

**Third Report of  
AlixPartners Restructuring, Inc.  
as CCAA Monitor of Paystone  
Holdings Inc., Paystone Inc.,  
Atom Growth Inc. and Atom  
Growth (USA), Inc.**

**June 30, 2026**

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Court File No.: CL-26-00000261-0000

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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 PAYSTONE HOLDINGS INC., PAYSTONE INC., ATOM GROWTH INC.,  
AND ATOM GROWTH (USA), INC.

THIRD REPORT OF ALIXPARTNERS  
RESTRUCTURING, INC. AS MONITOR

JUNE 30, 2026

## 1.0 Introduction

1. Pursuant to an order (the "**Initial Order**") issued by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on June 5, 2026, Paystone Holdings Inc., Paystone Inc., Atom Growth Inc., and Atom Growth (USA), Inc. (collectively the "**Applicants**" or "**Company**") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**" and such proceedings, the "**CCAA Proceedings**"), and AlixPartners Restructuring, Inc. ("**AlixPartners**"), formerly KSV Restructuring Inc. ("**KSV**"),<sup>1</sup> was appointed monitor of the Applicants (in such capacity, the "**Monitor**"). The Endorsement of Justice Myers dated June 5, 2026 (the "**June 5 Endorsement**") is attached hereto as **Appendix "A"**. The Initial Order was amended and restated pursuant to an Amended and Restated Initial Order on June 15, 2026 (the "**ARIO**"). The ARIO is attached hereto as **Appendix "B"**.
2. On June 22, 2026, the Applicants sought the Court's approval of a sale transaction with 1001632600 Ontario Inc., an entity controlled by the principals of the Applicants (the "**Sale Transaction**"), among other related relief. BDC Capital Inc., a subordinate secured creditor of the Applicants, objected to the Sale Transaction.

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<sup>1</sup> Effective June 1, 2026, KSV's parent company was acquired by an affiliate of AlixPartners, following which KSV changed its name to AlixPartners and KSV was substituted for AlixPartners in all of its ongoing Court appointments pursuant to a Court Order dated June 3, 2026.

3. Pursuant to an endorsement dated June 24, 2026 (the "**June 24 Endorsement**"), the Court dismissed the relief sought by the Applicants at the Sale Hearing other than extending the stay of proceedings to June 30, 2026 (the "**Stay Period**"). A copy of the June 24 Endorsement is attached hereto as **Appendix "C"**.

## **1.1 Purposes of this Report**

1. The purposes of this Report are to:
  - a) provide an update on the CCAA Proceedings since the June 24 Endorsement;
  - b) report on the Applicants' updated cash flow projection for the period June 29 to July 10, 2026 (the "**Cash Flow Forecast**"); and
  - c) provide the Monitor's views with respect to the Applicants' request for an extension of the Stay Period from June 30, 2026 to July 6, 2026, and on an increase of the Administration Charge (as defined in the ARIO) from \$745,000 to \$950,000.

## **1.2 Restrictions**

1. In preparing this Report, the Monitor has relied upon the Applicants' unaudited financial information, the Applicants' books and records, information provided by the CRO, and discussions with the CRO and the Applicants' legal counsel, Bennett Jones LLP.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.
4. Court materials filed in the CCAA Proceedings, which provide background and further information regarding these proceedings and the Applicants, are all available on the Monitor's website at <https://www.ksvadvisory.com/experience/case/paystone>.

## 1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

## 2.0 Update on CCAA Proceedings

1. Since the June 24 Endorsement, the Applicants and the Monitor have engaged with the Applicants' various stakeholders to, among other things, advance the terms of (i) a sale and investment solicitation process to be led by the Monitor and conducted within the CCAA Proceedings (the "**SISP**"), and (ii) an interim financing facility (the "**DIP Facility**") to support the Applicants' operations through closing of a transaction with a successful bidder in the SISP, as well as address the issues raised by the Bank of Nova Scotia ("**BNS**").
2. The Applicants and the Monitor anticipate that approval of the SISP and the DIP Facility will be sought at the next hearing before the Court in the CCAA Proceedings. The Applicants, the Monitor and the relevant stakeholders will continue working to resolve the outstanding issues raised by BNS.

## 2.1 Pre-Filing Payments

1. The ARIO authorizes the Applicants to pay certain pre-filing amounts with the consent of the Monitor and Sandton Investments X (Luxembourg) S.à r.l. ("**Sandton**"), the Applicants' senior secured lender. The Applicants rely on certain key suppliers, technology service providers, sales agents and independent contractors to maintain uninterrupted operations. Given the nature of the Applicants' business, any disruption to those relationships could adversely impact the Applicants' ability to continue serving customers and preserve enterprise value.
2. As set out in the June 5 Endorsement, the Monitor was asked to report on the quantum of pre-filing claims paid. The Monitor notes that, since the date of the Monitor's second report to Court dated June 19, 2026, excluding amounts paid to employees in the ordinary course and amounts paid to parties subject to the Administration Charge, pre-filing amounts paid were approximately \$19,300, comprised of payments to critical technology service providers. These counterparties are critical to the Applicants' business and preserving normal course operations, and were approved by the Monitor and Sandton.

### 3.0 Cash Flow Forecast

1. The Applicants, with the assistance of the CRO, have prepared a Cash Flow Forecast for the period June 29 to July 10, 2026, which the Monitor has reviewed and discussed with the CRO. The Cash Flow Forecast and the Applicants' statutory report thereon pursuant to Section 10(2)(b) of the CCAA are attached hereto as **Appendix "D"**.
2. Based on the Monitor's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. The Monitor's statutory report on the Cash Flow Forecast is attached hereto as **Appendix "E"**.
3. The Cash Flow Forecast reflects that the Applicants have sufficient liquidity to continue to operate in the ordinary course through July 10, 2026; however, the Cash Flow Forecast assumes that the fees of the professionals subject to the Administration Charge largely continue to accrue until funding becomes available under a DIP Facility.

### 4.0 Stay Extension

1. The Stay Period currently expires on June 30, 2026. The Applicants are requesting an extension of the Stay Period to July 6, 2026.
2. The Monitor supports the request for an extension of the Stay Period for the following reasons:
  - a) the Applicants continue to act in good faith and with due diligence to advance the CCAA Proceedings;
  - b) the Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to fund their post-filing obligations during such period;
  - c) it will provide sufficient time for a motion to be brought before the Court seeking approval of the SISP and DIP Facility, which the Monitor believes is in the best interest of the Applicants' stakeholders;
  - d) the Monitor does not believe that any creditor will be materially prejudiced if the extension is granted; and
  - e) as of the date of this Report, the Monitor is not aware of any party opposed to the requested extension.

### 5.0 Administration Charge

1. The ARIO granted an Administration Charge in the amount of \$745,000 to secure the fees and disbursements of the Monitor, the Monitor's legal counsel and the Applicants' legal counsel.

2. As noted above, the Cash Flow Forecast assumes that the fees of the professionals subject to the Administration Charge largely continue to accrue until funding becomes available under the DIP Facility. The Monitor has reviewed the professionals' accrued fees through June 28, 2026 (being approximately \$575,000) and projected fees through the anticipated implementation of the DIP Facility (being approximately \$375,000). Based on that review, the Monitor is of the view that increasing the Administration Charge from \$745,000 to \$950,000 is appropriate to ensure that it provides sufficient security for the fees and disbursements of the beneficiaries of the charge.
3. The Applicants and Sandton support the proposed increase in the Administration Charge.

\* \* \*

All of which is respectfully submitted,

*AlixPartners Restructuring, Inc.*

**ALIXPARTNERS RESTRUCTURING, INC.  
IN ITS CAPACITY AS MONITOR OF  
PAYSTONE HOLDINGS INC., PAYSTONE INC.,  
ATOM GROWTH INC., AND ATOM GROWTH (USA), INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “A”**



**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**COUNSEL SLIP / ENDORSEMENT**

**COURT FILE NO.:** CV-26-00000261-0000      **DATE:** June 5, 2026

**REGISTRAR:** David A. Basskin

**NO. ON LIST:** 4

**TITLE OF PROCEEDING:** Plan of Compromise or  
Arrangement of Paystone Holdings Inc. *et al.*

**BEFORE:** JUSTICE FL MYERS

**PARTICIPANT INFORMATION**

**For Plaintiff, Applicant / Moving Party:**

<b>Name of Person Appearing</b>	<b>Name of Party</b>	<b>Contact Info</b>
Sean Zweig Thomas Gray	Applicants	<a href="mailto:zweigs@bennettjones.com">zweigs@bennettjones.com</a> <a href="mailto:grayt@bennettjones.com">grayt@bennettjones.com</a>
Mary Paterson	AlixPartners Restructuring Inc., formerly KSV Restructuring Inc.	<a href="mailto:mpaterson@osler.com">mpaterson@osler.com</a>

**For Other, Self-Represented:**

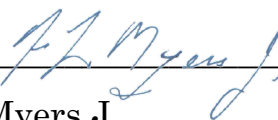
<b>Name of Person Appearing</b>	<b>Name of Party</b>	<b>Contact Info</b>
Brendan O'Neill Brad Wiffen	Sandton Investments X (Luxembourg) S.à r.l.	<a href="mailto:boneill@goodmans.ca">boneill@goodmans.ca</a> <a href="mailto:bwiffen@goodmans.ca">bwiffen@goodmans.ca</a>

**ENDORSEMENT OF JUSTICE FL MYERS:**

1. The Applicants move for an initial order under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36. They are affiliated debtor companies and

meet the formal requirements of the CCAA. Each operates or has assets in Canada, is insolvent, and has more than \$5 million in debt.

2. The Applicants recently restructured their senior debt. Their former lending syndicate sold their positions at a significant discount to Sandton in light of the Applicants' inability to pay.
3. The Applicants advise that they intend to move on the comeback hearing on June 15, 2026 to approve a sale of the business to a company controlled by its current ultimate owners. The buyer proposes to assume the new senior debt and leave the Applicants' subordinated secured debt, unsecured notes, and much of their trade debt stranded and unpaid.
4. The Applicants provided a few hours informal notice of today's hearing to the subordinate secured creditor BDC. I know that the CCAA allows hearings without notice. But where it is obvious that a party with a significant interest will be materially affected by a proceeding, the Applicants ought to have done better. What prejudice could notice have caused? The only person who suffers from a raucous hearing is the judge who has to listen and then write more than might otherwise be required. Perhaps BDC might have objected to a sale approval hearing being brought back so soon. But by not giving it notice (and I do not count today's email as effective notice) isn't BDC's position on timing stronger?
5. I grant the stay of proceedings as sought until June 15, 2026 to allow the Applicants breathing room to seek to move forward in good faith.
6. No DIP or D&O charges are sought. The Administrative charge sought is modest and will not prime anyone unless or until it is reargued on notice to them. On the comeback hearing, I will need better evidence and argument for including the CRO in this charge. Is he not indemnified by the senior secured lenders? He may have the title CRO, but he is not an officer of the court.
7. The authority to make pre-filing payments to critical suppliers is narrowly sought. It is properly circumscribed by several conditions. Counsel advises that there is no expectation of material amounts being paid on pre-filing claims. I invite the Monitor (whom I appoint as asked) to report on the quantum of pre-filing claims paid as a line item in the debtors' cash flows (other than employee-related claims that do not need to be segregated out from employee expenses generally).
8. Mr. Zalev is not a court-appointed officer or put forward as an independent expert witness. I have concerns about the amount of unattributed hearsay and opinion evidence purportedly adduced in his affidavit.

  
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FL Myers J.

Justice FL  
Myers

Digitally signed by Justice FL  
Myers  
Date: 2026.06.05 14:21:21  
-04'00'

## **Appendix “B”**

Court File No. CL-26-00000261-0000

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

THE HONOURABLE	)	MONDAY, THE 15 <sup>TH</sup>
	)	
JUSTICE MYERS	)	DAY OF JUNE, 2026

**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 PAYSTONE HOLDINGS INC.,  
PAYSTONE INC., ATOM GROWTH INC., and ATOM  
GROWTH (USA), INC.**

Applicants

**AMENDED AND RESTATED INITIAL ORDER  
(Amending Initial Order dated June 5, 2026)**

**THIS APPLICATION**, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day by judicial videoconference via Zoom.

**ON READING** the affidavit of Adam Zalev sworn June 5, 2026 and the Exhibits thereto (the "**Zalev Affidavit**"), and the Pre-Filing Report of KSV Restructuring Inc., in its capacity as the proposed monitor, dated June 5, 2026, and the First Report of AlixPartners Restructuring, Inc.<sup>1</sup> ("**AlixPartners**") as the Court-appointed monitor of the Applicants (in such capacity, the "**Monitor**") and on being advised that the secured creditors who are likely to be affected by the charge created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for AlixPartners, counsel for Sandton Investments X (Luxembourg) S.à.r.l. ("**Sandton**"), and such other counsel that were present, no one else appearing although duly served

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<sup>1</sup> Effective June 1, 2026, KSV Restructuring Inc.'s ("KSV") parent company was acquired by an affiliate of AlixPartners, following which KSV changed its name to AlixPartners and KSV was substituted for AlixPartners in all of its ongoing Court appointments pursuant to a Court Order dated June 3, 2026.

as appears from the lawyer's certificates of service, filed, and on reading the consent of KSV to act as the Monitor,

### **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that, for the avoidance of doubt, reference in this Order to the "date of this Order" and the "date hereof", or similar phrases, refer to the date the Initial Order of this Court was granted in these proceedings, being June 5, 2026 (the "**Initial Order**").

### **APPLICATION**

3. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

### **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, contractors, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize their central cash management system currently in place as described in the Zalev Affidavit, or, with the consent of the Monitor and Sandton, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank

providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on, or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee expenses payable prior to, on, or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) with the consent of the Monitor and Sandton, amounts owing for goods and services actually supplied to the Applicants prior to the date of this Order, with the Monitor considering, among other factors, whether: (i) the supplier or service provider is essential to the Business and ongoing operations of the Applicants and the payment is required to ensure ongoing supply; (ii) making such payment will preserve, protect or enhance the value of the Property of the Business; (iii) making such payment is required to address regulatory concerns; and (iv) the supplier or service provider is required to continue to provide goods or services to the Applicants after the date of this Order, including pursuant to the terms of this Order; and
- (c) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the

Applicants in carrying on the Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants on or following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, (iv) income taxes; and (v) all other amounts related to such deductions or employee wages payable for periods following June 5, 2026, and that are of a kind that could be subject to a demand under the statutory provisions specified in Subsections 6(3)(a) through (c) of the CCAA;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by any of the Applicants in connection with the sale of goods and services by any of the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by any of the Applicants.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (i) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (ii) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (iii) to not grant credit or incur liabilities except in the ordinary course of the Business.

### **RESTRUCTURING**

10. **THIS COURT ORDERS** that each of the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down its Business or any of its operations;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues for refinancing, restructuring and selling the Business or Property, in whole or in part, subject to the prior approval of this Court being obtained before any material refinancing, restructuring or sale,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business.

### **NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

11. **THIS COURT ORDERS** that until and including June 25, 2026, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”, and collectively, the “**Proceedings**”) shall be commenced or continued against or in respect of any of the Applicants or the Monitor, or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants, their employees or representatives acting in such capacities or affecting the Business or the Property are

hereby stayed and suspended pending further Order of this Court or the written consent of the Applicants and the Monitor.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

12. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, organization, governmental unit, body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of any of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower any Applicant to carry on any business which such Applicant is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a security interest; or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

13. **THIS COURT ORDERS** that during the Stay Period, no Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence, authorization or permit in favour of or held by any of the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

14. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements or arrangements with any of the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefit services, payment processing services, accounting services, insurance, transportation services, utility or other services to the Business or any of the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses

and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and the Applicants and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

15. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to any of the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **NO PRE-FILING VERSUS POST-FILING SET-OFF**

16. **THIS COURT ORDERS** that no Person shall be entitled to set off any amounts that: (i) are or may become due to any of the Applicants in respect of obligations arising prior to the date hereof with any amounts that are or may become due from any of the Applicants in respect of obligations arising on or after the date of this Order; or (ii) are or may become due from any of the Applicants in respect of obligations arising prior to the date hereof with any amounts that are or may become due to any of the Applicants in respect of obligations on or after the date of this Order, in each case, without the consent of the Applicants and the Monitor, or leave of this Court.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

17. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by Subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of any of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION**

18. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

## **APPOINTMENT OF MONITOR**

19. **THIS COURT ORDERS** that AlixPartners is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by any of the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

20. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to Sandton and its counsel on a weekly basis, of financial and other information as agreed to between the Applicants and Sandton which may be used in these proceedings including reporting on a basis to be agreed with Sandton;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by Sandton, which information shall be reviewed with the Monitor

and delivered to Sandton and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by Sandton;

- (e) monitor all payments, obligations and transfers involving one or more of the Applicants;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) perform such other duties as are required by this Order or by this Court from time to time.

21. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or the Property, or any part thereof.

22. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (collectively, the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers

under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

23. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

24. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its employees and representatives acting in such capacities shall incur any liability or obligation as a result of the Monitor's appointment or the carrying out by it of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA or any applicable legislation.

25. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Applicants, Reflect Advisors, LLC, in its capacity as the Chief Restructuring Officer of Paystone Inc. (in such capacity, the "CRO") in these proceedings, and counsel to Sandton shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to the date of this Order, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor, the CRO, counsel for the Applicants and counsel for Sandton in these proceedings on a weekly basis, or pursuant to such other arrangements as may be agreed to between the Applicants and such parties.

26. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

27. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration**

**Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$745,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraph 29 hereof.

#### **VALIDITY AND PRIORITY OF ADMINISTRATION CHARGE**

28. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge shall not be required, and that the Administration Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administration Charge coming into existence, notwithstanding any such failure to file, register, record or perfect.

29. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person, notwithstanding the order of perfection or attachment.

30. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Administration Charge, unless the Applicants also obtain the prior written consent of the Monitor, Sandton and the beneficiaries of the Administration Charge, or further Order of this Court.

31. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Administration Charge (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), or any bankruptcy order made pursuant to such applications; (iii) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (iv) the provisions of any federal or provincial statutes; or (v) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease,

offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Administration Charge shall not create or be deemed to constitute a breach by any of the Applicants of any Agreement to which any Applicant is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by the creation of the Administration Charge; and
- (c) the payments made by the Applicants pursuant to this Order and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

#### **SERVICE AND NOTICE**

32. **THIS COURT ORDERS** that the Monitor shall: (i) without delay, publish in the Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA; and (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Subsection 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the names and addresses of individuals who are creditors publicly available.

33. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the “**Guide**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/files/guides/the-guide-concerning-commercial-list-e-service-en.pdf>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a

Case Website shall be established in accordance with the Guide with the following URL:  
<https://www.ksvadvisory.com/experience/case/paystone>.

34. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Guide or the CCAA is not practicable, the Applicants, the Monitor, and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Applicants' creditors or other interested parties at their respective addresses (including e-mail addresses) as last shown in the books and records of the Applicants and that any such service, distribution or notice by courier, personal delivery or facsimile or other electronic transmission shall be deemed to be received on the earlier of (a) the date of forwarding thereof, if sent by electronic message on or prior to 5:00 p.m. Eastern Standard Time (or on the next business day following the date of forwarding thereof if sent on a non-business day); (b) the next business day following the date of forwarding thereof if sent by courier, personal delivery, facsimile transmission or electronic message sent after 5:00 p.m. Eastern Standard Time, or (c) on the third (3<sup>rd</sup>) business day following the date of forwarding thereof, if sent by ordinary mail. Any such service or distribution shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of Subsection 3(c) of the *Electronic Commerce Protection Regulations* (SOR/2013-221).

35. **THIS COURT ORDERS** that the Monitor shall maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, neither the Monitor nor its counsel shall have any liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

#### **GENERAL**

36. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

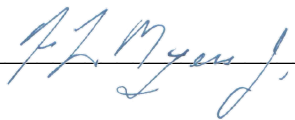
37. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of any of the Applicants, the Business or the Property.

38. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

39. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

40. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

41. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Eastern Time) on the date of this Order without the need for entry or filing.

  
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.  
C-36, AS AMENDED

Court File No.: CL-26-00000261-0000

AND IN THE MATTER OF PAYSTONE HOLDINGS INC., PAYSTONE INC., ATOM GROWTH INC., and ATOM GROWTH (USA),  
INC.

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**  
Proceedings Commenced in Toronto

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**AMENDED AND RESTATED**  
**INITIAL ORDER**

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**BENNETT JONES LLP**  
One First Canadian Place  
Suite 3400, P.O. Box 130  
Toronto, Ontario  
M5X 1A4

**Sean Zweig (LSO# 573071)**  
Tel: (416) 777-6254  
Email: [ZweigS@bennettjones.com](mailto:ZweigS@bennettjones.com)

**Thomas Gray (LSO# 82473H)**  
Tel: (416) 777-7924  
Email: [GrayT@bennettjones.com](mailto:GrayT@bennettjones.com)

**Jamie Ernst (LSO# 88724A)**  
Tel: (416) 777-7867  
Email: [ErnstJ@bennettjones.com](mailto:ErnstJ@bennettjones.com)  
Lawyers for the Applicants

## **Appendix “C”**

**CITATION:** Paystone Holdings Inc. (Re), 2026 ONSC 3693  
**COURT FILE NO.:** CL-26-00000261-0000  
**DATE:** 20260624

**ONTARIO SUPERIOR COURT OF JUSTICE**  
**(Commercial List)**

**RE:** 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 PAYSTONE HOLDINGS INC., PAYSTONE  
INC., ATOM GROWTH INC., and ATOM GROWTH (USA), INC.

**BEFORE:** FL Myers J

**COUNSEL:** *Sean Zweig, Thomas Gray, and Jamie Ernst*, for the  
Applicants

*Marc Wasserman, Mary Paterson, and Martino Calvaruso*,  
for AlixPartners Restructuring, Inc., the Monitor

*Kourtney Rylands and Jasmine Landau*, for BDC Capital  
Inc.

*Brendan O'Neill and Bradley Wiffen*, for Sandton  
Investments X (Luxembourg) S.à r.l

*Natasha MacParland and Mark Evans*, for Steve Lively  
and Shopley Inc.

*Gregory Azeff*, for 1001632600 Ontario Inc.

*Maleeha Anwar*, for Walter Andri

*Jamie Gibson*, for Canadian Business Growth Fund

*David Salter*, for CBGF 2021, LP and Canadian Business  
Growth Fund, LP

*Denna Jalili*, for National Bank of Canada

*Wojtek Jaskiewicz*, for CIC Capital Canada Inc.

*Robert Kennedy*, for Royal Bank of Canada

**HEARD:** June 22, 2026

## **ENDORSEMENT**

### **The Motion and Outcome**

- [1] This decision is rushed because the stay of proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36 expires on June 25, 2026. A decision is required to determine the way forward. (I refer to the Paystone Applicants below as the debtor for convenience.)
- [2] The debtor brought this proceeding as a pre-packaged sale. In the case law, this type of process can be referred to as a "prepack" or, in receivership, as a "quick flip."
- [3] The essence of the process is that an insolvent debtor has come to court with a restructuring outcome already in hand. The debtor has consulted with affected stakeholders and has agreed on a way forward to resolve the insolvency. It proposes to sell its assets to a new company on specific terms and conditions that will allow the going concern business to survive intact. It just needs formal approval. This can be granted very quickly with few process steps needed because the affected parties have already conducted all necessary processes and have otherwise agreed on a mutually acceptable outcome.
- [4] As I will set out below, the law applicable to quick flips is not different than the regular applicable law. The timing is hurried. But the substance of the event - an asset sale in insolvency proceedings - is the same as usual.
- [5] In some cases, including this one, the debtor proposes that its assets be sold to its existing owners or management. In that case, those in charge of the debtor, i.e., management and the board of directors, can find themselves in a conflict of interest.
- [6] Non-arm's length sale transactions are subject to special provisions under the *CCAA*.

- [7] Case law also recognizes that when a non-arm's length asset sale is proposed, special scrutiny is required to try to guard against the risk of abuse. In a balance sheet insolvency, by definition, the equity of the insolvent debtor has no value. With liabilities exceeding the realizable value of the debtor's assets, there is no room left to share value with shareholders.
- [8] It is noteworthy then, in a non-arm's length quick flip, that those in charge of the debtor are proposing a transaction which sees them receiving some value when their equity has no value. There is a need to consider whether management and the board of directors have given due heed to the positions of creditors and other stakeholders. The fact that they propose the transaction as a prepack means there is little process or time available in which to ensure the propriety of the proposed transaction.
- [9] For the reasons that follow, I find that the debtor has not yet met the burden upon it for approval of the asset sale proposed.
- [10] I extend the stay to 11:59 p.m. EDT on June 30, 2026.
- [11] The debtor might need interim financing to move forward. In the evidence there are expressions of interest offering to provide debtor-in-possession financing under normal terms. I leave to the debtor, ably assisted by the Monitor, to propose next steps whether financing is required or not. I will hear them on a stay extension briefly on or before June 30, 2026 if necessary.

### **The Law**

- [12] Section 36 of the *CCAA* prohibits an insolvent debtor in a *CCAA* proceeding from selling assets outside of the ordinary course of business without court approval. With approval, the assets can be, and typically must be, vested in a purchaser free and clear of existing security by a court order. In that way, the purchaser can run the business without suffering the weight of the pre-existing debt that the debtor could not bear.
- [13] Under an approval and vesting structure, when the debtor's business assets are sold, the creditors' claims remain with the corporate shell of the debtor in the *CCAA* proceeding. Creditors are left to divvy up the sales proceeds in accordance with their lawful priorities.

- [14] A going concern sale is an appropriate restructuring alternative when it maximizes the value of the debtor's business. Doing so provides the best available recovery for creditors while, at the same time, preserving the going concern in the interests of other stakeholders like employees, customers, and suppliers. It is in the public interest to preserve the going concern to avoid the devastation wrought by business failure and bankruptcy. *Century Services Inc. v. Canada (Attorney General)*, 2010 SCC 60 (CanLII) at paras. 15 to 17.
- [15] The relevant portions of section 36 of the CCAA provide:

**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).

- [16] It is worth noting that although the goal of the process is to maximize recovery for creditors, while saving the going concern business, subsection 36 (3) deals as much with the process of sale as with the price obtained.
- [17] A robust, transparent process, overseen by the Monitor (or other officer of the court like a receiver), with input from affected creditors, is a proxy or a confirmation that a fair and proper effort was made to obtain fair market value or at least maximum realization on the assets for sale. This is a tried and true concept adopted by the CCAA from cases such as the Court of Appeal's seminal receivership decision in *Royal Bank of Canada v. Soundair Corp.*, 1991 CanLII 2727 (ON CA).

- [18] For a non-arm's length sale, subsection 36 (4) of the *CCAA* adds two additional factors for the court to consider. The court needs to consider whether the debtor made good faith efforts to sell the assets to an arm's length buyer. Then the court also must consider whether the price being realized for the assets was better than any other offer made in whatever sale process led to the proposed non-arm's length.
- [19] In *McEwan Enterprises Inc.*, 2021 ONSC 6878, Morawetz CJSCJ found the s. 36 (4) factors were not met in a proposed related party sale under the *CCAA*. He made specific reference to the fact that the subsection provides that court approval of a related party sale may "only" be given on proof of both the delineated factors in that subsection. In that case, the failure of the debtor to make any effort to sell its assets to an unrelated party was fatal to the approval sought under s. 36 (4)(a).
- [20] In *Sanjel Corporation (Re)*, 2016 ABQB 257 (CanLII) Romaine J. made the point that even in a prepack, a sale need only be reasonable. It does not need to be perfect. That case involved a sale to a secured creditor rather than to management. But I accept that perfection cannot be the standard. It is not required in subsection 36 (4) for related party transactions any more than it is required in subsection 36 (3) for non-arm's length sales generally.
- [21] Counsel for the debtor accepts that quick flips may attract heightened scrutiny. (See para 40 of their factum).
- [22] In *Tool-Plas Systems Inc. (Re)*, 2008 CanLII 54791 (ON SC), Morawetz J. (as he then was) wrote:
- [15] A 'quick flip' transaction is not the usual transaction. In certain circumstances, however, it may be the best, or the only, alternative. In considering whether to approve a 'quick flip' transaction, the Court should consider the impact on various parties and assess whether their respective positions and the proposed treatment that they will receive in the 'quick flip' transaction would realistically be any different if an extended sales process were followed.
- [23] Morawetz J approved the proposed quick flip in that receivership case. He noted at para. 11 of the decision that the subordinate secured creditor who would not receive any return on its secured claim nevertheless "agreed to forego payment."

- [24] BDC Capital Inc. does not agree to forgo payment in this case as discussed below. It is the subordinate secured creditor of the debtor. Its secured claim is for approximately \$12 million for outstanding principal and interest. If the transaction proposed is implemented, there will be no recovery for BDC and unsecured creditors behind it (approx.. \$7.7 million).
- [25] In another receivership proceeding, *Montrose Mortgage Corporation v. Kingsway Arms Ottawa*, 2013 ONSC 6905, DM Brown J (as he then was) wrote:

[10] “Quick flip” or “pre-pack” transactions are becoming more common in the Ontario distress marketplace. In certain circumstances, a “quick flip” involving the appointment of a receiver and then immediately seeking court approval of a “pre-packaged” sale transaction may well represent the best, or only, commercial alternative to a liquidation. In such situations the court still will assess the need for a receiver and the reasonableness of the proposed sale against the standard criteria set out in decisions such as *Bank of Nova Scotia v. Freure Village on Clair Creek* and *Royal Bank v. Soundair Corp.*, respectively. However, courts will scrutinize with especial care the adequacy and the fairness of the sales and marketing process in “quick flip” transactions:

Part of the duty of a receiver is to place before the court sufficient evidence to enable the court to understand the implications for all parties of any proposed sale and, in the case of a sale to a related party, the overall fairness of the proposed related-party transaction. As stated by Morawetz J. in the *Tool-Plas* case:

[T]he Court should consider the impact on various parties and assess whether their respective positions and the proposed treatment that they will receive in the quick flip transaction would realistically be any different if an extended sales process were followed.

The need for such a robust and transparent record is heightened even more where the proposed purchase involves

a credit bid by one of the debtor's secured creditors, the practical effect of which usually is to foreclose on all subordinate creditors.[Notes omitted.]

- [26] Brown J agreed that the regular rules apply to quick flips but with heightened review of the fairness of the sales process. He was concerned to ensure that the sales process was robust and transparent because, like here, the proposed sale would leave some creditors unpaid.
- [27] In *Proposition de SRTX inc.*, 2026 QCCS 570 (CanLII), Morin J made a very thorough review of the conditions surrounding approval of quick flips in a proposal proceeding under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3. At para. 38 of the decision, he expressly likened the principals at play to an analogous CCAA proceeding.
- [28] Like Morawetz J and Brown J, Morin J started with a very positive assessment of the potential for quick flips sales:
- [6] In the Court's view, prepacks should be encouraged and celebrated, not ostracized. When done correctly, they serve an important purpose. They can shield a business from the stigma of formal insolvency proceedings, reduce operational disruption, preserve going-concern value, and minimize professional costs associated with prolonged court oversight. In theory, they represent the most efficient form of corporate restructuring, its best version.
- [29] But he then went on to clarify that he was speaking about a narrow and constrained class of transactions. In the next paragraphs he wrote:
- [7] But prepacks are akin to unicorns. The occurrences of this mythical creature are scarce and only few live to tell the tale. Put differently, true examples are rare.
- [8] A successful prepack requires alignment among stakeholders whose competing interests typically diverge in insolvency: secured and unsecured creditors, employees, customers, clients, tax authorities, and shareholders, all seeking to rightfully preserve their respective positions. That tension is both inevitable and legitimate.
- [9] For that reason, prepacks are difficult to achieve. Their streamlined and expedited nature demands near unanimity, or at least a broad stakeholder alignment. If a key

stakeholder raises a serious opposition, the Court must exercise caution, even in the face of liquidity constraints or asserted urgency.

[30] He continued later:

[24] Prepacks require a carefully orchestrated symphony that allows for the SISP to be conducted outside formal insolvency proceedings.

[25] Unlike a traditional insolvency process, a prepack does not unfold in the open, with the benefit of public announcements and the procedural timelines that ordinarily allow stakeholders to absorb developments and organize a response. Instead, stakeholders are effectively presented with a transaction that is substantially complete, leaving them with significantly curtailed reaction time.

[26] Unlike in a traditional insolvency process, the Court has limited opportunity to develop a confidence-based relationship with its Court-appointed officer, the trustee. This reality underscores the heightened need for comprehensive and candid advance disclosure, an obligation that extends beyond routine procedural requirements. A full and frank disclosure type of obligation. Above and beyond.

[31] Morin J refers to a “SISP” having been conducted out of court – before the formal proceeding. A SISP is a “Sales and Investment Solicitation Process.” It is the current terminology used to refer to the process by which a debtor or a court officer markets assets while often looking for other investment or refinancing alternatives for the debtor at the same time.

[32] In all these cases, the request for a quick flip sale is preceded by a form of sales process by which the debtor or creditors have canvassed the marketplace. The debtor conducts the process outside of the formal court process. Therefore, it lacks the direct supervision of the court and its officer – whether a Monitor or Receiver. It is not a process conducted pursuant to terms that have been debated and tested in court among all interested parties. The process does not bear the *imprimatur* of the court.

- [33] Sales processes conducted out of court or before formal court proceedings have commenced can replicate court-ordered sales processes. If they are sufficiently robust and transparent, they can be perfectly valid proxies for fair market value fitting within the requirements of *Soundair*.
- [34] But, by proceeding out of court, the debtor leaves itself open to *ex post facto* review. In a quick flip, the time provided for creditors and the court to conduct the review is necessarily very brief. Hence the case law discusses the need for full disclosure and near unanimous support among creditors and interested parties – especially those who will receive no recovery under the proposed transaction.
- [35] Morin J also noted that the court is concerned not only with those who attend court, but also with the majority of affected creditors who do not participate. These typically include unsecured creditors, terminated employees, and unpaid suppliers, for example, whose claims will be left behind very suddenly. They will be told that a transaction was implemented by a court in a quick hearing. As a result, they will receive no payment on their claims due to a process in which they had no opportunity to participate. They will not even have the benefit of the explanations debated in the courtroom.
- [36] I have a concern about the appearance of justice being done in such cases.
- [37] At para. 27.3 of *SRTX*, Morin J addresses this concern saying that he expects more of the court’s officer in prepacks:
- This informational asymmetry must be addressed proactively and requires a more detailed report from the trustee in a prepack context.
- The Court’s supervisory role does not end with those physically present in the courtroom; it extends to all stakeholders whose rights and interests may be affected.
- Correspondingly, the Trustee’s mandate is not limited to reporting procedural developments. As an officer of the Court, the Trustee must provide meaningful oversight by explaining how the interests of affected stakeholders have been considered or, where appropriate, why they have not been engaged or accommodated in the circumstances.
- [38] I do not read *SRTX* as changing the law related to prepacks or quick flips. The concepts reiterated by Morin J were already in place from cases such as *Montrose Mortgage Corporation* and *Tool-Plas*.

- [39] In this case there is heightened scrutiny already required because it is presented as a prepack. But, on top of that, the proposed sale is to the existing owners of the debtor. Therefore s. 36 (4) places additional burdens on the debtor.
- [40] In my view, the debtor has yet to meet its burdens.

### **Analysis**

- [41] I have not set out the detailed facts.
- [42] First, I have too little time to summarize the voluminous material before the court. If there was a tool to assist the court to summarize large amounts of data in a brief amount of time this might have been a good place for such assistance. I am grateful to counsel for all parties who put together large amounts of material and then provided full and helpful analyses in their factums and orally.
- [43] Second, there are few disputed facts of any relevance.
- [44] Third, the process and timing of this proceeding was entirely within the debtor's control with its senior creditors. It had every opportunity to provide for the transparency of its processes and to ensure that the court proceeding was brought in a way to facilitate necessary review and approvals. It chose to proceed with transactions outside formal proceedings and then to propose an urgent quick flip under the CCAA.
- [45] I provide a rough outline of the circumstances to make the analysis understandable beyond the parties.
- [46] The debtor operates in the fintech and software industry and provides payment processing and customer engagement platforms to approximately 38,000 small and medium-sized businesses across Canada and the United States. It has approximately 118 employees as well as various offshore contractors.
- [47] The debtor admits it is insolvent on a balance-sheet basis and that it is unable to pay its liabilities as they become due.

### **The Senior Debt is Purchased in May**

- [48] In 2025, for a variety of reasons, the debtor found itself in default of its \$92 million senior secured credit facility. The senior secured creditors were a consortium of three banks represented by National Bank of Canada as agent.

- [49] On May 8, 2026, Sandton Investments X (Luxembourg) S.à r.l. purchased the senior debt from the syndicate of banks for approximately \$41 million.
- [50] BDC's secured debt is subordinate to the first secured debt. This means that, on the face of the debt documents, the debtor needs to realize at least \$92 million-plus before there can be any recovery for BDC on its \$12 million claim.

### **The Sales Process**

- [51] In late 2025, the debtor retained Reflect Advisors, LLC and, in particular its founder Adam Zalev, as Chief Restructuring Officer.
- [52] Mr. Zalev provided the only affidavit evidence for the debtor in this proceeding. There is no evidence from management, the senior secured creditors, or Canaccord Genuity Corp. about the pre-court processes and transactions.
- [53] In his affidavit, Mr. Zalev uses his acknowledged restructuring expertise as a basis to provide opinions to the court about the adequacy of the processes through which he took the debtor. The debtor's counsel made no suggestion that this evidence was admissible. The evidence of steps taken, where not hearsay and double hearsay, is the stuff on which an opinion of an expert witness may be based. But Mr. Zalev is not presented as an expert witness. I cannot admit Mr. Zalev's opinions into evidence. I will refer to the Monitor's recommendations and assessments where appropriate.
- [54] In January, 2026, Sandton approached Mr. Zalev about a possible purchase of the senior debt.
- [55] Sandton executed a confidentiality agreement on January 26, 2026.
- [56] On February 11, 2026, the senior bank syndicate and the debtor entered into a forbearance agreement that contained the outlines of a sales process acceptable to the banks. Mr. Zalev says that the purpose of the process was "to fully repay and cancel obligations owing to the Syndicate."
- [57] At the request of the senior bank syndicate, the debtor retained Canaccord to design and implement a sales and investment solicitation process. The process was to be conducted without court proceedings.
- [58] Canaccord has acknowledged expertise in marketing refinancing transactions and assets sales for businesses including distressed businesses.

- [59] Canaccord contacted over 100 potentially interested industry players – strategic and financial. It obtained some 35 confidentiality agreements from potential bidders who wished to see the confidential dataroom assembled for the proposed transaction. The information in the dataroom included a confidential information memorandum that provided a comprehensive overview of the debtor’s business and highlighted relevant details.
- [60] Four potential bidders delivered expressions of interest to the debtor through Canaccord at the deadline for doing so as provided in the sales process.
- [61] In parallel with the Canaccord sales process, Mr. Zalev engaged in separate discussions with Sandton. Although Sandton signed its confidentiality agreement two weeks before the senior bank syndicate and the debtor agreed to the terms of Canaccord’s sale process, Sandton was not included in the process.
- [62] Mr. Zalev says that he did not even advise the senior bank syndicate of Sandton’s interest until March, 2026. He does not say why he kept this information back from the banks while the terms of the forbearance agreement and the Canaccord sales process were being worked out or once the process was implemented.
- [63] Mr. Zalev says that Sandton did not want to participate in the Canaccord process. Even if such unattributed hearsay were admissible in evidence, if that is all that it took for Sandton to become entitled to hold a separate, private, undisclosed negotiation with the debtor, then the comprehensiveness and rigour of the Canaccord sales process would seem to be undermined.
- [64] Mr. O’Neill, counsel to Sandton, says that Sandton was interested only in buying the secured debt of the senior banking syndicate. It is a lender interested in debt rather than investment in the business of the debtor. Ignoring that this is not in evidence, it is not an explanation of why it could not make a bid in the Canaccord process in which four others advanced refinancing expressions of interest too. In fact, no bids were received for a purchase of the debtor’s assets. As Mr. Zalev noted, the purpose of the Canaccord process was principally to get the banks out at the best price possible.
- [65] There is nothing in the documents before the court by which Sandton requires or agrees to any further court process, asset sale, or quick flip to management or otherwise. I am told that Sandton supports management’s proposal and only management’s proposal to buy the

business. But despite Sandton investing more than \$40 million a short while ago, this proposed sale and this prepack, that it wholeheartedly supports, are said to be the independent venture of the debtor.

- [66] In their forbearance terms, the senior bank syndicate required that the Canaccord process, like typical court-based processes, call for potential bidders to deliver non-binding “expressions of interest” by a deadline – March 6, 2026. On that same date, Canaccord would provide to bidders a template form of agreement of purchase and sale acceptable to the senior bank syndicate. Bidders with whom the debtor or the senior bank syndicate wished to move forward would then be required to deliver binding offers in the template form by March 31, 2026.
- [67] Canaccord reviewed the four expressions of interest submitted by bidders with the debtor, Mr. Zalev, and the senior bank syndicate. In addition, they reviewed an offer they received separately from Sandton. The banks and the debtor decided to proceed with the Sandton offer rather than moving forward with one of the expressions of interest obtained by Canaccord through the sales process. Mr. Zalev says:
- After reviewing and considering the terms of Sandton's proposal compared to the proposals received under the Pre-Filing Process, the Applicants and the Syndicate, in consultation with the CRO, determined that the Sandton proposal was superior (including, among other reasons, because it provided the greatest recovery for the Syndicate), and ultimately agreed to proceed with that proposal.
- [68] Mr. Zweig, counsel for the debtor, submitted that there was so much room (or “daylight”) between the expressions of interest obtained by Canaccord in the sales process when compared to the Sandton offer that there was no point moving forward with any of Canaccord’s bidders.
- [69] I do not understand that submission, however. Mr. Zweig agreed with me that looking at the expressions of interest provided by Canaccord, two of the four appear to be very close to the Sandton offer in dollar value. Mr. Zweig was unable to point to any evidence to explain the statement that the be Sandton bid was much more valuable than the expressions of interest received from at least the two bidders whose bids were so close to Sandton’s bid.

- [70] There is simply no evidence explaining why the Canaccord sales process did not move forward with Sandton as a bidder competing with other bidders with similar value proposals. Of course, I am not requiring the bank syndicate to do anything. It can sell its debt as it wishes. And it did so.
- [71] But if the debtor and Sandton wish to rely on the Canaccord process as a reliable guide to the market value of the assets of the debtor, it was incumbent on the debtor to ensure that the process was rigorous, comprehensive, fair, and that it was explained transparently. Sandton was treated differently by the debtor and the Syndicate in the Canaccord sale process.
- [72] The debtor ended the Canaccord sale process before seeking binding offers from any of the bidders without any verifiable explanation of why.
- [73] On May 8, 2026, Sandton bought the senior debt. It was not just a bilateral purchase between Sandton and the banking syndicate. On the same day, Sandton and the debtor (and its affiliates and shareholders as guarantors) agreed to the terms of a forbearance agreement of which more will be written below.

### **BDC's Involvement**

- [74] BDC says it was largely excluded from the Canaccord sale process and it was completely excluded from negotiations among the debtor and Sandton. There seems to have been some information shared with BDC at least about the Canaccord sales process. But as a Crown corporation and a subsequent creditor, it told the debtor that it was interested in assisting the debtor fund the best deal. It indicated a willingness to help finance bidders, and perhaps to participate with them in bids. Yet it was kept away from the ongoing process by Canaccord and the debtor.
- [75] In late May, the debtor set up a meeting with BDC to discuss the status of its position. The debtor provided BDC with a May 22, 2026 cash flow forecast showing it had sufficient funds to continue until the end of August.
- [76] A meeting was set between the debtor and BDC for after June 5, 2026. I understand the need to keep CCAA planning confidential. But BDC submits it was misled and kept in the dark inappropriately.

### **June 5, 2026 – CCAA – Quick Flip**

- [77] On June 5, 2026, the debtor sought protection under the CCAA. It sought a return date in ten days to carry out a quick flip of the business to a new company to be owned by the principals of the debtor.

- [78] The purchase price for the proposed sale would be \$60 million to be funded by Sandton by new debt against the purchaser. The debtor's debt to Sandton, as assignee of the bank syndicate, will be correspondingly reduced by \$60 million.
- [79] In other words, this is a sale with no cash proceeds. The debtor's business assets will remain intact with a debt load of \$60 million instead of the current \$92 million (plus BDC's \$12 million plus another \$7.7 million in unsecured debt).
- [80] The proposed sale will leave stranded with the debtor, with no cash or sale proceeds, the remaining \$32+ million of bank debt, the claims of BDC, and the claims of all other unsecured creditors.
- [81] I noted in my June 5 endorsement, that the debtor provided only a couple of hours informal notice to BDC of the proposed proceeding that day. I indicated some concern that by short-serving BDC, the debtor actually put itself in a worse position on the sale approval motion than if BDC had been brought into the fold and given notice at some time earlier.
- [82] BDC knew nothing of a proposal by management to buy the assets of the debtor after a purchase of the bank syndicate's debt by Sandton. It was given no opportunity to participate. As far as it knew, it was about to have a meeting with the debtor about how to move forward. Instead, it suddenly faced a *fait accompli* that sees it cut out on minimal notice and no court-based sale process.
- [83] BDC also expresses concern that in just two weeks from May 22, 2026, the cash flow statements relied upon by the debtor changed from showing it having cash for three months to being very suddenly out of cash and about to fail.
- [84] Mr. Zweig says that BDC cannot be heard to rely on an out-of-date forecast. But that was the last thing it received from the debtor. Neither BDC nor I have been provided with an explanation of what changed in such a brief time.
- [85] The debtor now also says that to carry on its business it needs cash support from its Visa sponsor bank The Bank of Nova Scotia. This has to do with the part of the debtor's business that provides access to Visa credit card services to customers. Apparently having gotten wind of the debtor's financial circumstances, the bank is requiring the debtor to post as much as \$5 million in security if it wishes to continue operating after June 30, 2026.

- [86] BDC then submits that there is no evidence at all about how the new purchaser is going to operate with no money in the till. How will it pay The Bank of Nova Scotia? Without evidence, Mr. Zweig submits that The Bank of Nova Scotia will see that the debtor's business is operating through a new company with support of a new lender and it will reduce its demands for cash collateral to something more manageable. Perhaps that is true. There is no evidence to support it, however. It sounds convenient.
- [87] BDC has put into evidence its efforts to put together a competing deal in the past two weeks. I will say more about it below. Mr. O'Neill said that his client has voluntarily agreed to give management a \$30 million discount because it is comfortable working with management. He said, quite correctly, that his client cannot be required to forgo any amount of its \$92 million in debt unless it chooses to do so.
- [88] Mr. O'Neill submits that Sandton is a lender and only a lender. It wants its debt paid. He said that Sandton would not support the proposal being put together by BDC because it involves a management team with whom his client is unfamiliar. There is a suggestion that there may be some bad blood between existing management and the people involved with BDC's bid.
- [89] However, BDC is proposing to pay out Sandton. It will not be dragged along with new management with whom it is not comfortable. As a lender who wants its money back, one would expect Sandton ought to be happy with \$60 million plus one dollar should BDC be able to raise it.
- [90] But Mr. O'Neil was clear that Sandton is only supportive of management's proposal and not any other. Nor can the court make it do what it does not want to do. It is offering to reduce its debt to \$60 million for management and management only.
- [91] But the Monitor seems to think that the discount is a done deal. It reports:

Pursuant to the Sandton Forbearance Agreement, Sandton agreed to extend the maturity date of the Senior Credit Facilities from December 31, 2027 to May 8, 2028, and grant Paystone a discount of \$35,262,500 to the outstanding principal amount owing at the maturity date provided that a prescribed termination event has not occurred and the obligations in respect of the Senior Credit Facilities have not been accelerated.

- [92] In that Forbearance Agreement, the debtor also agreed to provide a new blocked account agreement with The Bank of Nova Scotia on terms acceptable to Sandton. That agreement is not in evidence.
- [93] In the Forbearance Agreement, the debtor also agreed that it could not sell any assets or commence CCAA proceedings except with the consent of Sandton.
- [94] The odd thing to me is that Sandton invested \$40 million to buy the senior bank debt on May 8. About a month later a CCAA proceeding is brought proposing a quick flip to existing shareholders with Sandton taking a very large discount on the principal amount of its debt and there is nothing in any document provided to the court indicating how this deal happened. The debtor acts like management proposed this deal out of the blue and presto – quick flip emerges on June 5.
- [95] The Monitor just reports that a deal for the asset sale happened. It gives no indication of how it arose, when, or whether there are other undisclosed terms to the initial loan purchase that set this all in motion.
- [96] Yet it is clear from the Sandton Forbearance Agreement that Sandton has the governing hand on restructuring proceedings. It has consent rights over any proceeding or asset sale proposed by the debtor.
- [97] The Monitor reports that Sandton negotiated with Mr. Zalev separately. The Monitor reports:
- The Monitor also understands that Sandton's proposal, which provided for a material shortfall of the amount owing under the Senior Credit Facilities, was economically superior to the transactions contemplated by the Term Sheets and significantly less conditional.
- [98] The Monitor can only say what it has been told. It gives no analysis of how the Sandton proposal was superior in money to the two that are very close to it in terms of dollars to be offered.
- [99] The Monitor also says that the Sandton deal was less conditional than the proposals in the Canaccord proposal. But that is not a fair comparison of apples to apples. The bidders were in the non-binding expressions of intent stage of a multi-step process. Formal offers capable of closing were to come later after Canaccord provided bidders with a template form of agreement. That never happened. Sandton was proceeding on its own, privately with the CRO Mr. Zalev. If that negotiation went faster, did anyone tell the Canaccord bidders to deliver binding offers with their minimum closing conditions?

[100] At the hearing before me, the Monitor's counsel repeated the submission that Sandton was more deal-ready. Of course it was. It was not in the Canaccord bidding process that was truncated before it reached that stage.

### **Analysis**

[101] The debtor submits that the Canaccord sales process establishes that there is no one interested in buying the assets of this business. Even if the prospective bidders were interested, their indicative offers were far short of \$92 or even \$60 million. The fact that the banks took \$41 on \$92 million of debt is powerful testimony they the banks did not see any greater value available.

[102] The debtor submits that BDC is just trying to find some leverage when it is realistically deeply out of the money. They point to the fact that the proposed sale may save 100 jobs. There are 38,000 customers whose access to Visa services cannot be interrupted without serious prejudice to them and to the business.

[103] But the jobs will be saved and the customers protected in any going concern sale.

[104] There has been no process to try to sell the assets of the business with Sandton in place as the senior debt holder having paid just \$41 million for the position. No one, apart from management, has been able to discuss with the debtor, the CRO, or Sandton how they might propose to deal with the business and Sandton's debt going forward in light of the discount agreed in the Sandton Forbearance Agreement or any other discount to which it might be inclined to agree.

[105] BDC says it is trying to put together \$115 million to capitalize a transaction. It is a very sophisticated and public-minded party. There is no hint that it is engaged in a bad faith leverage play.

[106] To the contrary, if the debtor and Sandton were so satisfied that BDC was hopelessly out-of-the-money, why give it mushroom treatment? Why wouldn't they open the curtain to seek its consent like in *Tool-Plas*? Why a quick flip with the least possible notice to BDC? They could propose a plan of arrangement or compromise under the CCAA providing BDC and the unsecured creditors just one cent on the dollar to have them do better than in bankruptcy in that case.

[107] The Monitor has reviewed the sales process conducted by Canaccord. It finds the process robust and a commercially reasonable market canvass. It concludes:

[T]he Monitor acknowledges that Sandton's proposal emerged through discussions conducted outside the formal Pre-Filing Process and that not every potential strategic acquiror may have been contacted during the process. However, the Monitor does not consider these facts to undermine the overall reasonableness of the process. The relevant question is whether the Pre-Filing Process provided a meaningful market test and whether there is evidence that a superior executable transaction was reasonably available. Based on the information reviewed by the Monitor, including the results of the Pre-Filing Process and the absence of any binding alternative proposal since the commencement of the CCAA Proceedings, the Monitor is not aware of any such superior transaction.

[108] In the main, I do not disagree with the Monitor. I do not ignore that the banks sold very cheaply as a percentage of the face value of the debt. That sale changed the economics of the senior position materially. Unlike the senior bank syndicate, Sandton is not risking suffering a loss if it is paid less than face value on the senior debt. At the \$60 million it has agreed to accept from management, it is making a 50% profit. The situation facing potential bidders is very different with Sandton occupying the first secured position.

[109] The issue I have with Montor's conclusions, once again, is that it gives decisive weight to whether BDC's proposal is deal-ready. If this were a motion after a court-approved sale process and a late bidder came into court with a proposal that was not properly formed or ready to go, it would be dismissed out of hand. Hearing the proposal would likely violate the integrity of the process that had been agreed upon, ordered, faithfully executed, and scrupulously reviewed.

[110] But that is not the case here at all. The Monitor and the debtor are throwing up the lack of preparedness of BDC with a fully formed bid when it has known of this process only from the launch of the June 5, 2026 surprise. Sandton had from January 26, 2026 to May 8, 2026 to engaged in its negotiations with the banks, the CRO, and management. BDC, by contrast, has acted very quickly and appropriately given the prejudicial position into which it was put by the debtor and Sandton.

- [111] There was no fair process into which all proposed bidders were equally treated with transparent terms and outcomes. But even if the Canaccord sales process was a broad and comprehensive evaluation of the marketplace at the time, that is not where the parties are today. Now Sandton is here having bought the debt for less than 50 cents on the dollar. It has already agreed to give the debtor a \$35 million discount and to give management a \$30 million discount on its proposed quick flip.
- [112] There has been no process seeking arm's length buyers for the debtor's assets to compete with management with the current economics.
- [113] No one else has had a chance to be in the room where it happens. The deal between Sandton and management is a black box. It is the opposite of the fair and fully transparent process required under decades of case law on sales processes and quick flips.
- [114] Looking at s. 36 (1) of the *CCAA*, the debtor has not proved that the process leading to the sale proposed to management was fair or that its process was reasonable. As far as I can tell, there is no evidence of the process that led to the proposed quick flip to management except that Mr. Zalev met Sandton and kept it out of the Canaccord process on which the Monitor opines. The Monitor provides a view on the truncated Canaccord process. But it provides no assessment or view on the process that led to the debtor's proposed quick flip asset sale to management.
- [115] Neither has the debtor met its burden under s. 36 (4) of the *CCAA* that I repeat for convenience:
- ... 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.

- [116] There was no effort made to sell the assets to unrelated parties after the senior debt was sold and Sandton agreed to the Sandton Forbearance Agreement. No one was invited to discuss options with management or Sandton. No one sought to engage arm's length bidders including even those whose process with Canaccord had been truncated.
- [117] Neither is there proof that the consideration being offered by the proposed related party buyer is superior to any other offer made in the process leading to the proposed sale. Since there was no such process, that standard cannot be met. Moreover, efforts to prevent BDC from even formulating an offer, which seeks to offer as much as \$115 million, are the opposite of the requisite approach under s. 36 (4). BDC says it needs just a few more days to finalize a proposal despite having been given no notice of the proposed sale until it was sprung on BDC in this proceeding.
- [118] Moreover, there is no open frankness, near unanimity, or transparency required in prepack case law discussed above.
- [119] Accordingly, the motion for approval of the related party prepack sale as proposed is dismissed.
- [120] The debtor asked for a stay extension to June 30, 2026 extending automatically to August 15, 2026 if the asset sale closes. I grant an extension to June 30, 2026.
- [121] With the sale not yet approved, the debtor may need financing to stay operational. It might also have issues with The Bank of Nova Scotia. Sandton says it will oppose a DIP loan priming its position. It says if a junior creditor wishes to buy time, it should be on its own nickel. In other words, any DIP to be proposed by BDC, it submits, should be junior in priority to Sandton. The debtor agrees although I do not know why it has an interest in the relative priority of DIP lenders.
- [122] BDC asks me to allow it to fund a priming DIP loan and that I should impose a standard SISP process. I am not prepared to do either at this time.
- [123] First the CCAA proceeding has to continue. Funding discussions and any required discussions with Scotiabank need to be held. A sales process will likely need to be run by the Monitor or someone neutral if management is going to want to keep their offer open. Perhaps there is a place for BDC in management's offer? Perhaps unsecured creditors too should be considered before equity holders?
- [124] There are many options available for the parties to discuss immediately.

- [125] I will make a few other quick points for completeness.
- [126] First the releases sought were far too broad in scope and in the people to whom they applied. There was no evidence supporting the necessity for releases to make the proposed sale work or the necessity for the proposed releases.
- [127] The debtor's response - to carve out from proposed releases all creditors who complained about their overbreadth - exacerbated the problem rather than fixing it. There was no fair basis, nor any basis in the jurisprudence, to grant third party releases to bind all except those who know enough to complain and threaten to throw a spanner in the works. The differential application of the releases made them more problematic in my view.
- [128] I would have been very slow to grant a vesting order purporting to vest off title or eliminate claims of contractual counterparties who were not served with the motion seeking the order. It is not good enough to say that only those who consent or whose contracts provide a right of assignment will be bound. The latter group is subject to debate and contestation. *Prima facie*, they should be identified and served. If it is too early to identify them with precision, perhaps the vesting should be deferred for contracts until the counterparties to be affected by the court's order are known.
- [129] This also goes to BDC's point that management's asset purchase agreement as proposed is not completed. The schedules do not identify the assets included or excluded. This happens in some cases. But I do not have a reason to know if it is immaterial and can simply be left for later in this case. In addition, the failure to constitute the purchaser is also an issue. Despite Sandton protesting that it is a lender only, its forbearance agreement dated May 8, 2026 entitles it to a warrant to purchase 10% of the debtor's shares on a fully diluted basis. Is that being carried into the purchaser? Mr. Zweig says there may be employee incentives offered. What about creditors?
- [130] Material side deals require disclosure under the CCAA. This applies equally or more so in a prepack.

  
FL Myers

**Date:** June 24, 2026

Justice FL Myers  
Digitally signed by Justice FL Myers  
Date: 2026.06.24 09:13:22 -04'00'

## **Appendix “D”**

Paystone Holdings Inc., Paystone Inc., Atom Growth Inc. and Atom Growth (USA), Inc. (collectively, the "Applicants")

**Forecasted Statement of Cash Flow**

For the Period Ending July 10, 2026

(Unaudited, \$000's)

(\$CAD in 000's)

Forecast Week	Notes	Week 1	Week 2	Total
Week ending	[1]	3-Jul-26	10-Jul-26	2 Weeks
<b>Receipts</b>				
Payment Processing Receipts	[2]	500	70	570
Other Receipts	[3]	390	370	760
<b>Total Receipts</b>		<b>890</b>	<b>440</b>	<b>1,330</b>
<b>Disbursements</b>				
Payroll & Benefits	[4]	100	-	100
Contractors	[5]	500	-	500
Commissions	[6]	40	240	280
Other Operating Expenses	[7]	197	185	382
Rent	[8]	4	-	4
Interest	[9]	-	-	-
Interchange Fees		-	-	-
Restructuring Professional Fees	[10]	62	30	92
<b>Total Disbursements</b>		<b>902</b>	<b>455</b>	<b>1,357</b>
<b>Net Cash Flows</b>		<b>(12)</b>	<b>(15)</b>	<b>(27)</b>
Cash				
Beginning Balance		645	633	645
Net Cash Flow		(12)	(15)	(27)
<b>Ending Cash Balance</b>		<b>633</b>	<b>618</b>	<b>618</b>
Less: Restricted Cash	[11]	(600)	(600)	(600)
Less: Cash Collateral	[12]	-	-	-
<b>Unrestricted Cash Balance</b>		<b>33</b>	<b>18</b>	<b>18</b>

*Notes to the Consolidated Cash Flow Forecast:*

**Note 1:** The purpose of the projection is to present a cash flow forecast of the Applicants for the period June 29 to July 10, 2026 (the "Period") in respect of their proceedings under the Companies' Creditors Arrangement Act ("CCAA").

**Note 2:** Includes receipts from merchant settlers relating to payment processing. Assumes the Applicants' large monthly billing typically billed at the start of the month is billed in mid-July after the Period.

**Note 3:** Includes receipts related to the Company's gift card and reputation marketing services.

**Note 4:** Payroll & benefits include salaries, wages, remittances and employee benefits for salaried and part-time employees, paid bi-monthly.

**Note 5:** Contractors represent payments to third-party service providers and computer engineers engaged by the Company to support operations.

**Note 6:** Commissions represent payments to sales agents and partners for securing client contracts and generating new business.

**Note 7:** Disbursements related to software and other operating costs.

**Note 8:** Rent includes disbursements for the Company's sublease in London.

**Note 9:** Excludes payments of Sandton's scheduled monthly interest and principal of \$825,000 for the weeks ending July 3 and July 31, 2026. Pursuant to the Amended and Restated Initial Order, the payment of principal and interest is currently prohibited, pending further order of the Court.

**Note 10:** Professional fees include fees paid to the Applicants' legal counsel, the CRO, the Monitor, the Monitor's legal counsel, and the Lender's legal counsel.

**Note 11:** \$250,000 of these funds are held as a reserve in connection with the Applicants' billing and payment processing activities and are intended to support potential customer chargebacks, refunds and related adjustments. As a result, the funds are not available for general operating purposes. The remaining \$350,000 relates to the wind-up reserve and priority payable amounts funded by the principals of the Applicants.

**Note 12:** Scotiabank, Paystone's primary billing processor, has advised that effective on or around July 1, 2026, it intends to cease providing billing services unless a cash collateral deposit is made. The bank considers billing processing to be a credit product and it is under no obligation to extend credit while Paystone is under CCAA protection. The requested collateral is intended to cover potential chargeback exposure during the 90-day client refund period. Discussions remain ongoing in this respect. As set out in Note 2, the Applicants intend to delay a significant portion of their monthly payment processing billing to customers until mid-month to minimize potential exposure to Scotiabank to provide additional time to advance discussions with Scotiabank regarding its cash collateral request.

**COURT FILE NO.: CL-26-00000261-0000**  
**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

**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 PAYSTONE  
HOLDINGS INC., PAYSTONE INC., ATOM GROWTH INC. AND ATOM GROWTH (USA),  
INC.**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT**  
(paragraph 10(2)(b) of the CCAA)

The management of Paystone Holdings Inc., Paystone Inc., Atom Growth Inc. and Atom Growth (USA), Inc. (collectively, the "Applicants"), in consultation with Reflect Advisors, the Applicants' Chief Restructuring Officer, have developed the assumptions and prepared the attached statement of projected cash flow as of the 29th day June, 2026 for the period June 29, 2026 to July 10, 2026 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 29th day of June, 2026.

**PAYSTONE HOLDINGS INC., PAYSTONE INC., ATOM GROWTH INC. AND ATOM GROWTH  
(USA), INC.**

Signed by: 

Per: Abdullah Saab, Chief Financial Officer

## **Appendix “E”**

**COURT FILE NO.: CL-26-00000261-0000**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**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 PAYSTONE HOLDINGS INC.,  
PAYSTONE INC., ATOM GROWTH INC. AND ATOM  
GROWTH (USA), INC.**

**MONITOR'S REPORT ON CASH FLOW STATEMENT**  
(paragraph 23(1)(b) of the CCAA)

The attached consolidated statement of projected cash-flow of Paystone Holdings Inc., Paystone Inc., Atom Growth Inc. and Atom Growth (USA), Inc. (collectively, the "Applicants") as of the 29th day June, 2026, consisting of a weekly projected cash flow statement for the period June 29, 2026 to July 10, 2026 (the "Cash Flow Forecast") has been prepared by the management of the Applicants, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management of the Applicants. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow Forecast will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow Forecast has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, ON this 29th day of June, 2026.

*AlixPartners Restructuring, Inc.*

**ALIXPARTNERS RESTRUCTURING, INC.,**  
solely in its capacity as the proposed monitor of  
Paystone Holdings Inc., Paystone Inc.,  
Atom Growth Inc. and Atom Growth (USA), Inc.

**IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

Court File No: CL-26-00000261-0000

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF PAYSTONE HOLDINGS INC., PAYSTONE INC.,  
ATOM GROWTH INC., and ATOM GROWTH (USA), INC.**

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
PROCEEDING COMMENCED AT TORONTO**

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**THIRD REPORT OF THE MONITOR**

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**OSLER, HOSKIN & HARCOURT LLP**

100 King Street West  
1 First Canadian Place  
Suite 6200, P.O. Box 50  
Toronto ON M5X 1B8

**Marc Wasserman** (LSO# 44066M)

Tel: 416.862.4908

Email: [mwasserman@osler.com](mailto:mwasserman@osler.com)

**Martino Calvaruso** (LSO# 57359Q)

Tel: 416.862.6665

Email: [mcalvaruso@osler.com](mailto:mcalvaruso@osler.com)

**Mary Paterson** (LSO# 51572P)

Tel: 416.862.4924

Email: [mpaterson@osler.com](mailto:mpaterson@osler.com)

**Tiffany Sun** (LSO# 84440N)

Tel: 416.862.4932

Email: [tsun@osler.com](mailto:tsun@osler.com)

Lawyers for the Monitor