2026 **Hfx No. 550323**

SUPREME COURT OF NOVA SCOTIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C- 36, as amended (the "**CCAA**")

AND IN THE MATTER OF an application by Spring Loaded Technology Incorporated ("**SLT**" or the "**Applicant**") for creditor protection under s. 11 of the CCAA and other relief

BRIEF OF LAW OF THE MONITOR

April 8, 2026

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TO: **THE SERVICE LIST**

To the Honourable Justice John P. Bodurtha, Grant Thornton Limited ("**GTL**") in its capacity as Court-appointed monitor (in such capacity, the "**Monitor**") of the Applicant, submits:

PART I – OVERVIEW

1. This brief is filed by the Monitor in support of its motion seeking:

   (a) an order, (the "**Reverse Vesting Order**") pursuant to the CCAA, that *inter alia*:

      (i) approves the stalking horse agreement dated January 30, 2026 (as amended on March 31, 2026, the "**Stalking Horse Agreement**" and the bid contemplated by such agreement, the "**Stalking Horse Bid**") between SLT, as vendor, and 4782489 Nova Scotia Limited, as purchaser (in such capacity, the "**Purchaser**");

      (ii) approves the transaction contemplated by the Stalking Horse Agreement (the "**Transaction**"), and authorizes the Applicant to take such additional steps and execute such additional documents as necessary or desirable for the completion of the Transaction;

      (iii) transfers and vests all of the Applicant's right, title and interest in and to the Excluded Assets, Excluded Contracts, and Excluded Liabilities in 17820569 Canada Inc. ("**ResidualCo**");

      (iv) discharges all Encumbrances[1] affecting the Applicant and Retained Assets (other than Permitted Encumbrances);

      (v) terminates and cancels, without consideration, all of the Equity Interests of the Applicant outstanding as of the Closing Time other than the Purchased Shares;

[1] Capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Second Report of the Monitor dated March 31, 2026 ["**Second Report**"] or the Stalking Horse Agreement dated January 30, 2026, as amended on March 31, 2026 ["**Subscription Agreement**"].

(vi) adds ResidualCo as an applicant in this within proceeding and following closing, removes SLT as an applicant in this CCAA Proceeding;

(vii) deems the closing of the Transaction to occur in the manner, order and sequence set out in the Stalking Horse Agreement, including in accordance with the Implementation Steps set forth under Schedule 1.1(ff) of the Stalking Horse Agreement;

(viii) approves the release of all claims based in whole or in part of any act or omission, transaction, dealing or other occurrence existing or taking prior to the delivery of a Monitor's Termination Certificate to SLT and to the Purchaser, substantially in the form attached as **Schedule "A"** to the Reverse Vesting Order (the "**Termination Certificate**") and that relate in any manner whatsoever to SLT or any of its assets (current or historical), obligations, business or affairs or these CCAA Proceeding and prior to the filing of the Termination Certificate, including any actions undertaken or completed in connection with or pursuant to the terms of this Order, or these CCAA Proceeding, or arising in connection with or relating to the Stalking Horse Agreement, the completion of the Transaction, and/or any tax arrears owing by the Applicant for the period prior to the date of the filing of these CCAA proceeding and/or the consummation of the Transaction (collectively, the "**Released Claims**"), as against: (a) SLT and its present directors, officers, employees, shareholders and financial and legal advisors; (b) GTL, in its personal capacity and in its capacity as the Monitor, and its legal counsel and their respective current and former directors, officers, partners, employees and advisors; (c) the Purchaser, its legal counsel and their respective present and former directors, officers, employees and advisors, and (iv) the current and former directors, officers, shareholders, consultants, legal counsel and advisors to ResidualCo (collectively, the "**Released Parties**"); provided that nothing in this paragraph shall release any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA, any claim for willful misconduct, fraud, or gross negligence, or any obligations of any Released Party under, or in connection with, the Stalking Horse Agreement; and

(ix) grants the Monitor enhanced powers with respect to ResidualCo; and

(b) an order (the "**Distribution, Discharge and Termination Order"**) that *inter alia*:

(i) extends the stay of proceedings up to the earlier of: (i) the assignment of ResidualCo into bankruptcy; (ii) the termination of the CCAA Proceeding upon filing the Termination Certificate, or (iii) such other date as this Court may order;

(ii) approves a distribution from the net proceeds of the sale from the Transaction in the order of legal priority as outlined in the Distribution, Discharge and Termination Order;

(iii) approves the Pre-Filing Report of GTL, in its capacity as proposed monitor, dated January 23, 2026 (the "**Pre-Filing Report**"), First Report of the Monitor dated January 30, 2026 (the "**First Report**"), and Second Report of the Monitor dated March 31, 2026 (the "**Second Report**" and collectively with the Pre-Filing Report and the First Report, the "**Reports**") and the activities of the Monitor as set out in such reports;

(iv) approves the fees and disbursements of the Monitor and its counsel, Reconstruct LLP as well as estimated fees of the Monitor and its counsel to finalize these CCAA Proceeding, as outlined in the fee affidavits appended to the Second Report;

(v) authorizes the Monitor to transfer $25,000 to GTL as Trustee in Bankruptcy of ResidualCo should ResidualCo be assigned into bankruptcy;

(vi) terminates this CCAA Proceeding and discharges the Monitor upon execution and filing of a Termination Certificate (as defined in the Distribution, Discharge and Termination Order), confirming that a final distribution of available funds has been completed and all remaining matters have been completed to terminate this CCAA Proceeding;

(vii) terminates the Administration Charge, DIP Charge, KEIP Charge and D&O Charge and Bid Protection Charge upon filing the Termination Certificate;

(viii) releases the Monitor, its legal counsel and their representatives for any actions up to and including the time the Termination Certificate is filed with the Court;

(ix) seals Confidential Appendices “A”, “B”, “C” and “D” to the Second Report until the earlier of 3 months or the closing of the Transaction;

(x) authorizes the assignment of bankruptcy of ResidualCo pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended; and

(c) such further and other relief as this Honourable Court deems just.

PART II – FACTS

A. Background

2. The Applicant is in the business of developing and manufacturing assistive orthopedic knee braces (the “**Business**”). The Applicant sells to patients, clinics and resellers across Canada as well as through international distribution channels.

3. The Applicant was experiencing financial difficulties and therefore sought protection under the CCAA pursuant to the Initial Order (the “**CCAA Proceeding**”). The purpose of the CCAA Proceeding is to develop a plan to address its debt and minimize adverse impacts on stakeholders, thereby enabling the Business to continue as a going concern and remain a valuable contributor to the economy of Nova Scotia.

4. Since the granting of the Initial Order, the Monitor, with the assistance of the Applicant, implemented a sale and investment solicitation process (the “**SISP**”) which was designed to solicit opportunities for a binding bid for a refinancing, sale or other strategic investment involving the Business, assets and/or equity of the Applicant (the “**Opportunity**”).[2]

[2] Second Report at para 18.

B. The SISP

5. On February 9, 2026, the Court granted an order approving the SISP (the "**SISP Approval Order**"). The SISP was designed by the Monitor, in consultation with the Applicant, and 2020 Debenture Holders, to solicit offers or proposals for the Opportunity.

6. As part of the SISP Approval Order, the Court also approved the Stalking Horse Bid submitted by the Purchaser in the form of the Stalking Horse Agreement.

7. The SISP was designed as a two-phase sale process to be administered by the Court over a period up to approximately 30 days. Phase 1 of the SISP ("**Phase 1**") called for non-binding letters of interest ("**LOIs**"). The Monitor, in consultation with the Applicant, was required to assess all LOIs to determine which bids constituted a "**Phase 1 Qualified Bid**" (the bidder of such bid, the "**Phase 1 Qualified Bidder**") and which bidders could participate in the second phase of the SISP ("**Phase 2**"). If there was at least one Phase 1 Qualified Bid (other than the Stalking Horse Bid), the SISP would proceed to Phase 2, which would permit bidders to conduct further due diligence and submit an unconditional binding offer.[3]

8. The Monitor administered the SISP, with the assistance of the Applicant, in accordance with the terms of the SISP Approval Order. The Monitor's extensive solicitation efforts are more fully described in the Second Report delivered in connection with this motion. In particular the Monitor, among other things:

   (a) developed a target list of 124 potentially interested parties to solicit interest in the Opportunity (the "**Interested Parties**") and sent a letter outlining the Opportunity to those parties;

   (b) published advertisements of the SISP;

   (c) granted access to a virtual data room to nine parties that signed non-disclosure agreements; and

[3] Second Report at para 18.

(d) with the assistance of the Applicant, dedicated signifcant time and resources answering any due diligence questions posted to it.[4]

9. At the Phase 1 Bid Deadline, on February 24, 2026, the Monitor received four non-binding LOIs which the Monitor determined to be Phase 1 Qualified Bids.[5] Following the Phase 1 Bid Deadline, the Monitor met with each Phase 1 Qualified Bidder to assess their non-binding bids and identify the next steps required to advance to a binding Qualified Bid.[6]

10. Despite the Monitor's efforts, no binding bids were received by the Phase 2 Bid Deadline of March 12, 2026 (the "**Phase 2 Bid Deadline**"). Based on feedback solicited by the Monitor from each Phase 1 Qualified Bidder that did not submit a Qualified Bid, the decision not to proceed was attributed to, among other things:

(a) a view that the value of the Business does not exceed $1.1 million;

(b) difficulty in obtaining financing; and

(c) a misalignment between the risks and complexities associated with the Business and the bidders' capabilities.[7]

11. By the Phase 2 Bid Deadline, no bidder requested additional time to complete due diligence or seek an extension of the SISP to submit a binding offer.[8] Accordingly, shortly after the Phase 2 Bid Deadline, on March 12, 2026, the Monitor declared the Stalking Horse Bid to be the Successful Bid.[9]

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[4] Second Report at paras. 23, 25, 28-30 and 34.
[5] Second Report at para. 31.
[6] Second Report at para. 34.
[7] Second Report at para. 36.
[8] Second Report at para. 38.
[9] Second Report at para. 39.

C. The Stalking Horse Agreement

12. The principal terms of the Stalking Horse Agreement are as follows:

(a) **The Purchaser:** 4782489 Nova Scotia Limited, the debtor-in-possession lender of the Applicant.

(b) **Purchased Shares**: The Applicant shall issue to the Purchaser and the Purchaser shall subscribe from the Applicant, free and clear of all Encumbrances (other than any Permitted Encumbrances), 10,000 newly issued common shares of the Applicant.

(c) **Purchase Price**: CAD $900,000 representing: (a) a credit bid of the amount outstanding pursuant to the debtor-in-possession credit facility between the Applicant, as borrower, and the Purchaser, as lender, dated as of January 22, 2026 (the "**DIP Term Sheet**"); and (b) the remainder to be paid in cash.

(d) **Excluded Assets**: The Excluded Assets include all rights, covenants and obligations and benefits in favour of ResidualCo under the Stalking Horse Agreement that survive Closing, Excluded Contracts, and all shares or other Equity Interests of Spring Loaded Technology US.

(e) **Excluded Liabilities:** All Claims, debts, obligations and liabilities of or against the Applicant, relating to or affecting any of the Retained Assets or Retained Contracts, or any Excluded Assets or Contracts, except for the Retained Liabilities.

(f) **Retained Liabilities:** The Retained Liabilities include: (i) Liabilities specifically included by the Purchaser in Schedule 1.1(aaa); and (ii) all Liabilities which relate to: (1) the Business under any Retained Contracts; and (2) any Permitted Encumbrances, in each case, to the extent forming part of the Retained Assets and solely in respect of the period, or arising out of events or circumstances that occurred after the Closing Time.

(g) **Closing Conditions:** There are only standard closing conditions including the granting of the Reverse Vesting Order.

(h) **Closing Date:** Five (5) Business Days after the date upon which the conditions to Closing set forth in the Stalking Horse Agreement have been satisfied or waived.

13. If the Stalking Horse Agreement is approved and the Reverse Vesting Order is granted, the Transaction will result in, among other things, the Business continuing as a going concern for the benefit of its stakeholders including all of its employees who will continue employment under the ownership of the Purchaser. [10]

D. The Reverse Vesting Structure is Necessary

14. The Transaction contemplated in the Stalking Horse Agreement has been structured as a "reverse vesting" transaction. In consultation with the Applicant and the Monitor, the Purchaser concluded that a reverse vesting structure was necessary and appropriate to preserve and maximize value in the circumstances.

15. Under a traditional asset sale transaction structure, operating licenses and tax losses can be impossible or difficult to transfer to a purchaser. Without the Reverse Vesting Order, there would be a substantial disruption in the Business. The Monitor understands that the regulatory bodies that have granted the Applicant's Licenses and Permits would require the Purchaser to re-apply for such Licenses and Permits as an approval and vesting order cannot compel the regulatory body to accept this transfer.[11]

16. If the Purchaser were required to apply for the Licenses and Permits, the Monitor expects that the Purchaser and the Applicant would need to enter into a transition services agreement pending approval by the regulatory authority of the Applicant's application, which would likely necessitate an extension of the stay of proceedings, additional financing under the DIP Term Sheet, and increased professional fees.[12]

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[10] Second Report at para. 46.
[11] Second Report at para. 59(b).
[12] Second Report at para. 59(c).

PART III – ISSUES

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

(a) the Subscription Agreement and the reverse vesting transaction contemplated therein should be approved;

(b) ResidualCo should be added as an applicant to this CCAA Proceeding and the Monitor should be granted enhanced powers over ResidualCo to administer this CCAA Proceeding to conclusion;

(c) the Distribution (as defined herein) should be approved;

(d) the Stay of Proceedings should be extended to the earlier of: (i) the assignment of ResidualCo into bankruptcy; (i) the termination of the CCAA Proceeding upon filing the Termination Certificate, or (iii) such other date as this Court may order (the **"Stay Period**");

(e) the Releases should be approved;

(f) the Administration Charge, DIP Charge, KEIP Charge, D&O Charge and Bid Protection Charge should be terminated;

(g) this CCAA Proceeding should be terminated and the Monitor should be discharged;

(h) the Confidential Appendices "A", "B", "C" and "D" to the Second Report should be sealed; and

(i) the Pre-Filing Report, the First Report and Second Report, and the Monitor's activities and fees described therein, should be approved.

PART IV – SUBMISSIONS

A. The Proposed Transaction Should be Approved

18. This Court has jurisdiction under Section 36 of the CCAA to approve a sale outside of the ordinary course of business. Section 36(3) of the CCAA sets out a list of factors to be considered by a Court in determining whether to approve a sale:

(a) whether the process leading to the proposed transaction is reasonable in the circumstances;

(b) whether the Monitor approved the process leading to the transaction;

(c) whether the Monitor has filed a report stating its opinion that the Transaction would be more beneficial to creditors than a sale or disposition in a bankruptcy;

(d) the extent to which the creditors were consulted;

(e) the effects of the proposed transaction on the creditors and other interested parties; and

(f) whether the consideration to be received for the assets is fair and reasonable, taking into account their market value.[13]

19. The factors enumerated at Section 36(3) of the CCAA generally overlap with the principles articulated in the seminal case on approval of sale transactions, *Royal Bank of Canada v. Soundair Corp.*[14] (the "**Soundair Principles**"*).* Unless a proposed transaction clearly offends Section 36(3) of the CCAA or the Soundair Principles, courts have generally upheld the business judgement of the parties and the court-appointed officer overseeing the sale process, in this case the Monitor.[15]

20. The Monitor submits that the proposed transaction satisfies section 36(3) of the CCAA and the Soundair Principles based on the following:

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[13] *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 ["***CCAA***"], s. 36.
[14] *Royal Bank of Canada v. Soundair Corp*., 1991 CanLII 2727 (ON CA), at Tab 1 of the Book of Authorities of the Monitor dated April 8, 2026 ["***BOA***"].
[15] *Regal Constellation Hotel Ltd., Re* (2004), 71 O.R. (3d) 355 (CA), at para 23, at Tab 2 of the BOA.

(a) **<u>The process leading to the proposed sale was reasonable:</u>** The SISP was designed to be broad, transparent, and flexible, with the aim of attracting bidders and to achieve the highest possible purchase price. Any variations to the SISP (including disclosure of bids to the holders of the 2020 Debentures (the "**2020 Debenture Holders**") and the Applicant) was pursuant to Orders of the Court and resulted in a going-concern transaction that benefits a broad variety of stakeholders. The competitive tension in the SISP resulted in increased bids by several bidders, resulting in material improvements for stakeholders.[16] The Monitor administered the SISP in accordance with its terms and the SISP Approval Order.[17]

(b) **<u>The SISP was developed with the Monitor.</u>** The SISP was developed in consultation with the Monitor, the 2020 Debenture Holders, DIP Lender, and the Applicant, and was approved by the Court.[18]

(c) **<u>The Monitor has filed a report stating that the Transaction is in the best interests of stakeholders.</u>** The Transaction is the highest going-concern bid received.[19] The Monitor believes the Transaction is the best going-concern offer received from the SISP and represents the market value of the Applicant after the conclusion of an extensive marketing process.[20] The Monitor believes a bankruptcy and corresponding liquidation would be a suboptimal outcome as compared to the Transaction because the Applicant's employees would be terminated, and customers and vendors may suffer losses.[21]

(d) **<u>Stakeholders were extensively consulted</u>**, The SISP involved the disclosure of bids to the 2020 Debenture Holders in an attempt to seek a going-concern outcome that would avoid liquidation.[22]

(e) **<u>The consideration given by the Purchaser is fair and reasonable in the circumstances.</u>** The Purchase Price is fair and reasonable in the circumstances, taking into account the broad canvassing of the market during the SISP, the

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[16] Second Report at paras 41(a), (c) (g) and 73(a).
[17] Second Report at para 73(a).
[18] Second Report at para 41(e).
[19] Second Report at para 43.
[20] Second Report at para 41(g).
[21] Second Report at para 73(c).
[22] Second Report at para 41(e).

significant bidder activity and multiple bids received by the Monitor. The Successful Bid represents the highest going-concern bid in the SISP. The Transaction is a value-maximizing transaction that monetizes the Applicant's property for the benefit of creditors. [23]

(f) **There is no viable going-concern alternative to the Transaction.** Given the significant cash-flow pressures that the Applicant has experienced in the course of the CCAA Proceeding, it is likely that a failure to close the proposed Transaction will result in the immediate wind-down and liquidation of the Business.

B. The Court has Jurisdiction to Grant the Reverse Vesting Order

21. Courts have held that a reverse vesting transaction is an appropriate transaction structure in restructuring proceedings where a debtor operates in a highly regulated environment in which its existing permits, licences, or other rights may be difficult or impossible to reassign to a purchaser.[24]

22. As articulated by Justice MacDonald in *PricewaterhouseCoopers Inc. v. Canada Fluorspar (NL) Inc.,*[25] "an approval and reverse vesting order ("**RVO**") generally involves a series of steps whereby:

(a) the purchaser becomes the sole shareholder of the debtor company;

(b) the debtor company retains its assets, *including key contracts and permits*; and

(c) the excluded liabilities and assets not assumed by the purchaser are transferred into a newly incorporated entity or entities (referred to in RVOs as "ResidualCo"). The Monitor then addresses these assets and liabilities through a bankruptcy or similar process."[26]

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[23] Second Report at para 41(f).
[24] *Just Energy Group Inc et al v Morgan Stanley Capital Group Inc et al*, 2022 ONSC 6354 ["***Just Energy***"] at para 34, at Tab 3 of the BOA.
[25] *Pricewaterhouse Coopers Inc. v. Canada Fluorspar (NL) Inc.,* 2023 NLSC 88 ["***Canada Fluorspar***"] at para 25, at Tab 4 of the BOA.
[26] *Canada Fluorspar* at para 25, at Tab 4 of the BOA.

23. The Ontario Superior Court of Justice (Commercial List) in *Harte Gold* set out a list of factors to be considered by a Court in determining whether to approve a reverse vesting transaction:

(a) Why is the RVO necessary?

(b) Does the RVO structure produce an economic result at least as favourable as any other viable alternative?

(c) Is any stakeholder worse off under the RVO structure than they would have been under any other viable alternative? and

(d) Does the consideration being paid for the debtor's business reflect the importance and value of the licenses and permits (or other intangible assets) being preserved under the RVO structure? [27]

24. The Reverse Vesting Order is necessary and critical to the Transaction.

Preservation of Licenses, Permits and Registrations

25. SLT operates in the regulated health care industry and holds a range of licenses, permits, and registrations, including a Health Canada license for a Class I active medical device establishment permitting the manufacture of devices for distribution and import, a U.S. Food and Drug Administration license for establishment registration and device listing, and a registration as a manufacturer organization with the United Kingdom Medicines and Healthcare Products Regulatory Agency, which are critical to the ongoing value and going-concern nature of the Business (the "**Licenses**").[28]

26. In *Canada Fluorspar*, this Court acknowledged that the debtor had dozens of permits and licenses that it had to retain to operate the mine. The court-appointed monitor in that case noted that the licenses and permits "may be difficult to transfer" and that even if transfers were possible, the transfers would likely result in significant delays and costs.[29] The licenses and permits were critical for the purchaser's ability to restart operations and

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[27] *Harte Gold Corp. (Re)*, 2022 ONSC 653 ["***Harte Gold***"] at para 38, at Tab 5 of the BOA; factors applied in *Canada Fluorspar* at para 59.
[28] Second Report at para 54.
[29] *Canada Fluorspar* at para 62, at Tab 4 of the BOA.

uncertainty around timing of acceptance would materially affect the restart of mining operations and therefore the economics of the transaction.[30]

27. The Licenses issued to SLT are critical for its operations. In fact, an express purpose of the reverse vesting structure is to ensure that the Licenses will remain with SLT and will not be transferred, terminated or affected in any way by the transaction.

28. Accordingly, the proposed Reverse Vesting Order provides that any and all Retained Contracts, Permits and Licenses, and regulatory approvals required for SLT's business under Health Canada, the U.S. Food and Drug Administration and the United Kingdom Medicines and Healthcare Products Regulatory Approval Agency shall remain in full force and effect upon and following Closing and no individual, firm, corporation, governmental body or agency, or any other entity may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or make any demand under or in respect of any such contract, and no automatic termination will have any validity or effect, by reason of:

> (a) any event that occurred on or prior to closing and is not continuing that would have entitled such person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of SLT);
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> (b) the insolvency of SLT or the fact that SLT obtained relief under the CCAA;
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> (c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the Subscription Agreement, the transactions, the provisions of the Reverse Vesting Order, or any other Order of this Court in this CCAA Proceeding; or
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> (d) any transfer or assignment, or any change of control of SLT, arising from the implementation of the Subscription Agreement, the transactions, or the provisions of the Reverse Vesting Order.[31]

29. Similar language has been incorporated into reverse vesting orders sought by CCAA debtor companies involved in heavily regulated industries such as cannabis production

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[30] *Canada Fluorspar* at para 62, at Tab 4 of the BOA.
[31] Draft Reverse Vesting Order of Grant Thornton Limited, in its capacity as Monitor, at para 13.

and retail, power generation, and other permit-reliant enterprises. For example, in *Saltwire Network Inc.,* Justice Keith of the Supreme Court of Nova Scotia granted a reverse vesting order that provided that all continuing contracts to which the purchased entity is a party shall remain in full force and effect post-closing.[32] Similarly, in *Validus Power Corp*, Justice Osborne (as he then was) of the Superior Court of Justice (Commercial List) granted a reverse vesting order preserving all continuing contracts, permits and licenses post-closing.[33]

30. The granting of the Reverse Vesting Order in this case would advance the policy and remedial objectives of the CCAA.[34] The Monitor is of the view that there are social and public policy considerations that support the continued operation of the company as a going-concern, and that the Transaction is consistent with the remedial purpose of the CCAA, which seeks to mitigate, where possible, the social and economic consequences of bankruptcy.[35]

No Prejudice to Stakeholders from the Structure of the Reverse Vesting Order

31. No stakeholder is materially worse off by the proposed Transaction being structured as a reverse vesting transaction than if the transaction had been structured as an asset purchase. Namely, the cash purchase price will be applied to pay SLT's obligations in priority and any cure costs (if any) will be paid by the Purchaser. Any claim that is expected to be vested to ResidualCo would similarly have received no recovery under an asset purchase transaction.

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[32] *In the Matter of Saltwire Network Inc. et al, Approval and Reverse Vesting Order* ["***Saltwire Network***"] at para. 11, at Tab 6 of the BOA.

[33] *In the Matter of Validus Power Corp. et al,* Approval and Vesting Order at para. 14, at Tab 7 of the BOA; and *In the Matter of Athabasca Minerals Inc. et al.,* ABKB (19-Apr-2024) at para 14, at Tab 8 of the BOA.

[34] *Canada v. Canada North Group Inc*., 2021 SCC 30 ["***Canada North***"] at para 21, at Tab 9 of the BOA, quoting *Century Services Inc. v. Canada (Attorney General),* 2010 SCC 60 at para 70, at Tab 10 of the BOA.

[35] Second Report at paras 59, 64, 66 and 68.

Cancellation of Shares

32. The proposed Reverse Vesting Order cancels all shares of SLT without consideration. The cancellation of shares is necessary to give effect to the reverse vesting transaction. The Court's jurisdiction to cancel shares is derived from the broad statutory jurisdiction afforded by Section 11 of the CCAA,[36] the ranking of priorities in the CCAA, which establishes equity interests as ranking behind all creditor claims.[37] Further, the CCAA expressly provides that a Court may approve a transaction outside the ordinary course without requirement for shareholder approval.[38]

C. Addition of ResidualCo to the CCAA Proceeding

33. The Monitor seeks to add ResidualCo as an applicant in the CCAA Proceeding. ResidualCo is federally incorporated and will have the same officer and principal as SLT prior to closing. ResidualCo is therefore an affiliated debtor company pursuant to Sections 3(2) and 3(3) of the CCAA.[39]

D. Enhanced Powers of the Monitor

34. Pursuant to Section 11 of the CCAA, the Monitor seeks enhanced powers to administer ResidualCo post-closing. At closing, ResidualCo will have no employees or directors and enhanced powers are required to allow the Monitor to act on behalf of ResidualCo including with respect to, among other things, applying to this Court for a final order to distribute the remaining net proceeds of sale. The Monitor would also be empowered to take the appropriate actions required, or that it deems necessary with regard to the ongoing administration of these CCAA Proceeding, including assigning ResidualCo into bankruptcy if required or desirable to wind up the estate.[40]

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[36] CCAA, s. 11.
[37] CCAA, s. 6(8).
[38] CCAA, s. 36(1).
[39] CCAA s. 3.
[40] Second Report at paras 94-95.

E. Distribution

35. The Monitor is seeking authority to distribute the sale proceeds from the proposed Transaction to pay the outstanding amount owing under the Administration Charge and to the Wenova Ventures Limited, 3323381 Nova Scotia Limited, Cedar Point Business Solutions Inc., Joe Ellsmere, Hellen Steer, and Ben Ross (collectively, "**2025 Debenture Holders**") in respect of the outstanding indebtedness owing under the Senior Secured Convertible Debenture dated as of November 18, 2025 (the "**Distribution**").[41]

36. Section 11 of the CCAA provides that a court may" subject *to the restrictions set out in [the CCAA] ... make any order it considers appropriate in the circumstances."* The Court has inherent jurisdiction to fill in the gaps of the CCAA to give effect to its objects.[42]

37. With respect to the distribution to the 2025 Debenture Holders, the Monitor engaged local legal counsel to review the 2025 Debenture Holders' loan and security documentation, and subject to standard assumptions and qualifications, confirmed that such security documentation is valid and enforceable against the Applicant.[43]

38. The Applicant and the Monitor are not aware of any opposition to the proposed Distribution, nor of any material prejudice or compelling reason not to proceed with the proposed Distribution.

F. The Stay Period Should be Extended

39. The Stay Period under the ARIO expires on April 24, 2026. The Monitor proposes that the Stay Period be extended to the earlier of: (i) the assignment of ResidualCo into bankruptcy; (i) the termination of the CCAA Proceeding upon filing the Termination Certificate, or (iii) such other date as this Court may order. The Applicant's cash flows demonstrate sufficient liquidity up to and including the discharge of the Monitor and termination of the CCAA Proceeding.

40. Subsection 11.02(2) of the CCAA gives this Court the authority to grant an extension of

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[41] Second Report at para. 78.
[42] CCAA, s. 11; *Nortel Networks Corporation (Re),* 2009 CanLII 39492, ["***Nortel"] supra*** at para. 30, at Tab 11 of the BOA.
[43] Second Report at para. 76.

the stay of proceedings for any period "it considers necessary".[44] To do so, this Court should be satisfied that circumstances exist that make the order appropriate and that the Applicant has acted, and are acting, in good faith and with due diligence.[45]

41. The Applicant has acted and is continuing to act in good faith and with due diligence. The Monitor recommends the extension of the Stay Period as the proposed extension will provide the Monitor with the necessary time to wind down the proceeding, and no stakeholder will be prejudiced by the extension.

G. The Releases in the Reverse Vesting Order Should be Approved

42. The Monitor seeks the issuance of releases in favour of the Released Parties in respect of the Released Claims.

43. It is well established that CCAA courts have jurisdiction to sanction plans containing third-party releases.[46]

44. The relevant factors for the Court to consider in determining whether to approve releases in CCAA proceedings include:

(a) whether the parties to be released from claims were necessary and essential to the restructuring of the debtor;

(b) whether the claims to be released were rationally connected to the purpose of the plan and necessary for it;

(c) whether the plan could succeed without the releases;

(d) whether the parties being released were contributing to the plan; and

(e) whether the release benefitted the debtors as well as the creditors generally.[47]

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[44] CCAA, s 11.02(2).
[45] CCAA, s 11.02(3).
[46] *Metcalfe & Mansfield Alternative Investments II Corp, Re,* 2008 ONCA 587 ["***Metcalfe & Mansfield***"] at para 78 , at Tab 12 of the BOA.
[47] *Lydian International Limited (Re),* 2020 ONSC 4006 at para 54, at Tab 13 of the BOA. *Metcalfe & Mansfield* at paras 70 to 71,at Tab 10 of the BOA; *Green Relief Inc,* 2020 ONSC 6837 ["***Green Relief***"] at para 27, at Tab 14 of the BOA; *Just Energy* at para 67, at Tab 2 of the BOA; *Freedom Cannabis Inc (Re)*, 2025 ABKB 272 ["***Freedom***"] at

45. It is not necessary for each of these factors to apply in order for the proposed releases to be granted.[48]

46. The same test governs third-party releases within court-sanctioned restructuring transactions, including RVOs. As the Quebec Superior Court in *Blackrock Metals* stated, it is "now commonplace for third-party releases, in favour of parties to a restructuring, their professional advisors as well as their directors, officers and others, to be approved outside of a plan in the context of a transaction.[49]

47. These factors were recently applied by the Supreme Court of Newfoundland and Labrador in *Canada Fluorspar* and *Rambler Metals*, and by the Nova Scotia Supreme Court in *Saltwire Network*.[50]

48. As outlined above, the proposed Reverse Vesting Order provides for releases involving this CCAA Proceeding for various third parties, including the current directors and officers of the Applicant (the "**Released D&Os**"), the Applicant's legal counsel, the Monitor and its legal counsel, the Purchaser, and ResidualCo.

49. For the reasons that follow, the Monitor submits that the Releases in the Reverse Vesting Order should be granted.

(i) **The Released Parties were Necessary and Essential to the Restructuring**

50. The Released Parties have made significant contributions to the CCAA Proceeding. Prior to and since the initiation of the CCAA Proceeding, the Released Parties and, in particular, the Released D&Os have worked diligently and in good faith towards the sale of SLT's Business, resulting in the proposed Transaction and the maximization of value of SLT's Business.[51]

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para 27, at Tab 15 of the BOA; see also *Delta 9 Cannabis Inc (Re)*, 2025 ABKB 52 ["***Delta***"*]* at paras 30 and 62, at Tab 16 of the BOA.

[48] *Green Relief* at para 28, at Tab 14 of the BOA.

[49] *Arrangement relative a Blackrock Metals Inc,* 2022 QCCS 2828 at para 128, at Tab 17 of the BOA; see also *Green Relief* at paras 23 to 25, at Tab 14 of the BOA; *8640025 Canada Inc, Re,* 2021 BCSC 1826 at para 43, at Tab 18 of the BOA.

[50] *Canada Fluorspar* at paras 92-93 at Tab 4 of the BOA; *Rambler Metals and Mining Limited, Re CCAA*, 2023 NLSC 13, at paras 96-97 at Tab 19 of the BOA; and *Saltwire Network* at para 17 at Tab 6 of the BOA.

[51] Second Report at paras 88-89.

51. The Released D&Os were involved in facilitating and overseeing the marketing of SLT's assets and Business and maintained and supported the operations of the Applicant throughout the proceedings so that the Business could be sold as a going concern.

52. Moreover, the continued involvement of the Released Parties are critical to the successful implementation of the Transaction.

(ii) The Claims to be Released are Rationally Connected to the Transaction and Necessary for the Transaction

53. All of the Released Parties are integrally connected to the Transaction. They were all heavily involved in the negotiation and performance of the Transaction and closing of the Transaction is conditional upon the granting of the Reverse Vesting Order, the form of which includes the releases of the Released Claims.[52]

54. The Released Parties are also required in order to enable SLT to continue as a going concern enterprise with continuity of key management. This will ensure that SLT's operations continue uninterrupted as the Released Parties are critical to the success of the business going forward as SLT will not be able to operate without the Released Parties.[53]

55. Further, when determining whether a release is rationally connected to the purpose of the transaction, Courts have considered:

(a) the extent to which the releasee is involved in the implementation of the transaction;[54]

(b) whether the releases provide finality and clarity to the closing of the transaction;[55] and

[52] Second Report at para 92.
[53] *Freedom* at para 29, at Tab 15 of the BOA.
[54] *Delta* at para 114, at Tab 16 of the BOA.
[55] *Long Run Exploration Ltd. (Re)*, 2024 ABKB 710 ["***Long Run***"] at para 23, at Tab 20 of the BOA; *Acerus Pharmaceuticals Corporation (Re)*, 2023 ONSC 3314 ["***Acerus***"] at para 38(d) at Tab 21 of the BOA.

(c) whether the release avoid director indemnity claims, preserving funds resulting from the transaction.[56]

56. The Releases are rationally connected to the Transaction, and it is in the interest of all stakeholders that the Released Parties be incentivized to remain and assist with the completion of the Transaction. Any delay or obstruction to completing the Transaction puts the recovery for all stakeholders at risk.

(iii) The Releases Benefit Creditors

57. The Releases will benefit the Applicant' creditors and other stakeholders by protecting SLT against potential contribution and indemnity claims, minimizing potential claims, and thus maximizing the proceeds of the Transaction.[57]

(iv) The Released D&O Claims are Appropriate and Necessary

58. There can be no question that the Released Parties have made signifcant and material contributions to the CCAA Proceeding, including the implementation of the SISP and the negotiation of the Stalking Horse Agreement. These individuals have been critical to the success of this restructuring, which has resulted in the Business emerging as a going-concern that preserves value for stakeholders.

59. None of the releases claims of the Released D&Os waive or bar any claim or liability arising out of any gross negligence or willful misconduct on the part of the Released D&Os, that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

60. The Released Parties have also continued with SLT despite the increased risk which arose out of the CCAA Proceeding, in no small part so that SLT could continue its operations without disruption. The continued service by the Released Parties has allowed SLT to remain operational because of, among other things, the Released Parties were instrumental in ensuring that SLT's product could continue to be sold and SLT's operations would continue and it will be exceedingly difficult for SLT to continue its operations post-

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[56] *Delta* at para 114, at Tab 16 of the BOA; *Green Relief* at para 51, at Tab 14 of the BOA; *Long Run* at para 23, at Tab 20 of the BOA; *Harte Gold* at para 81, at Tab **5** of the BOA.
[57] See *Harte Gold* at para 85, at Tab **5** of the BOA; *Tacora Resources Inc. (Re),* 2024 ONSC 4436 ["***Tacora"***] at para 25, at Tab 22 of the BOA

Closing without the Released Parties specific operational and product knowledge and expertise.

61. Courts have found that directors have made extensive contributions to CCAA Proceeding if they assisted with pre-filing strategic process, the court-approved SISP, negotiations for the subscription agreement and the continued operations during the CCAA.[58]

62. The Released Parties have assisted the Monitor as needed throughout these CCAA Proceeding by, among other things:

(a) reviewing and providing comments on the SISP;

(b) participating in discussions around the development and implementation of the SISP;

(c) communicating with potential bidders under the SISP; and

(d) preparing projected cash-flow statements.

63. For the foregoing reasons, the Released Parties have significantly contributed to the Transaction.

64. The completion of the Transaction and granting of the Reverse Vesting Order will allow SLT to carry on Business as a going-concern, maximize value for the stakeholders of SLT and will benefit retained employees, vendors, suppliers and customers. There is a strong presumption in the jurisprudence that a transaction which results in the debtor company emerging as a going concern will benefit the debtor and creditors generally.[59]

H. Termination of the Administration Charge, DIP Charge, KEIP Charge and D&O Charge and Bid Protection Charge

65. Following the closing of the Transaction contemplated under the Reverse Vesting Order, the Monitor will pay a portion of the outstanding professional fees secured by the Administration Charge. All outstanding balances, if any, under the DIP Charge, Directors' and Officers' Charge, KEIP Charge, and Bid Protection Charge will be paid upon the filing

[58] *Acerus* at para 38(b), at Tab 21 of the BOA; *Tacora* at para 25(a), at Tab 22 of the BOA.
[59] *Delta* at para 94, at Tab 16 of the BOA.; *Canada North* at para 20, at Tab 9 of the BOA.

of the Termination Certificate, at which time the Monitor obtain a termination of these charges.

I. Discharge of the Monitor and Termination of the CCAA Proceeding

66. The Applicant and the Monitor have successfully completed the SISP and are in the process of discharging all post-filing obligations. Apart from certain remaining administrative matters as described in the Second Report (the "**Remaining Duties**"), the CCAA Proceeding will be materially complete, after the proposed Distribution of the proceeds from the Transaction.

67. Section 11 of the CCAA provides this Honourable Court with broad discretion to make "any order that it considers appropriate in the circumstances".[60] The discretion conferred by section 11 of the CCAA must be exercised in furtherance of the CCAA's objectives, having regard to:

(a) whether the order sought is appropriate in the circumstances;

(b) whether the debtor company is acting in good faith; and

(c) whether the debtor company is acting with due diligence.

68. An order under section 11 of the CCAA will be appropriate where it "advances the policy objectives underlying the CCAA", which objectives include maximizing recovery to creditors and providing a "timely, efficient and impartial resolution of a debtor's insolvency". [61]

69. The proposed form of Distribution, Discharge and Termination Order provides that GTL will be discharged from its duties as Monitor, upon the filing of the Monitor's Termination Certificate certifying that all Remaining Duties have been completed, and the CCAA Proceeding will then be terminated.

70. Courts have routinely granted orders akin to the proposed form of Distribution, Discharge and Termination Order, terminating a debtor company's proceedings under the CCAA and

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[60] See *9354-9186 Quebec Inc. v Callidus Capital Corp*, 2020 SCC 10 ["***Callidus"***] at para 49, at Tab 23 of the BOA.
[61] See *Callidus*, *supra*, at paras 40 and 46, Tab 23 of the BOA.

discharging the court-appointed monitor. The draft Distribution, Discharge and Termination Order provided with this motion is similar in form and content to other Distribution, Discharge and Termination Orders issued by this Honourable Court.[62]

71. The Monitor submits that it is appropriate for this Honourable Court to terminate the CCAA Proceeding in the manner contemplated by the draft form of Distribution, Discharge and Termination Order filed with these submissions, for the following reasons:

(a) the SISP has been completed;

(b) after the closing of the proposed Transaction, the Applicant no longer has ongoing Business operations;

(c) since the granting of the Initial Order, the Applicant has acted, and continue to act, in good faith and with due diligence to conclude all matters for which they were responsible for;

(d) all matters requiring resolution in the CCAA Proceeding, including the Remaining Duties, will be completed by the time the Monitor files their Termination Certificate; and

(e) the court-ordered charges have been fully satisfied or, in the case of the Administration Charge, reserved for by the Monitor, and the Monitor has reserved for payment for the 2025 Debentures Holders.

J. Sealing of Confidential Appendices

72. The Monitor seeks to temporarily seal the list of Interested Parties contacted in the SISP, the confidential information memorandum, copies of the Phase 1 non binding bids received from the Monitor and a feedback summary from qualified bidders, appended as Confidential Appendices "A", "B", "C" and "D" to the Second Report (collectively, the

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[62] See *In the Matter of the Application by IMV Inc. et al*, Termination Order dated November 29, 2023 (Hfx No. 523334) ["***IMV***"], at Tab 24 of the BOA; and *In the matter of Mernova Medicinal Inc. and Cresco Canada Limited*, Distribution, Discharge and Termination Order dated September 23, 2025 (Hfx No. 542329) ["***Mernova***"], at Tab 25 of the BOA.

"**Confidential Appendices**"). The Court has the jurisdiction to grant a sealing order, and may do so when the test set out in *Sherman Estate* is met:

(a) there is a serious risk to an important public interest;

(b) the order sought is necessary to prevent this serious risk to the identified interest because reasonably alternative measures will not prevent this risk; and

(c) as a matter of proportionality, the benefits of the order outweigh its negative effects.[63]

73. The disclosure of the Confidential Appendices would be prejudicial to, among other things, the integrity of any additional marketing efforts that may be needed if the Transaction fails to close for any reason. The sealing order sought is limited in time and will automatically expire at the earlier of the closing of the Transaction, or three (3) months to ensure that the information remains confidential until all sale efforts are concluded. The sealing provisions, limited in this manner, are sufficient to reasonably protect the legitimate stakeholder interests in the circumstances.

K. Approval of the Monitor's Reports, Fees and Activities

74. The Monitor seeks approval of its Reports, fees, its remaining fees and disbursements, and activities described therein and those of its counsel to increase efficiency in the CCAA Proceeding by alleviating the need for a further motion and passing of accounts.

75. In considering whether to approve the fees of a monitor and its counsel, the Court evaluates the accounts based on the "overriding principle of reasonableness". The Court is not required to undertake a line-by-line reconciliation of invoices, rather the focus is on assessing the reasonableness of the accounts and the overall value contributed by the Monitor and its counsel.[64]

76. When reviewing the fairness and reasonableness of the fees of the Monitor and its counsel, courts have considered the following non-exhaustive factors: the nature, extent

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[63] *Sherman Estate v Donovan*, 2021 SCC 25 at paras 38, 41, at Tab 26 of the BOA. See also *Sierra Club of Canada v Canada (Minister of Finance)*, 2002 SCC 41 at para 53, at Tab 27 of the BOA.
[64] *Bank of Nova Scotia v Diemer,* 2014 ONCA 851 at para 45 ["***Diemer***"], at Tab 28 of the BOA; *Re Nortel Networks Corporation et al*, 2017 ONSC 673 at para 13 ["***Nortel 2***"], at Tab 29 of the BOA.

and value of the assets being handled, the complications and difficulties encountered, the degree of assistance provided by the company, its officers, or its employees, the time spent, the Monitor's knowledge, experience, and skill, the diligence and thoroughness displayed, the responsibilities assumed, the results achieved, and the cost of comparable services when performed in a prudent and economical manner.[65]

77. Based on the materials filed in support of the Monitor's request to pass its accounts, and the degree of Court oversight and involvement throughout this CCAA Proceeding, the Monitor submits that the accounts of the Monitor and its counsel are fair and reasonable and should be approved. In particular, the fees and disbursements of the Monitor and its counsel have been validly incurred. The CCAA Proceeding required extensive involvement of the Monitor and its counsel, in particular in conducting the SISP and the extensive negotiations that ensued relating to the disclosure of bids, selection of a going-concern bid, efforts to negotiate the Stalking Horse Agreement, steps taken to deal with the Applicant's cash flow issues, and to advance and pursue the proposed Transaction.

78. Based on the assumption that there are no delays, disputes or unforeseen developments, the Monitor estimates that the costs associated with the completion of the CCAA Proceeding will total approximately $90,000 plus HST. This includes time set aside for, among other things, finalizing the Second Report, the preparation of materials for and in attendance at the within motion, closing the Transaction, and the completion of any Remaining Duties to wind down the CCAA Proceeding.

79. The Monitor and Monitor's counsel are experienced restructuring professionals who have been integral in this CCAA Proceeding and have at all times demonstrated diligence and thoroughness throughout. The hourly rates for the Monitor and its counsel are comparable to the rates charged by other professional firms in Atlantic Canada for the provision of similar services.[66]

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[65] *Nortel 2* at para 14 , at Tab 29 of the BOA; *Laurentian University of Sudbury*, 2022 ONSC 5850 at para 12 at Tab 30 of the BOA. See for example *IMV* at paras 7-8; and *Mernova* at paras 18-19.
[66] Second Report at Appendices I and J.

PART IV – RELIEF REQUESTED

80. For the reasons set out above, the Monitor requests the Court grant the Reverse Vesting Order and the Distribution, Discharge and Termination Order.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 8th day of April, 2026.

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LIST OF AUTHORITIES

1. *Royal Bank of Canada v. Soundair Corp*., 1991 CanLII 2727
2. *Regal Constellation Hotel Ltd., Re* (2004), 71 O.R. (3d) 355
3. *Just Energy Group Inc et al v Morgan Stanley Capital Group Inc et al*, 2022 ONSC 6354
4. *Pricewaterhouse Coopers Inc. v. Canada Fluorspar (NL) Inc.,* 2023 NLSC 88
5. *Harte Gold Corp. (Re)*, 2022 ONSC 653
6. *In the Matter of Saltwire Network Inc. et al,* Approval and Reverse Vesting Order dated October 18, 2024 (Hfx No. 531463)
7. *In the Matter of Validus Power Corp. et al,* Approval and Vesting Order dated January 4, 2024 (CV-23-00705215-00CL)
8. *In the Matter of Athabasca Minerals Inc. et al.,* Approval Reverse Vesting Order dated April 19, 2024 (C25-3009380)
9. *Canada v. Canada North Group Inc*., 2021 SCC 30
10. *Century Services Inc. v. Canada (Attorney General),* 2010 SCC 60
11. *Nortel Networks Corporation (Re),* 2009 CanLII 39492
12. *Metcalfe & Mansfield Alternative Investments II Corp, Re,* 2008 ONCA 587
13. *Lydian International Limited (Re),* 2020 ONSC 4006
14. *Green Relief Inc,* 2020 ONSC 6837
15. *Freedom Cannabis Inc (Re)*, 2025 ABKB 272
16. *Delta 9 Cannabis Inc (Re)*, 2025 ABKB 52
17. *Arrangement relative a Blackrock Metals Inc,* 2022 QCCS 2828
18. *8640025 Canada Inc, Re,* 2021 BCSC 1826
19. *Rambler Metals and Mining Limited,* Re CCAA, 2023 NLSC 134
20. *Long Run Exploration Ltd. (Re)*, 2024 ABKB 710
21. *Acerus Pharmaceuticals Corporation (Re)*, 2023 ONSC 3314
22. *Tacora Resources Inc. (Re),* 2024 ONSC 4436
23. *9354-9186 Quebec Inc. v Callidus Capital Corp,* 2020 SCC 10
24. *In the Matter of IMV Inc. et al*, Termination Order dated November 29, 2023 (Hfx No. 523334)
25. *In the matter of Mernova Medicinal Inc. and Cresco Canada Limited*, Distribution, Discharge and Termination Order dated September 23, 2025 (Hfx No. 542329)
26. *Sherman Estate v Donovan*, 2021 SCC 25
27. *Sierra Club of Canada v Canada (Minister of Finance)*, 2002 SCC 41

28. *Bank of Nova Scotia v Diemer,* 2014 ONCA 851

29. *Re Nortel Networks Corporation et al,* 2017 ONSC 673

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

LIST OF STATUTES

Companies Creditors Arrangement Act, RSC 1985, c C-36

Application

3 (1) This Act applies in respect of a debtor company or affiliated debtor companies if the total of claims against the debtor company or affiliated debtor companies, determined in accordance with section 20, is more than $5,000,000 or any other amount that is prescribed.

Affiliated companies

(2) For the purposes of this Act,

(a) companies are affiliated companies if one of them is the subsidiary of the other or both are subsidiaries of the same company or each of them is controlled by the same person; and

(b) two companies affiliated with the same company at the same time are deemed to be affiliated with each other.

Company controlled

(3) For the purposes of this Act, a company is controlled by a person or by two or more companies if

(a) securities of the company to which are attached more than fifty per cent of the votes that may be cast to elect directors of the company are held, other than by way of security only, by or for the benefit of that person or by or for the benefit of those companies; and

(b) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the company.

Subsidiary

(4) For the purposes of this Act, a company is a subsidiary of another company if

(a) it is controlled by

(i) that other company,

(ii) that other company and one or more companies each of which is controlled by that other company, or

(iii) two or more companies each of which is controlled by that other company; or

(b) it is a subsidiary of a company that is a subsidiary of that other company.

Payment — equity claims

6(8) No compromise or arrangement that provides for the payment of an equity claim is to be sanctioned by the court unless it provides that all claims that are not equity claims are to be paid in full before the equity claim is to be paid.

General power of court

11 Despite anything in the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act*, if an application is made under this Act in respect of a debtor company, the court, on the application of any person interested in the matter, may, subject to the restrictions set out in this Act, on notice to any other person or without notice as it may see fit, make any order that it considers appropriate in the circumstances.

Stays, etc. — other than initial application

11.02(2) A court may, on an application in respect of a debtor company other than an initial application, make an order, on any terms that it may impose,

(a) staying, until otherwise ordered by the court, for any period that the court considers necessary, all proceedings taken or that might be taken in respect of the company under an Act referred to in paragraph (1)(a);

(b) restraining, until otherwise ordered by the court, further proceedings in any action, suit or proceeding against the company; and

(c) prohibiting, until otherwise ordered by the court, the commencement of any action, suit or proceeding against the company.

Burden of proof on application

(3) The court shall not make the order unless

(a) the applicant satisfies the court that circumstances exist that make the order appropriate; and

(b) in the case of an order under subsection (2), the applicant also satisfies the court that the applicant has acted, and is acting, in good faith and with due diligence.

Restriction on disposition of business assets

36 (1) A debtor company in respect of which an order has been made under this Act may not sell or otherwise dispose of assets outside the ordinary course of business unless authorized to do so by a court. Despite any requirement for shareholder approval, including one under federal or provincial law, the court may authorize the sale or disposition even if shareholder approval was not obtained.

Notice to creditors

(2) A company that applies to the court for an authorization is to give notice of the application to the secured creditors who are likely to be affected by the proposed sale or disposition.

Factors to be considered

(3) In deciding whether to grant the authorization, the court is to consider, among other things,

(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 their opinion the sale or disposition would be more beneficial to the creditors than a sale or disposition under a bankruptcy;

(d) the extent to which the creditors were consulted;

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

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

Additional factors — related persons

(4) If the proposed sale or disposition is to a person who is related to the company, the court may, after considering the factors referred to in subsection (3), grant the authorization only if it is satisfied that

(a) good faith efforts were made to sell or otherwise dispose of the assets to persons who are not related to the company; 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 process leading to the proposed sale or disposition.

Related persons

(5) For the purpose of subsection (4), a person who is related to the company includes

(a) a director or officer of the company;

(b) a person who has or has had, directly or indirectly, control in fact of the company; and

(c) a person who is related to a person described in paragraph (a) or (b).

Assets may be disposed of free and clear

(6) The court may authorize a sale or disposition free and clear of any security, charge or other restriction and, if it does, it shall also order that other assets of the company or the proceeds of the sale or disposition be subject to a security, charge or other restriction in favour of the creditor whose security, charge or other restriction is to be affected by the order.

Restriction — employers

(7) The court may grant the authorization only if the court is satisfied that the company can and will make the payments that would have been required under paragraphs 6(5)(a) and (6)(a) if the court had sanctioned the compromise or arrangement.

Restriction — intellectual property

(8) If, on the day on which an order is made under this Act in respect of the company, the company is a party to an agreement that grants to another party a right to use intellectual property that is included in a sale or disposition authorized under subsection (6), that sale or disposition does not affect that other party's right to use the intellectual property — including the other party's right to enforce an exclusive use — during the term of the agreement, including any period for which the other party extends the agreement as of right, as long as the other party continues to perform its obligations under the agreement in relation to the use of the intellectual property.