



B-240183

District of British Columbia
Division No.: 03 – Vancouver
Court No.:
Estate No.: 11-3052361
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF
GOOD BUDS COMPANY INC.

NOTICE OF APPLICATION

Name of applicant: Good Buds Company Inc. (the "applicant" or the "Company")

To: Service List attached hereto as Schedule "A"

TAKE NOTICE that an application will be made by the applicant to the presiding judge at the courthouse at 800 Smithe Street, in the City of Vancouver, in the Province of British Columbia, on April 4, 2024 at 9:45 a.m. for the order(s) set out in Part 1 below.

The applicant estimates that the application will take 20 minutes.

This matter is not within the jurisdiction of an associate judge.

Part 1: ORDER(S) SOUGHT

1. An Order:
 - (a) abridging the time for service of this Notice of Application; and
 - (b) extending the time for filing the Company's proposal under Part III, Division I of the *Bankruptcy and Insolvency Act* (the "BIA") to 11:59 p.m. on Monday, May 20, 2024.
2. Such further and other relief as counsel may advise and this Honourable Court may deem just.

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Part 2: FACTUAL BASIS

Background

1. The Company is a company that was incorporated pursuant to the laws of British Columbia on January 6, 2017, with a registered and records office located at 1055 – 1500 West Georgia Street, Vancouver, British Columbia.
2. On March 6, 2024 (the “**Filing Date**”), the Company filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the BIA and Crowe MacKay and Company Ltd. (“**CMCO**”) consented to act as Trustee under the Proposal (the “**Proposal Trustee**”).
3. Pursuant to section 50.4(8) of the BIA, the initial stay period in the proposal proceedings is from March 6, 2024 to April 5, 2024 (the “**Initial Stay Period**”).
4. The Company owns and operates an organic cannabis farm on Salt Spring Island, British Columbia as part of a vertically integrated cannabis operation.
5. The Company produces small batch, high quality craft cannabis in both indoor and outdoor growing spaces. Most of its production volume comes from outdoor cannabis which is produced with lower capital and production costs when compared to indoor and greenhouse-grown crops. As well, outdoor cannabis is a more sustainable way to cultivate as it dramatically decreases the carbon footprint in comparison to indoor cannabis cultivation.
6. The Company processes its cannabis into high-quality cannabis products including dry flower, milled flower, pre-rolls, infused pre-rolls, and live rosin. Its primary customers are the Alberta Gaming, Liquor and Cannabis Commission and the BC Liquor Distribution Branch.
7. The Company employs approximately 29 employees. The Company also hires additional temporary help during the outdoor planting and harvesting seasons.
8. The Company holds a federal license (the “**Cannabis License**”) issued by Health Canada related to the cultivation, processing and sale of cannabis and cannabis related products in Canada, the first such license issued for outdoor cannabis cultivation. The Cannabis License is valid to May 13, 2027.
9. The Company also holds license issued by CRA pursuant to the *Excise Act, 2001* (the “**Excise License**”) which is valid to April 30, 2027.

Financial Difficulties

10. The Company’s financial difficulties and solvency issues have been caused by several factors, summarized below:

- (a) challenges related to being a start-up company in a new, highly regulated and capital intensive industry;
 - (b) the entrenched black market for cannabis in Canada which continues to complete with the new legal market;
 - (c) oversupply of industry capacity and production causing substantial competition and downward pressure on cannabis product prices;
 - (d) high tax and regulatory costs, including the federal government's method for applying excise taxes to licensed producers such as the Company and significantly higher property taxes than other agricultural producers;
 - (e) limited banking options and difficulties obtaining financing, despite the legalization of cannabis in Canada; and
 - (f) provincial wholesale monopolies charging additional mark-ups and fees, while also not providing transparency on distribution data critical to licensed producer's sales and marketing efforts.
11. The Company owes approximately \$3.3 million in excise tax arrears (the "**Excise Tax Arrears**") to the Canada Revenue Agency ("**CRA**"). Recently, two of the Company's main customers, the British Columbia Liquor Distribution Branch (the "**BCLDB**") and the Alberta Gaming, Liquor and Cannabis (the "**AGLC**"), received Requirements to Pay ("**RTP**") from CRA pursuant to the Excise Tax Arrears. The RTPs negatively affected the Company's liquidity as they required the BCLDB and the AGLC to garnish the payments made to the Company at a rate of 30%.
12. Upon the filing of the NOI, the RTPs were stayed and the full amounts owed to the Company are being remitted to the Company during the Initial Stay Period.
13. The Company's senior secured creditor is Farm Credit Canada ("**FCC**"). On or about January 25, 2023, FCC issued demand letters to the Company and the Company subsequently entered into a forbearance agreement with FCC that was terminated by FCC on March 6, 2024. The outstanding balance owed to FCC is approximately \$2.26 million.
14. The Company is current with its employee source deduction remittances to CRA.
15. The Company's assets primarily consist of its real property, accounts receivables (primarily owed by AGLC and BCLDB), its inventory of packaged, bulk and in-process cannabis and cannabis products, and non-cannabis materials and supplies, biological assets of seeds and live cannabis plants, and its green house building, growing and processing equipment, and security system.

Extension of Period for Filing Proposal

16. Since the Filing Date, the Company has worked with the Proposal Trustee to develop a viable proposal, including the initial drafting of a proposal. However, despite having made good progress on its proposal since the Filing Date, the Company will not be in a position to file one during the Initial Stay Period. The proposal is still in draft and there are details to be resolved, including payments to unsecured creditors and the Proposal Trustee's review and recommendation. The Company expects a viable proposal can be filed by May 20, 2024.
17. The Company believes that its creditors will achieve a greater net recovery by allowing it to continue to develop a viable proposal.
18. In addition to developing a viable proposal, since the Filing Date, the Company has, among other things:
 - (a) worked in good faith and with due diligence in stabilizing its business affairs and operations;
 - (b) pursuing the collection of accounts receivable;
 - (c) preparing the cash flow statement filed pursuant to section 50.4(2)(a) of the BIA; and
 - (d) assisted and worked with the Proposal Trustee in relation to these matters and the Company's post-filing obligations generally.
19. The Company has acted, and continues to act, in good faith and with due diligence and intends to work diligently to pursue its proposal with a view to achieving a greater net recovery for its stakeholders in a timely manner.

Part 3: LEGAL BASIS

1. The Company relies upon Division I of Part III of the BIA.
2. The Company relies upon section 50.4(9) of the BIA, which states, as follows:
 - (9) The insolvent person may, before the expiry of the 30-day period referred to in subsection (8) ..., apply to the court for an extension ... of that period, and the court, on notice to any interested persons that the court may direct, may grant the extensions, not exceeding 45 days for any individual extension ..., if satisfied on each application that
 - (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
 - (b) the insolvent person would likely be able to make a viable proposal if the extension being applied for were granted; and

(c) no creditor would be materially prejudiced if the extension being applied for were granted.

3. An application for an extension of time to file a proposal under section 50.4(9) is to be considered on an objective standard.

Cantrail Coach Lines Ltd. (Re), 2005 BCSC 35 (“*Cantrail*”), at para. 11
T & C Steel Ltd. (Re), 2022 SKKB 236, at para. 5-8

4. Good faith and due diligence is satisfied where the debtor is not acting in bad faith and is taking steps towards making a proposal. The court need only be satisfied that the debtor is acting with “some diligence”.

Andover Mining Corp. (Re), 2013 BCSC 1833 (“*Andover*”), at para. 65

5. A viable proposal is one that would be reasonable on its face to a reasonable creditor, ignoring the idiosyncrasies of any specific creditor. The proposal need not be a certainty and “likely” means “such as might well happen”.

Andover, at para. 66

6. “Materially prejudice” means a creditor would be “substantially or considerably prejudiced if the extension being applied for is granted.” Such prejudice must be more than the normal prejudice endured by a creditor during a proposal proceeding under the BIA.

Cantrail, at para. 21-2

7. The Company has acted, and is acting, in good faith and with due diligence and continues to operate the Company with a view to formulating and implementing a successful proposal to its creditors in a timely manner with the assistance of the Proposal Trustee.
8. The Company is unaware of any creditor which would be materially prejudiced if the extension being applied for were granted.
9. The Company submits that, in the circumstances, the extension sought is appropriate and necessary.

Part 4: MATERIAL TO BE RELIED ON

1. 1st Affidavit of Eric Tyler Rumi, made on March 25, 2024.
2. First Report of the Proposal Trustee, to be filed.
3. Such further and other materials as counsel may advise and this Honourable Court may permit.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this notice of application, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application,

- (a) file an application response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed application response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7 (9).

Date: March 25, 2024



Signature of lawyer for the applicant

Daniel Shouldice

To be completed by the court only:

Order made

- in the terms requested in paragraphs _____ of Part 1 of this notice of application
- with the following variations and additional terms:

Date: _____

Signature of Judge Associate Judge

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts
- none of the above

Schedule "A"

District of British Columbia
Division No.: 03 – Vancouver
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IN THE SUPREME COURT OF BRITISH COLUMBIA
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GOOD BUDS COMPANY INC.

SERVICE LIST

(as at March 25, 2024)

420 Premium Markets Ltd. 201, 255 17 th Avenue SW Calgary, AB T2S 2T8	907282 Ontario Inc. c/o 3 Atkinds Avenue Toronto, ON M6K 1V9
Aelius LED 2601 Belisle Drive, Unit 4 Val Caron, ON P3N 0A7	AirMed Canada Systems Inc. 301-780 Kings Road Victoria, BC VBT 5A2
Bank of Montreal 116 Fulford-Ganges Rd Salt Spring Island, BC VBK 2S4	BC Cannabis Inc. 6799 West Coast Road Sooke, BC V9Z 1H5
BC Hydro (Acct #000010296873) P.O. Box 9501 STN Terminal Vancouver, BC V6B 4N1	Blueleaf Logistics Unit 100,819 Cliveden Place Delta, BC V3M 6C7
Bodkin a division of Bennington Financial Corp. 102-1465 North Service Road East Oakville, ON L6H 1A7	Boomer Logistics Corporation 115 Miranda Avenue York, ON M6B 3WB

<p>Canadian Linen 94 7 North Park Street Victoria, BC V8T 1 C5</p>	<p>Counsel for Canada Revenue Agency Angela Lam angela.lam@justice.gc.ca Nicole Johnston nicole.johnston@justice.gc.ca CRA – GST/HST – Vancouver Pacific Insolvency Intake Centre Surrey National Verification and Collection Centre 9755 King George Blvd Surrey, BC V3T 5E1</p>
<p>Davies Maintenance 344 Epron Rd Salt Spring Island, BC VBK 1C7</p>	<p>Fairlead Consulting 2711 Goldstream Crescent Coquitlam, BC V3C 5G6</p>
<p>Counsel for Farm Credit Canada Kate Yurkovich kate.yurkovich@gowlingwlq.com Clifton Prophet clifton.prophet@gowlingwlq.com Farm Credit Canada 100 - 120 Research Lane Guelph, ON N1G 085</p>	<p>Fresco Refrigeration Ltd. 156 Mansell Road Salt Spring Island, BC VBK 1 P</p>
<p>Good Buds Company International Inc. 1867 North End Road Salt Spring Island, BC VBK 1 C9</p>	<p>Great Little Box Company 748 Market Street Victoria, BC V8T 5K5</p>
<p>Health Canada – Receiver General 161 Goldenrod Drwy Ottawa, ON K1A OK9</p>	<p>Intact Insurance Company 700 University Avenue, Suite 1500A Toronto, ON M5G 0A1</p>
<p>John Deere 3430 Superior Court Oakville, ON L6L 0C4</p>	<p>Mercari Agency Limited 300 - 192 Spadina Avenue Toronto, ON M5T 2C2</p>
<p>Ministry of Finance – PST – British Columbia Station Provincial Government PO Box9445 Victoria, BC VBW 9V5</p>	<p>Pest Control Services 221 Donora Road Salt Spring Island, BC V8K 2H4</p>

Quality Analytical Services Unit A43, 64089 393 Avenue East Okotoks, AB T1S 0L1	QualityBox 4555 Hillbank Road Duncan, BC V9L 6M2
Receiver General for Canada-Excise PO Box 3800 Stn. A Sudbury, ON P3A OC3	Alex Rumi 41 Melbourne Street Hamilton, ON LBP 2A5
Eric Rumi and Suzanne Rumi c/o 3 Atkins Avenue Toronto, ON MBK 1V9	Tyler Rumi c/o 3 Atkins Avenue Toronto, ON MBK 1V9
Sage 13888 Wireless Way, Suite 120 Richmond, BC V6V OA3	Salt Spring Water Co. P.O. Box 767 Salt Spring Island, BC VBK 2W3
Saskatchewan Liquor & Gaming Authority 500 Victoria Ave Regina, SK S4P 3M3	Shaw Cable Systems – Vancouver Payment Solutions 900-1067 W Cordova St Vancouver, BC V6G 3T5
ULINE Box 3500, RPO Streetsville Mississauga, ON L5M 0S8 arbankruptcy@uline.com	WorkSafe BC PO Box 5350 Stn. Terminal Vancouver, BC V6B 5L5
British Columbia Liquor Distribution Board constantin.starck@bcldb.com	Alberta Gaming Liquor and Cannabis thuy.lee@aglc.ca lynn.fraser@aglc.ca natasha.savani@aglc.ca