SUPERIOR COURT OF JUSTICE

COUNSEL SLIP/ENDORSEMENT

COURT FILE NO.: CV-24-00722386-00CL **DATE:** July 26, 2024

NO. ON LIST: 2

TITLE OF PROCEEDING: Atlas Global Brands Inc. et al

BEFORE: JUSTICE PENNY

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party:

Name of Person Appearing	Name of Party	Contact Info
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For Defendant, Respondent, Responding Party:

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Other:

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Greg Adams	**Court-appointed monitor, Ernst & Young Inc.**	greg.j.adams@parthenon.ey.com

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ENDORSEMENT OF JUSTICE:

[1] The Applicants seek approval of a SISP, a KERP, payment of a prefiling debt necessary to maintain the Applicants' ability to carry on business and an extension of the stay until September 30, 2024.

[2] With the exception of the credit bid issue discussed below, there is no opposition to the orders sought. The Monitor supports granting the orders sought.

The Credit Bid Process

[3] The central issue in dispute is the terms and conditions of any potential credit bid by existing creditors.

[4] The draft SISP order filed by the Applicants would provide an opportunity for a creditor to make a credit bid in certain circumstances. One such circumstance involves a situation where the qualifying bid of a third party under the SISP would result in a shortfall to a creditor.

[5] The Applicants and the Monitor seek to preserve their discretion to approve any credit bid subject to their good faith consideration of that bid. Stoke seeks a term of the order requiring the Applicants and the Monitor to accept a credit bid if one is made in the prescribed circumstances. Part of the dispute involves uncertainty around the amount that would be sought by a creditor in respect of enforcement costs.

[6] In my view the solution to this imbroglio is two-fold. First, any creditor contemplating the possibility of making a credit bid shall provide the Applicants and the Monitor with a payout statement breaking out the claimed principal, interest and costs of enforcement. This shall be done promptly, using estimates of future enforcement costs if necessary. These amounts will be updated if and when a credit bid is actually made. I expect the parties to sort out the question of the reasonableness of these payout statements well in advance of the deadline for third party bids. I may be spoken to if further direction is required.

[7] Second, any creditor shall be entitled to make a credit bid in the prescribed circumstances and, *prima facie*, to have that credit bid accepted, subject only to recourse to the residual discretion of the court in the event of unforeseen or extraordinary circumstances.

[8] With this resolution of the disputed issue, the Applicants' motion is granted.

Stay Extension

[9] The Applicants are acting in good faith and with due diligence. The SISP process requires time to be carried out. The stay extension request is reasonable in the circumstances. The stay extension to September 30, 2024 is granted.

The SISP

[10] A sales process is warranted at this time. A sale would tend to benefit the entire community of stakeholders. Subject to the adjustment to the credit bid process, in which I have attempted to accommodate the objection raised by Stoke, no other viable process has been put forward. The SISP particulars meet the requirements of fairness, transparency and process integrity that are hallmarks of the successful SISP.

[11] The SISP is approved.

The KERP

[12] The proposed KERP in this case recognizes the concerns of the creditors and effectively balances their interests and the objective, shared by all parties, of maximizing value. Other than two relatively modest payments, the benefits of the KERP to the effected employees are only realized to the extent a transaction is concluded that pays out all the secured creditors in full. The secured creditors are not, to this extent, prejudiced and management still has a significant incentive to maximize value.

[13] The requested KERP order is granted.

Sealing Order

[14] In connection with the KERP, a limited sealing order is sought to protect the privacy interests of the effected employees. I am satisfied that the *Sherman Estate* factors have been met. The sealing order is granted.

Payment of Pre-filing Licence Fees

[15] The payment of $70,000 in arrears to Control Union was necessary to maintain the Applicants' certification to sell cannabis products internationally. To implement the SISP, the Applicants must be able to conduct this business. The loss of these certifications could have lead to significant financial and operational difficulties. The Monitor and the DIP Lender consented to this payment.

[16] The Control Union payment is approved.

[17] In conclusion, the motion is granted, with the adjustment to the credit bid process outlined above.

[18] A revised order reflecting the adjustment to the credit bid process may be submitted for my signature.

Penny J.

Penny J.