



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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ATLAS GLOBAL BRANDS INC.

Partial Revocation Order

Under the securities legislation of Ontario (the “**Legislation**”)

Background

1. Atlas Global Brands Inc. (the “**Issuer**”) is subject to a failure-to-file cease trade order (the “**FFCTO**”) issued by the Ontario Securities Commission (the “**Principal Regulator**”), on August 8, 2023.
2. The Issuer has applied to the Principal Regulator for a partial revocation of the FFCTO.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* or National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions* (“**NP 11-207**”) have the same meaning if used in this order, unless otherwise defined.

Representations

3. This decision is based on the following facts represented by the Issuer:
 - a. The Issuer was incorporated under the laws of the Province of British Columbia, Canada with its registered office at 1055 Dunsmuir Street, Suite 3000, Vancouver, BC V7X 1K8.
 - b. The Issuer’s principal place of business is located at 566 Riverview Drive, Unit 104, Chatham, Ontario, N7M 0N2.
 - c. The Issuer’s authorized share capital consists of an unlimited number of common shares without par value (the “**Common Shares**”). There are currently 158,679,139 Common Shares of the Issuer issued and outstanding.
 - d. The Issuer is a reporting issuer in the following jurisdictions of Canada, namely the Provinces of Alberta, British Columbia, Manitoba, and Ontario and its securities are listed on the Canadian Securities Exchange (“**CSE**”) under the ticker symbol “ATL”.

- e. The Common Shares were traded on the CSE until August 8, 2023, on which date trading was suspended following the issuance of the FFCTO.
- f. The FFCTO was issued as a result of the Issuer's failure to file the following continuous disclosure materials as required by Ontario securities law:
 - i. audited annual financial statements for the year ended March 31, 2023, as required by *National Instrument 51-102 Continuous Disclosure Obligations* ("NI 51-102");
 - ii. management's discussion and analysis (**MD&A**) relating to the audited annual financial statements for the year ended March 31, 2023, as required by NI 51-102; and
 - iii. certification of the foregoing filings as required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109")(collectively the "**Annual Filings**").
- g. Subsequent to the issuance of the FFCTO, the Issuer also failed to file the following materials within the timeframe stipulated by applicable legislation:
 - i. interim financial statements for the interim periods ended June 30, 2023, September 30, 2023 and December 31, 2023, as required by NI 51-102;
 - ii. MD&A relating to the interim financial statements referred to in subparagraphs (i) above as required by NI 51-102;
 - iii. certification of the foregoing filings as required by NI 52-109; and
 - iv. statement of executive compensation for the year ended March 31, 2023 in accordance with Form 51-102F6V Statement of Executive Compensation – Venture Issuers as required by NI 51-102.(collectively, the "**Additional Required Filings**").
- h. The Issuer filed the Annual Filings on April 9, 2024.
- i. The Issuer filed the interim financial statements, MD&A and certification of the foregoing filings for the period ended June 30, 2023 on April 26, 2024 (the **Q1 Filings**).
- j. The Issuer filed the interim financial statements, MD&A and certification of the foregoing filings for the period ended September 30, 2023 on May 8, 2024 as well as amended and restated Q1 Filings on such date.
- k. The Issuer intends to make application for a full revocation of the FFCTO immediately after being granted the order for a partial revocation.

- l. On or about January 8, 2024, Cambrosia Ltd. (“**Cambrosia**”), a wholly-owned subsidiary of the Issuer that is governed by the laws of the State of Israel, entered into a loan agreement (as subsequently amended, the “**Loan Agreement**”) with Avi Elkayam (“**Avi**”) and Shahr Management Group (SMG) Ltd. (“**Shahr**”), an entity controlled by Avi (Avi and Shahr, collectively, the “**Lender**”).
- m. Pursuant to the Loan Agreement, the Lender agreed to advance to Cambrosia the sum of NIS 3,000,000 (approximately CAD\$1,100,000), for a term of two years with interest only payments required during the first year of the term and thereafter to be repaid in 12 equal instalments of principal and interest (the “**Loan**”). The Loan bears interest at a rate of 9.75% per annum. The sum of NIS 250,000 from the Loan proceeds was deposited in a segregated account for the payment of interest during the first year of the Loan.
- n. As consideration for providing the Loan, the Issuer agreed to issue to the Lender 3,693,444 Common Shares (the “**Consideration Shares**”), upon and subject to the full or partial revocation of the FFCTO. It was not possible to execute the Loan Agreement and receive the proceeds thereof without making such a commitment, albeit conditional upon and subject to, a full or partial revocation of the FFCTO.
- o. The Issuer proposes to issue the Consideration Shares pursuant to the prospectus exemption contained in Section 2.3 of Ontario Securities Commission Rule 72-503 *Distributions Outside Canada*. Local counsel in Israel confirmed that the issue of the Consideration Shares is exempt from the disclosure requirements of the securities laws of Israel.
- p. The Lender is a “related party” of the Issuer (as such term is Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”)) and the Loan is a “related party transaction” under paragraph (j) of that definition in MI 61-101.
- q. Paragraphs 5.5(g) and 5.7(1)(e) of MI 61-101 (together, the “**Financial Hardship Exemption**”) exempts related party transactions from the formal valuation and minority approval requirements, respectively, contained therein, if the issuer is in financial hardship. The Issuer is able to satisfy the Financial Hardship Exemption and is relying on the Financial Hardship Exemption in respect of the Loan.
- r. There are no approvals required in respect of, or in connection with, the Loan that must be obtained at a meeting of securityholders of the Issuer.
- s. The Loan is secured by a pledge of Cambrosia’s 51% interest in three pharmacies in Israel (two of which are licensed to dispense cannabis) and any other pharmacies

to be subsequently acquired by Cambrosia (the “**Pledged Shares**”). In addition, Cambrosia’s obligations in respect of the Loan is guaranteed by the Issuer.

- t. It is also a term of the Loan that Cambrosia deposit the Pledged Shares and irrevocable instructions for the transfer of the Pledged Shares to the Lender, if the Consideration Shares are not issued to the Lender on or before May 15, 2024.
- u. In other words, if the Consideration Shares are not issued by May 15, 2024, the Lender will be entitled to enforce its security and effectively take control of the Issuer’s principal assets in Israel.
- v. The Loan proceeds were advanced to Cambrosia on or about February 6, 2024, substantially all of which was immediately transferred to the Issuer.
- w. As of the date of the Application, the Issuer had a working capital deficit of approximately \$4,000,000. The Loan was used by the Issuer and Cambrosia to make partial payments to key suppliers and vendors, without which their ability to sustain operations would be materially and adversely affected, and to preserve and advance Cambrosia’s claim for approximately C\$2.1 million in restitution and other damages in respect of a terminated purchase agreement for the acquisition by Cambrosia of medical cannabis pharmacies and a medical cannabis trading house in Israel. In addition, funds were set aside from the Loan to satisfy the filing fees associated with the Annual Filings and make progress payments to its auditor with respect thereto.
- x. As the issue of the Consideration Shares would involve a trade of securities and acts in furtherance of a trade, the issue of the Consideration Shares cannot be completed without a partial revocation of the FFCTO.
- y. The Issuer acknowledges that entering into the Loan Agreement may have technically constituted “an act in furtherance of a trade” in contravention of the FFCTO.
- z. The issue of the Consideration Shares will be completed in accordance with all applicable laws.
- aa. Prior to completion of the issue of the Consideration Shares, the Issuer will:
 - i. provide to the Lender a copy of the FFCTO;
 - ii. provide to the Lender a copy of this order; and
 - iii. obtain from the Lender a signed and dated acknowledgment, which clearly states that all of the Issuer’s securities, including the securities acquired by the participant in connection with the issue of the Consideration Shares, will

remain subject to the FFCTO, and that the issuance of a partial revocation order does not guarantee the issuance of full revocation orders in the future.

- bb. Upon issuance of the partial revocation order, the Issuer will issue a press release announcing the order and the intention to complete the issue of the Consideration Shares. Upon completion of the issue of the Consideration Shares, the Issuer will issue a press release and file a material change report. As other material events transpire, the Issuer will issue appropriate press releases and file material change reports as applicable.

Order

- 4. The Principal Regulator is satisfied that a partial revocation order of the FFCTO meets the test set out in the Legislation for the Principal Regulator to make the decision.
- 5. The decision of the Principal Regulator under the Legislation is that the FFCTO is partially revoked as it applies to the Issuer solely to permit the trade of the Consideration Shares to the Lender provided that:
 - a. prior to completion of the issue of the Consideration Shares, the Issuer will:
 - i. provide to the Lender a copy of the FFCTO;
 - ii. provide to the Lender a copy of this order; and
 - iii. obtain from the Lender a signed and dated acknowledgment, which clearly states that all of the Issuer's securities, including the securities acquired by the participant in connection with the issue of the Consideration Shares, will remain subject to the FFCTO, and that the issuance of a partial revocation order does not guarantee the issuance of full revocation orders in the future.
 - b. The Issuer will make available a copy of the written acknowledgements referred to in paragraph (a)(iii) to staff of the Principal Regulator on request; and
 - c. This order will terminate on the earlier of the completion of the issue of the Consideration Shares and 60 days from the date hereof.

DATED this 14th day of May, 2024.

"Marie-France Bourret"

Marie-France Bourret
Manager, Corporate Finance
Ontario Securities Commission

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