ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CL-26-00000039 0000 **DATE: Weds. Aug. 26, 2026**

NO. ON LIST: 4 @10am

TITLE OF PROCEEDING: Ayurcann Holdings Corp

BEFORE: JUSTICE CAVANAGH

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:

Name of Person Appearing	Name of Party	Contact Info
Kiera Stevenson	Counsel for creditor Bridget Virolainen	kstevenson@walkerhead.com

For Other, Self-Represented:

Name of Person Appearing	Name of Party	Contact Info
Natasha Rambaran	Counsel for the Monitor	nrambaran@reconllp.com
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ENDORSEMENT OF JUSTICE CAVANAGH:

[1] This motion is brought by Alvarez & Marsal Canada Inc. ("A&M") in its capacity as the Monitor of Ayurcann Holdings Corp. ("Ayurcann Parent") and Ayurcann Holding Corp. ("Residual Co" and together with Ayurcann Parent, the "Applicants") for an order (the "Distribution and Stay Extension Order"), among other things:

a. approving the proposed distribution methodology described in the Fifth Report (the "Proposed Distribution Methodology"), and authorizing and empowering the Monitor to make one or more cash distributions to each of the Applicants' unsecured creditors (the "Unsecured Creditors") holding proven claims (the "Proven Claims") on a pro rata, pari passu basis in accordance with the Proposed Distribution Methodology;

b. substantively consolidating the estates of the Applicants into a single consolidated estate for the purposes of making distributions to the Unsecured Creditors and for the remaining administration and wind-down of these CCAA Proceedings; and

c. extending the Stay Period until and including March 5, 2027.

[2] The facts regarding this motion are more fully set out in the Fifth Report of the Monitor dated August 19, 2026 ("Fifth Report").

Should the estates be substantively consolidated?

[3] In order to efficiently administer the Claims and make distributions in these CCAA Proceedings, the Monitor is requesting an order that, if granted, will substantively consolidate the estates of Ayurcann Parent and Residual Co.

[4] This Court has broad equitable jurisdiction to grant substantive consolidation under the CCAA. While there is no express statutory provision for substantive consolidation in the CCAA, the power to grant such an order lies within the Court's inherent and equitable jurisdiction. See *Nortel Networks Corporation (Re),* 2015 ONSC 2987, at para. 216.

[5] In a substantive consolidation, a number of affiliated legal entities, typically corporations, are treated as if they were one entity, resulting in the assets of the various debtors being pooled to create a common fund out of which claims of creditors of all the debtors are jointly satisfied. See *Redstone Investment Corporation (Re)*, 2016 ONSC 4453, at para. 7. As stated in *Nortel*, at para. 213, "[i]n effect, under substantive consolidation, claims of creditors against separate debtors instantly become claims against a single entity."

[6] In *Redstone*, at para. 78, the Court summarized the general principles governing substantive consolidation under Canadian jurisprudence as follows:

a. are the elements of consolidation present, such as the intertwining of corporate functions and other commonalities across the group?

b. do the benefits of consolidation outweigh the prejudice to particular creditors?

c. is consolidation fair and reasonable in the circumstances?

[7] The "elements of consolidation" referenced in the first prong of the *Redstone* test are adopted from the decision in *Northland Properties Ltd. Re* 1988 CanLII 2924 (BC SC), and include: (a) difficulty in segregating assets; (b) presence of consolidated financial statements; (c) profitability of consolidation at a single location; (d) co-mingling of assets and business functions; unity of interests in ownership; (f) existence of intercorporate loan guarantees; and (g) transfer of assets without observing corporate formalities.

[8] In applying this test, the Court must balance the economic prejudice to creditors resulting from continued corporate separateness against the economic prejudice caused by the consolidation. While administrative expediency is an appropriate consideration, substantive consolidation is an extraordinary remedy that must not be ordered to the material prejudice or expense of a particular creditor who relied on corporate separateness. See *Ashely v Marlow Group Private Portfolio Management Inc.*, 2006 CanLII 31307 (ON SC), at para. 75.

[9] Before the closing of the Emblem Transaction, Ayurcann Inc. and Ayurcann Parent operated as an integrated corporate group. They used one centralized bank account and cash management process, with consolidated accounting and commingled cash, which was used to pay expenses and obligations of both entities. They shared facilities, telephone numbers, a website, other business infrastructure, employees, and a single payroll register. Ayurcann Parent acted as the public-company holding entity, and its financial reporting consolidated the financial statements of Ayurcann Inc. In some instances, supply agreements were entered into by Ayurcann Parent for goods and services supplied to Ayurcann Inc., and vice versa. Ayurcann Parent guaranteed the DIP financing provided to Ayurcann Inc. Upon closing of the Emblem Transaction, the Excluded Liabilities of Ayurcann Inc. vested in Residual Co.

[10] These facts as considered having regard to the relevant *Northland* factors, adopted in *Redstone*, support substantive consolidation.

[11] The Monitor reports, at paras. 6.5, 6.6, 6.7, and 6.8 of the Fifth Report:

> As a result of the Initial Applicants' integrated operations and centralized cash management, the Monitor does not believe that the Applicants' cash and related obligations can be reliably segregated on an entity-by-entity basis. In particular, an effort to trace and allocate historical cash movements and expenses between the Initial Applicants would be time-consuming, costly and uncertain, and would likely reduce the funds available for distribution to creditors.
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> In the absence of substantive consolidation, the Monitor would be required to allocate the Applicants' available cash amounts (the "Available Cash Pool"), past cash movements, professional costs and other administration expenses between the Applicants despite the historical manner in which they operated and managed cash. The Monitor is of the view that this exercise would not produce a reliable result or be proportionate to the funds available for distribution.
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> Substantive consolidation will allow the Monitor to administer the estates efficiently and make distributions from the Available Cash Pool to the Applicants' Unsecured Creditors holding a Proven Claim.
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> The Monitor is of the view that this approach is fair and reasonable in the circumstances and that the benefits of consolidation outweigh any potential prejudice arising from separate estate administration.

[12] I am satisfied that attempting to reconstruct and allocate historical cash movements and expenses would be time-consuming, costly, and uncertain, and would likely reduce the funds available for distribution to creditors. I accept that the benefits of consolidation outweigh any potential prejudice. I find that consolidating the estates of Ayurcann Parent and Residual Co. (i) is fair and reasonable in the circumstances, and (ii) will permit the

Monitor to administer Claims and make distributions efficiently, avoid an unreliable and costly attempt to allocate commingled cash and obligations, and provide an overall benefit to the Applicants' creditor body.

Should the Distributions and the Proposed Distribution Methodology be approved?

[13] CCAA courts have approved interim distributions to unsecured creditors that have proven their claims in a claims process. In determining whether to approve an interim distribution, Courts have considered whether the order sought provides for fair and efficient distributions, and whether sufficient reserves will be maintained following such distributions.

[14] The Proposed Distribution Methodology provides for the equal treatment of all Unsecured Creditors, each of whom will receive a *pro rata* distribution from the Available Cash Pool.

[15] I accept that the proposed distributions are in the best interest of the Applicants and their stakeholders and should be approved. The proposed distributions provide for a fair and efficient distribution of the Available Cash Pool, maintain an appropriately sized Administrative Reserve for future expenses, and will facilitate the timely wind-down of the Applicants' estates and the termination of these CCAA Proceedings.

Should the stay period be extended?

[16] The Stay Period currently expires on August 31, 2026.

[17] The Monitor seeks an extension of the Stay Period to and including March 5, 2027 for the following reasons: (a) the extended Stay Period will provide the necessary time for the Monitor and the Applicants to continue the ongoing review of the Unresolved Claims and make the proposed distributions; (b) the extended Stay Period is required to provide the necessary stability and certainty to enable the Monitor to facilitate the wind-down of the CCAA Proceedings, including through the outside maturity date of the Transition Services Agreement; (c) the Administrative Reserve and other amounts held from the available Cash Pool are expected to provide sufficient liquidity to fund the remaining costs anticipated during the wind-down of the CCAA Proceedings (and any related wind-down proceedings such as formal bankruptcies); (d) the Applicants, with the assistance and oversight of the Monitor, continue to act, in good faith and with due diligence; and (e) the Monitor does not believe that any creditor will be materially prejudiced by the extended Stay.

[18] I am satisfied that the Stay Period should be extended to and including March 5, 2026.

Disposition

[19] Order to issue in form of Order signed by me today.

Released: Wednesday, August 26, 2026

