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<p>DEBT RESTRUCTURING: Principles and Practice John D. Honsberger, Q.C., and Vern DaRe Release No. 2, June 2025</p>
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This work is the authority on reorganization and debt restructuring of insolvent, or near insolvent, commercial and financial institutions, and farmers in Canada. Included is a critical discussion of the history, theory and purpose of the debt restructuring process. Also included are discussions on drafting and an interpretation of the *Bankruptcy and Insolvency Act* (BIA) and the *Companies’ Creditors Arrangement Act* (CCAA). Together this provides an in-depth and overall analysis and understanding of what’s on the line during the debt restructuring process.

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What's New in this Update

Release No. 2 features updates to the case law and commentary in Chapter 3 (Structuring a Plan and Prefiling Procedures), Chapter 8 (Proposals Under the Bankruptcy & Insolvency Act), Chapter 9 (Arrangements Under the Companies' Creditors Arrangement Act) and Chapter 12 (Mediation Between Insolvent Farms and Their Creditors).

Highlights

● **CHAPTER 9—ARRANGEMENTS UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT**—While CCAA courts have confirmed their jurisdiction to approve reverse vesting transactions by the exercise of their discretion under section 11 of the CCAA, the courts have also repeatedly confirmed that reverse vesting orders should be the exception and not the rule. *Royal Bank of Canada v. Chesswood Group Ltd. et al.*, 2025 CarswellOnt 3642, 2025 ONSC 1577 (Ont. S.C.J. [Commercial List]) at para 19; *Delta 9 Cannabis Inc (Re)*, 2025 CarswellAlta 161, 2025 ABKB 52 (Alta. K.B.) at para 59. Given the extraordinary nature of reverse vesting orders, there must be sufficient evidence, and best practice would be to include direct evidence from the parties or at a minimum, explain why none is available.

● **CHAPTER 9—ARRANGEMENTS UNDER THE COMPANIES' CREDITORS ARRANGEMENT ACT**—The court's authority to order a creditor meeting is derived from sections 4 and 5 of the CCAA. These provisions are permissive and require the exercise of judicial discretion in furtherance of the CCAA's remedial purpose. The decision to order a meeting of creditors requires an assessment of whether it is in the best interests of the debtor and its stakeholders to hold the meeting. The decision to order a meeting of creditors is performed on a low standard. An order directing a creditors' meeting is often uncontroversial and generally does not involve argument as to whether the proposed plan is fair and reasonable. However, when a creditor's meeting is opposed, the court should more carefully examine the material filed and the issues or concerns raised and consider the equities as they relate to the debtor company and secured creditors.