
 - (ii) authority for the Monitor and the Applicants to immediately commence the SISP;
 - (iii) authority and direction for the Monitor, the Applicants, and their respective affiliates, partners, employees, advisors and agents to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and the SISP Order; and
 - (b) an order (the “**Second ARIO**”) amending and restating the ARIO (as defined below), to:
 - (i) permit, but not require, the Applicants to make termination and severance payments to any employees terminated during this proceeding; and
 - (ii) extend the Stay (as defined below) in favour of the Applicants and their directors and officers from June 11, 2026 to September 11, 2026.

¹ Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the affidavit of Travis McIntyre sworn June 1, 2026 (the “**Second McIntyre Affidavit**”). All references to monetary amounts are in Canadian dollars unless otherwise noted.

2. The relief sought on this application advances these CCAA proceedings into the next stage of the restructuring process and will permit the Applicants to continue operating as a going concern while the Monitor markets and solicits interests in the Applicants through a fair and flexible SISP. The proposed SISP is a Monitor-led process that is intended to preserve and maximize value for the benefit of all of the Applicants' stakeholders through a transparent and court-supervised sales process. The relief sought is supported by the Monitor.
3. The requested extension of the Stay period from June 11, 2026 to September 11, 2026 provides the Applicants with the time necessary to complete the SISP and enter into definitive documents before returning to Court to seek approval of the best transaction. The Applicants are projected to have sufficient cash to fund their operations and these proceedings during the requested extension of the Stay period, and have acted and continue to act in good faith and with due diligence.
4. The Applicants also seek a slight amendment to the ARIO that permits the Applicants to make termination and severance payments for any terminated employees. The Applicants estimate that such termination and severance payments will be approximately \$30,000, while the expected cost savings from the terminated employees will be approximately \$60,000 per month. The Applicants are of the view that it is important to make these modest payments to maintain goodwill with the terminated employees who may be approached to be re-hired at a later date if the Applicants or a future purchaser wishes to grow. There is nothing in the CCAA that prohibits payment of termination and severance payments, and the Applicants have sufficient liquidity to fund such payments without jeopardizing the restructuring or materially prejudicing any stakeholder of the Applicants.

5. For the reasons set out herein, the Applicants submit that the relief sought is fair and reasonable and should be granted.

PART II - SUMMARY OF FACTS

6. The relevant facts in support of the relief sought are briefly described herein, and are more particularly set out in the Second McIntyre Affidavit.

A. Background

7. 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
8. 199 is the operating arm of the Applicants' corporate group and holds all material assets and licences required for the cannabis business. 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.³
9. Prior to commencing this CCAA proceeding, the Applicants received demands from the CRA for payment of more than \$7 million in excise taxes, and the Applicants did not have the liquidity to repay those amounts while continuing ordinary-course operations, and were unable to raise additional capital, resulting in the need for creditor protection to stay enforcement action by the CRA and to preserve the Applicants' business and enterprise value for the benefit of stakeholders.

² Second McIntyre Affidavit at para 6.

³ Second McIntyre Affidavit at para 7.

10. On April 17, 2026, the Honourable Justice Armstrong of the Court of King’s Bench of Alberta (the “**Court**”) granted an Initial Order in respect of the Applicants pursuant to the CCAA (the “**Initial Order**”). Among other things, the Initial Order included an initial ten-day stay of proceedings (the “**Stay**”) and appointed FTI Consulting Canada Inc. as Monitor of the Applicants (in such capacity, the “**Monitor**”).

11. On April 27, 2026, the Honourable Justice Jones granted the Amended and Restated Initial Order (the “**ARIO**”), which, among other things: (a) extended the Stay until June 11, 2026; (b) increased the maximum amount of the Charges and elevated their priority ahead of all other security interests; and (c) prohibited any person from setting off pre-filing obligations against post-filing obligations.

12. Since the granting of the Initial Order and the ARIO, the Applicants have continued to act in good faith and with due diligence to stabilize their business and operations as part of this CCAA proceeding by, among other things:⁴
 - (a) communicating with, providing information to, and answering inquiries from key stakeholders, including the Ontario Cannabis Store, one of the Applicants’ largest customers;

 - (b) communicating with, providing information to, and answering inquiries from its senior secured creditor, Servus Credit Union (the “**Senior Secured Lender**”);

 - (c) communicating with, providing information to, and answering inquiries from its employees;

⁴ Second McIntyre Affidavit at para 10.

- (d) managing key relationships with customers and suppliers and operating the Business in accordance with the terms of the ARIO;
- (e) working with the Monitor to manage cash flows and to make payments to suppliers in accordance with the ARIO;
- (f) working with and corresponding with the Monitor regarding issues related to this CCAA proceeding; and
- (g) preparing the proposed SISP, in consultation with the Monitor and after considering feedback from the Senior Secured Lender.

B. The Proposed SISP Order

13. The SISP has been developed by the Applicants and the Monitor to maximize the value of the Applicants' business and assets. The SISP is intended to be fair, flexible, and transparent, and to solicit interest in, and opportunities for: (a) one or more sales or partial sales of all, substantially all, or certain portions of the Applicants' Property or Business; and/or (b) an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the Applicants or their Business.⁵
14. The SISP provides for a two-staged process. Phase I of the SISP calls for the submission of non-binding Letters of Intent ("LOIs") by July 15, 2026 (the "**Phase I Bid Deadline**"). Following the Phase I Bid Deadline, the Monitor will evaluate the LOIs, in consultation with the Senior Secured Lender. Following such evaluation, the Monitor, in consultation

⁵ Second McIntyre Affidavit at para 15.

with the Senior Secured Lender and with the consent of the Applicants, will determine which Qualified Phase I Bidders shall proceed to Phase II of the SISP.

15. Phase II of the SISP provides an opportunity for interested parties to complete their due diligence and submit unconditional binding offers on the form purchase agreement that will be made available in the data room. The bids received during Phase II must remain irrevocable until Court approval of the Successful Bid(s).⁶
16. A summary of the key dates under the proposed SISP is as follows:⁷

Milestone	Deadline
Commencement of SISP	June 10, 2026
Distribution of the Notice, Teaser Letter Confidentiality Agreement and Acknowledgement of SISP	As soon as reasonably practicable following the date on which the SISP Order is granted
Phase I Bid Deadline (5:00 P.M. (Mountain Time))	July 15, 2026
Phase II Bid Deadline (5:00 P.M. (Mountain Time))	August 10, 2026
Selection of Successful Bid(s), Back-Up Bid(s), or Notification of Auction (if any)	August 17, 2026
Auction (if any)	No later than August 20, 2026
Sale Approval Hearing	As soon as practicable following selection of Successful Bids
Closing Date Deadline	A maximum of 4 weeks after the Sale Approval Hearing, but by no later than October 8, 2026

⁶ Second McIntyre Affidavit at para 17.

⁷ Second McIntyre Affidavit at para 18.

C. The Proposed Second ARIO

Stay Extension

17. The Stay currently expires on June 11, 2026. The Applicants request an extension of the Stay to September 11, 2026. The extension of the Stay is necessary to maintain stability and to provide the Applicants with sufficient time to complete the SISP and canvas the market for potential bidders.⁸
18. The Applicants request the Court extend the Stay to September 11, 2026, to allow the Monitor and the Applicants to complete the SISP and return to Court seeking approval of the best transaction. Allowing the requested stay extension will minimize the costs associated with an additional hearing prior to completing the SISP.⁹

Termination and Severance Payments

19. The Applicants seek authorization, but not the requirement, to make termination and severance payments to employees whose employment is terminated during the CCAA proceeding. Such payments are currently stayed pursuant to the ARIO.
20. As part of the Applicants' ordinary course and ongoing review of its business operations and personnel requirements, the Applicants may identify limited circumstances in which changes to staffing levels are appropriate having regard to the current needs of the business.¹⁰

⁸ Second McIntyre Affidavit at para 42.

⁹ Second McIntyre Affidavit at para 43.

¹⁰ Second McIntyre Affidavit at para 47.

21. The Applicants estimate that the maximum aggregate amount of potential termination and severance payments contemplated at this time is approximately \$30,000. The Applicants also estimate that the expected workforce reductions would reduce payroll expenses by approximately \$60,000 per month.¹¹

PART III - ISSUES

22. The issues to be determined by this Court are whether:
- (a) the SISP should be approved;
 - (b) the Stay should be extended to September 11, 2026; and
 - (c) the Applicants should be authorized, but not required, to make termination and severance payments in respect of employees terminated during this CCAA proceeding.

PART IV - LAW & ARGUMENT

A. The SISP Should Be Approved

23. The Court has the jurisdiction to approve a sale and investment solicitation process. Consistent with the CCAA's broad remedial purpose, courts have recognized that a SISP may be authorized to facilitate a restructuring and preserve value, including prior to or in the absence of a plan of compromise and arrangement.¹²
24. In determining whether to approve a sales process, the Court should consider the following factors:

¹¹ Second McIntyre Affidavit at para 50.

¹² [*Nortel Networks Corporation \(Re\)*](#), 2009 ONSC 39492, [at paras 47 and 48](#) [*Nortel Networks*].

- (a) whether a sale is warranted at this time;
- (b) whether the sale be of benefit to the whole “economic community”;
- (c) whether any of the debtors’ creditors have a *bona fide* reason to object to a sale of the business; and
- (d) whether there is a better viable alternative? ¹³

25. The Court has also considered the following additional factors:

- (a) the fairness, transparency and integrity of the proposed process;
- (b) the commercial efficacy of the proposed process considering the specific circumstances; and
- (c) whether the sales process will optimize the chances, in the circumstances, of securing the best possible price for the assets up for sale. ¹⁴

26. The proposed SISP satisfies the applicable criteria for approval under the CCAA and should be approved. Among other things:

- (a) the SISP is warranted at this time because it represents the best available means of preserving and maximizing value for the Applicants’ stakeholders. The SISP is designed to maximize value by canvassing the market for a broad range of transaction structures, including a going-concern restructuring, recapitalization,

¹³ [Nortel Networks](#), 2009 ONSC 39492, at para [49](#).

¹⁴ [Walter Energy Canada Holdings, Inc.](#), 2016 BCSC 107 at paras [20-21](#); [CCM Master Qualified Fund v blutip Power Technologies](#), 2012 ONSC 1750 at para [6](#).

refinancing, reorganization, or the sale of all or part of the Applicants' Property and Business;¹⁵

- (b) a sale will maximize value for the Applicants' stakeholders by allowing the business to continue as a going-concern or through ascribing fair market value to the business and assets of the Applicants;¹⁶
- (c) the SISP will be led by the Monitor who will ensure the process is fair, transparent and value-maximizing;
- (d) the SISP provides consultation rights in favour of the Senior Secured Lender and key stages of the SISP, and the Applicants do not believe that any creditor has a reasonable basis to object to the SISP;¹⁷
- (e) the Applicants have consulted with the Monitor, and believe that the milestones of the proposed SISP will provide sufficient time to canvass the market;¹⁸
- (f) the SISP will cause minimal interruption to ongoing operations; and
- (g) the Monitor is supportive of the proposed SISP.¹⁹

27. The proposed SISP is consistent with similar sales processes approved in other Canadian insolvency proceedings involving cannabis companies.²⁰

¹⁵ Second McIntyre Affidavit at para 15.

¹⁶ Second McIntyre Affidavit at para 15.

¹⁷ Second McIntyre Affidavit at para 39.

¹⁸ Second McIntyre Affidavit at para 14-15.

¹⁹ Second McIntyre Affidavit at para 14.

²⁰ [*Freedom Cannabis Inc \(Re\)*](#), SISP Approval Order issued February 26, 2025 [Court File No. 2403-15089]; [*Delta 9 Cannabis Inc. \(Re\)*](#), SISP Approval Order issued July 24, 2024 [Court File No. 2401-09688].

B. The Stay Should be Extended

28. The Applicants seek an extension of the Stay from June 11, 2026 to September 11, 2026.
29. 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”. 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.²¹
30. The Stay currently expires on June 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 SISP and canvas the market for one or more potential bidders. The Applicants seek the extension of the Stay at this time to minimize the costs associated with an additional hearing as extending the Stay to September 11, 2026 will permit the Monitor, with the assistance of the Applicants, to complete the SISP and prepare materials associated with the approval of the successful bid under the SISP.²²
31. Since granting the Initial Order, the Applicants have been, and continue to act in good faith and with due diligence. The Applicants are also projected to have sufficient cash to operate during the requested Stay.²³
32. The Monitor supports the extension of the Stay to September 11, 2026.²⁴

²¹ *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, [s 11.02\(2\), 11.02\(3\)](#) [CCAA].

²² Second McIntyre Affidavit at para 42.

²³ Second McIntyre Affidavit at para 46.

²⁴ Second McIntyre Affidavit at para 44.

C. The Applicants Should Be Permitted to Make Termination and Severance Payments

33. The Applicants seek to amend the ARIO by requesting authorization to make termination and severance payments to employees whose employment is terminated during this CCAA proceeding. Pursuant to the ARIO, such termination and severance payments are currently stayed.
34. Although the ARIO currently stays termination and severance payments, the Alberta Model CCAA Order does not ordinarily include such stay language. As previously stated, following a review of their business operations, the Applicants anticipate that several employees may no longer be required based on the current needs of the business. Notwithstanding that such employees are not currently needed, the Applicants believe that providing termination and severance payments to such impacted employees, where appropriate, is fair and reasonable in the circumstances and consistent with maintaining employee goodwill and preserving the stability and continuity of the business.
35. The proposed relief will also help preserve positive relationships with these former employees, which may benefit the Applicants or a future purchaser if the business transitions into a future growth phase and the Applicants, or a purchaser of the business, seek to rehire certain employees.
36. The proposed relief is modest in scope and proportionate to the anticipated benefits. The Applicants estimate that the aggregate amount of potential termination and severance

payments is approximately \$30,000, while the contemplated workforce reductions are expected to reduce payroll expenses by approximately \$60,000 per month.²⁵

37. The Applicants' approach is consistent with the overall objectives of this CCAA proceeding, which is to find a going concern transaction for the benefit of all stakeholders, including the employees. Making the proposed termination and severance payments and maintaining goodwill with the affected employees may be positive for a potential purchaser who wishes to rehire such employees at a later date.
38. While termination and severance payments are commonly stayed in CCAA proceedings because they do not constitute "wages" under the Alberta *Employment Standards Code* and do not give rise to director and officer liability, there is no prohibition in the CCAA against authorizing such payments where appropriate in the circumstances.
39. This Court has jurisdiction to grant the requested relief pursuant to its broad discretion under section 11 of the CCAA to make any order it considers appropriate in the circumstances.²⁶ Section 11 of the CCAA provides the courts with a broad and liberal power, which is at their disposal in order to achieve the overall objectives of the CCAA.²⁷
40. In these circumstances, the proposed payments are modest, reasonable and commercially justified. The total expected payment (approximately \$30,000) is more than offset by the expected monthly savings (approximately \$60,000 per month). In these circumstances, the Applicants believe that the relief is justified.

²⁵ Second McIntyre Affidavit at para 50.

²⁶ CCAA, [s. 11](#).

²⁷ [Cinram International Inc., Re](#), 2012 ONSC 3767; [Re Sulphur Corporation of Canada Ltd. \(2002\)](#), 2002 ABQB 682 at para [26](#).

41. The proposed relief has been discussed with the Monitor who supports the relief.

PART V - ORDER REQUESTED

42. 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 SISP Order and Second ARIO.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 1st day of June, 2026.

Thornton Grout Finnigan LLP

Thornton Grout Finnigan LLP

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LIST OF AUTHORITIES

A. Statutes

1. [Companies' Creditors Arrangement Act](#), RSC 1985, c C36.

B. Case Law

1. [Nortel Networks Corporation \(Re\)](#), 2009 ONSC 39492.
2. [Walter Energy Canada Holdings, Inc](#), 2016 BCSC 107.
3. [CCM Master Qualified Fund v blutip Power Technologies](#), 2012 ONSC 1750.
4. [Cinram International Inc., Re](#), 2012 ONSC 3767.
5. [Re Sulphur Corporation of Canada Ltd. \(2002\)](#), 2002 ABQB 682.

C. Court Orders and Endorsements

1. [Freedom Cannabis Inc \(Re\)](#), SISP Approval Order issued February 26, 2025 [Court File No. 2403-15089].
2. [Delta 9 Cannabis Inc. \(Re\)](#), SISP Approval Order issued July 24, 2024 [Court File No. 2401-09688].

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ALBERTA
COURT OF KING'S BENCH
COMMERCIAL LIST

Proceeding commenced at **Calgary**

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