

## Endorsement of Penny J. – December 20, 2021

### *In the Matter of the Notice of Intention to Make a Proposal of Junction Craft Brewing Inc.*

*Court File No. 31-2774500*

#### Counsel

1. Sam Rappos and Saneea Tanvir, Chaitons LLP - Junction Craft Brewing Inc. (the “Company”)
2. Graham Phoenix, Loopstra Nixon LLP - 1000003509 Ontario Limited (proposed DIP Lender and Stalking Horse Bidder)
3. Miranda Spence, Aird & Berlis LLP - Richter Advisory Group Inc. as Proposal Trustee
4. Tom Robson, Harrison Pensa LLP - Farm Credit Canada
5. Greta Ladanyi for Jennifer Webster and Doug Pengelly
6. Steve Dobronyi, Ed Lycklama and Thomas Schmidt
7. Simon Harry and Kevin Kennedy

Following submissions on December 17, 2021, I granted certain orders with reasons to follow. These are the reasons.

In an endorsement of November 8, 2021, I granted orders: (a) approving a DIP Facility pursuant to the DIP Term Sheet and granting the DIP Charge; (b) granting an Administration Charge and Directors’ Charge; (c) approving a Sale Process; (d) approving a Stalking Horse bid and the transaction contemplated therein; and (e) extending the stay period by 45-days.

Junction’s business includes (i) selling its high-quality, hand-crafted beers under several brands, (ii) holding weddings and corporate and other events at its facility, (iii) selling beer to customers at its taproom, and (iv) producing, on a contract basis, alcoholic and non-alcoholic drinks for approximately twenty unrelated parties.

The Proposal Trustee carried out the sale process in accordance with its terms, which included a bid deadline of December 9, 2021. As of the deadline, no other

offers were received by the Proposal Trustee. As a result, the sale agreement was deemed to be the winning offer under the sale process.

The Company is therefore requesting that the Court grant an RVO so that it can complete the Transaction. Once the Transaction is closed, Junction will no longer be insolvent, and thus the filing of the NOI needs to be annulled and this proceeding terminated.

The Company also seeks a brief nine-day extension of the period to file a proposal under the BIA to enable it to complete the Transaction.

As I noted in my earlier endorsement, the RVO is considered necessary because of the existence of non-transferable licenses held by the Company. The RVO structure provided a mechanism to ensure that the Company could operate the business following closing and not be faced with an uncertain and prohibitive “re-licensing processes” if the transaction was structured as an asset sale. The Proposal Trustee remains of the view that the RVO transaction structure is superior to any alternatives and represents the transaction structure that best preserves the Company’s value. The Proposal Trustee recommends Court approval the RVO.

This is a situation where the secured creditor will suffer a significant shortfall. There is no evidence, or submission, that the RVO approach will create any unfairness or bring about any worse result than would have obtained in the absence of an RVO. To the contrary, the Company, the Proposal Trustee and the secured creditor are all of the view that the result would have been even worse without the RVO.

The BIA does not contemplate a situation where a company that has filed a notice of intention is no longer insolvent and would seek to terminate the insolvency proceeding. In this case, because of the employment of the RVO approach, the Company will, if the order sought is granted, be solvent. I am satisfied the request for an order nullifying the Company’s proposal is consistent with the underlying purposes of the BIA: *Poly Innovation Inc.*, Re, 2013 ONSC 2782, paras. 4-10.

No order sought will affect otherwise valid pre-filing claims in respect of directors and former shareholders of the Company

The further extension is necessary to implement the transaction and is sought in good faith.

