

CANADA / JUDGMENT

Tantalus Labs Ltd. (Re)

2023 BCSC 1291

COURT

Supreme Court of British Columbia

DECIDED

10 July 2023

Source: bccourts.ca · Research copy typeset by Esheria. Not court-issued or certified.

2023 BCSC 1291 Tantalus Labs Ltd. (Re) IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: Tantalus Labs Ltd. (Re), 2023 BCSC 1291 Date: 20230710 Docket: B230269 Registry: Vancouver In the Matter of the Bankruptcy and Insolvency Act, RSB 1985, c. B-3 as Amended

- and - In the Matter of the Notice of Intention to Make a Proposal of Tantalus Labs Ltd. Before: The Honourable Justice Fitzpatrick Oral Reasons for Judgment (Approval of a Sale) In Chambers Counsel for Tantalus Labs Ltd.: W.E.J. Skelly Counsel for the Proposal Trustee, Ernst & Young Inc.: P.J. Reardon Counsel for the Lender, Sungrown Mortgage Corp.: E. Watson Counsel for Canada Revenue Agency: A. Sabzevari Place and Date of Hearing: Vancouver, B.C. July 10, 2023 Place and Date of Judgment: Vancouver, B.C. July 10, 2023

[1] THE COURT: This is an application by the debtor, Tantalus Labs Ltd. ("Tantalus"). On June 28, 2023, Tantalus filed a notice of intention (NOI) to make a proposal under the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3 [BIA]. Tantalus seeks court approval of a sale transaction outside of the ordinary course of its business in relation to its bulk inventory pursuant to s. 65.13(1) of the BIA. Tantalus' draft order also seeks authorization to execute other documents and, in the usual fashion, vest title to the assets in the name of the purchaser.

[2] The background is simply stated. Tantalus is in the business of developing and selling cannabis products in Canada. It has a number of inventory products, including its bulk cannabis inventory, which is the subject of this application. The background of the sale is very unusual in the sense that matters have arisen quickly since Tantalus filed its NOI.

[3] Canada Revenue Agency (CRA) is a substantial unsecured debtor of Tantalus.

[4] CRA has issues two licences to Tantalus to allow Tantalus to operate its cannabis business. Firstly, Health Canada issued Tantalus a cannabis license which is due to expire in May 2024. Secondly, CRA has issued an excise licence in May 2017 that is due to expire today, July 10, 2023. CRA has refused to renew that license as a result of CRA's unhappiness with amounts owing to it that were to be paid by Tantalus and also a result of Tantalus filing the NOA. On July 6, 2023, CRA indicated that it would not be renewing the excise licence and that it intended to take steps tomorrow to attend at Tantalus' premises and destroy the cannabis

stamps and the bulk cannabis products in the possession of Tantalus.

- [5] As a result of the imminent expiry of the excise license, Tantalus, with the assistance of the Proposal Trustee, has made substantial and taking very immediate steps to arrange for a sale of the bulk inventory. That process has been implemented in a very abbreviated fashion towards meeting the deadline of arranging a sale by the close of business today. The application materials and the Proposal Trustee's reports (its first report and supplementary report), address that process, which as I said has been very abbreviated. The process resulted in various offers being received and the winning bid is put forward for court approval today.
- [6] The governing authority is found in s. 65.13 of the BIA, which allows the court to approve sales of assets outside of the ordinary course of business such as this particular sale. That provision sets out various considerations or factors for the court to consider, as follows:
Factors to be considered
- (4) 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 trustee approved the process leading to the proposed sale or disposition;
- (c) whether the trustee 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.
- [7] I am satisfied that, despite the very abbreviated sales process that has been undertaken, the process has been conducted in a reasonable manner and the proposed sale itself is reasonable. It is, as Tantalus and the Proposal Trustee have described, on a "fire sale basis," but unfortunately those are the circumstances that are before us. That circumstances arise somewhat inexplicably from the position of CRA, and CRA's threat to enter Tantalus' premises and destroy the inventory and/or its value.
- [8] In any event, I am more than satisfied that the approval of sale is appropriate and that it should be approved on the terms sought.
- [9] In the usual fashion, the order will dispense with other counsel's approval as to form.
"Fitzpatrick J."

Source & reproduction note

Judgment wording, source notices and original paragraph numbers are retained. Esheria supplies the layout and this PDF's page numbers; these are not the source pagination. This is a research copy, not an official or certified court document. Check quotations, citations and publication restrictions against the original source before relying on it.

ORIGINAL SOURCE <https://www.bccourts.ca/jdb-txt/sc/23/12/2023BCSC1291.htm>

CASE PAGE <https://chat.esheria.ai/case-law/canada/tantalus-labs-ltd-re-2023>

Prepared on 28 October 2026 · Esheria