

**ONTARIO  
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.

Applicants

**MOTION RECORD  
(Re Comeback Hearing)  
(Returnable November 10, 2022)**

November 8, 2022

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Applicants

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<b>Exhibits</b>	
Exhibit "A"	First Souzankar Affidavit, sworn November 2, 2022 (without exhibits)
Exhibit "B"	Stalking Horse SPA
3.	Draft Amended and Restated Initial Order (" <b>ARIO</b> ") & Blackline of ARIO against Initial Order and Model Order
4.	Sale Process Approval Order

# TAB 1



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Applicants

**NOTICE OF MOTION  
(Comeback Hearing)  
(Returnable Thursday, November 10, 2022)**

The applicants, CannaPiece Group Inc. ("**CPG**"), CannaPiece Corp. ("**CPC**"), Canadian Craft Growers Corp. ("**CCG**"), 2580385 Ontario Inc. ("**258**"), 2666222 Ontario Inc. ("**222**"), and 2669673 Ontario Inc. ("**673**", collectively the "**Company**" or the "**Applicants**") will make a motion to the Honourable Mr. Justice Penny on Thursday November 10, 2022 at 2:00 pm or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard by video conference at the following location:

<https://ca01web.zoom.us/j/69074488212?pwd=OHg0QzNpSIBVMnA5ZS80R2E4WUVJdz09#success>

Meeting ID: 690 7448 8212  
Passcode: 209520

**THE MOTION IS FOR:**

1. An amended and restated initial order ("**Amended and Restated Initial Order**"), substantially in the form of the draft order attached at Tab 3 of the Applicants' Motion Record, among other things:

- (a) abridging the time for and validating service of this notice of motion and the motion record and dispensing with service on any person other than those served;
  - (b) extending the stay of proceedings granted pursuant to the order, dated November 3, 2022 (“**Initial Order**”), to and including February 3, 2023;
  - (c) extending the scope of the stay of proceedings to include claims against directors and officers in respect of their potential liability under personal guarantees of corporate obligations;
  - (d) approving a Key Employee Retention Plan (“**KERP**”) and authorizing the Applicants to make payments in accordance with the terms of the KERP;
  - (e) authorizing the Company to make payments to certain third party suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with the consent of the Monitor, which are necessary to facilitate the Applicants’ ongoing operations and preserve value during the CCAA proceedings; and
  - (f) approving an increase to the Administration Charge to the maximum amount of \$500,000.
2. An order (“**Sale Process Approval Order**”), substantially in the form of the draft order attached at Tab 4 of the Applicants’ Motion Record, among other things:
- (a) authorizing and empowering CannaPiece Group Inc. (the “**Vendor**”) and CPC (“**CPC**”) to enter into a stalking horse purchase agreement dated

November 7, 2022 (the “**Stalking Horse SPA**”) between the Vendor, CPC and Cardinal Advisory Limited, or its nominee (in such capacity, the “**Stalking Horse Purchaser**”);

- (b) approving the sale and investment solicitation process (“**Stalking Horse Sales Process**”) and the Stalking Horse SPA;
- (c) approving the payment and priority of payment of the Break Fee, the Professional Fees, and the Deposit Repayment, as provided for in the Stalking Horse SPA;
- (d) approving the appointment of BDO Canada Transaction Advisory Services Inc. as the sales agent to assist with the implementation of the Stalking Horse Sales Process; and
- (e) confirming that the Stalking Horse SPA represents the “Stalking Horse Bid” as defined in and for purposes of the Sale Process Approval Order; and

3. Such further and other relief as this Court may deem just and equitable.

**THE GROUNDS FOR THE MOTION ARE:**

1. Capitalized terms not otherwise defined herein are as defined in the Affidavit of Afshin Souzankar sworn November 2, 2022 and the Affidavit of Afshin Souzankar sworn November 8, 2022.

## Background

2. The Company, through its operating entity CPC, is a leading Canadian cannabis contract manufacturer, providing extraction, processing, and packaging services for its customers who include large and industry leading participants. The Applicants do not grow any flower, nor do they have any retail operations. CPC is strictly a business-to-business company.

3. On November 3, 2022, the Honourable Mr. Justice Penny granted the Initial Order that provided protection to the Applicants under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c, C-36, as amended ("**CCAA**"). Among other things, the Initial Order:

- (a) granted a stay of proceedings until November 10, 2022 ("**Initial Stay Period**");
- (b) approved a debtor-in-possession ("**DIP**") term sheet ("**DIP Term Sheet**") approving a DIP loan and a corresponding charge in favour of the DIP Lender; and
- (c) appointed BDO Canada Limited as the CCAA monitor of the Company (in such capacity, the "**Monitor**").

4. The Company initiated proceedings under the CCAA on account of the financial pressures arising as a result of, among other things: (i) substantial capital investments made by the Company to meet capacity requirements of customer contracts that never fully materialized; (ii) intense competition and an over-supply of cannabis products

leading to significant price compression; and (iii) the low market demand for cannabis products at the retail level, partially as a result of the illicit market for cannabis, causing a decline in orders from licensed processors.

5. A sale of or investment in the Applicants' assets, in the context of the CCAA proceedings, is necessary to restructure the Company's underlying business operations and maximize value for the Applicants' creditors and other stakeholders.

### **Stalking Horse SPA and Stalking Horse Sales Process**

6. The Applicants have identified the Stalking Horse Purchaser who has agreed to act as a stalking-horse bidder in a court-supervised Stalking Horse Sales Process.

7. The Stalking Horse Purchaser and the Applicants have negotiated and entered into the Stalking Horse SPA.

8. The Applicants are seeking approval of the Stalking Horse SPA, which will serve as the baseline against which offers received in the Stalking Horse Sales Process will be measured.

9. The Stalking Horse Sales Process will be administered by the Monitor in consultation with the Applicants. In addition, the Monitor will have certain rights in connection with materials decisions related to the process (for example, in connection with the extension of deadlines).

10. Due to the nature of the Company's business, and the rapidly emergent liquidity crisis that precipitated the CCAA filing, value maximization for stakeholders can only be derived from a going concern sale of the business in the context of an orderly court

supervised process. The Stalking Horse Sales Process gets the parties to that point: it provides stability to the business and signals to customers, employees and other stakeholders that operations will continue, and customer orders fulfilled, after these CCAA proceedings conclude.

11. The Stalking Horse SPA is structured as a purchase of the assets of the Company by way of a share sale and “reverse” vesting approval order.

12. The purchase price under the Stalking Horse SPA is \$3,500,000, plus certain assumed liabilities, and subject to adjustment as provided for in the agreement. Provided that the assumptions are on terms satisfactory to the purchaser, the assumed liabilities will include the Company’s secured indebtedness to senior secured creditor Carmela Marzilli, as well as to equipment secured lender, 2125028 Ontario Inc. The assumed liabilities are to be negotiated on a tight time frame stipulated by the Stalking Horse Sales Process.

13. In consideration for the Stalking Horse Purchaser (i) expending time and money and agreement to act as the initial stalking horse bidder, (ii) and performing due diligence pursuant to the Stalking Horse SPA, (iii) and subject to court approval the Stalking Horse SPA contemplates a break fee in the amount of \$175,000 (the “**Break Fee**”). The Break Fee does not form part of the purchase price under the Stalking Horse SPA.

14. The Break Fee was the subject of arm’s length negotiations between the Applicants and the Stalking Horse Bidder. The Applicants and the Monitor are of the

view that the amount of the Break Fee is reasonable and accords with the size and complexity of the transaction.

15. It is expected that if the Stalking Horse Purchaser is the successful purchaser in the Stalking Horse Sales Process, they will maintain the employment of substantially all of the Applicants' employees.

16. If the Stalking Horse Purchaser is not the successful purchaser at the conclusion of the Stalking Horse Sales Process, in addition to the Break Fee, and subject to Court approval, the Stalking Horse Purchaser will be entitled to repayment in full of certain professional fees (to a maximum amount of \$25,000), as well as repayment in full of all amounts advanced under the DIP Term Sheet and the Deposit Facility (as defined in the Stalking Horse SPA), which payment shall be in priority to all other claims, from the sale proceeds of the successful transaction (the "**Deposit Repayment**").

17. The Stalking Horse SPA is conditional upon, among other things:

- (a) Court-approval of the Stalking Horse Sales Process and the Stalking Horse SPA, including the Break Fee and the Deposit Repayment; and
- (b) the Stalking Horse SPA being the successful transaction at the conclusion of the Stalking Horse Sales Process.

18. Critically, the Stalking Horse SPA and sales process addresses the Company's interim financing and working capital needs such that operations can be sustained, customer orders fulfilled, and the enterprise value of the business preserved.

19. The Stalking Horse Sales Process will allow the Applicants' to canvas the market for an investment in, or sale of, the business. It is the sole available and only effective means of maximizing creditor recovery and preserving employment for the Company's employees.

## **KERP**

20. The Applicants have developed a KERP, with input from the Monitor, to facilitate and encourage the continued participation of certain key management employees in the business and restructuring for the pendency of these CCAA proceedings.

21. The KERP contemplates payments aggregating \$160,000 to eleven key employees holding senior level positions that support the Company's finance, operation, human resources and legal function. Full details of the proposed KERP will be set out in the First Report of the Monitor, to be filed.

22. The KERP will provide appropriate incentives for the Applicants' key employees to remain in their current positions and will ensure that they are properly compensated for their assistance in the restructuring process.

23. Retention of key employees also supports a condition precedent to the Stalking Horse SPA that requires that a majority of certain designated employees continue their employment post-closing.

## **Critical Suppliers**

24. The Applicants are critically reliant on certain suppliers in their day to day operations. To preserve their business and maintain these essential relationships, the



Applicants are seeking the Court's approval to pay certain pre-filing expenses or to honour certain payments issued to providers of goods and services prior to the date of filing that the Applicants, with the consent of the Monitor, believe are essential to continued operations and preservation of value. The payments for which approval is sought are estimated to total no more than \$150,000 and are budget for in the Cash Flow Forecast.

### **Extension of the Stay**

25. The Applicants are requesting an extension of the Initial Stay Period to February 3, 2023 ("**Extended Stay Period**").

26. As indicated by the Cash Flow Forecast filed by the Monitor, it is forecast that the Applicants will have sufficient liquidity during the Extended Stay Period to fund obligations and the costs of the CCAA proceedings.

27. While restructuring proceedings are underway, it is just and appropriate, and a valid exercise of the court's inherent jurisdiction, to extend the CCAA stay of proceedings to prevent the Company's officers and directors from being sued on personal guarantees of corporate obligations.

28. An extension of the stay in this manner will best preserve the status quo and permit the directors and officers to focus on creating value for stakeholders without distraction. It is consistent the CCAA's objective of furthering a debtor's restructuring, and can be supported on a balance of convenience analysis.

29. The Monitor supports, and no creditor will be prejudiced by, the extension of the stay for the Extended Stay Period.

### **Administration Charge**

30. The relief sought in the Initial Order in respect of the Administration Charge was limited to the amount reasonably necessary for the Applicants to continue operations in the ordinary course of business during the Initial Stay Period.

31. The requested increase to the Administration Charge will better secure funding for additional work that will be necessary during the Extended Stay Period. The amount of the Administration Charge is fair and reasonable in the circumstances.

### **General**

32. The provisions of the CCAA, including sections 11, 11.02, 11.2, and 11.52, and the statutory, inherent and equitable jurisdiction of this Court.

33. Rules 1.04, 1.05, 2.01, 2.03, 3.02, 16, 37, and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended,

34. Section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and

35. Such further and other grounds as counsel may advise.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

- (a) the Affidavit of Afshin Souzankar, sworn November 2, 2022 and the exhibits attached thereto;

- (b) the Affidavit of Afshin Souzankar, sworn November 8, 2022 and the exhibits attached thereto;
- (c) the pre-filing report of the Monitor dated November 3, 2022;
- (d) the first report of the Monitor, to be filed; and
- (e) such further and other evidence as counsel may advise and this Court may permit.

November 8, 2022

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.**

Court File No.: CV-22-00689631-00CL

**Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**NOTICE OF MOTION  
(RE COMEBACK HEARING)  
(RETURNABLE NOVEMBER 10, 2022)**

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Lawyers for the Applicants

# TAB 2

Court File No.: CV-22-00689631-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.

Applicants

**AFFIDAVIT OF AFSHIN SOUZANKAR**

**(Sworn November 8, 2022)**

I, Afshin Souzankar of the City of Thornhill, in the Regional Municipality of York,  
in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

**I. OVERVIEW**

1. I am the President and Chief Executive Officer of the applicant, CannaPiece Group Inc. ("**CPG**" or "**CannaPiece Group**") as well as a member of the board of directors, having served initially as Managing Partner – Strategic Planning when I co-founded the Company in 2018, and as President and Chief Executive Officer since August of 2020.

2. I am also the Chief Executive Officer and a member of the board of directors of the Company's wholly-owned subsidiaries CannaPiece Corp. ("**CPC**"), Canadian Craft Growers Corp. ("**CCG**"), 2580385 Ontario Inc. ("**258**"), 2666222 Ontario Inc. ("**222**"), and 2669673 Ontario Inc. ("**673**").

3. CPG, CPC, CCG, 258, 222 and 673 are the “**Applicants**” in this CCAA proceeding and are sometimes collectively referred to herein as the “**Company**”.

4. I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

5. I swear this affidavit in support of, among other things, a motion by the Applicants pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), requesting:

(a) an amended and restated initial order (“**Amended and Restated Initial Order**”) substantially in the form attached at Tab 3 of the Applicants’ motion record, among other things:

(i) abridging the time for and validating service of this notice of motion and the motion record and dispensing with service on any person other than those served;

(ii) extending the stay of proceedings granted pursuant to the order, dated November 3, 2022 (“**Initial Order**”), to and including February 3, 2023;

(iii) extending the scope of the stay of proceedings to include claims against directors and officers in respect of their potential liability under personal guarantees of corporate obligations;

- (iv) approving a Key Employee Retention Plan (“**KERP**”) and authorizing the Applicants to make payments in accordance with the terms of the KERP;
  - (v) authorizing the Company to make payments to certain third party suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with the consent of the Monitor, which are necessary to facilitate the Applicants’ ongoing operations and preserve value during the CCAA proceedings; and
  - (vi) approving an increase to the Administration Charge to the maximum amount of \$500,000.
- (b) an order (“**Sale Process Approval Order**”), substantially in the form attached at Tab 4 of the Applicants’ motion record, among other things:
- (i) authorizing and empowering CannaPiece Group Inc. (the “**Vendor**”) and CPC (“**CPC**”) to enter into a stalking horse purchase agreement dated November 8, 2022 (the “**Stalking Horse SPA**”) between the Vendor, CPC and Cardinal Advisory Limited, or its nominee (in such capacity, the “**Stalking Horse Purchaser**”);
  - (ii) approving the sale and investment solicitation process (“**Stalking Horse Sales Process**”) and the Stalking Horse SPA;
  - (iii) approving the Break Fee, the Professional Fees and the Deposit Repayment provided for and defined in the Stalking Horse SPA;

- (iv) approving the appointment of BDO Canada Transaction Advisory Services as the sales agent to assist with the implementation of the Stalking Horse Sales Process; and
- (v) confirming that the Stalking Horse SPA represents the “Stalking Horse Bid” as defined in and for purposes of the Sale Process Approval Order.

## **II. Background and Update on CCAA Proceedings**

6. My first affidavit in these CCAA proceedings was sworn on November 2, 2022 (“**First Souzankar Affidavit**”). A copy of the First Souzankar Affidavit, without exhibits, is attached hereto as **Exhibit “A”**.

7. CannaPiece Group, through its wholly-owned subsidiary, CPC, operates a cannabis contract manufacturing business. The Company is insolvent, faces a severe liquidity crisis, and is in urgent need of relief under the CCAA.

8. The Applicants applied for urgent relief under the CCAA on November 3, 2022, because they had insufficient cash to sustain operations for the week ending November 6, 2022.

9. On November 3, 2022, the Honourable Mr. Justice Penny made an order (the “**Initial Order**”), among other things:

- (a) granting a stay of proceedings in favour of the Applicants up to and including November 10, 2022 (the “**Initial Stay Period**”);

- (b) appointing BDO Canada Limited as monitor of the Applicants in these CCAA proceedings (in such capacity, the “**Monitor**”);
- (c) approving a debtor-in-possession (“**DIP**”) term sheet (“**DIP Term Sheet**”), and approving a DIP loan and a corresponding charge in favour of the DIP lender; and
- (d) scheduling a return hearing date for November 10, 2022 (“**Comeback Hearing**”).

10. The Applicants have continued to operate in the ordinary course since the Initial Order was granted. Among other things, since the granting of the Initial Order, the Applicants have, with the assistance of the Monitor and their advisors:

- (a) worked to stabilize operations, negotiate the Stalking Horse SPA, and develop the Stalking Horse Sales Process;
- (b) created and implemented a communication plan to advise key stakeholders of the CCAA proceeding;
- (c) reviewed cash flow requirements identified and realized a number of cash flow efficiencies;
- (d) communicated extensively with various stakeholders including, among others: key creditors, customers, suppliers, and employees, which are critical to the Company’s ongoing operations; and
- (e) worked with the Monitor to develop the KERP.

### **III. Relief Sought at Comeback Hearing**

11. I understand that the Monitor and the Applicants' senior secured lender, Carmela Marzilli, are supportive of the relief sought at the Comeback Hearing.

#### **A. Approval of Stalking Horse SPA**

##### ***i. Stalking Horse SPA***

12. All terms capitalized but not defined in this section of my affidavit are as defined in the Stalking Horse SPA.

13. The First Souzankar Affidavit describes the causes for the Company's insolvency and the urgency of the initial filing with reference to a number of contributing factors that conspired to create a situation where the business simply could not afford to sustain operations through the week ending November 6 without a draw on the DIP Loan.

14. Chief among the catalysts for the filing was the largely unexpected withdrawal and cancelation of a number of large volume orders from the Company's major concentrate and pre-roll product customers, as well as other customers. As I explained in the First Souzankar Affidavit, manufacturing operations were built at great cost to service the capacity requirements of customer orders that never fully materialized, or materialized and then were recently and unexpectedly withdrawn.

15. At this point, the value of CannaPiece Group is entirely derived from its ability to seamlessly and continuously fulfill the order requirements of its customers, many of whom are the largest and industry-leading licenced producers in Canada. Timely order fulfilment is the "lifeblood" of the business. A cessation of operations, even temporarily, would be destructive of enterprise value in a manner that would be near irreversible.



Customers could be expected to secure alternative manufacturing capacity and could not reasonably be expected to await the outcome of a hard shut-down and the chance of a future start-up. I believe that the demand and the value destruction to the business would be immediate.

16. The Company's dependency on a large volume, consistent, predictable customer order flow was the subject of submissions by counsel during the initial hearing of this application. The withdrawal of a portion of these orders, as recently as September and October of this year, resulted in a significant cash flow deficit, which presented an existential threat to the Company and prompted the urgent filing for first day relief, including the DIP Loan. It was the DIP Loan, in the absence of any other options, that bridged the gap in the cash flow to get the Company to this point.

17. The First Souzankar Affidavit, at paragraphs 168 to 171, addresses the fact that at the time of the Initial Order the Applicants were in the process of negotiating a purchase agreement with the DIP Lender pursuant to which, and subject to court approval, the purchaser would act as a stalking horse bidder in a court-supervised sale and investment solicitation process. Negotiations in this regard commenced immediately prior to the time of the Initial Order and continued through to today.

18. Deal points relating to the CCAA funding, and costs reimbursement, and other protections for the stalking horse purchaser, were heavily negotiated and reflect difficult but necessary compromises. In approaching these negotiations I was keenly aware of the precariousness of the Company situation, as well as the failure of our pre-filing restructuring and refinancing efforts. We were unable to source any rescue financing at all, either inside or outside of a formal filing. I believe that the Company did not have

the luxury of additional time or options. I believe that remains the case.

19. In this regard, the First Souzankar Affidavit, at paragraphs 142 and 146, describes the Company's pre-filing strategic initiatives and efforts to improve its financial situation, including by achieving operational efficiencies and conserving cash, as well as efforts to obtain additional financing by approaching potential investors and sources of capital. These efforts included the retention of a cannabis industry financial consultant in February 2022 and a strategic business advisor and consultant in August 2022. Ultimately, such efforts were not successful. They could neither avert the CCAA filing nor, in the end when the filing became necessary, secure any other willing DIP Lender.

20. On November 8, 2022, the Vendor, CPC, and the Stalking Horse Purchaser finalized negotiations and entered into an agreement for the purchase and sale of substantially all of the Applicants' assets, except for excluded assets ("**Stalking Horse SPA**"), a copy of which is attached hereto as **Exhibit "B"**.

21. The Stalking Horse Purchaser is Cardinal Advisory Limited (or its nominee), the current DIP Lender in this proceeding. Cardinal Advisory Limited has experience as a DIP lender, having loaned into several recent insolvency proceedings prior to this one. The company's principal is the founder of one of the first licensed producers of cannabis in Canada, Beleave Inc., is security cleared, is well-known to Health Canada, and otherwise benefits from extensive recent experience in the cannabis industry.

22. The Stalking Horse SPA is structured as a purchase of the assets of the Company by way of a share sale and "reverse" vesting approval order.

23. The purchase price under the Stalking Horse SPA is \$3,500,000, plus Assumed Liabilities, subject to adjustments as provided in the agreement. The Stalking Horse Purchaser shall pay the Purchase Price to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in accordance with the following:

- (a) Initial Deposit: All amounts owing to the Purchaser under the DIP Term Sheet as of the SISP Approval Date, including any accrued and unpaid interest, expenses, fees, and other amounts (in aggregate, the “**Initial Deposit Amount**”), shall be treated in all respects as a deposit from and after the SISP Approval Date and shall be credited against the Purchase Price at Closing.
- (b) Subsequent Deposits: All amounts owing to the Purchaser under the Deposit Facility as of the Closing Date (the “**Subsequent Deposit Amount**” and together with the Initial Deposit Amount (collectively, the “**Deposit**”) shall be treated in all respects as a deposit and shall be credited against the Purchase Price at Closing.
- (c) Cash Purchase Price: An amount equal to the Purchase Price less the Deposits (the “**Cash Purchase Price**”) shall be paid to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in immediately available funds.
- (d) Assumed Liabilities: An amount equal to the amount of the Assumed Liabilities, which the Company shall retain on the Closing Date in accordance with the Pre-Closing Reorganization, shall be satisfied by the Company

performing the Assumed Liabilities. For certainty, the Assumed Liabilities include the Marzilli Debt (approximately \$6,800,000) and the 212 Debt (approximately \$4,000,000), provided that such assumptions are on terms satisfactory to the Purchaser in all respects. For further certainty, if the Purchaser is not able to negotiate terms of assumption satisfactory to the Purchaser in its sole discretion, then it shall have no obligation to assume the Marzilli Debt and the 212 Debt.

24. Pursuant to the terms of the Stalking Horse SPA, the Stalking Horse Bidder will provide the Company with the urgently required interim financing for its working capital requirements during the sales process phase of the CCAA proceedings. This additional funding (\$500,000 has already been advanced) will be funded on a weekly basis in accordance with the cash flow forecast filed up to a maximum aggregate principal amount of \$3,000,000. As noted above, these advances will be made available under the “Deposit Facility” and will represent the Subsequent Deposit Amount.

25. The Stalking Horse SPA contemplates that, in the event that the Stalking Horse Bid is not the Successful Bid, in addition to the Break Fee, the Stalking Horse Purchaser shall be entitled to repayment of professional fees (to a maximum amount of \$25,000), as well as repayment in full of all amounts advanced under the DIP Term Sheet and the Deposit Facility, and such payment shall be in priority to any and all Claims against the Company (the “**Deposit Repayment**”).

26. The proposed Stalking Horse SPA provides for minimal conditions to close. The only substantive conditions are that the Company must have its cannabis licences in good standing, and that the lease for the Pickering Facility must be in good standing. If

those conditions are satisfied, then the Stalking Horse Purchaser will close immediately upon the issuance of an approval and vesting order. The immediacy of the closing is necessary for the Stalking Horse or any other purchaser because the Company is forecasted to run out of cash as of February 1, 2023.

27. I have spoken with each member of my senior management team to understand their willingness and ability to stay on with any proposed purchaser to ensure a smooth and orderly transition. I confirm that each member of my senior management team is willing to continue to work with any purchaser for the period of time necessary to protect this business and its employees. Our only requirement to stay on is that we continue to receive compensation on the same or similar terms to our current employment arrangement.

28. It is expected that the Stalking Horse SPA will maintain the employment of substantially all of the employees of the Company.

29. Critically, the Stalking Horse SPA and process addresses the Company's interim funding and working capital needs such that operations can be sustained, customer orders fulfilled, and the going concern value of the business preserved.

30. Further to paragraph 10 above, Erfan (Eric) Akbar ("**Akbar**"), who is President of the Company, has been chiefly responsible for implementing the Company's key stakeholder communications strategy. In the course of this effort Akbar has advised me that he has personally spoken with all of the Company's major customers and critical suppliers. He explained to them the purpose and necessity of the CCAA filing and discussed the appointment of the Monitor and our intention to embark on a court-

approved sales process supported by a “stalking horse purchaser” committed to ensuring that there is business continuity and a going concern outcome for CannaPiece Group.

31. Akbar and I have discussed the key stakeholder reaction to the CCAA filing with each other, as well as our subsequent outreach efforts, and we are both confident that the Company’s key customers and suppliers will continue to supply and place orders and otherwise support our restructuring efforts. The reason for this is because of the stability that the Stalking Horse Sales Process provides. The fact that there is presently a funding solution, and that a Stalking Horse Purchaser has been identified, is of tremendous comfort to the suppliers, customers, and employee with whom we have spoken. In short, there is broad recognition and acceptance that the only path to realizing the value that exists is to ensure the continuity and stability of operations through an orderly and court supervised sales process.

*ii. Break Fee*

32. In consideration for the Stalking Horse Purchaser (i) expending time and money and agreeing to act as the initial bidder and (ii) performing the due diligence pursuant to the Stalking Horse SPA, and subject to the approval of the court, the Stalking Horse SPA contemplates that the Stalking Horse Purchaser shall be entitled to a break fee in the amount of \$175,000 (the “**Break Fee**”). The Break Fee is provided for at article 5.1(b) of the Stalking Horse SPA.

33. The Break Fee does not form part of the purchase price under the Stalking Horse SPA.

34. In accordance with the terms of the Stalking Horse SPA, the Break Fee shall be payable to the Stalking Horse Purchaser in the event that the Stalking Horse Bid is not the Successful Bid in the Stalking Horse Sales Process, following closing of the transaction contemplated by such other Successful Bid.

35. The Applicants and the Monitor are of the view that the amount of the Break Fee is reasonable and accords with the size and complexity of the transaction. I have reviewed the quantum of the Break Fee with the Applicants' counsel and the Monitor and I understand that it is within the range of what is considered a reasonable break fee for transactions of this nature.

36. I understand that the Monitor supports approval of the Stalking Horse SPA and the Break Fee.

**B. Approval of Stalking Horse Sales Process**

37. The Applicants seek approval of the Stalking Horse Sales Process in which the Stalking Horse SPA will establish a baseline price and govern the solicitation of higher and more favourable offers.

38. The Stalking Horse Sales Process, which is attached as a schedule to the Stalking Horse SPA, was developed in consultation with the Monitor and takes into account the current financial circumstances of the Applicants.

39. The approval of the Stalking Horse Sales Process will allow the Applicants to test the market for higher and better offers in order to maximize the value obtained for the Applicants' assets for the benefit of the various stakeholders.

40. Subject to the approval of the Court, the Stalking Horse Sales Process will be administered by the Monitor and its Sales Agent in consultation with the Applicants. In addition, the Monitor will have certain rights in connection with material decisions related to the process, including with respect to the extension of certain deadlines.

41. I believe that the Stalking Horse Sales Process will provide stability to the Applicants' business by signalling to customers, employees, and other stakeholders that the Company's business will continue as a going concern after these CCAA proceedings. For the reasons described above, this is essential for the preservation of stakeholder value.

42. Further, and as indicated above, I have had ongoing discussions with customers and investors, as well as other cannabis industry participants, since the commencement of these proceedings. The reaction to the prospective sales process has been positive. My colleagues in senior management and I have received several preliminary expressions of interest in participating in a sales process. We believe these expressions of interest to be from well-resourced parties with the ability to effectively compete in a sales process. When approached, we have directed and will continue to direct, interested parties to the Monitor, whom I understand will supervise a sales process.

### **C. Critical Suppliers**

43. The Applicants are critically reliant on certain suppliers in their day-to-day operations. To preserve their business and maintain these essential relationships, the Applicants are seeking the Court's approval to pay certain pre-filing expenses or to



honour certain payments issued to providers of goods and services prior to the date of filing that the Applicants, with the consent of the Monitor, believe are essential to continued operations and preservation of value. The payments for which approval is sought are estimated to total no more than \$150,000, and are budgeted in the Company cash flow.

#### **D. Key Employee Retention Plan**

44. The Applicants have developed a KERP, with input from the Monitor, to facilitate and encourage the continued participation of certain key management employees in the business and restructuring for the pendency of these CCAA proceedings.

45. The details of the proposed KERP, including the specific roles and responsibilities of the beneficiaries of the KERP, are set out in the First Report of the Monitor, to be filed in connection with this Comeback Hearing.

46. At a high level, the KERP contemplates payments aggregating \$160,000 to eleven key employees holding senior level positions that support the Company's finances, operation, human resources and legal and compliance functions. These employees all have experience and knowledge of CannaPiece Group and its day-to-day operations that was gained over many years, is unique, and not easily replaceable.

47. I believe that the KERP is very important for the stability of the business. It has been designed to provide the necessary incentives for the Applicants' key employees to remain in their current positions and to ensure that they are properly compensated for their contributions to a successful restructuring process.

48. Neither myself nor CannaPiece Group co-founders Ali Etemadi ("**Etemadi**") and

Reza Khadem Shahreza (“**Khadem**”) will participate in the KERP.

**G. Extension of Stay of Proceedings**

49. The Applicants have acted, and continue to act, in good faith and with due diligence to communicate with stakeholders and to develop the Stalking Horse Sales Process. The Applicants seek a stay extension up to and including February 3, 2023 (“**Extended Stay Period**”) to provide stability and to allow sufficient time to complete the Stalking Horse Sales Process without having to incur additional costs during that process to return to Court to seek further extension.

50. It is anticipated that the Stalking Horse Sales Process will conclude by January 30, 2023, with a sale approval hearing, subject to court availability.

51. As indicated in the Cash Flow Forecast appended to the Monitor’s first report, to be filed, the Applicants will have sufficient liquidity, due to the Stalking Horse SPA, during the Extended Stay Period to fund obligations and the costs of the CCAA proceedings.

52. The Monitor has advised that it supports the extension of the stay for the Extended Stay Period.

53. The Applicants also seek to expand the scope of the stay of proceedings in favour of the Applicants to prevent the directors and officers of the Company from being pursued on certain personal guarantees of the Company’s obligations.

54. I believe that the extension of the stay in this matter will better preserve the pre-filing status quo ante and permit the directors and officers to focus their energy on

creating value for stakeholders during the balance of these CCAA proceedings.

55. As described at paragraph 110 of the First Souzankar Affidavit, Etemadi, Khadem, and I are named as co-defendants to an \$840,000 deficiency claim commenced by 2726398 Ontario Inc. in the Ontario Superior Court of Justice on October 18, 2022. Etemadi, Khadem, and I were served with the statement of claim on October 19, 2022 and we have recently filed notices of intent to defend.

56. Additionally, myself and certain of my co-directors and executives may soon be subject to other creditor claims on personal guarantees of the Applicants' obligations. This is the case, for example, with close to \$7,000,000 in borrowings under the Marzilli Loan Agreement, described at paragraphs 84 to 88 of the First Souzankar Affidavit.

57. Etemadi, Khadem, and I co-founded the CannaPiece Group and have been intimately involved in all aspects of the Applicants' business and operations on full-time basis since 2018. CannaPiece is a significant private company funded by a large and diverse group of family and friends, and other private investors, most of whom are personally known to us. The same can be said in respect of our personal knowledge and connections to the Applicants' other stakeholders, including key employees, landlords, suppliers, and customers.

58. As the First Souzankar Affidavit describes, the factors that precipitated CannaPiece Group's insolvency and CCAA filing (including primarily the suspension and cancelation of large volume customer orders) came on recently and quickly and would have presented as an extreme shock to many of our stakeholders. Etemadi, Khadem, and I are doing our best to manage all such relationships in the context of the

numerous and pressing demands of a restructuring process that is entirely new to us and at times difficult to understand. In the days prior to the CCAA filing, and every day since, we have been consumed with the formal requirements of the process, as well as trying to manage the emotional stresses and anxieties of the circumstances that we and our friends and families now face.

59. Etemadi, Khadem, and I know that we must focus 100% of our time and energy on these reorganization proceedings, including, most immediately, working with the Monitor and our advisors to run a successful Stalking Horse Sales Process. We want to invest our full time and attention, without distraction, in doing so. Defending creditor claims against us personally would necessarily compete with, and distract from, our full-time commitment to the successful advancement of the Applicants' current restructuring priorities.

#### **F. Increase to Administration Charge**

60. The Applicants seek an increase in the Administration Charge to \$500,000 to remain consistent with the projected fee and disbursements of the Monitor, counsel for the Monitor, and counsel for the Applicants (collectively, the "**Professional Group**") during the Extended Stay Period.

61. The Applicants are of the view that the proposed increase to the Administration Charge is reasonably necessary at this time.

**VIII. FORM OF ORDER AND CONCLUSION**

62. This affidavit is sworn in support of orders substantially in the form of the draft orders at Tabs “3” and “4” to the Applicants’ Motion Record, and for no other or improper purpose.

SWORN BEFORE ME via video-conference with the deponent in the City of Thornhill, in the regional municipality of York, in the Province of Ontario, and the Commissioner at the Town of Halton Hills, in the regional municipality of Halton, in the Province of Ontario this 8th day of November, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:  
*Afshin Souzankar*  
3E83A3E48E73488

AFSHIN SOUZANKAR

DocuSigned by:  
*Patryk Sawicki*  
99FE2CEF19D7432

A Commissioner for taking Affidavits (*or as may be*)

PATRYK SAWICKI

This is Exhibit "A" referred to in the Affidavit of AFSHIN SOUZANKAR sworn by AFSHIN SOUZANKAR of the City of Thornhill, in the regional municipality of York, in the Province of Ontario, before me at the Town of Halton Hills, in the regional municipality of Halton, in the Province of Ontario, on November 8, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:  
*Patryk Sawicki*  
99FE2CFF19D7432...

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*Commissioner for Taking Affidavits (or as may be)*

**PATRYK SAWICKI**

Court File No.: CV-22-00689631-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE – COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.

Applicants

**AFFIDAVIT OF AFSHIN SOUZANKAR**

**(Sworn November 2, 2022)**

I, Afshin Souzankar of the City of Thornhill, in the Regional Municipality of York,  
in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

**I. OVERVIEW**

1. I am the President and Chief Executive Officer of the applicant, CannaPiece Group Inc. ("**CPG**" or "**CannaPiece Group**") as well as a member of the board of directors, having served initially as Managing Partner – Strategic Planning when I co-founded the Company in 2018, and as President and Chief Executive Officer since August of 2020.

2. I am also the Chief Executive Officer and a member of the board of directors of the Company's wholly-owned subsidiaries CannaPiece Corp. ("**CPC**"), Canadian Craft Growers Corp. ("**CCG**"), 2580385 Ontario Inc. ("**258**"), 2666222 Ontario Inc. ("**222**"), and 2669673 Ontario Inc. ("**673**").

3. CPG, CPC, CCG, 258, 222 and 673 are the “**Applicants**” in this CCAA proceeding and are sometimes collectively referred to herein as the “**Company**”.

4. Prior to co-founding the CannaPiece Group, I worked for 28 years in various project management roles, including over 17 years in the mining industry. I hold a Master of Science in Engineering and earned my professional engineering (P. Eng.) designation in 2005. As the Chief Executive Officer of the Applicants, my primary responsibilities include managing the Company’s overall operations and resources and making strategic business decisions.

5. I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

6. I swear this affidavit in support of, among other things, an application by the Company for protection from its creditors pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).

7. More specifically, the Applicants are seeking an order (the “**Initial Order**”) approving:

- (a) the DIP Term Sheet (as defined below), the DIP Loan (as defined below), the authority to borrow up to \$500,000, and a charge in favour the DIP Lender (as defined below) of \$500,000.
- (b) an administration charge of \$250,000 (the “**Administration Charge**”); and



(c) an initial stay of proceedings to November 10, 2022 (the “**Stay Period**”).

8. If the Initial Order is granted the Applicants intend to return to Court on November 10, 2022 (the “**Comeback Hearing**”) to request an order (the “**Amended and Restated Initial Order**”) that would:

(a) extend the Stay Period;

(b) increase the amount of the Administration Charge;

(c) authorize and approve certain payments to critical suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with consent of the Monitor, which are necessary to facilitate the Company’s ongoing operations and preserve value during the CCAA proceedings; and

(d) approve a sale and investment solicitation process, which will include a stalking horse bid component.

9. For the reasons set out herein, I do verily believe that the Applicants are insolvent and are companies to which the CCAA applies.

## **II. URGENT NEED FOR RELIEF**

10. CannaPiece Group, through its wholly-owned subsidiary, CPC, operates a cannabis contract manufacturing business. The Company is insolvent, faces a severe liquidity crisis, and is in urgent need of relief under the CCAA.

11. Currently, the Company’s ordinary course monthly cash expenditures exceed its

cash receipts. Based on the Interim Cash Flow Forecast (as defined below), the Applicants will have insufficient cash to sustain operations through the week ending November 6, 2022 without a draw under the DIP Loan.

12. The cannabis industry is nascent and highly regulated and has experienced rapid change. The uncertainty caused by these changes has created an array of challenges for companies in the industry, including difficulties in obtaining adequate investment and financing for operations and capital expenditures.

13. In the past year, the Applicants have suffered losses due to, among other things:

- (a) substantial capital investments made by CPG and CPC to meet capacity requirements of customer contracts that never fully materialized;
- (b) a steep decline in the value of most publicly-traded cannabis companies in Canada, which form the basis of CPC's client base;
- (c) intense competition and an over-supply of cannabis products leading to significant price compression; and
- (d) the low market demand for cannabis products at the retail level, partially as a result of the illicit market for cannabis, causing a decline in orders from licensed processors.

14. The Company's management team has made determined efforts to address the financial challenges, including, among other things, significantly reducing staff, maximizing automation to more efficiently address manufacturing demands, increasing the efficiency of full-time production staff, making efforts to expand service offerings to

existing customers, and retaining external consultants to assist in identifying opportunities to improve liquidity. These efforts, although effective to a point, have been insufficient to completely address the challenges facing the Applicants.

15. Given its liquidity crisis, the Company requires the breathing room afforded by the CCAA in order to stabilize its operations for the benefit of all of its stakeholders. I therefore believe that the CCAA provides the most appropriate forum for the Company to restructure its affairs – whether it be through debt financing, an equity infusion, a sale, or some other form of creditor compromise.

### **III. OVERVIEW OF THE APPLICANTS**

#### **A. Background and Corporate Structure**

16. Attached as **Exhibit “A”** is a copy of the corporate organizational chart for the Company.

##### ***a. CannaPiece Group Inc.***

17. CPG is the top level holding company. It was incorporated in Ontario on July 18, 2018. CPG’s registered head office is located at 100 Allstate Parkway, Suite 302, Markham, Ontario. CPG is the direct and sole owner of CPC.

18. Attached as **Exhibit “B”** is a copy of the Corporate Profile Report for CPG.

##### ***b. CannaPiece Corp.***

19. CPC was incorporated in Ontario on May 28, 2018. CPC’s registered head office is located at 100 Allstate Parkway, Suite 302, Markham, Ontario.

20. CPC is the Company's operating entity. It holds the necessary cannabis licences and operates the cannabis manufacturing and production business out of a licensed facility located at 1725 McPherson Court, Unit 2, Pickering, Ontario.

21. Attached as **Exhibit "C"** is a copy of the Corporate Profile Report for CPC.

***c. Canadian Craft Growers Corp.***

22. Canadian Craft Growers Corp. ("**CCG**") was incorporated in Ontario on July 18, 2018. CCG's initial purpose was to assist CPG in the development of a cannabis micro-cultivation facility in Bowmanville, Ontario.

23. CCG does not hold any assets and is currently inactive. Attached as **Exhibit "D"** is a copy of the Corporate Profile Report for CCG.

***d. 2666222 Ontario Ltd. and Green Valley Wellness***

24. Incorporated on November 20, 2018, 222 is a wholly-owned subsidiary of CPG. 222, in turn, owns 2580385 Ontario Inc. c.o.b. Green Valley Wellness ("**Green Valley Wellness**"). Green Valley Wellness was incorporated in Ontario on June 1, 2017.

25. In May 2020, CPG acquired Green Valley Wellness for the purpose of operating cannabis wellness clinics in the Greater Toronto Area. Some of the assets of Green Valley Wellness were sold back to its former owners in July of 2021, after it was determined that Green Valley Wellness would cease operating (it had not operated since the onset of the pandemic). 222 and Green Valley Wellness are inactive and do not have any assets. However, 222 and Green Valley Wellness are subject to certain residual creditor claims, including the claim of a former landlord. Attached as **Exhibit**

“E” is a copy of the Corporate Profile Report for 222 and Green Valley Wellness.

**e. 2669673 Ontario Inc.**

26. 673 was incorporated on December 7, 2018. This entity has minimal assets consisting of a small amount of office furniture and no business operations. It owes rental arrears in the approximate amount of \$71,000 to a former landlord with respect to a now terminated lease dated September 15, 2019. Attached as **Exhibit “F”** is a copy of the Corporate Profile Report for 673.

**B. The Business**

27. CannaPiece Group, through CPC, is a leading Canadian cannabis contract manufacturer, providing extraction, processing, and packaging services for its customers, who include large and industry-leading participants. The Applicants do not grow any flower, nor do they have any of their own cannabis brands, products, or retail operations. CPC is strictly a business-to-business service provider.

28. The business operates out of a large state-of-the-art cannabis production facility located in Pickering, Ontario. CPC uses the most advanced processing technologies to process and create cannabis products, as well as for the packaging of cannabis products.

29. CPC provides the following principal services to its customers:

- (a) Extraction: creating highly versatile oils, concentrates, and other extracts for licensed processors, including hydrocarbon extraction, CO2 extraction, and co-solvent extraction; and

- (b) Packaging and Logistics: full-service pre-roll and flower packaging and liquid filling, with arrangement of logistics for distribution to seven provinces across Canada.

**C. Place of Business and Facilities**

***a. Office Space – 100 Allstate Parkway, Markham***

30. Since November of 2018, CPC has leased office space at 100 Allstate Parkway, Unit 302, Markham ON (the “**Corporate Office**”). The Corporate Office functions primarily as a workspace for the Company’s accounting and legal professionals and executives, including the Company’s Director of Finance, Chief Executive Officer, Chief Investment Officer and Chief Legal Officer.

31. The Corporate Office was initially leased for a term of 3 years. In July 2021, the lease was extended for a term of one year to November 14, 2022. In May 2022, the lease was extended again for a term of one year to November 14, 2023. A copy of the lease agreement in respect of the Corporate Office is attached hereto as **Exhibit “G”**.

***b. Manufacturing Facility – 1725 McPherson Court, Pickering***

32. CPC operates its cannabis contract manufacturing business out of an 80,000 square-foot facility (the “**Pickering Facility**”) at the property municipally known as 1725 McPherson Court, Unit 2, Pickering, Ontario.

33. Initially, in or about July 2018, CPC entered into a lease in respect of a 47,658 square-foot portion of the Pickering Facility (the “**Phase 1 Lease**”). Seven months later, in February 2019, CPC entered into a lease in respect of an additional 32,550 square-

foot portion of the Pickering Facility (the “**Phase 2 Lease**”).

34. In September 2022, CPC provided the current landlord of the premises with a Notice of Renewal of the Phase 1 Lease (the “**Notice of Renewal**”). In the Notice of Renewal, CPC advised the landlord that it does not intend to renew the Phase 2 Lease and has instead requested permission to lease a smaller portion of the Phase 2 Lease area comprising of a boiler room that is necessary to operate in the Phase 1 space. Currently, CPC is negotiating the terms of the Phase 1 Lease renewal and the boiler room in Phase 2. The landlord is requiring that CPC complete certain improvements to the Phase 2 area prior to expiration of the Phase 2 Lease in June 2023. Attached hereto as **Exhibit “H”** a copy of the Phase 1 Lease and the Notice of Renewal.

35. The Pickering Facility was a shell building at the time that it was leased. Since August 2018, CPG and CPC have invested over \$27 million in order to effect leasehold improvements, obtain and install the required manufacturing equipment and machinery, and to otherwise retrofit the facility to satisfy federal cannabis laws and regulations including the Good Production Practices (GPP) of the *Cannabis Regulations*.

36. Breaking down the capital investment in the Pickering Facility, approximately \$10 million was spent on the physical build-out. During this time frame, CPC completed all required retrofitting including structural and architectural improvements, and installing new drainage, electrical systems, and epoxy concrete flooring.

37. Following on this retrofit, and up until and after the time that CPC commenced its cannabis processing operations in October of 2020, CPG and CPC invested an additional approximately \$17 million to purchase and install the industrial equipment and

machinery required for manufacturing operations, including:

- (a) a CO<sub>2</sub> extraction machine for approximately \$2 million;
- (b) six (6) automatic pre-roll machines, for an aggregate total of approximately \$2.3 million;
- (c) an automated flower packaging machine, for a total of approximately \$500,000; and
- (d) lab equipment and hydrocarbon extraction equipment used for winterization and distillation, for approximately \$1.5 million (including setup).

38. The Pickering Facility is equipped with the highest level of security and production operations. CPC has made every effort to ensure that its manufacturing standards, production practices, and products are of a consistently high quality with a view to future expansion to obtain the European Good Manufacturing Practice (EU-GMP) certification. The Pickering Facility is built to meet EU-GMP standards with some additional improvement, but, due to the cost of doing so, CPC has yet to complete the steps necessary to obtain the certificate including inspections coordinated by the European Medicines Agency.

39. Cannabis production operations at the Pickering Facility commenced in October of 2020 and have continued uninterrupted since that time, other than a temporary COVID-related partial shutdown in January 2021.

#### **D. Cannabis Licences**

##### ***a. Canadian Cannabis Licence***

40. CPC obtained its standard processing and sale for medical purposes licence (the



“**Cannabis Licence**”) from Health Canada on February 28, 2020. The Cannabis Licence permits CPC to undertake the following activities:

- (a) possess cannabis;
- (b) produce cannabis, other than obtaining it by cultivating, propagating or harvesting it;
- (c) sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations; and
- (d) sell cannabis products in accordance with section 27 and Part 14, Division 1 of the Cannabis Regulations.

41. The Cannabis Licence is valid until February 28, 2023 and will be renewed prior to its expiry. The application for renewal has been started and must be completed by November 28, 2022. Attached hereto as **Exhibit “I”** is a copy of the Cannabis Licence.

***b. Excise Cannabis Licence***

42. CPC obtained its cannabis licence under the *Excise Act, 2001* (Canada) effective on March 4, 2020 (the “**Excise Cannabis Licence**”).

43. The Excise Cannabis Licence has been renewed twice since it was first issued. Currently, it is valid until March 3, 2023 and will be renewed prior to that time. Attached hereto as **Exhibit “J”** is a copy of the renewed Excise Cannabis Licence.

**E. Employees**

44. The Company currently employs 155 employees, 146 with CPC (including 10 temporary workers) and 9 with CPG.

45. The majority of CPC employees work on cannabis production lines at the Pickering Facility, with others providing the necessary support for production. Their job titles broadly describe their responsibilities and include:

- Technicians (Extraction Lab, Hydrocarbon Extraction, Hydrocarbon Post-processing, Pre-processing, Processing, Processing Systems, Quality Assurance, and Quality)
- Machine Operators
- Specialists (Finished Goods, Vault, Hydrocarbon Extraction, Hydrocarbon Post-processing, Material, Payroll and Benefits, Quality Assurance, and Compliance)
- Leads (Production, Hydrocarbon Extraction, Hydrocarbon Post-processing, Packaging, Pre-processing, Quality, and Sanitation)
- Coordinators (Extraction, Facilities, and Health & Safety)
- Managers (Extraction Operations, Procurement and Planning, Production, Projects, Quality Operations, Security, Client Service, Supply Chain, Facilities and Maintenance, Automation, and Human Resources)

46. The employees are paid bi-weekly in arrears. All payments to employees are current based on the payroll schedule, except for payments to Ali Etemadi, Reza Khadem Shahreza, and myself as we have accrued our payments totalling \$1,502,000 since February 2021 in order to keep operating money in the Company. Ali, Reza and myself are employed by the Company as contract employees.

47. The Company does not have any employees that are unionized or otherwise party to a collective agreement in connection with their employment with the Company.

48. The Company does not sponsor, administer or otherwise have any registered or unregistered pension plans for its employees. The Company provides a standard group benefit plan to its employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance.

#### **F. Key Customers**

49. At present, CPC's client relationships include approximately seven of the top 10 licensed processors in the Canadian cannabis market based on retail sales volume.

50. The largest relationships are contractually governed through forms of master services agreements and/or co-manufacturing processing and supply agreements, pursuant to which customers issue purchase orders from time to time. Unless work in respect of a given purchase order has commenced, customers retain the right to terminate the order on written notice and without cause or liability. In most cases, customers are not obligated to purchase minimum quantities of services under the master services agreements.

51. CPC has experienced fluctuations, including dramatic drops, in customer orders over the past year due to well-known market and industry issues with which cannabis companies have struggled throughout Canada. For example, earlier this year, CPC lost one large customer due to the customer's loss of market share and its decision to revert to in-house production of its products to try to find a path to profitability. CPC had a long-term, large-volume forecast from this customer and had invested approximately \$1,250,000 in capital expenditures and human resource costs to accommodate the anticipated rapid volume growth when the customer stopped sending orders. Another

example highlights the moving landscape of the industry, which creates uncertainty: CPC lost another major customer this year when the customer received rescue funding from a larger cannabis entity while experiencing significant financial distress, and the lender in that instance moved manufacturing to its own facility and terminated the manufacturing relationship with CPC.

## **G. Bowmanville Project**

52. In October of 2018, CPG acquired a vacant parcel of land located at 580 Lake Road, Clarington, Ontario (the “**Bowmanville Property**”). The Bowmanville Property was acquired for the purpose of developing the land into a facility that would supply input material to the final processing facility in Pickering for manufacturing into cannabis products, which would then be distributed to the recreational and medical cannabis markets throughout the country (“**Bowmanville Project**”). For a variety of reasons, and as further described below, CPG’s vision for the Bowmanville Property did not materialize and the property was ultimately sold to an arms’-length third party in August of 2022.

### ***a. Initial Vision for Project***

53. The initial vision for the Bowmanville Property was that of a multi-unit cannabis facility, housing 170 micro-growers (in separate units), a nursery, and post-harvest operations. A portion of the facility would be divided into the micro-grow units for “lease” to individually-licensed micro-cultivators for small-scale cannabis cultivation. Under this concept, CPG would develop and equip the unit, with the micro-cultivator being responsible for the development costs. The parties contemplated an exclusive supply

contract arrangement, whereby each micro-cultivator would commit to sell a portion of its harvested cannabis to CPC at to-be-agreed-upon wholesale market pricing.

***b. Unitholders and Investments***

54. In anticipation of the acquisition of the Bowmanville Property and construction of the proposed facility, CPG, through its management team, communicated extensively with a number of potential investors about the potential to participate in the micro-cultivation project. Each investor was asked to pay an initial deposit (each a “**Deposit**”) in exchange for the opportunity to lease a “room” and operate a micro-grow facility upon completion of the overall facility and after the necessary licensing was obtained. The purpose of the Deposits was to fund CPG’s initial costs of project design and regulatory approvals.

55. The vision for the Bowmanville Project culminated in the execution by CPG and/or CCG of a memorandum of understanding (“**MOU**”) with each individual (or corporate) investor (each, a “**Unitholder**”).

56. Approximately 170 Unitholders entered into MOUs. Funds raised from Unitholders under the MOUs between October 2018 and October of 2019 totalled approximately \$9.8 million. Attached hereto as **Exhibit “K”** is a sample copy of an MOU.

***c. Land Acquisition and Development Activities***

57. The Bowmanville Property was acquired on October 5, 2018 for \$2,384,615 plus 1,500,000 shares of CPG issued to the vendor. The property was acquired partially using funds raised from sales of shares in CPG and using a vendor take-back mortgage

in the amount of \$1,384,615 from the then-property owner.

58. The construction development process for a cannabis facility requires submission of an application to the appropriate municipal authority for site plan approval. The purpose of this process is for the municipality to examine the design and technical aspects of a proposed development.

59. This review and application process is resource-intensive and time-consuming. It requires the preparation and submission of site plans, drawings, and cost estimates to the municipality, all of which takes time to be reviewed and subsequently approved by the municipality. Following the review process, a definitive agreement called a “site plan agreement” must be entered into between the developer and the municipality for the purpose of governing the terms of the proposed development. After entering into a site plan agreement with the municipality, a separate application process must be completed in order to obtain a building permit for the development, as well as other permits as may be required for the particular development.

60. Upon applying for the above-noted permits, the municipality requires the payment of deposits. CPG paid deposits to the Municipality, totalling approximately \$600,000 (the “**Development Deposits**”).

61. Once the development is complete and the facility is built, applications for cannabis licences from Health Canada can be made. Applying for a Health Canada licence is an extensive regulatory process that requires numerous comprehensive submissions and at least one inspection by Health Canada. The application requirements vary depending on the class and subclass of licence or licences sought,

which itself is based on the type of cannabis operations to be undertaken at the property. In this case, the Company also engaged a consultant to assist Unitholders with their required Health Canada security clearance applications so that they could operate the micro-grow units.

62. Immediately following the acquisition of the Bowmanville Property, CPG took all of the necessary steps to proceed with the construction of the proposed facility. Between October of 2018 and the third quarter of 2019, CPG:

- (a) prepared the necessary site plans, drawings and cost estimates for the municipality of Clarington (the “**Municipality**”);
- (b) developed and maintained a consistent dialogue with representatives of the Municipality;
- (c) satisfied extensive information requests from the Municipality;
- (d) negotiated the terms of a site plan agreement and entered into a definitive site plan agreement with the Municipality;
- (e) applied for and received a site alteration permit from the Municipality;
- (f) completed the site alteration work;
- (g) applied for and received a site grading permit from the Municipality;
- (h) completed the site grading;
- (i) initiated a bidding process and selected a general contractor for the build-out;  
and

- (j) prepared a cost consulting report which contained a detailed budget and cost analysis, including itemized cost projections for each phase of the construction project.

***d. Challenges Encountered and Decision to Sell Property***

63. Due to a plethora of well-known and widespread challenges facing the Canadian cannabis industry, and as further described herein, it became apparent in or around June of 2020 that CPG might not be able to obtain the necessary construction financing to complete the Bowmanville Project.

64. CPG's management team met with dozens of potential construction lenders and pursued multiple loan applications with the aim of securing additional funding for the completion of the project. Despite every effort over many months, CPG was unsuccessful in obtaining the necessary construction financing. Not having funding to advance the development, CPG's management team made the difficult decision to cancel the Bowmanville Project in the late winter of 2021. At that time, the team communicated the decision to Unitholders by holding meetings and, in some cases, contacting them individually.

65. Shortly thereafter, in early spring of 2021, the board of directors determined that CPG would sell the Bowmanville Property in order to eliminate the carrying costs, which amounted to approximately \$120,000 per month consisting of payments on the VTB and on collateral mortgages that were secured for the purpose of funding the completion of the Pickering Facility.

66. By Agreement of Purchase and Sale dated April 19, 2021 (the "**First APS**"), CPG



entered into an agreement for the sale of the Bowmanville Property to 12920786 Ontario Inc. (“**129**”). This First APS consisted of a standard form OREA Commercial Agreement of Purchase and Sale and a Schedule A, and included:

- (a) A purchase price of \$10,250,000;
- (b) An initial deposit of \$100,000, paid in trust by 129 to Cactus Law, the lawyers acting for CPG on the sale, and increased by 129 to \$250,000 upon 129’s waiver of conditions;
- (c) A completion or closing date of June 15, 2021;
- (d) A provision stipulating that time was to be “of the essence”, provided that the time for doing or completing any matter required by the First APS could be extended or abridged by agreement in writing between the parties or their respective lawyers; and,
- (e) A provision stipulating that the continued existence and validity of the First APS was subject to three (3) conditions (the “**Conditions**”) being satisfied or waived by 129 in writing within thirty (30) days. At 129’s request, this deadline was extended twice, with 129 ultimately waiving the conditions in writing on June 15, 2021.

67. Importantly, 129’s principal advised me that he wanted to not only purchase the Bowmanville Property but also continue the Bowmanville Project. Accordingly, at 129’s request, the First APS was amended on June 15, 2021 to include a provision stipulating that 129 could take an assignment of some of the MOUs, including the corresponding Deposits, to a maximum of \$3,000,000, which amount would be credited against the

purchase price contemplated by the First APS. I was advised that there was a particular group of Unitholders that was willing to continue the Bowmanville Project with 129.

68. At the request of 129, the closing date was extended several times, with the final closing date set for September 17, 2021. Despite CPG's lawyer tendering on 129's lawyer by submitting a vendor's closing package and CPG being ready, willing, and able to close, 129 failed to close the transaction on September 17, 2021. I believe that the reason for 129's failure to close was due to a lack of financing, despite the fact that 129 had waived its financing condition months prior. Thereafter, I had periodic communications with 129's principal with a view to reactivating the deal, but nothing came to fruition and the \$250,000 deposit remains in the trust account of Cactus Law.

69. After the transaction contemplated by the First APS failed, CPG engaged a commercial broker to assist with the marketing and sale of the Bowmanville Property. Between November 2021 and June 2022, the broker secured four potential purchasers. The first three potential purchasers completed diligence on the Bowmanville Property, but ultimately decided not to proceed with the transaction, either prior to an agreement of purchase and sale being signed or prior to the expiration of the due diligence period under an agreement of purchase and sale. The fourth potential purchaser, an arm's length party, was successful in purchasing the Bowmanville Property for \$8.5 million on August 18, 2022.

70. In view of the sale of the Bowmanville Property and the cancellation of the Bowmanville Project, efforts are currently underway to secure the return of the Development Deposits.

**e. Unitholder Communications**

71. Throughout the course of the site plan approval process for the Bowmanville Property, the challenges in obtaining construction financing, and through to the final decision by the Company to sell the Bowmanville Property, the Company at all times made a concerted effort to keep Unitholders updated about the status of the project.

72. Several meetings were hosted for Unitholders by CPG's Chief Investment Officer, Ali Etemadi, and myself, to provide Unitholders with disclosure about the ongoing challenges faced by the Company and the impact of those challenges on the Bowmanville Project.

73. Upon the cancellation of the Bowmanville Project, and both before and after the sale of the Bowmanville Property, CPG received numerous and regular demands from Unitholders regarding repayment of the Deposits that they had provided under the MOUs. These demands were particularly aggressive after 129 failed to close the purchase of the Bowmanville Property, which led to Deposit refund demands by the Unitholders that had planned to continue the Bowmanville Project with 129.

74. Despite the fact that the Deposits had been used to fund the initial development of the Bowmanville Property in furtherance of the Bowmanville Project, the board of directors of CPG had decided to offer Unitholders refunds of their Deposits (payable over time) or a conversion of the Deposits to equity in CPG at what was then a favourable rate. The refunds had to be funded from the revenue generated by CPC, it being the only source of revenue generation for the Company.

75. Certain Unitholders entered into Termination & Release Agreements with the

Company, pursuant to which the Company agreed to either refund their deposits or convert the Deposits to shares, depending on the Unitholders' election. As the Company's financial struggles mounted, it was unable to pay some of the refunds on the timelines set out in the Termination & Release Agreements. In most cases, it was able to negotiate amendments to those agreements to change the payment dates and terms.

76. Additionally, the Company retained Miller Thomson LLP with the mandate to prepare a report that could be provided to Unitholders as a means of responding to their questions and concerns, particularly in relation to the Bowmanville Project. Miller Thomson LLP participated in several Unitholder "Town Halls" (by Zoom) as a forum to receive unitholder questions. As events developed, Miller Thomson LLP did not complete the contemplated report.

77. Approximately 63 Unitholders chose to convert to equity in CPG and 107 Unitholders chose to receive a refund. Of those who elected to receive a refund, CPG has paid approximately \$2.5 million to date.

#### **IV. FINANCIAL CIRCUMSTANCES AND CASH FLOW**

78. The Company has a fiscal year-end of December 31. Attached as **Exhibit "L"** are the Company's unaudited consolidated financial statements for 2020 and 2021 and interim statements as at August 31, 2022 (the "**Financial Statements**").

##### **A. Assets**

79. According to the Financial Statements, as at [insert date], the assets of the Company were as follows:

	<b>31-Aug-22 (Pro-Forma)</b>	<b>31-Aug-22 (unaudited)</b>
<b>Current Assets</b>		
Cash	\$ 6,285	\$ 6,285
Other Receivables and Prepaid Expenses	1,748,273	1,748,273
Accounts Receivable (Note 1)	2,866,136	3,041,594
HST receivable (Note 2)	-	313,297
Inventory (Note 3)	150,000	1,757,756
<b>Total Current Assets</b>	<b>\$ 4,770,694</b>	<b>\$ 6,867,205</b>
<b>Non Current Assets</b>		
Assets under construction	\$ 366,315	\$ 366,315
Equipment and machinery	13,966,739	13,966,739
Accumulated depreciation	(3,506,447)	(3,506,447)
Leasehold improvements	9,273,048	9,273,048
Investments and goodwill (Note 4)	-	3,099,600
<b>Total Non Current Assets</b>	<b>\$ 20,099,655</b>	<b>\$ 23,199,255</b>
<b>Total Assets</b>	<b>\$ 24,870,349</b>	<b>\$ 30,066,460</b>

**Notes:**

*The Applicant's financial statements have been never been audited. Additionally, the Applicants' internal financial statements have not be been updated for potential asset impairment charges, divestiture/sales transactions, etc. As such Management has attempted to produce a pro-forma balance sheet that more accurately reflects the Applicants' current financial position as at August 31, 2022.*

*Note 1 (Pro-Forma): Accounts Receivable is net of uncollectable customer accounts.*

*Note 2 (Pro-Forma): HST as at August 31, 2022 is in a payable position with CRA. CPG's ITCs are currently being denied by CRA and CPG/CPC are currently being audited by CRA.*

*Note 3 (Pro-Forma): Inventory has been adjusted for aged product and specialized product that was procured for a customer that CPC no longer does business with (both have minimal current value).*

*Note 4 (Proforma): Investments and Goodwill relate primarily to investments in 258 and 673 that have been sold or wound-down as at August 31, 2022.*

**B. Liabilities**

80. According to the Financial Statements, as at August 31, 2022 the liabilities of the Company were as follows:

	<b>31-Aug-22 (Pro-Forma)</b>	<b>31-Aug-22 (unaudited)</b>
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	\$ 9,131,269	\$ 9,131,269
Deferred Revenue	\$ 1,269,184	\$ 1,269,184
<b>Total Current Liabilities</b>	<b>\$ 10,400,453</b>	<b>\$ 10,400,453</b>
<b>Non Current Liabilities</b>		
Loans and Borrowings	\$ 35,098,748	\$ 35,098,748
Client deposits	\$ 3,242,088	\$ 3,242,088
<b>Total Non Current Liabilities</b>	<b>\$ 38,340,836</b>	<b>\$ 38,340,836</b>
<b>Total Liabilities</b>	<b>\$ 48,741,289</b>	<b>\$ 48,741,289</b>

*Note: Management has not assessed the Applicants' liabilities for any potential adjustments as of August 31, 2022.*

### **C. Profit and Loss**

81. According to the Financial Statements, as at August 31, 2022, CPG and CPC have lost approximately \$6.2 million year-to-date. These amounts do not include any pro-forma adjustments to the balance sheets as noted above.

### **D. Cash Flow Forecast**

82. The Company, with the assistance of the proposed Monitor has prepared a projected cash flow forecast (the “**Interim Cash Flow Forecast**”) for the week ending November 13, 2022. Attached as **Exhibit “M”** is a copy of the Interim Cash Flow Forecast.

83. Pursuant to the Interim Cash Flow Forecast, the Applicants will have sufficient liquidity to sustain operations for the week ending November 13, 2022, including payroll, but will have insufficient funds thereafter.

## V. CREDITORS OF CANNAPIECE GROUP

### A. Secured Creditors

#### a. *Carmela Marzilli*

84. Carmela Marzilli (“**Marzilli**”) is the Company’s senior secured creditor.

85. CPC, as borrower, and Ali Etemadi, Reza Khadem-Shahreza and myself, as personal guarantors, entered into a letter of commitment with Marzilli, as lender, on February 10, 2022 (the “**Marzilli Loan Agreement**”). Attached as **Exhibit “N”** hereto is a copy of the Marzilli Loan Agreement.

86. Pursuant to the Marzilli Loan Agreement, Marzilli made \$6,689,500 available to the Company (the “**Marzilli Loan**”), by way of four loan advances as follows (the “**Advances**”):

- (a) \$2,000,000, on or before March 1, 2022 (with a Maturity Date of April 1, 2023);
- (b) \$2,750,000, on or before March 7, 2022 (with a Maturity Date of May 1, 2023);
- (c) \$1,700,000, on or before July 26, 2022 (with an unspecified Maturity Date);  
and
- (d) \$239,500, on or before October 21, 2022.

87. As security for the obligations under Marzilli Loan Agreement, CPC agreed to provide Marzilli with a first-ranking security interest in all of CPC’s present or after-acquired property (excluding accounts receivable and certain enumerated equipment) pursuant to a General Security Agreement dated February 28, 2022 (the “**Marzilli**

**GSA**”). A copy of the Marzilli GSA is attached hereto as **Exhibit “O”**.

88. As of November 1, 2022, there is approximately \$6,788,635 outstanding under the Marzilli Loan, including recently missed interest payments.

**b. 2125028 Ontario Inc.**

89. CPC, as borrower, is party to two loan and security agreements dated May 27, 2020 (“**First Equipment Loan Agreement**”) and December 7, 2020 (“**Second Equipment Loan Agreement**”) and together with the First Equipment Loan Agreement, the “**212 Loan Agreements**”), with 2125028 Ontario Inc. (“**Equipment Lender**”) as lender. The loans under the 212 Loan Agreements, each in the principal amount of \$3,000,000, are secured by certain manufacturing and processing equipment that is currently used at the Pickering Facility.

90. The material terms of the First Equipment Loan Agreement are as follows:

<b>Date of Agreement</b>	May 27, 2020
<b>Principal Amount</b>	\$3,000,000
<b>Term</b>	5 years
<b>Interest Rate</b>	7.3% per annum
<b>Default Interest Rate</b>	18% per annum, calculated on the outstanding balance on the date of default
<b>Security</b>	Certain enumerated equipment and all proceeds therefrom, all equipment to be financed pursuant to the Second Equipment Loan Agreement and all proceed therefrom, all present and after-acquired rights in insurance policies on certain equipment collateral.

91. Pursuant to the First Equipment Loan Agreement, the following fees were deducted from the principal amount to be advanced:

- (a) Facility Fee: \$93,750.00; and



- (b) Other Fees: \$37,855.00 (\$30,000 for legal expenses, \$3,500 for consultant expenses + HST on all amounts).

92. The net amount advanced to CPC under the First Equipment Loan Agreement was \$2,868,395. A copy of the First Equipment Loan Agreement, with all amendments, is attached hereto as **Exhibit "P"**.

93. The material terms of the Second Equipment Loan Agreement are as follows:

<b>Date of Agreement</b>	December 7, 2020
<b>Principal Amount</b>	\$3,000,000
<b>Term</b>	5 years
<b>Interest Rate</b>	10% per annum
<b>Default Interest Rate</b>	18% per annum, calculated on the outstanding balance on the date of default
<b>Security</b>	Certain enumerated equipment and all proceeds therefrom, all equipment to be financed pursuant to the First Equipment Loan Agreement and all proceed therefrom, all present and after-acquired rights in insurance policies on certain equipment collateral.

94. Pursuant to the Second Equipment Loan Agreement, the following fees were deducted from the principal amount to be advanced:

- (a) Facility Fee: \$7,500; and
- (b) Other Fees: \$105,000 (placement fee); \$32,844.80 (Legal expenses); \$2,383 (cost of property condition assessment report).

95. The net amount advanced to CPC under the Second Equipment Loan Agreement was \$2,868,395. A copy of the Second Equipment Loan Agreement, with all amendments, is attached hereto as **Exhibit "Q"**.

96. Contemporaneous with the First Equipment Loan Agreement, the Equipment

lender and CPC entered into a companion letter agreement (“**Arrangement Letter**”), pursuant to which CPC agreed to pay to the Equipment Lender a series of monthly fees, in addition to the fees described above that were deducted from the principal amount of each loan. The fees payable pursuant to the Arrangement Letter totaled over \$270,000 per month, as follows:

- (a) Initial Fee: \$140,000 (\$20,000 per month starting on June 26, 2020, and continuing until the advance of funds under the Second Equipment Loan Agreement in December 2020); and
- (b) Other Fees: \$6,000,000 (\$250,000 per month for 24 months).

97. In or around May 2021, CPC fell into default of its obligations pursuant to the Arrangement Letter on account of its inability to pay certain of the fees claimed to be then owing to the Equipment Lender, which fees totaled \$1,500,000 in respect of the First Equipment Loan Agreement and \$4,500,000 in respect of the Second Equipment Loan Agreement (together, in total, the “**Arrangement Letter Indebtedness**”).

98. Thereafter, pursuant to the terms of two written settlement agreements dated September 8, 2021 (“**First Settlement Agreement**”) and September 28, 2021 (“**Second Settlement Agreement**”), respectively, the parties agreed that the Equipment Lender would “cancel” the Arrangement Letter Indebtedness in consideration of, among other things, the issuance of common shares in the capital of CPG as follows:

- (a) First Settlement Agreement:
  - (i) Indebtedness claimed and cancelled: \$1,500,000
  - (ii) Shares issued: 925,926 Common Shares

(iii) Subscription price: \$1.62 per share

(b) Second Settlement Agreement:

(i) Indebtedness claimed and cancelled: \$4,500,000

(ii) Shares issued: 2,777,778 Common Shares

(iii) Subscription price: \$1.62 per share

99. Attached as **Exhibits “R”** and **“S”**, respectively, are copies of the First Settlement Agreement and the Second Settlement Agreement.

100. As at the date of this affidavit, there is approximately \$2,135,655 owing to the Equipment Lender pursuant to the terms of the First Equipment Loan Agreement, and approximately \$1,903,678 owing to the Equipment Lender pursuant to the terms of the Second Equipment Loan Agreement.

## **B. Unsecured Loans**

### **a. 2726398 Ontario Inc.**

101. 2726398 Ontario Inc. (**“272”**), as lender, and CPG, as borrower, entered into two debenture agreements pursuant to which 272 agreed to loan CPG the aggregate principal amount of \$7,000,000 (the **“272 Loan”**) as follows:

(a) \$4,000,000 in accordance with the terms of Pursuant to a convertible debenture dated December 13, 2019 (as amended, the **“First Debenture”**), with an interest rate of 20% per annum (which was later reduced to 18% per annum); and

(b) \$3,000,000 in accordance with the terms of a debenture agreement dated

December 13, 2020 (as amended, the “**Second Debenture**”, and together with the First Debenture, the “**272 Loan Agreement**”), with an interest rate of 18% per annum.

102. A copy of the 272 Loan Agreement is attached hereto as **Exhibit “T”**. As security for the amounts advanced under the First Debenture, CPG granted 272 a second-ranking mortgage (“**Second Mortgage**”) against title to the Bowmanville Property for a term of two years, securing the sum of \$4,000,000.

103. As security for the amounts advanced under the Second Debenture, CPG granted 272 a third-ranking mortgage (“**Third Mortgage**”) against title to the Bowmanville Property for a term of two years, securing the sum of \$3,000,000.

104. As further security for the 272 Loan, CPC, CCG, Greenzone Therapy Inc., myself, Ali Etemadi, Ahmad Rasouli and Reza Khadem-Shahreza (the “**272 Guarantors**”) each guaranteed CPG’s obligations to 272 under the 272 Loan Agreements.

105. The Second Mortgage and the Third Mortgage matured on December 13, 2021. CPG defaulted on its obligations to 272 by failing to pay the amounts owing to 272 upon maturity.

106. On or about January 14, 2022, 272 made formal written demand for payment to CPG and issued a Notice of Intention to Enforce Security (“**NITES**”) under the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3. Attached hereto as **Exhibit “U”** is a copy of 272’s formal demand letter and NITES.

107. Thereafter, CPG and 272 entered into a forbearance and standstill agreement

dated February 2022 (“**272 Forbearance Agreement**”), pursuant to which 272 agreed to forbear from enforcing its security in accordance with the terms of the 272 Forbearance Agreement. Attached hereto as **Exhibit “V”** is a copy of the 272 Forbearance Agreement.

108. In February 2022, 272 agreed to, and did, discharge its PPSA registrations as against CPG and CPC in order to accommodate the Marzilli GSA.

109. At such time as the Bowmanville Property was sold in August of 2022, \$7,000,000 was paid to 272 in reduction of amounts then owing under the Second Mortgage and the Third Mortgage, leaving a shortfall of \$815,576.23 (the “**Shortfall**”). To permit the closing of the sale, the Second Mortgage and Third Mortgage were discharged without prejudice to 272’s right to claim the balance of the outstanding debt under the 272 Loan Agreement.

110. On October 18, 2022, 272 commenced an action in the Ontario Superior Court of Justice and issued a statement of claim (the “**272 Statement of Claim**”) against CPG and the 272 Guarantors for the Shortfall, plus certain amounts allegedly owing on account of interest from the date of the sale of the Bowmanville Property. Attached as **Exhibit “W”** hereto is a copy of the 272 Statement of Claim.

***b. 2756295 Ontario Inc.***

111. On May 26, 2020, CPG, as borrower, and 2756295 Ontario Inc. (“**275**”), as lender, entered into a loan agreement (the “**275 Loan Agreement**”), pursuant to which 275 agreed to loan to CPG the aggregate principal amount of \$3,100,000. The principal terms of the 275 Loan Agreement are as follows:

- (a) Principal amount: \$3,100,000
- (b) Maturity Date: June 25, 2022
- (c) Interest: 18% per annum (additional 7% interest on amounts past due)
- (d) Lending fee: 5% of the total principal amount, totalling \$155,000

112. Over time, 275 made ongoing advances under the terms of the 275 Loan Agreement to fund the Company's operations.

113. As at the date of this affidavit, there is approximately \$19,518,902 owing to 275 under the 275 Loan Agreement. Attached as **Exhibit "X"** hereto is a copy of the 275 Loan Agreement.

**b. Novo**

114. On February 8, 2019, CPG, as borrower and Novo Integrated Sciences Inc., ("**Novo**"), as lender, entered into a loan agreement ("**Novo Loan Agreement**") pursuant to which Novo agreed to loan to CPG a loan in the principal amount of \$300,000. The principal terms of the Novo Loan Agreement are as follows:

- (a) Principal amount: \$300,000
- (b) Maturity Date: On or before May 1, 2023
- (c) Interest: interest-free up to April 8, 2019, with interest accruing thereafter at an annual rate of 10%

115. As at the date of this affidavit, there is approximately \$405,945 owing to Novo under the Novo Loan Agreement. Attached as **Exhibit "Y"** hereto is a copy of the Novo Loan Agreement, with all amendments.

### C. Other PPSA Creditors

116. In addition to the secured creditors described above, a number of parties have registered security interests against the Company under the *Personal Property Security Act* (“PPSA”).:

- (a) 272 has a registration against CCG securing amounts owed by CPG as secured under the 272 Loan and guaranteed by CCG;
- (b) Marzilli has a registration against CPC with respect to all present and after-acquired personal property of the Company for all collateral classifications except consumer goods, accounts, and motor vehicles;
- (c) Solid Packaging Robotik Inc. (“**Robotik**”), a Canadian equipment manufacturer, has a registration against CPG with respect to 4 pre-roll machines.
- (d) Vitalis Extraction Technology Inc. has a registration against CPC with respect to certain co-solvent injection equipment used for CO2 extraction.

117. Attached hereto and marked as **Exhibit “Z”** are true copies of the Personal Property Registry search results for each of the Applicants in Ontario (the “**PPSA Searches**”).

118. The machines supplied by Robotik are integral to the Company’s pre-roll manufacturing operations. Denial of access to these machines for even a short period of time would threaten the Company’s ability to fulfil important customer commitments and realize associated revenue. Attached hereto as **Exhibit “AA”** is a copy of the

agreement between the Company and Robotik. Importantly, in order to be able to operate this equipment, a new password is to be provided to the Company by Robotik on a monthly basis.

**D. Equity Interests and Share Capital Contributions**

119. The co-founders of the Company (i.e. myself, Ali Etemadi, Reza Khadem-Shahreza, and Ahmad Rasouli) contributed \$1,040,000 to the Company in start-up capital. In addition, since that time, Ali, Reza, and I have contributed approximately \$1,765,000 in various formats (including interest-free loans and unpaid wages since February of 2021). Further, we raised approximately \$18 million in shareholder capital from 110 individual and corporate investors, most of whom are family and/or friends of the Company's founders.

120. CPG currently has 50,927,238.74 issued and outstanding common shares. There is only one class of shares and there is no shareholder agreement.

**E. Other Creditors**

***a. Source Deductions, Excise Duty, HST***

121. As of the date of this affidavit, the Company is up to date with payments to Canada Revenue Agency (“**CRA**”) in respect of Employment Insurance and Canada Pension Plan deductions.

122. Further, as of September 30, 2022, the Company is in arrears to CRA for excise tax remittances in the amount of \$1,180,441 and HST remittances in the amount of \$105,646.



123. Green Valley Wellness owes CRA \$113,199.45 for unpaid HST as of April 5, 2022.

***b. Trade Creditors***

124. The Company incurs obligations in the ordinary course of business to various trade creditors. As at October 31, 2022, the largest trade creditor is Tweed Inc., who is owed approximately \$887,400.

***c. CEBA Government Loan***

125. CPG and CPC each received \$60,000 from the Canada Emergency Business Account (“**CEBA**”) program. The CEBA loans become due for repayment in December of 2023.

***d. Judgment Creditors and Litigation Claims***

126. A number of creditors have initiated actions, or threatened to initiate actions, against the Applicants. Certain of these actions have been settled pursuant to terms upon which settlement payments are to be made to the creditors over time. Where such payments have not been made and the settlement agreements go into default, these creditors have a right to use consents to judgment and obtain judgments, which consents they hold as security for the settlement payments. Attached as **Exhibit “BB”** is a chart identifying these creditors. As at the date of this affidavit, several of these creditors are actively pursuing their rights to obtain judgments pursuant to settlement agreements.

## **VI. CHALLENGES AND LIQUIDITY ISSUES FACED BY APPLICANTS**

### **A. Cannabis Market in Canada**

127. The Canadian cannabis industry is an extremely challenging operating environment. The industry is highly regulated, highly taxed, and subject to ever-changing legislation and delays at all levels of government.

128. CannaPiece Group has faced pressures similar to many large and small cannabis industry participants due to the over-supply in the market for cannabis products, the impact of the illegal market on the demand for legal cannabis products, inflation, and high interest rates.

### **B. Withdrawal of Large Orders and Steep Decline in Demand**

129. As a result of the challenges to the cannabis industry and in particular the over-supply of cannabis products, the Company has seen a number of large customers withdraw or discontinue their orders beginning in September of 2022. In particular, two of the Company's major concentrate product customers (which, prior to cancelling their orders, accounted for approximately \$400,000 of the Company's monthly revenue) cancelled their orders indefinitely.

130. Further, in January of 2022, one of the Company's largest pre-roll customers withdrew its ongoing orders for pre-roll products. In late 2021 and early 2022, in anticipation of these forecasted orders and with knowledge of this customer, the Company invested approximately \$1.25 million in readying processing rooms, obtaining pre-roll production equipment, and hiring staff to maximize capacity to fulfil the expected orders for pre-roll products. The cancellation of large orders for pre-roll products has

caused the Company to operate well below its capacity for production and has crippled its cashflow. This customer accounted for approximately \$1.5 million in monthly revenue for CPC.

### **C. Litigation and Creditor Enforcement Activities**

131. CPG and CPC have faced a number of imminent enforcement threats over the last several weeks. As I described above and further describe below, the Company is in default of a number of settlement agreements and I believe that certain parties have filed, or intend to file, consents to judgment against CPG and CPC pursuant to those settlements.

#### ***a. Licensor Liability***

132. CPC entered into two licensing agreements (“**Licensing Agreements**”) with a licensor (the “**Licensor**”) in October 2020. The Licensor is a wholly-owned subsidiary of a foreign limited liability corporation that owns certain unique intellectual property related to cannabis products and brands. CPC entered into the Licensing Agreements as an opportunity to produce and sell the Licensor’s branded products in Canada.

133. However, in order to execute under the Licensing Agreements, CPC needed to invest significant capital expenditure in its operations in 2021, which it was unable to do. As a result, CPC sought to terminate the Licensing Agreements and negotiated a resolution with the Licensor.

134. Pursuant to a confidential settlement and release agreement, CPC and the Licensor agreed to settle all claims that either of them may have against the other in relation to the Licensing Agreements.

**d. Cortesis**

135. Pursuant to a statement of claim dated August 15, 2022 filed in the Ontario Small Claims Court, Stephen and Anne Cortesis (“**Cortesis**”) commenced a claim (the “**Cortesis Claim**”) against Green Valley Wellness and CPG in respect of rental amounts allegedly owing in respect of the property municipally known as 18 King Street West, Cobourg, Ontario. Attached hereto as **Exhibit “CC”** is a copy of the Cortesis Claim.

**e. Oseni**

136. Pursuant to a Statement of Claim dated August 3, 2022, Martin Oseni (“**Oseni**”) commenced a claim (the “**Oseni Action**”) against CPC for various employment-related damages, including a claim for wrongful dismissal and claims under the Ontario *Human Rights Code*. Attached hereto as **Exhibit “DD”** is a copy of the Oseni Action.

**f. Ovandi Inc.**

137. Pursuant to a Statement of Claim dated December 8, 2020 as amended on August 20, 2021 (the “**Ovandi Statement of Claim**”), Ovandi Inc. and Jeffrey Stewart commenced an action (the “**Ovandi Action**”) against the Company, alleging breach of contract and misrepresentation related to a potential share purchase transaction. Attached hereto as **Exhibit “EE”** is a copy of the Ovandi Statement of Claim.

138. CPC filed a statement of defence on January 22, 2021 and an amended statement of defence on November 11, 2021 (the “**Ovandi Statement of Defence**”). Attached hereto as **Exhibit “FF”** is a copy of the Ovandi Statement of Defence.

139. The Ovandi Action is currently in the discovery stage.

***g. Subcontractor Settlement***

140. CPC is party to a settlement agreement in respect of disputed invoices from one of the Company's subcontractors. Pursuant to this confidential settlement agreement, CPC has agreed to make a series of monthly payments until amounts owing to that subcontractor are paid in full.

***h. Medisun Inc.***

141. On October 18, 2022, CPC received a demand from Medisun Inc. in the amount of \$51,172.65 on account of outstanding invoices that were due in August and September, 2022. Medisun Inc. is a licensed cannabis producer and one of CPC's suppliers of input material. I understand that, in September 2022, Medisun Inc. filed a Notice of Intention to Make a Proposal.

**VII. STRATEGIC INITIATIVES****A. Recent Efforts to Improve Operations and Financial Position**

142. In the second quarter of 2022, CPC made several strategic business decisions for the purpose of improving its financial situation. Among other things, CPC effected a significant reduction in the number of employees and temporary staff employed at the Facility and increased the efficiency of full-time production staff. CPC also introduced six new automatic pre-roll manufacturing units in order to increase the output of certain pre-roll products, in an effort to increase automation and improve liquidity.

**B. Engagement of Consultants**

143. On or about February 22, 2022, the Company retained a reputable cannabis

industry consultant and financial advisor (“**Financial Consultant**”). The purpose of this retention was for the Financial Consultant to assist the Company in identifying potential opportunities to add value to the organization and turn it around, including assisting the Company in securing potential equity investment. The Financial Consultant completed a remodelling of the Company’s financials and produced materials that assisted the Company in achieving some additional operating efficiencies.

144. On or about August 11, 2022, CPC retained a strategic business advisor and consultant (the “**Strategic Consultant**”) with extensive cannabis industry experience for the purpose of assisting CPC in developing a commercial strategy and increasing revenue. The Strategic Consultant delivered an initial report with preliminary recommendations, but CPC paused the engagement due to its financial struggles and inability to pay for the services; however, the recommendations made to date continue to be implemented by CPC.

### **C. Efforts to Secure Additional Debt Financing**

145. Efforts to secure additional debt financing have been ongoing. Among other things, CannaPiece Group engaged the Financial Consultant. CannaPiece Group’s Chief Investment Officer, Ali Etemadi, approached potential new investors. More recently, in anticipation of this proceeding, similar extensive efforts were made to canvas the market for an appropriate DIP lender.

### **F. Cash Conservation Efforts**

146. As described above, the Company has made determined cost-rationalization efforts to try to improve its financial situation. These efforts have included, among other

things, the closing of subsidiaries, a reduction in full-time staff at the Pickering Facility, an increase in automation, renegotiating vendor supply agreements, changing vendors, where possible, to achieve better rates and terms, and approaching the Company's major creditors (secured and unsecured) about converting their debt, or a portion thereof, to equity.

## **VIII. CCAA PROCEEDINGS AND RELIEF SOUGHT**

### **A. Need for CCAA Proceeding**

147. As indicated in the Interim Cash Flow Forecast, without interim financing, the Applicants will be unable to operate in the ordinary course and payroll obligations will not be met, to the detriment of their stakeholders.

148. In consultation with their advisors, the Applicants have determined that the CCAA process is the most beneficial plan of action to maximize value for the CannaPiece Group's stakeholders.

### **B. Appointment of Monitor**

149. The Applicants seek the appointment of BDO Canada Limited ("**BDO**") as Monitor of the Applicants in these CCAA proceedings. BDO has reviewed, and assisted in the preparation of, the Interim Cash Flow Forecast and has provided guidance and assistance in the commencement of these CCAA proceedings.

150. As a result, BDO has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.

151. The Company had engaged BDO Canada LLP to become the Company's new financial statement auditor; however this engagement was never ratified by the Company's board and preliminary field work never occurred. The Company recently issued a letter to BDO confirmed that BDO was never in fact the Company's auditor.

152. BDO has consented to act as the Monitor, subject to Court approval. Attached as **Exhibit "GG"** hereto is a copy of the Monitor's consent.

### **C. DIP Loan and DIP Lender's Charge**

153. The Applicants have entered into a term sheet with Cardinal Advisory Limited, on behalf of a corporation to be incorporated (the "**DIP Lender**") dated November 2, 2022 (the "**DIP Term Sheet**"). Based on my discussions with the Company's legal and financial advisors, I believe that the terms offered by the DIP Lender are reasonable and competitive in the circumstances. A copy of the DIP Term Sheet is attached as **Exhibit "HH"**.

154. The material terms of the DIP Term Sheet are as follows:

- (a) Principal Amount: \$500,000 (the "**DIP Loan**").
- (b) Purpose of DIP Loan: to fund: (i) working capital needs of the Applicants; (ii) professional fees and expenses incurred by the Applicants and the Monitor in respect of the CCAA proceedings, in accordance with the Interim Cash Flow Forecast (as defined in the DIP Term Sheet); and (iii) Recoverable Expenses (as defined in the DIP Term Sheet).



- (c) Interest rate: 12% per annum, calculated daily on the outstanding balance owing under the DIP Loan, not in advance, and accruing and paid on the Maturity Date (as defined in the DIP Term Sheet).
- (d) Commitment Fee: \$10,000, representing 2% of the DIP Loan, payable on the Maturity Date (as defined in the DIP Term Sheet).
- (e) DIP Lender's Charge and Court Approval: The DIP Loan is to be secured by a court-ordered priority charge over all of the Applicants' present and after-acquired property, subject only to the Administration Charge. The DIP Loan will be available to the Applicants upon the issuance of the proposed Initial Order approving the DIP Term Sheet, the DIP Loan and the DIP Lender's Charge.

155. I believe that the DIP Loan is both reasonable and necessary for the Company to continue as a going concern, as evidenced by the Interim Cash Flow Forecast.

156. The DIP Lender's Charge will not secure any pre-filing obligations of the Applicants. As indicated in the Interim Cash Flow Forecast, the DIP Loan will provide the Applicants with sufficient liquidity to continue operations during the initial 10-day stay period. In the absence of the DIP Loan, the Company will not be able to sustain operations.

#### **D. Administration Charge**

157. The Applicants seek a super-priority charge over the Applicants' Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the "**Professionals Group**"), to secure payment of their professional

fees and disbursements, whether incurred before or after the date of the Initial Order.

158. The proposed Administration Charge being sought is for a maximum amount of \$250,000.

159. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings. The Professionals Group have contributed and will continue to contribute to the Applicants' restructuring efforts, and will ensure that there is no unnecessary duplication of roles among them.

160. In preparation of the Interim Cash Flow Forecast, the Applicants, in consultation with the proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the week of the Comeback Hearing, the Applicants forecast to incur significant professional fees in connection with the CCAA proceedings, such as preparing for the Comeback Hearing, communicating with employees and stakeholders following the initial filing, and complying with statutory notices, mailings and communications.

161. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees of the Professionals Group.

#### **F. Stay of Proceedings**

162. Given the challenges faced by the Applicants described herein, the CannaPiece Group requires a stay of proceedings to maintain the *status quo* and to give the Applicants the breathing space they require to develop a restructuring plan in consultation with their advisors and the Monitor.

163. The proposed Initial Order contemplates a Stay Period of 10 days, which I understand is the maximum that can be authorized by a court at the initial application under the CCAA.

**G. Relief to be Sought at Comeback Hearing**

164. If the Initial Order is granted, then the Applicants propose to return to this Court for a Comeback Hearing on November 10, 2022.

165. At the Comeback Hearing, the Applicants intend to seek the Court's approval of an Amended and Restated Initial Order. For the benefit of this Court and the Applicants' stakeholders, this section highlights critical relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable.

***i) Extension of Stay of Proceedings***

166. Applicants intend to seek an extension of the Stay Period for a sufficient length of time to allow the Applicants to conduct a sales and investment solicitation process.

***ii) Critical Suppliers***

167. The Applicants rely on certain service providers in their day-to-day operations. To preserve their business and maintain critical relationships, the Applicants intend to seek the Court's approval to pay certain pre-filing expenses or to honour certain cheques issued to providers of goods and services prior to the date of filing that the Applicants, with the consent of the Monitor, believe are necessary to facilitate the Applicants' ongoing operations and preserve value during these proceedings.

**iv) Sales and Investment Solicitation Process (with Stalking Horse)**

168. The Applicants and the DIP Lender are in the process of negotiating a purchase agreement (the “**Purchase Agreement**”) pursuant to which the DIP Lender (or its nominee) intends to (i) acquire 100% ownership of CPC within the CCAA proceedings by way of a reverse approval and vesting order; and (ii) act as a stalking horse bidder in a court-supervised sale and investment solicitation process within the CCAA proceedings.

169. In the event that the Purchased Agreement is finalized, it is anticipated that the DIP Loan will be treated as a deposit in accordance with the terms and conditions therein.

170. The Purchase Agreement will serve as a baseline for any bids received in the sales process to be measured against. In the meantime, it will also signal to the Applicants’ customers, employees and other stakeholders that business will continue as a going concern after these CCAA proceedings. Due to the nature of this business (being the timely fulfilment of significant orders from industry leading customers) it is critical to the preservation of stakeholder value that going concern operations be preserved.

171. Approval of the Purchase Agreement, as well as a stalking horse sales process and related bidding procedures, will be sought at the Comeback Hearing.

**VIII. FORM OF ORDER AND CONCLUSION**

172. The Applicants, with the assistance of their legal and financial advisors, have determined that the proposed CCAA proceedings represent the best available strategy

to maximize value for the CannaPiece Group's stakeholders.

173. This affidavit is sworn in support of the Applicants' application for protection pursuant to the CCAA and for no other purpose.

SWORN BEFORE ME via video-conference with the deponent in the City of Thornhill, in the regional municipality of York, in the Province of Ontario, and the Commissioner in the City of Mississauga in the Province of Ontario this 2<sup>nd</sup> day of November, 2022

DocuSigned by:  
*Afshin Souzankar*  
3F83A3E48F73488

AFSHIN SOUZANKAR

DocuSigned by:  
*Monica Faheim*  
A927328446B742A...

MONICA FAHEIM  
A Commissioner for taking Affidavits (or as may be)

**Note:** This affidavit was commissioned via simultaneous video-conference in accordance with the *Commissioners for taking Affidavits Act*, R.S.O. 1990, CHAPTER C.17, and the Law Society of Ontario: COVID-19 Response Statement interpretation of that Act, under which (i) the identity of the deponent was confirmed from government issued identification, (ii) the commissioner administered the oath or affirmation, (iii) the deponent affixed their electronic signature to the affidavit and transmitted the full electronic affidavit, as sworn or affirmed, including exhibits to the commissioner, (iv) the deponent confirmed their electronic signature to the commissioner, (v) the commissioner affixed their electronic signature to the affidavit including exhibits.

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.**

Court File No.: CV-22-00689631-00CL

**Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**AFFIDAVIT OF AFSHIN SOUZANKAR  
(RETURNABLE NOVEMBER 3, 2022)**

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Tel: 416.595.6087  
Lawyers for the Applicants

This is Exhibit "B" referred to in the Affidavit of AFSHIN SOUZANKAR sworn by AFSHIN SOUZANKAR of the City of Thornhill, in the regional municipality of York, in the Province of Ontario, before me at the Town of Halton Hills, in the regional municipality of Halton, in the Province of Ontario, on November 8, 2022 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Patryk Sawicki

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*Commissioner for Taking Affidavits (or as may be)*

**PATRYK SAWICKI**

**STALKING HORSE PURCHASE AGREEMENT**

This Agreement is made as of the 8<sup>th</sup> day of November, 2022 (the “**Effective Date**”), among:

**CANNAPIECE GROUP INC.**  
(the “**Vendor**”)

– and –

**CANNAPIECE CORP.**  
(the “**Company**”)

– and –

**CARDINAL ADVISORY LIMITED, or its nominee**  
(the “**Purchaser**”)

**WHEREAS** pursuant to the Order of the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued November 3, 2022 (as may be further amended or amended and restated from time to time, the “**Initial Order**”), the Vendor, the Company, Canadian Craft Growers Corp., 2666222 Ontario Ltd., 2580385 Ontario Inc. and 2669673 Ontario Inc. (collectively, the “**CannaPiece Group**”) were granted, among other things, creditor protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and BDO Canada Limited was appointed as the CCAA monitor of the CannaPiece Group (in such capacity, the “**Monitor**”);

**AND WHEREAS** in connection with the proceedings initiated by the Initial Order (the “**CCAA Proceedings**”), the CannaPiece Group intends to seek the approval of the Court to run a SISP (as defined below) pursuant to which this Agreement will serve as the Stalking Horse Bid (as defined below) for the Purchased Shares (as defined below);

**AND WHEREAS** in the event that this Agreement is selected as the Successful Bid (as defined below) in the SISP, the Vendor has agreed to sell and transfer to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, all of the Vendor’s right, title and interest in and to the Purchased Shares, subject to and in accordance with the terms and conditions set forth in this Agreement;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the parties hereto (collectively, the “**Parties**”, and each, a “**Party**”) hereby acknowledge and agree as follows:



## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

“**212 Debt**” means all amounts owing under or in connection with the loan and security agreements dated May 27, 2020 and December 7, 2020 between the Company and 2125028 Ontario Inc., which amount is equal to approximately \$4,000,000 as at the Effective Date.

“**Advance**” has the meaning set out in Section 3.4.

“**Affiliate**” has the meaning given to the term “affiliate” in the *Business Corporations Act* (Ontario).

“**Agreement**” means this purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Monitor, and “**Article**” and “**Section**” mean and refer to the specified article, section and subsection of this Agreement.

“**Applicable Law**” means, in respect of any Person, property, transaction or event, any (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority, and (iii) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“**Approval and Vesting Order**” means an order by the Court, in form and substance satisfactory to the Purchaser, in its sole and absolute discretion, among other things, approving and authorizing the Transaction and vesting in the Purchaser (or as it may direct) all of the right, title and interest of the Vendor in and to the Purchased Shares, free and clear from any Encumbrances.

“**Assumed Contracts**” means the Contracts listed in Schedule “**I**”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

“**Assumed Liabilities**” means: (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule “**H**”, as the same may be modified by the Purchaser prior to November 30, 2022 in accordance with the terms hereof; and (b) all Liabilities which relate to: (i) the Business under any Assumed Contracts; (ii) any Permits and Licences forming part of the Retained Assets; in each case solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

“**Auction**” has the meaning set out in Section 5.1(f).

“**Authorization**” means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person’s property or business and affairs (including any zoning approval or building permit) or from any Person in connection with any easements, contractual rights or other matters.

“**Bid Deadline**” has the meaning set out in Schedule “**G**”.

**“Books and Records”** means: (a) all of the Company’s files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records; and (b) all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Vendor, the Company, or any other member of the CannaPiece Group or any of their respective Affiliates including information, documents and records relating to the Assumed Liabilities, Assumed Contracts, Retained Assets, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

**“Break Fee”** has the meaning set out in Section 5.1(b).

**“Business”** means the business conducted by the Company, being a licensed cannabis contract manufacturer, with manufacturing operations located in Pickering, Ontario and its head office located in Markham, Ontario, providing extraction, processing, packaging and distribution services for its customers.

**“Business Day”** means a day on which banks are open for business in Toronto, Ontario, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

**“Cannabis Licence”** means all Authorizations related to cannabis and issued by a Governmental Authority to the Company, including Authorizations to possess, produce and sell cannabis under Applicable Law, including without limitation those listed in Schedule “F” hereto.

**“CannaPiece Group”** has the meaning set out in the recitals hereto.

**“Cash Flow Forecast”** means the weekly cash flow projections of the CannaPiece Group, as amended from time to time and approved by the Monitor in the CCAA Proceedings.

**“Cash Purchase Price”** has the meaning set out in Section 3.2(c).

**“CCAA”** has the meaning set out in the recitals hereto.

**“CCAA Proceedings”** has the meaning set out in the recitals hereto.

**“Claims”** means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

**“Closing”** means the closing and consummation of the Transaction.

**“Closing Date”** means the date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Vendor, after the date upon which the conditions set forth in Article 9 have been satisfied or waived, other than any conditions set forth in Article 9 that by their terms are to be satisfied or waived at Closing (or such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing).

“**Closing Time**” means 12:01 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“**Contracts**” means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected, including any Contracts in respect of Employees.

“**Company**” means CannaPiece Corp.

“**Corporate Office**” means the premises located at 100 Allstate Parkway, Suite 302 in Markham, Ontario.

“**Court**” has the meaning set out in the recitals hereto.

“**Deposit**” has the meaning set out in Section 3.2(b).

“**Deposit Facility**” has the meaning set out in Section 3.4.

“**Deposit Repayment**” has the meaning set out in Section 5.1(c).

“**DIP Loan**” means the borrowings under the DIP Facility (as defined in the DIP Term Sheet).

“**DIP Term Sheet**” means the debtor-in-possession term sheet dated as of November 2, 2022 among the Purchaser, as lender, and the members of the CannaPiece Group, as borrowers, as the same may be amended, restated, supplemented and/or modified from time to time.

“**Discharge**” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, irrevocable, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof.

“**Effective Date**” has the meaning set out in the preamble hereto.

“**Employee**” means any individual who is employed by the Company as of the Closing Date, whether on a full-time or a part-time basis and includes an employee on short term or long term disability leave, but, for certainty, excludes any employee whose employment will be terminated pursuant to Section 9.2(f).

“**Encumbrance**” means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“**Excise Act**” means the *Excise Act, 2001*, S.C. 2002, c.22.

“**Excise Tax Act**” means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

“**Excise Licence**” means cannabis licence 75260 3886 RD0002 obtained by the Company under the *Excise Act*.

“**Excluded Assets**” means the properties, rights, assets and undertakings of the Company (or where, applicable, the other members of the CannaPiece Group) listed on Schedule “A”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

“**Excluded Contracts**” means those contracts and other agreements of the Company that are not Assumed Contracts and for greater certainty, includes those contracts and agreements which are listed on Schedule “B”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

“**Excluded Liabilities**” has the meaning set out in Section 2.2(a).

“**Filing Date**” means November 3, 2022.

“**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“**GST/HST**” means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act*.

“**Income Tax Act**” means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

“**Initial Deposit Amount**” has the meaning set out in Section 3.2(a).

“**Initial Order**” has the meaning set out in the recitals hereto.

“**Interim Period**” means the period from the Effective Date to the Closing Time.

“**Landlord Approval**” means an approval issued by the landlord of the Manufacturing Premises in connection with the change of control contemplated by the Transaction.

“**Liability**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

“**Manufacturing Premises**” means the lands and building municipally known as 1724 McPherson Court in Pickering, Ontario, L1W 3E9 – Phase 1 and Phase 2.

“**Marzilli Debt**” means all amounts owing under or in connection with the letter of commitment dated February 10, 2022 between the Company and Carmela Marzilli, which amount was equal to approximately \$6,788,635 as at November 1, 2022.

“**Monitor**” has the meaning set out in the recitals hereto.

“**Monitor’s Certificate**” has the meaning set out in Section 9.2(k).

“**Organizational Documents**” means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of

organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

“**Outside Date**” means 11:59 pm (Toronto time) on February 6, 2023 or such later date and time as the Company and the Purchaser may agree to in writing.

“**Other CannaPiece Contracts**” means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which any Other CannaPiece Entity is a party or by which any Other CannaPiece Entity is bound or in which any such Other CannaPiece Entity has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

“**Other CannaPiece Entity**” means any of the Vendor, Canadian Craft Growers Corp., 2666222 Ontario Ltd., 2580385 Ontario Inc. and 2669673 Ontario Inc.

“**Parties**” has the meaning set out in the recitals hereto.

“**Party**” has the meaning set out in the recitals hereto.

“**Permits and Licences**” means the orders, permits, licences, Authorizations, approvals, registrations, consent, waiver or other evidence of authority issued to, granted to, conferred upon, or otherwise created for, the Company by any Governmental Authority, including: (i) those related to the Business, the Retained Assets, the Transferred Assets and the Assumed Contracts; (ii) the Excise Licence; and (iii) the Cannabis Licence.

“**Permitted Encumbrances**” means those Encumbrances that have been explicitly assumed by the Purchaser related to the Retained Assets and/or Transferred Assets, as set forth in Schedule “**E**”, as the same may be modified by the Purchaser prior to the granting of the Approval and Vesting Order in accordance with the terms hereof.

“**Person**” means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

“**Pre-Closing Reorganization**” means the transactions, acts or events described in Exhibit “**A**”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof and the Approval and Vesting Order, which unless otherwise expressly provided therein are to occur immediately prior to the Closing Time.

“**Professional Fees**” has the meaning set out in Section 5.1(b).

“**Purchase Price**” has the meaning set out in Section 3.1.

“**Purchaser**” means Cardinal Advisory Limited, or its nominee.

“**Purchased Shares**” means all of the issued and outstanding shares of the Company.

“**ResidualCo**” means a corporation to be incorporated as a wholly-owned subsidiary of the Vendor to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

“**Retained Assets**” has the meaning set out in Section 4.1.

“**SISP**” means the sale and investment solicitation process, to be conducted pursuant to the sale and bidding procedures substantially in the form set out in Schedule “**G**” hereto.

“**SISP Approval Date**” means the date upon which the Court issues the SISP Order.

“**SISP Order**” means an order of the Court, in form and substance acceptable to the Purchaser in its sole and absolute discretion, approving, among other things: (a) the SISP; (b) this Agreement as the Stalking Horse Bid in the SISP; (c) the Break Fee, Deposit Repayment and Professional Fees; and language protecting the Purchaser’s entitlement to the Break Fee, Deposit Repayment and Professional Fees.

“**Stalking Horse Bid**” has the meaning set out in Section 5.1(a).

“**Subsequent Deposit Amount**” has the meaning set out in Section 3.2(b).

“**Successful Bid**” has the meaning set out in Section 5.1(f).

“**Successful Bidder**” has the meaning set out in Section 5.1(f).

“**Taxes**” means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, licence taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers’ compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

“**Terminated Employee**” means those Employees whose employment will be terminated prior to Closing pursuant to Section 9.2(f), as determined by the Purchaser by written notice to the Company at least ten (10) Business Days prior to the Closing Date.

“**Transaction**” means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Shares.

“**Transferred Assets**” means those assets listed on Schedule “**D**”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof, which are owned by Other CannaPiece Entities, but will be transferred to the Company prior to Closing as part of the Pre-Closing Reorganization and will constitute Retained Assets.

“**Vendor**” means CannaPiece Group Inc.

## **1.2 Interpretation Not Affected by Headings, etc.**

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

## **1.3 General Construction**

The terms “this Agreement”, “hereof”, “herein” and “hereunder” and similar expressions refer to this Agreement and not to any particular section hereof. The expression “Section” or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

## **1.4 Extended Meanings**

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings and the term “third party” means any other Person other than the Vendor, the Company or the Purchaser, or any Affiliates thereof.

## **1.5 Currency**

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian currency unless otherwise specifically indicated.

## **1.6 Statutes**

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

## **1.7 Schedules & Amendments to Schedules**

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

### **EXHIBITS**

Exhibit A - Pre-Closing Reorganization

### **SCHEDULES**

Schedule A - Excluded Assets  
Schedule B - Excluded Contracts  
Schedule C - Excluded Liabilities  
Schedule D - Transferred Assets  
Schedule E - Permitted Encumbrances  
Schedule F - Cannabis Licence  
Schedule G - SISP and Bidding Procedures  
Schedule H - Assumed Liabilities

## Schedule I - Assumed Contracts

The Parties acknowledge that as of the Effective Date, the Schedules (other than Schedules F and G) are not complete. Such Schedules are for the benefit of the Purchaser and may be amended or completed by the Purchaser, in its sole and absolute discretion, on or before the dates set out in such Schedules and on notice to the Vendor.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

## ARTICLE 2 PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

### 2.1 Purchase and Sale of the Purchased Shares

Subject to the terms and conditions of this Agreement, effective as of the Closing Time, the Vendor shall sell and transfer the Purchased Shares to the Purchaser, and the Purchaser shall purchase the Purchased Shares from the Vendor, free and clear of all Encumbrances.

### 2.2 Excluded Liabilities of the Company

- (a) Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, perfected or unperfected, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or the Purchased Shares or against, relating to or affecting the Business including any of the Retained Assets, or any Excluded Assets or Excluded Contracts, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule "C" (collectively, the "**Excluded Liabilities**") shall be excluded, Discharged and shall no longer be binding on or enforceable against the Company, the Purchased Shares, the Retained Assets, Employees, Permits and Licences or Books and Records following the Closing Time.
- (b) Subject to the Pre-Closing Reorganization and pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Approval and Vesting Order, and the Company, the Purchased Shares, the Retained Assets, the Transferred Assets, and the Company's undertakings, Business and properties shall be Discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.



### ARTICLE 3 PURCHASE PRICE

#### 3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Shares shall be **THREE MILLION FIVE HUNDRED THOUSAND CANADIAN DOLLARS** (\$3,500,000) plus the Assumed Liabilities, subject to adjustment as provided in this Agreement (the “**Purchase Price**”). The Purchase Price shall be paid to the Monitor as consideration for the Purchased Shares.

#### 3.2 Satisfaction of Purchase Price

The Purchaser shall satisfy the Purchase Price, at the Closing Time, in accordance with the following:

- (a) Initial Deposit. All amounts owing to the Purchaser under the DIP Term Sheet as of the SISP Approval Date, including any accrued and unpaid interest, expenses, fees and other amounts (in aggregate, the “**Initial Deposit Amount**”), shall be treated in all respects as a deposit from and after the SISP Approval Date, and shall be credited against the Purchase Price at Closing.
- (b) Subsequent Deposits. All amounts owing to the Purchaser under the Deposit Facility as of the Closing Date (the “**Subsequent Deposit Amount**” and together with the Initial Deposit Amount, collectively, the “**Deposit**”) shall be treated in all respects as a deposit, and shall be credited against the Purchase Price at Closing.
- (c) Cash Purchase Price. An amount equal to the Purchase Price less the Deposits (the “**Cash Purchase Price**”), shall be paid to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in immediately available funds.
- (d) Assumed Liabilities. An amount equal to the amount of the Assumed Liabilities which the Company shall retain on the Closing Date in accordance with the Pre-Closing Reorganization, shall be satisfied by the Company performing the Assumed Liabilities. For certainty, the Assumed Liabilities include the Marzilli Debt and the 212 Debt, provided that such assumptions are on terms and conditions satisfactory to the Purchaser in all respects. For further certainty, if the Purchaser is not able to negotiate terms of assumption satisfactory to the Purchaser in its sole and absolute discretion, it shall have no obligation to assume the Marzilli Debt and the 212 Debt.

#### 3.3 Monitor to hold Purchase Price

The Cash Purchase Price shall be paid to, and held by, the Monitor for the benefit of the Vendor and ResidualCo, and any Claim against the Company, the Purchased Shares or the Retained Assets shall continue to exist solely as against ResidualCo from and after Closing.

#### 3.4 Funding During CCAA Proceeding

The Purchaser shall fund the ongoing working capital requirements of the Company during the CCAA Proceedings by making funds available to the Company in weekly draws (each, an “**Advance**”) in accordance with the Cash Flow Forecast, in the maximum aggregate principal amount of \$3,000,000 (the “**Deposit Facility**”). The Deposit Facility shall be advanced to the Company in accordance with the following:

- (a) the Company shall submit written requests for Advances on the Thursday preceding the week for which the Advance relates;

- (b) the Purchaser shall fund an Advance on the Tuesday following the receipt of request for the same;
- (c) notwithstanding the quantum of any Advance requested, the Purchaser shall only be required to fund such portion of an Advance as is reasonably required, as evidenced by the Cash Flow Forecast, plus a maximum variation of twenty percent (20%);
- (d) all Advances shall be advanced by wire transfer to a bank account designated by the Company in writing;
- (e) the Purchaser shall be entitled to make Advances outside of, or ancillary to, the procedures set out above in the discretion of the Purchaser, provided that such Advances are approved by the Monitor.

The availability of the Deposit Facility is conditional in all respects on the issuance of the SISP Order, in form and substance satisfactory to the Purchaser.

#### **ARTICLE 4 TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES**

##### **4.1 Transfer of Excluded Assets to ResidualCo**

At Closing, the Company shall retain all of the assets owned by it on the Effective Date of this Agreement and any assets acquired by it up to and including Closing, including the Transferred Assets, the Company's equipment, its Assumed Contracts, Permits and Licences, Books and Records, Business and undertakings (the "**Retained Assets**"), excluding inventory sold or consumed in the ordinary course of Business in the Interim Period and amounts paid in the Interim Period in accordance with the Initial Order, the DIP Term Sheet and the approval of the Monitor. The Retained Assets shall not include: (i) the Excluded Assets; or (ii) the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Pre-Closing Reorganization, and same shall be vested in ResidualCo pursuant to the Approval and Vesting Order.

##### **4.2 Transfer of Excluded Liabilities to ResidualCo**

On the Closing Date, the Excluded Liabilities shall be transferred to, vested in and assumed by ResidualCo in accordance with the Pre-Closing Reorganization and the Approval and Vesting Order. Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Company shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Purchased Shares, the Company and the Retained Assets as of and from and after the Closing Time.

##### **4.3 Tax Matters**

Pursuant to the Approval and Vesting Order, at the Closing Time, all Taxes owed or owing or accrued due by the Company shall be transferred to, vested in and assumed by ResidualCo. Any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Closing Date, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo.

**ARTICLE 5**  
**SISP, BIDDING PROCEDURES**

**5.1 SISP**

- (a) The Vendor shall bring a motion for the SISP Order to be heard on or before November 10, 2022. The SISP Order shall recognize the within offer by the Purchaser and the Purchase Price: (i) as a baseline or “stalking horse bid” in respect of the Purchased Shares (the “**Stalking Horse Bid**”); and (ii) as a deemed “Qualified Bid” (as defined in the SISP), with an attendant right on the part of the Purchaser to participate as a bidder in any Auction. The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior bid can be obtained for the Purchased Shares and the Retained Assets, and that the within Stalking Horse Bid may be the Successful Bid for the Purchased Shares and the Retained Assets.
- (b) In consideration for the Purchaser’s expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to repayment of: (i) all professional fees, disbursements and expenses of any kind or nature whatsoever incurred in connection with the SISP and the Transaction, to a maximum amount of \$25,000 (the “**Professional Fees**”); and (ii) a break fee in the amount of \$175,000 (inclusive of HST, if any) (the “**Break Fee**”), which shall be payable to the Purchaser in the event that the Stalking Horse Bid is not the Successful Bid.
- (c) In the event that the Stalking Horse Bid is not the Successful Bid, in addition to the Professional Fees and the Break Fee, the Purchaser shall be entitled to repayment in full of all amounts advanced under the DIP Term Sheet and the Deposit Facility, and all of the foregoing entitlements shall be paid to the Purchaser in priority to any and all Claims and interests that any other Person now has or may hereafter have against the Property (as defined in the Initial Order) of the CannaPiece Group (the “**Deposit Repayment**”).
- (d) The priority of payment of the Professional Fees, the Break Fee and the Deposit Repayment shall be approved in the SISP Order and shall, if payable pursuant to Section 5.1(b) and 5.1(c), be payable to the Purchaser within one (1) Business Day of the Successful Bid being approved by the Court. For certainty and in accordance with the terms of the SISP, any Person intending to participate in the Auction shall be required to provide the Monitor with: (a) evidence of immediately available funds in an amount sufficient to repay the Professional Fees, the Break Fee and the Deposit Repayment; and (b) a pledge, irrevocable direction or other commitment issued in favour of the Purchaser and payable upon the Court’s approval of the Successful Bid.
- (e) The Parties acknowledge and agree that the aggregate foregoing Break Fee amount represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of preparing and entering into, and not completing the Transactions contemplated by this Agreement, and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Shares and/or Retained Assets. For certainty, the Break Fee does not form part of the Purchase Price.
- (f) In the event that one or more Persons submits a Qualified Bid on or before the Bid Deadline, the Vendor, in consultation with the Monitor, shall conduct an auction (the “**Auction**”) for the determination and selection of a winning bid (the “**Successful Bid**” and the Person submitting such bid being the “**Successful Bidder**”).

- (g) Upon the selection of a Successful Bidder, there shall be a binding agreement of purchase and sale between the Successful Bidder and the Vendor. The Vendor shall forthwith bring a motion following the selection of the Successful Bidder for an order approving the agreement reached with the Successful Bidder and to vest the Purchased Shares in the Successful Bidder and, if granted, shall proceed with closing the transaction forthwith.
- (h) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the Successful Bidder under the SISP, then upon selection of the other Successful Bid: (i) this Agreement shall be terminated (subject to Section 10.2 and the Purchaser's entitlement to the Break Fee); (ii) the Purchaser shall be entitled to the Break Fee, the Professional Fees and the Deposit Repayment; and (iii) neither Party hereto shall have any further Liability or obligation hereunder, except as expressly provided for in this Agreement.
- (i) If no Qualified Bids are received by the Bid Deadline (other than the Stalking Horse Bid), the Vendor shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the Transaction contemplated herein forthwith.

## ARTICLE 6 REPRESENTATIONS AND WARRANTIES

### 6.1 Representations and Warranties of the Vendor

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Vendor is a corporation incorporated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and, subject to obtaining of the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Vendor of this Agreement has been authorized by all necessary corporate action on the part of the Vendor. The Vendor has the requisite corporate authority to cause the Other CannaPiece Entities to transfer the Transferred Assets to the Company.
- (c) No Conflict. The execution, delivery and performance by the Vendor of this Agreement does not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Vendor, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the CannaPiece Group or any of their affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Vendor and constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

- (e) Proceedings. There are no proceedings pending against the Vendor or, to the knowledge of the Vendor, threatened, with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Vendor from fulfilling any of its obligations set forth in this Agreement, and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.
- (f) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order, the Vendor does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.
- (g) Residency. The Vendor is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.
- (h) Title to Purchased Shares. The Vendor is the sole registered and beneficial owner of the Purchased Shares, with good and valid title thereto, and the Vendor will transfer good and valid title to the Purchased Shares to the Purchaser, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Vesting Order. There are no issued and outstanding shares or other securities of the Company other than the Purchased Shares, nor are there any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person and which are convertible into or exchangeable for shares or any other securities of the Company.
- (i) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Vendor or the Company of any of the Purchased Shares or the Retained Assets.
- (j) Necessary Assets and Equipment: All assets and equipment that are necessary for the operation of the Business in the ordinary course, are owned by the Company or an Other CannaPiece Entity, and all such assets and equipment shall be maintained during the Interim Period and shall be in good working order (normal wear and tear excepted) as at the Closing Time.

## 6.2 Representations and Warranties in respect of the Company

The Vendor and the Company hereby represent and warrant to and in favour of the Purchaser as of the date hereof and as of the Closing Time, and acknowledge that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Company is a corporation incorporated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and, subject to obtaining the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.

- (c) No Conflict. The execution, delivery and performance by the Company of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Company, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the CannaPiece Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.
- (e) Authorized and Issued Capital. The authorized capital of the Company consists of an unlimited number of Common Shares, of which 100 Common Shares are issued and outstanding. The Purchased Shares: (i) constitute all of the issued and outstanding securities in the capital of the Company; (ii) have all been duly authorized and validly issued as fully paid and non-assessable; (iii) have been issued by the Company in compliance with all Applicable Laws; and (iv) are registered in the name of, and are legally and beneficially owned by, the Vendor. None of the Purchased Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights. The Company is a private issuer (as such term is defined in Section 2.4 of National Instrument 45-106).
- (f) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Company of any of the Purchased Shares, any Retained Assets or for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Company. The Company has good and valid title to the Retained Assets (excluding Transferred Assets) free and clear of all Encumbrances (other than Permitted Encumbrances). At Closing, the Company will have good and valid title to the Transferred Assets, free and clear of all Encumbrances (other than Permitted Encumbrances).
- (g) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Company from fulfilling any of its obligations set forth in this Agreement and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.
- (h) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order, the Company does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

- (i) Cannabis Licence. The Cannabis Licence and the Excise Licence are in full force and effect. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or the creation of any Encumbrance in respect of, the Cannabis Licence or the Excise Licence. In addition, there are no terms, conditions, or other restrictions imposed on the Cannabis Licence or the Excise Licence that would delay, restrict, or prevent the Company or the Vendor from fulfilling any of their obligations set forth in this Agreement.
- (j) Necessary Assets and Equipment: All assets and equipment that are necessary for the operation of the Business in the ordinary course, are owned by the Company or an Other CannaPiece Entity, and all such assets and equipment shall be maintained during the Interim Period and shall be in good working order (normal wear and tear excepted) as at the Closing Time.
- (k) Compliance with Laws. The Company is conducting and has conducted the Business in compliance with all Applicable Laws in all material respects.
- (l) Assumed Contracts. The list and copies of Contracts and Other CannaPiece Contracts provided by the Company and Vendor pursuant to Section 7.4(b), are correct and complete in all material respects, inclusive of all amendments, modifications and supplements thereto.

### 6.3 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that, the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Business Corporations Act* (Ontario) as of the date hereof, is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

#### **6.4 As is, Where is**

The representations and warranties of the Company and the Vendor shall survive the Closing Time on the Closing Date provided, however, that the Purchaser's recourse for any breach or inaccuracy of such representations and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever.

### **ARTICLE 7 COVENANTS**

#### **7.1 Closing Date**

- (a) The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.
- (b) Without limiting the foregoing, the Parties shall assist with submissions, share information and make any other efforts required to obtain any approvals or Permits and Licences from any Governmental Authority as reasonably requested by the other Party.
- (c) Each of the Parties shall, as promptly as possible, make, or cause to be made, all filings and submissions (including with respect to the Cannabis Licence and the Excise Tax License), as applicable, required under any Applicable Law.
- (d) The Vendor and the Company shall cause such individuals as the Purchaser may determine in its sole discretion to be appointed or assigned to be as of the Closing Time: (i) a director or officer of the Company; (ii) another individual who exercises direct control over the Company; (iii) directors or officers of any corporation that exercises direct control over the Company; or (iv) the responsible person, the head of security, or the master grower, and their alternates, as those terms are defined in the *Cannabis Regulations* (Canada).

#### **7.2 Motion for Approval and Vesting Order**

As soon as practicable after the selection of this Agreement as the Successful Bid in the SISP, the Vendor shall serve and file with the Court a motion for the issuance of the Approval and Vesting Order, seeking relief that will, *inter alia*, approve this Agreement and the Transaction, and release the officers and directors of the Company, its counsel and advisors, the Monitor and the Monitor's counsel. The Vendor shall use its best efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Vendor in its efforts to obtain the issuance and entry of the Approval and Vesting Order.

#### **7.3 Interim Period**

During the Interim Period, except as otherwise expressly contemplated or permitted by this Agreement (including the Approval and Vesting Order and the Pre-Closing Reorganization), the Vendor and Company shall continue to maintain the Business, operations of the Company and the Retained Assets and cause the Other CannaPiece Entities to maintain the Transferred Assets in substantially the same manner as conducted on the Effective Date and in material compliance with all Applicable Laws, Permits and Licences.



#### **7.4 Access During Interim Period**

- (a) During the Interim Period, the Vendor and the Company shall give, or cause to be given, to the Purchaser, and its representatives, reasonable access during normal business hours to the Corporate Office, the Manufacturing Premises, the Retained Assets, including the Books and Records, to conduct such investigations, inspections, surveys or tests thereof and of the physical, financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize themselves with the Business and the Retained Assets. Without limiting the generality of the foregoing: (a) the Purchaser and its representatives shall be permitted reasonable access during normal business hours to the Corporate Office, the Manufacturing Premises and all documents relating to information scheduled or required to be disclosed under this Agreement and to the Employees; and (b) the Purchaser and its representatives shall be permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities and the Vendor's and Company's customers and contractual counterparties. Subject to any Professional Fees incurred in connection with any such investigations, inspections, surveys and tests, which shall be reimbursed in accordance with Article 5 hereof, all investigations, inspections, surveys and tests shall be carried out at the Purchaser's sole and exclusive risk and cost, during normal business hours, and without undue interference with the Company's operations and the Vendor and the Company shall co-operate reasonably in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.
- (b) in order to consider, analyze and complete or modify the Schedules in accordance with the terms of this Agreement, the Company and the Vendor undertake to provide, or cause the Other CannaPiece Entities to provide, to the Purchaser, promptly, and in any event within fifteen (15) days of the date hereof, true and complete copies of: (a) all Contracts and Other CannaPiece Contracts; (b) a list of inventory, property, plant & equipment and any other material assets owned by all Other CannaPiece Entities; (c) a list of all Employees employed by the Company and Other CannaPiece Entities; (d) a list of any outstanding legal proceedings against the Company and Other CannaPiece Entities; and (e) any other documents or information reasonably required by the Purchaser in order to complete or modify the Schedules.

#### **7.5 Insurance Matters**

Until Closing, the Vendor and the Company shall keep in full force and effect all existing insurance policies and give any notice or present any Claim under any such insurance policies consistent with past practice of the Vendor and the Company in the ordinary course of business.

### **ARTICLE 8 CLOSING ARRANGEMENTS**

#### **8.1 Closing**

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

## 8.2 Pre-Closing Reorganization

- (a) Subject to the other terms of this Agreement, the Company and the Vendor shall effect the Pre-Closing Reorganization on the terms and using the steps set out at Exhibit "A"; *provided that* the Purchaser, the Vendor and the Company shall cooperate to ensure that the Pre-Closing Reorganization is completed in a tax efficient manner, including by revising the steps thereof as required by the Purchaser; and *provided further* that the Purchaser shall be entitled to require, as a part of the Pre-Closing Reorganization, that the Transferred Assets be transferred to and vested in the Company free and clear of all Encumbrances (other than Permitted Encumbrances) pursuant to the Approval and Vesting Order provided that such Transferred Assets have been identified by the Purchaser at least eight (8) days prior to the hearing for such Approval and Vesting Order.
- (b) The Purchaser and the Vendor shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

## 8.3 Vendor Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;
- (b) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable stock transfer powers duly executed in blank, in either case, by the Vendor;
- (c) confirmation, in form and substance satisfactory to the Purchaser, that the Permits and Licences, including the Cannabis Licence, will be valid and in good standing immediately following the Closing;
- (d) certificates of an officer of the Vendor and the Company dated as of the Closing Date confirming that all of the representations and warranties of the Vendor and the Company contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor and the Company have performed in all material respects the covenants to be performed by them prior to the Closing Time;
- (e) the Organizational Documents of the Company and the corporate Books and Records;
- (f) a side letter addressed to the Purchaser and further to which any applicable Other CannaPiece Entities making the representations and warranties contemplated by Section 9.2(l); and
- (g) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

#### **8.4 Purchaser's Closing Deliveries**

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor and the Company (or to the Monitor, as applicable), the following:

- (a) the Cash Purchase Price;
- (b) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (c) such other agreements, documents and instruments as may be reasonably required by the Vendor and the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

### **ARTICLE 9 CONDITIONS OF CLOSING**

#### **9.1 Conditions Precedent in favour of the Parties**

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

- (a) Approval and Vesting Order. The Court shall have issued and entered the Approval and Vesting Order in a form satisfactory to the Purchaser in its sole and absolute discretion, which Approval and Vesting Order shall not have been stayed, set aside, varied, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, acting reasonably;
- (b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and
- (c) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 9.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

#### **9.2 Conditions Precedent in favour of the Purchaser**

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Landlord Approval: The Purchaser shall have obtained the Landlord Approval, in a form satisfactory to the Purchaser, acting reasonably, and the Landlord Approval shall include confirmation that the lease of the Manufacturing Facility has been extended on term and conditions satisfactory to the Purchaser, acting reasonably.

- (b) Pre-Closing Reorganization. The Pre-Closing Reorganization shall have been completed in the order and in the timeframes contemplated hereunder.
- (c) Company's Deliverables. The Vendor and the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 8.3.
- (d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 6.1 and Section 6.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.
- (e) No Breach of Covenants. The Company and the Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Company and the Vendor on or before the Closing Date.
- (f) Termination of Company Employees. The Company shall have terminated the employment of any employees identified by the Purchaser in its sole discretion to be Terminated Employees and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law, shall be Excluded Liabilities or shall be Discharged pursuant to the Approval and Vesting Order.
- (g) ResidualCo. Pursuant to the Approval and Vesting Order: (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged; (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price; and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.
- (h) Partial Termination of CCAA Proceeding. Upon Closing, the CCAA Proceeding shall have been terminated in respect of the Company, its Business and property, as set out in the Approval and Vesting Order, but, for greater certainty, shall continue in respect of ResidualCo, the Vendor and the rest of the CannaPiece Group.
- (i) Disclaimer of Excluded Contracts. The Company shall have sent notices of disclaimer for all known Excluded Contracts and other agreements, and such known Excluded Contracts shall form part of the Excluded Assets.
- (j) Permits and Licences. The Permits and Licences, including the Cannabis Licence and Excise Licence, shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licences that remains unremedied and such Permits and Licences shall remain in good standing immediately following and notwithstanding Closing and no Governmental Authority whose consent is not required to the Transaction shall have objected to the completion of the Transaction or indicated that such Permits and Licences will not remain in full force and effect following completion of the Transaction.

- (k) Monitor's Certificate. The Monitor shall have provided an executed certificate of the Monitor substantially in the form attached to the Approval and Vesting Order (the "**Monitor's Certificate**") confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.
- (l) Representations as to Transferred Assets/by Other CannaPiece Entities. To the extent any assets, properties or undertakings of an Other CannaPiece Entity have been designated as a Transferred Asset hereunder, such Other CannaPiece Entity shall have provided to the Purchaser those representations and warranties set out in Sections 6.1(a) through (i) as modified for such Other CannaPiece Entit(ies) and Transferred Asset(s) *mutatis mutandis*, which representations and warranties (except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement) shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 9.2 is not satisfied or performed on or prior to the Outside Date, as the case may be, the Purchaser may elect on written notice to the Vendor to terminate this Agreement. Upon the Purchaser issuing written notice to the Vendor terminating this Agreement in accordance with Section 9.2, the Purchaser shall be authorized and empowered to attend in Court and obtain an order establishing a charge against the Property (as defined in the Initial Order), equal to all amounts owing to the Purchaser pursuant to this Agreement, including Professional Fees and all amounts advanced under the DIP Term Sheet and the Deposit Facility, subject only to the Administration Charge (as defined in the Initial Order).

### **9.3 Conditions Precedent in favour of the Vendor and the Company**

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 6.3 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.
- (d) Monitor's Certificate. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 9.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 9.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

## **ARTICLE 10 TERMINATION**

### **10.1 Grounds for Termination**

This Agreement may be terminated on or prior to the Closing Date:

- (a) by the mutual written agreement of the Vendor (with the consent of the Monitor) and the Purchaser; and
- (b) by the Vendor or the Purchaser upon written notice to the other Parties if: (i) the Closing has not occurred on or prior to the Outside Date; or (ii) the Approval and Vesting Order is not obtained on or before January 30, 2023 (subject to availability of the Court); provided in each case that the failure to close or obtain such order, as applicable, by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

In the event that this Agreement is terminated in accordance with this Section 10.1, the Purchaser shall be authorized and empowered to attend in Court and obtain an order establishing a charge against the Property (as defined in the Initial Order), equal to all amounts owing to the Purchaser pursuant to this Agreement, including Professional Fees and all amounts advanced under the DIP Term Sheet and the Deposit Facility, subject only to the Administration Charge (as defined in the Initial Order).

### **10.2 Effect of Termination.**

If this Agreement is terminated pursuant to Section 10.1 or 5.1(h), all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of: (a) Section 10.2; and (b) Section 5.1, with respect to the Purchaser's entitlement to the Break Free, the Professional Fees and the Deposit Repayment.

## **ARTICLE 11 GENERAL**

### **11.1 Access to Books and Records**

For a period of two years from the Closing Date or for such longer period as may be reasonably required for the Vendor (or any trustee in bankruptcy of the estate of the Vendor) to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Vendor, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

## 11.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

- (a) in the case of the Purchaser, as follows:

**Cardinal Advisory Limited**  
260 Adelaide Street East, Suite 211  
Toronto, Ontario M5A 1N1

Attention: Bill Panagiotakopoulos  
Email: [billp@cardinalgrouppinc.com](mailto:billp@cardinalgrouppinc.com)

with a copy to:

**Rory McGovern Professional Corporation**  
25 Adelaide Street East, Suite 1910  
Toronto, Ontario M5C 3A1

Attention: Rory McGovern  
Email: [rorymcgovernpc.com](mailto:rorymcgovernpc.com)

- (b) in the case of the Vendor or the Company, as follows:

**CannaPiece Group Inc.**  
100 Allstate Parkway, Suite 302  
Markham, Ontario L3R 6H3

Attention: Afshin Souzankar  
Email: [afshin@cannapiece.ca](mailto:afshin@cannapiece.ca)

with a copy to:

**Miller Thomson LLP**  
40 King Street West, Suite 5800  
Toronto, Ontario M5H 4A9

Attention: Sam Massie  
Email: [smassie@millerthomson.com](mailto:smassie@millerthomson.com)

- (c) in each case, with a further copy to the Monitor as follows:

**BDO Canada Limited**  
20 Wellington Street East, Suite 500  
Toronto, Ontario M5E 1C5

Attention: Clark Lonergan  
Email: [clonergan@bdo.ca](mailto:clonergan@bdo.ca)

with a copy to:

**Dentons Canada LLP**  
77 King Street West, Suite 400

Toronto, Ontario M5K 0A1

Attention: Robert J. Kennedy  
Email: [robert.kennedy@dentons.com](mailto:robert.kennedy@dentons.com)

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

### **11.3 Public Announcements**

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the CCAA Proceedings, other than any information which the Purchaser advises the Vendor in writing as being confidential, and this Agreement may be posted on the Monitor's website maintained in connection with the CCAA Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Vendor or any of its Affiliates under Applicable Laws, the Vendor shall not issue (prior to or after the Closing) any press release or make any public statement or public communication with respect to this Agreement or the Transactions contemplated hereby without the prior consent of the other Parties, which shall not be unreasonably withheld or delayed.

### **11.4 Time**

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

### **11.5 Survival**

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

### **11.6 Benefit of Agreement**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo, provided that no consent, waiver or agreement of ResidualCo shall be required for any amendment of this Agreement.

### **11.7 Entire Agreement**

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term



Sheet. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

### **11.8 Paramountcy**

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

### **11.9 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Ontario therefrom.

### **11.10 Assignment**

- (a) This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, in whole or in part, without the prior written consent of the Vendor, the Company, ResidualCo or the Monitor, provided that: (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor, the Company and the Monitor; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment.
- (b) Except as specifically contemplated herein as it relates to ResidualCo, this Agreement may not be assigned by the Vendor or the Company without the consent of the Purchaser.

### **11.11 Further Assurances**

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

### **11.12 Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

### **11.13 Severability**

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

### **11.14 Monitor's Certificate**

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, the executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor

may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

#### **11.15 Monitor's Capacity**

In addition to all of the protections granted to the Monitor under the CCAA or any order of the Court in this CCAA Proceeding, the Vendor, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

***[Signature Page Follows]***

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the day and year first above written.

**CARDINAL ADVISORY LIMITED**

By: \_\_\_\_\_

Name: Bill Panagiotakopoulos  
Title: President

I have authority to bind the Corporation.

**CANNAPIECE GROUP INC.**

By: \_\_\_\_\_

Name: Afshin Souzankar  
Title: President and CEO

I have authority to bind the Corporation.

**CANNAPIECE CORP.**

By: \_\_\_\_\_

Name: Afshin Souzankar  
Title: CEO

I have authority to bind the Corporation.

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the day and year first above written.

**CARDINAL ADVISORY LIMITED**

By: \_\_\_\_\_  
Name: Bill Panagiotakopoulos  
Title: President

I have authority to bind the Corporation.

**CANNAPIECE GROUP INC.**

By: Afshin Souzankar  
Name: Afshin Souzankar  
Title: President and CEO

I have authority to bind the Corporation.

**CANNAPIECE CORP.**

By: Afshin Souzankar  
Name: Afshin Souzankar  
Title: CEO

I have authority to bind the Corporation.

**EXHIBIT "A"**  
**PRE-CLOSING REORGANIZATION**

1. The Transferred Assets shall be transferred to the Company.
2. ResidualCo shall be incorporated by the Vendor with nominal consideration for common shares and shall be added to the CCAA Proceeding as an Applicant, but shall take no other steps or actions in respect thereof.
3. The Excluded Assets and Excluded Liabilities shall be transferred to, and vested in, ResidualCo pursuant to the Approval and Vesting Order.

**SCHEDULE "A"**  
**EXCLUDED ASSETS**

1. Inventory sold in the ordinary course of Business in the Interim Period.
2. Excluded Contracts, as determined by the Purchaser prior to Closing.

**[Note: Balance of schedule to be completed prior to Closing.]**

**SCHEDULE "B"**  
**EXCLUDED CONTRACTS**

The following is a non-exhaustive list of the Excluded Contracts:

1.

**[Note: Balance of schedule to be completed prior to Closing.]**

**SCHEDULE “C”  
EXCLUDED LIABILITIES**

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time.
2. Any and all Liabilities pertaining to the administration of the CCAA Proceedings including, without limitation, under any court-ordered charge granted therein.
3. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.
4. All Liabilities to Terminated Employees whose employment with the Company is terminated on or before Closing, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law.
5. All Liabilities related to any amounts of any nature or kind owing to any Employees or Persons who have performed work for the Company as at the Closing Time.
6. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the negotiation, execution or delivery of this Agreement or the consummation of the Transaction.
7. Any and all Liabilities that are not Assumed Liabilities.

**[Note: Balance of schedule to be completed prior to Closing.]**



**SCHEDULE "D"**  
**TRANSFERRED ASSETS**

**[Note: Balance of schedule to be completed prior to Closing.]**

**SCHEDULE "E"**  
**PERMITTED ENCUMBRANCES**

Nil.

**SCHEDULE "F"**  
**CANNABIS LICENCE**

<b>Regulatory Authority</b>	<b>Authorization Type</b>	<b>Details</b>	<b>Licensee</b>	<b>Effective Date</b>	<b>Expiry Date</b>	<b>Licence No.</b>
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licences for Standard Processing and Sale for Medical Purposes	CannaPiece Corp.	June 7, 2022	February 28, 2023	LIC-IQI3F5JF5MF-2020-8

**SCHEDULE "G"**  
**SISP AND BIDDING PROCEDURES**

**Attached.**

## Sale and Investment Solicitation Process

### Introduction

1. On November 3, 2022, CannaPiece Group Inc. (“CPG”) and its subsidiaries, namely CannaPiece Corp. (“CPC”), the licensed contract manufacturer of cannabis products (collectively, the “Applicants”) were granted an initial order (as amended and restated on November 10, 2022, and as may be further amended or amended and restated from time to time, the “Initial Order”) under the *Companies’ Creditors Arrangement Act* (the “CCAA” and the “CCAA Proceedings”) by the Ontario Superior Court of Justice (the “Court”). The Initial Order, among other things:
  - (a) stayed all proceedings against the Applicants, their assets, and their respective directors and officers;
  - (b) appointed BDO Canada Limited as the monitor of the Applicants (in such capacity, the “Monitor”);
  - (c) authorized the Applicants to enter into a debtor-in-possession financing facility (the “DIP Facility”) with Cardinal Advisory Limited (the “DIP Lender”) pursuant to a Term Sheet dated November 2, 2022 (the “DIP Term Sheet”), and approved a charge in favour of the DIP Lender over all of the Applicants’ present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof to secure the amounts outstanding under or in connection with the DIP Facility; and
  - (d) authorized the Applicants to pursue all avenues of sale or investment of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
2. As outlined in the DIP Term Sheet, the Applicants and the DIP Lender, or its nominee (the “Stalking Horse Bidder”) were in the process of negotiating a purchase agreement (the “Stalking Horse Agreement” or when referring to the bid, the “Stalking Horse Bid”) pursuant to which the Stalking Horse Bidder would: (a) acquire 100% ownership of CPC within the CCAA Proceedings by way of reverse vesting order issued by the Court; and (b) act as a stalking horse bidder in a Court-supervised sale and investment solicitation process (“SISP”) within the CCAA Proceedings.
3. Further to the Applicants’ restructuring efforts and the terms of the DIP Term Sheet, on November 10, 2022, the Court granted an order (the “Sale Process Approval Order”) which approved, among other things: (a) the SISP; (b) the engagement of the BDO Canada Transaction Advisory Services Inc. as sales agent (the “Sales Agent”) to assist with the SISP; and (c) the Stalking Horse Agreement, as the Stalking Horse Bid in the SISP. The SISP is intended to solicit interest in an acquisition or refinancing of the business of the Applicants, or a sale of the assets and/or the business of the Applicants by way of merger, reorganization, recapitalization, primary equity issuance or other similar transaction. The Stalking Horse Bid is intended to provide a degree of certainty in the marketplace for the Applicants, including CPC’s customers and its employees, that a going-concern sale of CPC is a viable outcome of the SISP. The Applicants intend to provide all qualified interested parties with an opportunity to participate in the SISP.

### Opportunity

4. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Applicants’ assets and business operations (the “Opportunity”). The Opportunity may include one or more of a restructuring, recapitalization or other form of reorganization of the business and affairs of the Applicants as a going concern or a sale of all, substantially all, or one or

more components of the Applicants' Property (as defined in the Initial Order) and business operations (the "**Business**") as a going concern or otherwise.

5. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined below), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Applicants, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Applicants in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders (i.e. approval and vesting order, reverse vesting order, etc.).

### **Timeline**

6. The following table sets out the key milestones under the SISP:

<b>Milestone</b>	<b>Deadline</b>
Deadline to publish notice of SISP and deliver Teaser Letter and NDA to Known Potential Bidders	Friday, November 18, 2022
Deadline to finalize schedule of Assumed Liabilities in the Stalking Horse Agreement	No later than Wednesday, November 30, 2022
Bid Deadline (as defined below)	Monday, January 9, 2023
Deadline to top-up Deposit to Stalking Horse Payout Amount (as defined below)	Friday, January 13, 2023
Auction (as defined below)	Monday, January 16, 2023
Hearing of the Sale Approval Motion (as defined below)	No later than Monday, January 30, 2023, subject to the availability of the Court

7. Subject to any order of the Court, the dates set out in the SISP may be extended by the Monitor with the consent and approval of the Applicants and the Stalking Horse Bidder.

### **Solicitation of Interest: Notice of the SISP**

8. As soon as reasonably practicable, but in any event by no later than November 18, 2022:
- (a) The Sales Agent, in consultation with the Monitor and Applicants, will prepare a list of potential bidders, including: (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity; and (ii) local and international strategic and financial parties who the Applicants, in consultation with the Monitor, believe may be

- interested in purchasing all or part of the Business and Property or investing in the Applicants pursuant to the SISP, in each case whether or not such party has submitted a letter of intent or similar document (collectively, “**Known Potential Bidders**”);
- (b) the Monitor will arrange for a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Applicants, considers appropriate) (the “**Notice**”) to be published in The Globe and Mail (National Edition), and any other newspaper or journal as the Applicants, in consultation with the Monitor, consider appropriate, if any; and
  - (c) the Sales Agent, in consultation with the Monitor and Applicants, will prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicants and the Monitor, and their respective counsel.
9. The Sales Agent will send the Teaser Letter and NDA to each Known Potential Bidders by no later than Friday November 18, 2022, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Applicants or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

#### **Potential Bidders and Due Diligence Materials**

10. Any party who wishes to participate in the SISP (a “**Potential Bidder**”), other than the Stalking Horse Bidder, must provide to the Sales Agent an NDA executed by it, and which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof, and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
11. The Sales Agent, in consultation with the Monitor and the Applicants, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Potential Bidder who has signed and delivered an NDA to the Monitor and provided information as to their financial wherewithal to close a transaction such access to due diligence material and information relating to the Property and Business as the Applicants or the Monitor deem appropriate. Due diligence shall include access to an electronic data room containing information about the Applicants and the Business (the “**Data Room**”), and may also include management presentations, on-site inspections, and other matters which a Potential Bidder may reasonably request and as to which the Applicants, in their reasonable business judgment and after consulting with the Monitor, may agree. The Sales Agent will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner in which such requests must be communicated. Neither the Sales Agent, Applicants nor the Monitor will be obligated to furnish any information relating to the Property or Business to any person other than to Potential Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Potential Bidders if the Sales Agent, in consultation with Applicants and with the approval of the Monitor, determine such information to represent proprietary or sensitive competitive information. Neither the Sales Agent, Applicants nor the Monitor is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the Sale of the Property and the Business.
12. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Applicants.

### Continued Management of CPC

13. The management team of the Applicants has agreed to provide transition services to the Successful Bidder following the closing of the transaction contemplated by the Successful Bid (as defined below). Such services will be provided for the period of time required to ensure the successful transition of CPC's operations, in exchange for compensation on the same or similar terms to the current employment arrangements of such individuals.

### Stalking Horse Bid Non-Cash Purchase Price Finalized

14. The Stalking Horse Agreement contemplates a purchase price of \$3.5 million plus certain "Assumed Liabilities" that will be stipulated by the Purchaser on or before November 30, 2022. The schedule of Assumed Liabilities, once final, will be made available to Potential Bidders in the Data Room.

### Formal Binding Offers

15. Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or Business (a "**Bidder**") shall submit a binding offer (a "**Bid**") that complies with all of the following requirements to the Monitor at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than **5:00 PM (Eastern Time) on January 9, 2023** or such earlier or later date as may be set out in the Bid process letter that may be circulated by the Sales Agent to Potential Bidders, with the approval of the Applicants and Monitor and in consultation with the Stalking Horse Bidder (the "**Bid Deadline**"):
  - (a) the Bid must be a binding offer to:
    - (i) acquire all, substantially all, or a portion of the Property (a "**Sale Proposal**"); and/or
    - (ii) make an investment in, restructure, reorganize or refinance the Business or the Applicants (an "**Investment Proposal**").
  - (b) the Bid (either individually or in combination with other bids that make up one bid) must be an offer to purchase or make an investment in some or all of the Applicants or their Property or Business and must be consistent with any necessary terms and conditions established by the Sales Agent, Applicants and the Monitor and communicated to Bidders;
  - (c) the Bid must include a letter stating that the Bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
  - (d) the Bid must include duly authorized and executed transaction agreements that clearly state the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
  - (e) the Bid must include written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Applicants and the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;
  - (f) the Bid must not be conditional on: (i) the outcome of unperformed due diligence by the Bidder including, but not limited to, the negotiation and completion of a transition



- agreement with key personnel or management required to maintain the cannabis licenses in good standing; or (ii) obtaining financing;
- (g) the Bid must fully disclose the identity of each entity that will be entering into the transaction or the financing, or that is otherwise participating or benefiting from such Bid;
- (h) for a Sale Proposal, the Bid must include:
- (i) the Purchase Price in Canadian dollars and a description of any non-cash consideration, including details of any liabilities to be assumed by the Bidder and key assumptions supporting the valuation;
  - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
  - (iii) a specific indication of the financial capability of the Bidder and the expected structure and financing of the transaction;
  - (iv) a description of the conditions and approvals required to complete the closing of the transaction, consistent with those contained in the Stalking Horse Bid;
  - (v) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;
  - (vi) any other terms or conditions of the Sale Proposal that the Bidder believes are material to the transaction; and
  - (vii) a commitment by the Bidder to provide a non-refundable deposit equal to 10% of the Purchase Price in the Sale Proposal.
- (i) for an Investment Proposal, the Bid includes:
- (i) a description of how the Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
  - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;
  - (iii) the underlying assumptions regarding the pro forma capital structure;
  - (iv) a specific indication of the sources of capital for the Bidder and the structure and financing of the transaction;
  - (v) a description of the conditions and approvals required for to complete the closing of the transaction, measured against those contained in the Stalking Horse Bid;
  - (vi) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;
  - (vii) any other terms or conditions of the Investment Proposal; and
  - (viii) a commitment by the Bidder to provide a deposit equal to 10% of the total new investment contemplated in the Investment Proposal.
- (j) the Bid must include acknowledgements and representations of the Bidder that the Bidder:
- (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business, and the Applicants prior to making its offer;

- (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
  - (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory, or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Applicants;
  - (k) the Bid must be received by the Bid Deadline;
  - (l) the Bid must contemplate closing the transaction set out therein on or before February 6, 2023.
16. Following the Bid Deadline, the Sales Agent, Applicants and the Monitor will assess the Bids received. The Monitor, in consultation with the Applicants, and with the approval of the Applicants, will designate the most competitive bids that comply with the foregoing requirements to be “**Qualified Bids**”. No Bid received shall be deemed not to be a Qualified Bid without the approval of the Monitor. Only Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s). The Stalking Horse Bid shall automatically be considered as a Qualified Bid for the purposes of the Auction.
17. The Monitor may only designate a Bid as a Qualified Bid where the proposed Purchaser Price is equal to or greater than that contained in the Stalking Horse Bid, *plus* the amount of the break fee, *plus* professional fees, *plus* \$100,000.
18. The Monitor, in consultation with the Applicants and with the approval of the Applicants, may waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Bid to be a Qualified Bid.
19. The Monitor shall notify each Bidder in writing as to whether its Bid constituted a Qualified Bid within two (2) business days of the Bid Deadline, or at such later time as the Monitor deems appropriate.
20. The Monitor may, in consultation with the Applicants and with the approval of the Applicants, aggregate separate Bids from unaffiliated Bidders to create one Qualified Bid.

#### **Evaluation of Competing Bids**

21. A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such bid; (ii) the identity, circumstances and ability of the Bidder to successfully complete such transactions; (iii) the proposed transaction documents, (iv) factors affecting the speed, certainty and value of the transaction, (v) the assets included or excluded from the bid, (vi) any related restructuring costs, and (vii) the likelihood and timing of consummating such transaction, each as determined by the Applicants and the Monitor.

## Auction

22. If the Monitor receives at least one additional Qualified Bid, in addition to the Court-approved Stalking Horse Bid, the Monitor will conduct and administer an Auction in accordance with the terms of this SISP (the “**Auction**”). Instructions to participate in the Auction, which will take place via video conferencing, will be provided to Qualified Parties (as defined below) not less than 24 hours prior to the Auction.
23. Only parties that provided a Qualified Bid by the Bid Deadline, as confirmed by the Monitor, including the Stalking Horse Bid (collectively, the “**Qualified Parties**” and each, a “**Qualified Party**”), shall be eligible to participate in the Auction. No later than 5:00 p.m. Eastern Daylight Time on January 13, 2023:
- (a) each Qualified Party must inform the Monitor whether it intends to participate in the Auction;
  - (b) those Qualified Parties intending to participate in the Auction must satisfy the Monitor of their ability to deliver a deposit top-up equivalent to the Stalking Horse Bidder’s deposit, professional fees, and break fee, which aggregate amount is expected to total approximately \$3.7 million (the “**Stalking Horse Payout Amount**”), in the event that such Qualified Party’s Bid is the Successful Bid. For certainty, Qualified Parties shall provide the Monitor with:
    - (i) evidence of immediately available funds being held in trust in an amount sufficient to repay the Stalking Horse Payout Amount; and
    - (ii) a pledge, commitment or otherwise issued in favour of the Stalking Horse Bidder in an amount equal to the Stalking Horse Payout Amount, payable upon the Court’s approval of such Qualified Party’s Successful Bid and an Order approving such payment to the Stalking Horse Bidder.
24. The Monitor will promptly thereafter inform in writing each Qualified Party who has expressed its intent to participate in the Auction of the identity of all other Qualified Parties that have indicated their intent to participate in the Auction. If no Qualified Party provides such expression of intent, the Stalking Horse Bid, shall be the Successful Bid.

## Auction Procedure

25. The Auction shall be governed by the following procedures:
- (a) **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent Overbids (as defined below) at the Auction. The Monitor shall provide all Qualified Parties with the details of the lead Bid by 5:00 PM (Eastern Time) two (2) business days after the Bid Deadline;
  - (b) **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer, and it intends to consummate the proposed transaction if selected as the Successful Bid;
  - (c) **Minimum Overbid.** The Auction shall begin with the Qualified Bid that represents the highest or otherwise best Qualified Bid as determined by the Monitor, in consultation with the Applicants (the “**Initial Bid**”), and any bid made at the Auction by a Qualified Party

subsequent to the Monitors announcement of the Initial Bid (each, an “**Overbid**”), must proceed in minimum additional cash increments of \$100,000;

- (d) **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference, on an open basis, and all Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties with the understanding that all formal bids will be delivered in one group video conference, on an open basis;
- (e) **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s);
- (f) **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded; and
- (g) **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules at the Auction as it sees fit.

### **Selection of Successful Bid**

- 26. Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will:
  - (a) review each Qualified Bid, considering the factors set out in paragraph 15 and, among other things:
    - (i) the amount of consideration being offered, and, if applicable, the proposed form, composition, and allocation of same;
    - (ii) the value of any assumption of liabilities or waiver of liabilities not otherwise accounted for in paragraph 24(a)(i);
    - (iii) the likelihood of the Qualified Party’s ability to close a transaction by February 6, 2023, after completion of the Auction and timing thereof (including factors such as the transaction structure and execution risk, including conditions to, timing of, and certainty of closing; termination provisions; availability of financing and financial wherewithal to meet all commitments and required governmental or other approvals); the likelihood of the Court’s approval of the Successful Bid; the net benefit to the Applicants; and
    - (iv) any other factors the Applicants may, consistent with their fiduciary duties, reasonably deem relevant; and
  - (b) identify the highest or otherwise best bid received at the Auction (the “**Successful Bid**” and the Qualified Party making such bid, the “**Successful Party**”).
- 27. The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with and Approval from the Applicants, subject to the milestones set forth in paragraph 6.

### **Sale Approval Motion Hearing**

28. At the hearing of the motion to approve any transaction with a Successful Party (the “**Sale Approval Motion**”), the Monitor or the Applicants shall seek, among other things, approval from the Court to consummate the transaction contemplated by the Successful Bid. All Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Monitor and the Applicants on and as of the date of approval of the Successful Bid by the Court.

### **Confidentiality and Access to Information**

29. All discussions regarding a Sale Proposal, Investment Proposal, or Bid should be directed through the Monitor. Under no circumstances should the management of the Applicants be contacted directly without the prior consent of the Monitor. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP.
30. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Applicants, the Monitor and such other Bidders or Potential Bidders in connection with the SISP, except to the extent the Applicants, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Potential Bidders or Bidders.

### **Supervision of the SISP**

31. The Monitor shall oversee and conduct the SISP with the assistance of the Sale Agent, in all respects, and, without limitation to that supervisory role, the Monitor will participate in the SISP in the manner set out in this SISP Procedure, the Sale Process Approval Order, the Initial Order and any other orders of the Court, and is entitled to receive all information in relation to the SISP.
32. This SISP does not and will not be interpreted to create any contractual or other legal relationship between the Applicants or the Monitor and any Potential Bidder, any Bidder, or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Applicants.
33. Without limiting the preceding paragraph, the Monitor, the Sales Agent and its advisors shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Bidder, the Successful Bidder, the Applicants, the Stalking Horse Bidder or any other creditor or other stakeholder of the Applicants, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result of gross negligence or wilful misconduct of the Monitor. By submitting a Bid, each Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Monitor.
34. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, the Auction and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
35. Without limiting in any way the intent and effect of the applicable provisions of the Stalking Horse Bid in respect of the SISP, the Applicants and the Monitor shall have the right to modify the SISP (including, without limitation, pursuant to the Bid process letter) with the prior written approval of

the Applicants and consultation with the Stalking Horse Bidder if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the Service List in these CCAA proceedings shall be advised of any substantive modification to the procedures set forth herein.

36. The Monitor may seek advice and directions from the Court in relation to all matters associated with the implementation of the SISP.

**Schedule "1"**  
**Address of Monitor**

**To the Monitor:**

BDO Canada Limited  
20 Wellington East  
Suite 500  
Toronto, Ontario  
M5E 1C5

Attention: Clark Lonergan and Peter Naumis

Email: [clonergan@bdo.ca](mailto:clonergan@bdo.ca)  
[pnaumis@bdo.ca](mailto:pnaumis@bdo.ca)

**SCHEDULE "H"**  
**ASSUMED LIABILITIES**

1. The Marzilli Debt subject to terms and conditions satisfactory to the Purchaser in all respects, the quantum of which assumption will be disclosed to the Monitor and all participants in the SISF on or before November 30, 2022. For further certainty, if the Purchaser is not able to negotiate terms of assumption satisfactory to the Purchaser in its sole and absolute discretion, it shall have no obligation to assume the Marzilli Debt.
2. The 212 Debt subject to terms and conditions satisfactory to the Purchaser in all respects, the quantum of which assumption will be disclosed to the Monitor and all participants in the SISF on or before November 30, 2022. For further certainty, if the Purchaser is not able to negotiate terms of assumption satisfactory to the Purchaser in its sole and absolute discretion, it shall have no obligation to assume the 212 Debt.

**[Note: Balance of schedule to be completed on or before November 30, 2022.]**



**SCHEDULE "I"**  
**ASSUMED CONTRACTS**

The following is a comprehensive list of Assumed Contracts:

**[Note: Balance of schedule to be completed prior to Closing.]**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.**

Court File No.: CV-22-00689631-00CL

**Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**AFFIDAVIT OF AFSHIN SOUZANKAR  
(RETURNABLE NOVEMBER 10, 2022]**

**MILLER THOMSON LLP**  
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40 KING STREET WEST, SUITE 5800  
P.O. Box 1011  
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lellis@millerthomson.com  
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**Monica Faheim LSO #: 82213R**  
mfaheim@millerthomson.com  
Tel: 416.595.6087  
Lawyers for the Applicants

# TAB 3

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE	)	THURSDAY, THE 10 <sup>th</sup>
	)	
JUSTICE PENNY	)	DAY OF NOVEMBER, 2022

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC., AND 2669673 ONTARIO INC.

Applicants

**AMENDED AND RESTATED INITIAL ORDER**

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order amending and restating the initial order ("Initial Order") dated November 3, 2022 ("Initial Filing Date") was heard this day by video conference.

ON READING the affidavit of Afshin Souzankar sworn November 2, 2022 and the Exhibits thereto, the affidavit of Afshin Souzankar sworn November 8, 2022, the pre-filing report of BDO Canada Limited ("BDO"), in its capacity as monitor of the Applicants (in such capacity, the "Monitor") dated November 3, 2022, the First Report of the Monitor dated November X, 2022, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for the proposed Monitor and such other counsel as appears from the Participant Information Sheet, no one appearing for any other party although duly served as

appears from the affidavit of service of Darlene Moffett sworn November 8, 2022, and on reading the consent of BDO to act as the Monitor,

### **INITIAL ORDER AND INITIAL FILING DATE**

1. **THIS COURT ORDERS** that the Initial Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

### **SERVICE**

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

### **APPLICATION**

3. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

### **PLAN OF ARRANGEMENT**

4. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

### **POSSESSION OF PROPERTY AND OPERATIONS**

5. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or

employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after the Initial Filing Date:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges;
- (c) any taxes, duties, or other payments required under the Cannabis Legislation (as defined below); and
- (d) amounts owing for goods, materials or services actually supplied to the Applicants prior to the Initial Filing Date by third party suppliers if, in the opinion of the Applicants, with the consent of the Monitor, the supplier is critical to the Business, ongoing operations of the Applicants, or preservation of the Property and the payment is required to ensure ongoing supply and/or services.

7. **THIS COURT ORDERS** that except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the Initial Filing Date.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the Initial Filing Date, or where such Sales Taxes were accrued or collected prior to the Initial Filing Date but not required to be remitted until on or after the Initial Filing Date, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the Initial Filing Date, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the Initial Filing Date shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or \$100,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such



secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

14. **THIS COURT ORDERS** that until and including February 3, 2023, or such later date as this Court may order ("**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this

Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with any of the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, security services, payroll services, insurance, transportation services, utility or other services to the Business or any of the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by any of the Applicants, and that each of the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Initial Filing Date are paid by the applicable Applicant in accordance with normal payment practices of the applicable Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the applicable Applicant and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order or the Initial Order, no Person shall be prohibited from requiring immediate payment for goods, services, use

of lease or licensed property or other valuable consideration provided on or after the Initial Filing Date, nor shall any Person be under any obligation on or after the Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order or the Initial Order shall derogate from the rights conferred and obligations imposed by the CCAA.

### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

19. **THIS COURT ORDERS** that during the Stay Period no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

### **DIRECTORS' AND OFFICERS' INDEMNIFICATION**

20. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

### **APPOINTMENT OF MONITOR**

21. **THIS COURT ORDERS** that BDO was, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its

obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

22. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in its preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel as agreed to by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order or the Initial Order;

- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order or the Initial Order; and
- (i) perform such other duties as are required by this Order, the Initial Order, or by this Court from time to time.

23. **THIS COURT ORDERS** that that the Monitor shall not occupy, take control, care, charge, possession or management (separately, and/or collectively “**Possession**”) of the Property or be deemed to take Possession of the Property, pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, Possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, the *Ontario Cannabis Control Act, 2017*, S.O. 2017, c. 26, Sched. 1, or other such applicable federal or provincial legislation (collectively, the “**Cannabis Legislation**”) and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained Possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation, or otherwise, and nothing in this Order or the Initial Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

24. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to take Possession of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder and any comparable legislation in other Provinces (the “**Environmental Legislation**”), provided

however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, the Initial Order, or anything done in pursuance of the Monitor's duties and powers under this Order, the Initial Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in Possession.

25. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

26. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the Initial Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

27. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings incurred both before the Initial Filing Date and during the period for which this Order is effective. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis.

28. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of the Initial Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

### **DIP FINANCING**

30. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from Cardinal Advisory Limited, on behalf of a corporation to be incorporated (the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$500,000 unless permitted by further Order of this Court.

31. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of November 2, 2022 (the "**DIP Term Sheet**"), filed.

32. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

33. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's

Charge shall not secure an obligation that exists before the Initial Filing Date. The DIP Lender's Charge shall have the priority set out in paragraphs 36 and 38 hereof.

34. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon seven days' notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

35. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada ("**BIA**"), with respect to any advances made under the Definitive Documents.



## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

36. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$500,000); and

Second – DIP Lender's Charge (to the maximum amount of \$500,000).

37. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

38. **THIS COURT ORDERS** that subject to the priorities set out in paragraph 36 each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

39. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge or the DIP Lender's Charge, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Administration Charge, or further Order of this Court.

40. **THIS COURT ORDERS** that the Administration Charge, the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for

the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which bind the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Initial Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

41. **THIS COURT ORDERS** that any Charge created by this Order or the Initial Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

#### **SERVICE AND NOTICE**

42. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the Initial Filing Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list

showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

43. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <https://www.bdo.ca/en-ca/extranets/Cannapiece/>.

44. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, the Initial Order, and other materials and orders as may be reasonably required in these proceedings, including any notices or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

45. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, the Initial Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall

be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

## **GENERAL**

46. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

47. **THIS COURT ORDERS** that nothing in this Order or the Initial Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

48. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

49. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

50. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

51. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, C. C-36, AS AMENDED**

Court File No.: CV-22-00689631-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANNAPIECE CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO INC.  
Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**AMENDED AND RESTATED INITIAL ORDER  
(RETURNABLE NOVEMBER 10, 2022)**

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Lawyers for the Applicants



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) THURSDAY, THE ~~3rd~~10<sup>th</sup>  
 )  
JUSTICE PENNY ) DAY OF NOVEMBER, 2022

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC., AND 2669673 ONTARIO INC.

Applicants

**AMENDED AND RESTATED INITIAL ORDER**

THIS ~~APPLICATION~~MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order amending and restating the initial order ("Initial Order") dated November 3, 2022 ("Initial Filing Date") was heard this day ~~at 330 University Avenue, Toronto, Ontario~~by video conference.

ON READING the affidavit of Afshin Souzankar sworn November 2, 2022 and the Exhibits thereto, the affidavit of Afshin Souzankar sworn November 8, 2022, the pre-filing report of BDO Canada Limited ("BDO"), in its capacity as monitor of the Applicants (in such capacity, the "Monitor") dated November 3, 2022, the First Report of the Monitor dated November X, 2022, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants ~~and~~, counsel for the proposed Monitor and such other counsel as appears from the Participant Information Sheet, no one appearing for any other party although duly served as appears from the



affidavit of service of ~~Maureen McLaren~~ Darlene Moffett sworn November 28, 2022, and on reading the consent of ~~BDO-Canada Limited~~ to act as the Monitor,

### **INITIAL ORDER AND INITIAL FILING DATE**

1. ~~1.~~ **THIS COURT ORDERS** that the Initial Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

### **SERVICE**

2. ~~1.~~ **THIS COURT ORDERS** that the time for service of the Notice of ~~Application~~ Motion and the ~~Application~~ Motion Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

### **APPLICATION**

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies.

### **PLAN OF ARRANGEMENT**

4. ~~3.~~ **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

### **POSSESSION OF PROPERTY AND OPERATIONS**

5. ~~4.~~ **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or

employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6.     ~~5.~~ **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after ~~this Order~~ the Initial Filing Date:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the ~~date of this Order~~ Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges; ~~and~~
- (c) any taxes, duties, or other payments required under the Cannabis Legislation (as defined below); and
- (d) amounts owing for goods, materials or services actually supplied to the Applicants prior to the Initial Filing Date by third party suppliers if, in the opinion of the Applicants, with the consent of the Monitor, the supplier is critical to the Business, ongoing operations of the Applicants, or preservation of the Property and the payment is required to ensure ongoing supply and/or services.

7.     ~~6.~~ **THIS COURT ORDERS** that except as otherwise provided to the contrary herein, the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after ~~this Order~~ the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

- (b) payment for goods or services actually supplied to the Applicants following the ~~date of this Order~~Initial Filing Date.

8. ~~7.~~ **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the ~~date of this Order~~Initial Filing Date, or where such Sales Taxes were accrued or collected prior to the ~~date of this Order~~Initial Filing Date but not required to be remitted until on or after the ~~date of this Order~~Initial Filing Date, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. ~~8.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the ~~date of this Order~~Initial Filing Date, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date

of the first of such payments, any Rent relating to the period commencing from and including the ~~date of this Order~~Initial Filing Date shall also be paid.

10. ~~9.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of ~~this date~~the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

11. ~~10.~~ **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or \$100,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. ~~11.~~ **THIS COURT ORDERS** that the Applicants shall provide each of the relevant landlords with notice of the Applicants' intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicants' entitlement to remove any such fixture under the provisions of

the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicants, or by further Order of this Court upon application by the Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the Applicants disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicants' claim to the fixtures in dispute.

13. ~~12.~~ **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY**

14. ~~13.~~ **THIS COURT ORDERS** that until and including ~~November 10~~ February 3, 2022~~2023~~, or such later date as this Court may order (~~the~~ "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

15. ~~14.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

## **NO INTERFERENCE WITH RIGHTS**

16. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

## **CONTINUATION OF SERVICES**

17. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with any of the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, security services, payroll services, insurance, transportation services, utility or other services to the Business or any of the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by any of the Applicants, and that each of the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the ~~date of this Order~~ Initial Filing Date are paid by the applicable Applicant in accordance with normal payment

practices of the applicable Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the applicable Applicant and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

18. ~~17.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order or the Initial Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the ~~date of this Order~~ Initial Filing Date, nor shall any Person be under any obligation on or after the ~~date of this Order~~ Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order or the Initial Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

19. ~~18.~~ **THIS COURT ORDERS** that during the Stay Period, ~~and except as permitted by subsection 11.03(2) of the CCAA~~, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

#### **DIRECTORS' AND OFFICERS' INDEMNIFICATION**

20. ~~19.~~ **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

## APPOINTMENT OF MONITOR

21. ~~20.~~ **THIS COURT ORDERS** that BDO ~~Canada Limited is hereby~~ was, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

22. ~~21.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in its preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel as agreed to by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;



- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order or the Initial Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order or the Initial Order; and
- (i) perform such other duties as are required by this Order, the Initial Order, or by this Court from time to time.

23. ~~22.~~ **THIS COURT ORDERS** that that the Monitor shall not occupy, take control, care, charge, possession or management (separately, and/or collectively "**Possession**") of the Property or be deemed to take Possession of the Property, pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, Possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, the *Ontario Cannabis Control Act, 2017*, S.O. 2017, c. 26, Sched. 1, or other such applicable federal or provincial legislation (collectively, the "**Cannabis Legislation**") and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained Possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation, or otherwise, and nothing in this Order or the Initial Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

24. ~~23.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to take Possession of any of the Property that might be environmentally contaminated, might be a

pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder and any comparable legislation in other Provinces (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, the Initial Order, or anything done in pursuance of the Monitor's duties and powers under this Order, the Initial Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in Possession.

25. ~~24.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

26. ~~25.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the Initial Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

27. ~~26.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings incurred both before

the Initial Filing Date and during the period for which this Order is effective. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a weekly basis.

28. ~~27.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

29. ~~28.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of ~~\$250,000~~500,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of ~~this~~the Initial Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

#### **DIP FINANCING**

30. ~~29.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from Cardinal Advisory Limited, on behalf of a corporation to be incorporated (the "**DIP Lender**") in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$500,000 unless permitted by further Order of this Court.

31. ~~30.~~ **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicants and the DIP Lender dated as of November 2, 2022 (the "**DIP Term Sheet**"), filed.

32. ~~31.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to

pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

33. ~~32.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before ~~this Order is made~~ the Initial Filing Date. The DIP Lender's Charge shall have the priority set out in paragraphs ~~35~~36 and ~~37~~38 hereof.

34. ~~33.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon seven days' notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

35. ~~34.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or

any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "BIA"), with respect to any advances made under the Definitive Documents.

## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

36. ~~35.~~ **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of ~~\$250,000~~\$500,000); and

Second – DIP Lender's Charge (to the maximum amount of \$500,000).

37. ~~36.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

38. ~~37.~~ **THIS COURT ORDERS** that subject to the priorities set out in paragraph ~~35~~36 each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

39. ~~38.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Administration Charge or the DIP Lender's Charge, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Administration Charge, or further Order of this Court.

40. ~~39.~~ **THIS COURT ORDERS** that the Administration Charge, the DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any

way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which bind the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Initial Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

41. ~~40.~~ **THIS COURT ORDERS** that any Charge created by this Order or the Initial Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

#### **SERVICE AND NOTICE**

42. ~~41.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the ~~date of this Order~~ Initial Filing Date, (A) make this Order publicly

available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

43. ~~42.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <https://www.bdo.ca/en-ca/extranets/Cannapiece/>.

44. ~~43.~~ **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, the Initial Order, and other materials and orders as may be reasonably required in these proceedings, including any notices or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

45. ~~44.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, the Initial Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested

parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

## **GENERAL**

46. ~~45.~~ **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

47. ~~46.~~ **THIS COURT ORDERS** that nothing in this Order or the Initial Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

48. ~~47.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

49. ~~48.~~ **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

50. ~~49.~~ **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.



51.    ~~50.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, C. C-36, AS AMENDED**

Court File No.: CV-22-00689631-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANNAPIECE CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO INC.  
Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at TORONTO

**AMENDED AND RESTATED INITIAL ORDER  
(RETURNABLE NOVEMBER ~~3~~10, 2022)**

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Document comparison by Workshare Compare on Tuesday, November 8, 2022 3:37:35 PM

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Moved cell	
Split/Merged cell	
Padding cell	

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Moved to	0
Style changes	0
Format changes	0
Total changes	206



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE ) ~~WEEKDAY~~THURSDAY, THE #10<sup>th</sup>  
JUSTICE ———PENNY ) DAY OF ~~MONTH~~NOVEMBER, 20YR2022

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
[APPLICANT'S NAME] (the "Applicant")  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC., AND 2669673 ONTARIO INC.

Applicants

**AMENDED AND RESTATED INITIAL ORDER**

THIS ~~APPLICATION~~MOTION, made by the ~~Applicant~~Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") for an order amending and restating the initial order ("Initial Order") dated November 3, 2022 ("Initial Filing Date") was heard this day at ~~330 University Avenue, Toronto, Ontario~~by video conference.

ON READING the affidavit of ~~[NAME]~~Afshin Souzankar sworn ~~[DATE]~~November 2, 2022 and the Exhibits thereto, the affidavit of Afshin Souzankar sworn November 8, 2022, the pre-filing report of BDO Canada Limited ("BDO"), in its capacity as monitor of the Applicants (in such capacity, the "Monitor") dated November 3, 2022, the First Report of the Monitor dated November X, 2022, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for ~~[NAMES]~~the Applicants, counsel for the proposed Monitor and such other counsel as appears

from the Participant Information Sheet, no one appearing for ~~[NAME]~~<sup>†</sup> any other party although duly served as appears from the affidavit of service of ~~[NAME]~~ Darlene Moffett sworn ~~[DATE]~~ November 8, 2022, and on reading the consent of ~~[MONITOR'S NAME]~~ BDO to act as the Monitor,

### INITIAL ORDER AND INITIAL FILING DATE

1. THIS COURT ORDERS that the Initial Order, reflecting the Initial Filing Date, shall be amended and restated as provided for herein.

### SERVICE

2. ~~1.~~ **THIS COURT ORDERS** that the time for service of the Notice of ~~Application~~ Motion and the ~~Application~~ Motion Record is hereby abridged and validated<sup>2</sup> so that this Application is properly returnable today and hereby dispenses with further service thereof.

### APPLICATION

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~ Applicants are companies to which the CCAA applies.

### PLAN OF ARRANGEMENT

4. ~~3.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

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<sup>†</sup> ~~Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

<sup>2</sup> ~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~



## POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The ~~Applicant is~~Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

~~5. — [THIS COURT ORDERS that the Applicant shall be entitled to continue to utilize the central cash management system<sup>3</sup> currently in place as described in the Affidavit of [NAME] sworn [DATE] or replace it with another substantially similar central cash management system (the "Cash Management System") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]~~

6. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after ~~this Order~~the Initial Filing Date:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the ~~date of this Order~~Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; ~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Applicants in respect of these proceedings, at their standard rates and charges;
- (c) any taxes, duties, or other payments required under the Cannabis Legislation (as defined below); and
- (d) amounts owing for goods, materials or services actually supplied to the Applicants prior to the Initial Filing Date by third party suppliers if, in the opinion of the Applicants, with the consent of the Monitor, the supplier is critical to the Business, ongoing operations of the Applicants, or preservation of the Property and the payment is required to ensure ongoing supply and/or services.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after ~~this Order~~the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

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<sup>3</sup>~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter company transfers of cash.~~

- (b) payment for goods or services actually supplied to the ~~Applicant~~Applicants following the ~~date of this Order~~Initial Filing Date.

8. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes and all federal excise taxes and duties (collectively, "Sales Taxes") required to be remitted by the ~~Applicant~~Applicants in connection with the sale of goods and services by the ~~Applicant~~Applicants, but only where such Sales Taxes are accrued or collected after the ~~date of this Order~~Initial Filing Date, or where such Sales Taxes were accrued or collected prior to the ~~date of this Order~~Initial Filing Date but not required to be remitted until on or after the ~~date of this Order~~Initial Filing Date, and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed ~~or resiliated~~<sup>4</sup> in accordance with the CCAA, the ~~Applicant~~Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area

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<sup>4</sup> ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the ~~Applicant~~Applicants and the landlord from time to time ("**Rent**"), for the period commencing from and including the ~~date of this Order~~Initial Filing Date, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the ~~date of this Order~~Initial Filing Date shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant~~Applicants ~~is~~are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Applicants to any of ~~its~~their creditors as of ~~this date~~the Initial Filing Date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

11. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents (as hereinafter defined), have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, ~~and to dispose of redundant or non-material assets not exceeding \$~~50,000 ~~in any one transaction or \$~~100,000 ~~in the aggregate~~<sup>5</sup>;
- (b) ~~terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate~~; and
- (c) pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the ~~Applicant~~Applicants to proceed with an orderly restructuring of the Business (the "**Restructuring**").

12. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall provide each of the relevant landlords with notice of the ~~Applicant~~Applicants's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the ~~Applicant~~Applicants's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the ~~Applicant~~Applicants, or by further Order of this Court upon application by the ~~Applicant~~Applicants on at least two (2) days notice to such landlord and any such secured creditors. If the ~~Applicant~~Applicants ~~disclaim~~ ~~for~~ ~~resiliates~~ disclaim the lease governing such leased premises in accordance with Section 32 of the CCAA, ~~it~~they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~for~~ ~~resiliation~~ of the lease shall be without prejudice to the ~~Applicant's~~Applicants' claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer ~~for~~ ~~resiliation~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~for~~ ~~resiliation~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~Applicants and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer ~~for~~ ~~resiliation~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the ~~Applicant~~Applicants in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

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<sup>5</sup> ~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

## **NO PROCEEDINGS AGAINST THE ~~APPLICANT~~APPLICANTS OR THE PROPERTY**

14. **THIS COURT ORDERS** that until and including [~~DATE~~ ~~MAX. 30 DAYS~~] February 3, 2023, or such later date as this Court may order (~~the~~ "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~Applicants to carry on any business which the ~~Applicant is~~Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

## **NO INTERFERENCE WITH RIGHTS**

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~Applicants, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

## CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with any of the ApplicantApplicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, security services, payroll services, insurance, transportation services, utility or other services to the Business or any of the ApplicantApplicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by any of the ApplicantApplicants, and that each of the ApplicantApplicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the ~~date of this Order~~Initial Filing Date are paid by the applicable Applicant in accordance with normal payment practices of the ~~Applicant~~applicable Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the applicable Applicant and the Monitor, or as may be ordered by this Court.

## NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order or the Initial Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the ~~date of this Order~~Initial Filing Date, nor shall any Person be under any obligation on or after the ~~date of this Order~~Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Applicants. Nothing in this Order or the Initial Order shall derogate from the rights conferred and obligations imposed by the CCAA.<sup>6</sup>

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<sup>6</sup> ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

## PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, ~~and except as permitted by subsection 11.03(2) of the CCAA,~~ no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

## DIRECTORS' AND OFFICERS' INDEMNIFICATION ~~AND CHARGE~~

20. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~it~~their directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,<sup>7</sup> except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. ~~THIS COURT ORDERS that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")<sup>8</sup> on the Property, which charge shall not exceed an aggregate amount of \$●, as security for the indemnity provided in paragraph [20] of this Order. The Directors' Charge shall have the priority set out in paragraphs [38] and [40] herein.~~

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<sup>7</sup>The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.

<sup>8</sup>Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.



~~22. — THIS COURT ORDERS that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph [20] of this Order.~~

## **APPOINTMENT OF MONITOR**

~~21. 23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~ is hereby BDO was, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~ Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~ Applicants and ~~its~~ their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~ Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

~~22. 24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~ Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the ~~Applicant~~ Applicants, to the extent required by the ~~Applicant~~ Applicants, in ~~its~~ their dissemination, to the DIP Lender and its counsel ~~on a [TIME INTERVAL]~~ basis of financial and other information as agreed to between the ~~Applicant~~ Applicants and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

- (d) advise the ~~Applicant~~Applicants in its preparation of the ~~Applicant~~Applicants's cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel ~~on a periodic basis, but not less than [TIME INTERVAL], or as otherwise~~ agreed to by the DIP Lender;
- (e) advise the ~~Applicant~~Applicants in ~~its~~their development of the Plan and any amendments to the Plan;
- (f) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order or the Initial Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order or the Initial Order; and
- (i) perform such other duties as are required by this Order, the Initial Order, or by this Court from time to time.

23. ~~25.~~ **THIS COURT ORDERS** that that the Monitor shall not occupy, take control, care, charge, possession or management (separately, and/or collectively “Possession”) of the Property or be deemed to take Possession of the Property, pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, Possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the Cannabis Act, S.C. 2018, c. 16, the Controlled Drugs and Substances Act, S.C. 1996, c. 19, the Excise Tax Act, R.S.C. 1985, c. E. 15, the Ontario Cannabis Control Act, 2017, S.O. 2017, c. 26, Sched. 1, or other such applicable federal or provincial legislation (collectively, the “Cannabis

Legislation”) and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained ~~possession~~Possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation, or otherwise, and nothing in this Order or the Initial Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

24. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to ~~occupy or to take control, care, charge, possession or management (separately and/or collectively,~~ “Possession”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder and any comparable legislation in other Provinces (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, the Initial Order, or anything done in pursuance of the Monitor's duties and powers under this Order, the Initial Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in ~~possession~~Possession.

25. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant~~Applicants and the DIP Lender with information provided by the ~~Applicant~~Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Applicants may agree.

26. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order or the Initial Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

27. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the ~~Applicant~~Applicants as part of the costs of these proceedings incurred both before the Initial Filing Date and during the period for which this Order is effective. The ~~Applicant is~~Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a ~~[TIME INTERVAL]~~weekly basis ~~and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$● [ , respectively, ] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.~~

28. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

29. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, and the ~~Applicant~~Applicants's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$●, 500,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of ~~this~~the Initial Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~{38}~~35 and ~~{40}~~37 hereof.

## **DIP FINANCING**

30. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to obtain and borrow under a credit facility from ~~[DIP LENDER'S NAME]~~Cardinal

Advisory Limited, on behalf of a corporation to be incorporated (the "**DIP Lender**") in order to finance the ~~Applicant's~~Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$●500,000 unless permitted by further Order of this Court.

31. ~~33.~~ **THIS COURT ORDERS THAT** ~~that~~ such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the ~~Applicant~~Applicants and the DIP Lender dated as of ~~[DATE]~~November 2, 2022 (the "~~Commitment Letter~~DIP Term Sheet"), filed.

32. ~~34.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the ~~Commitment Letter~~DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the ~~Applicant is~~Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

33. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before ~~this Order is made~~the Initial Filing Date. The DIP Lender's Charge shall have the priority set out in paragraphs ~~[38]~~36 and ~~[40]~~38 hereof.

34. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ●seven days' notice to the ~~Applicant~~Applicants and the Monitor, may exercise any and all of its rights and

remedies against the ~~Applicant~~Applicants or the Property under or pursuant to the ~~Commitment Letter~~DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the ~~Applicant~~Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the ~~Applicant~~Applicants against the obligations of the ~~Applicant~~Applicants to the DIP Lender under the ~~Commitment Letter~~DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the ~~Applicant~~Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~Applicants or the Property.

35. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the ~~Applicant~~Applicants under the CCAA, or any proposal filed by the ~~Applicant~~Applicants under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**"), with respect to any advances made under the Definitive Documents.

#### **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

36. ~~38.~~ **THIS COURT ORDERS** that the priorities of ~~the Directors' Charge~~, the Administration Charge and the DIP Lender's Charge, as among them, shall be as follows<sup>9</sup>:

First – Administration Charge (to the maximum amount of \$●500,000); and

Second – DIP Lender's ~~Charge~~; and

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<sup>9</sup> ~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

~~Third~~ ~~Directors'~~ Charge (to the maximum amount of \$●500,000).

37. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of ~~the Directors' Charge,~~ the Administration Charge or the DIP Lender's Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

38. ~~40.~~ **THIS COURT ORDERS** that subject to the priorities set out in paragraph 36 each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge~~ Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

39. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~ Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge,~~ unless the ~~Applicant~~ Applicants also ~~obtain~~ obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of ~~the Directors' Charge and the Administration Charge,~~ or further Order of this Court.

40. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter~~ DIP Term Sheet, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an

"Agreement") which ~~binds~~bind the ~~Applicant~~Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter~~DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the ~~Applicant~~Applicants of any Agreement to which ~~it is~~they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~Applicants entering into the ~~Commitment Letter~~DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, the ~~Commitment Letter~~Initial Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

41. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order or the Initial Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property leases.

## **SERVICE AND NOTICE**

42. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the ~~date of this Order~~Initial Filing Date, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Applicants of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.



43. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “Protocol”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ~~“@”~~ <https://www.bdo.ca/en-ca/extranets/Cannapiece/>.

44. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, the Initial Order, and other materials and orders as may be reasonably required in these proceedings, including any notices or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

45. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant Applicants and the Monitor are at liberty to serve or distribute this Order, the Initial Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant’s Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicant Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

## GENERAL

46. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

47. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order or the Initial Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Applicants, the Business or the Property.

48. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

49. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

50. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

51. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,  
R.S.C. 1985, C. C-36, AS AMENDED

Court File No.: CV-22-00689631-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANNAPIECE CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO INC.

Applicants

ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST

Proceeding commenced at TORONTO

AMENDED AND RESTATED INITIAL ORDER  
(RETURNABLE NOVEMBER 10, 2022)

**MILLER THOMSON LLP**

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Lawyers for the Applicants

Document comparison by Workshare Compare on Tuesday, November 8, 2022 3:45:23 PM

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Padding cell	

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Moved to	1
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Format changes	0
Total changes	588

# TAB 4



**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. ) THURSDAY, THE 10th  
 )  
JUSTICE PENNY ) DAY OF NOVEMBER, 2022

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC., AND 2669673 ONTARIO INC.

Applicants

**ORDER  
(SISP, Stalking Horse SPA, and KERP Approval)  
(Returnable November 10, 2022)**

**THIS MOTION**, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("CCAA"), for an order, *inter alia*, (i) approving the sale and investment solicitation process (the "SISP") attached as Schedule "A" hereto; (ii) approving the Stalking Horse SPA (as defined below); (iii) approving the KERP (as defined below) and certain related relief, was heard this day by way of judicial conference.

**ON READING** the affidavit of Afshin Souzankar sworn November 2, 2022 ("**First Souzankar Affidavit**"), the affidavit of Afshin Souzankar sworn November 8, 2022 ("**Second Souzankar Affidavit**"), the pre-filing report of BDO Canada Limited, in its capacity as monitor of the Applicants (in such capacity, the "**Monitor**"), dated November 3, 2022 (the "**Pre-Filing Report**"), the First Report of the Monitor dated November [X], 2022 (the "**First Report**"), and

on hearing the submissions of counsel for the Applicants, counsel for the Monitor and other counsel appearing on the Participant Information Form, no one appearing for any other party although duly served as appears from the affidavit of service of Darlene Moffett dated November 8, 2022, filed,

### **DEFINED TERMS**

1. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them in the SISP, the Stalking Horse SPA, the First Souzankar Affidavit or the Second Souzankar Affidavit, as applicable.

### **SERVICE**

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion and Motion Record is abridged and validated such that this Motion is properly returnable today, and further service of the Notice of Motion and the Motion Record is hereby dispensed with.

### **APPROVAL OF STALKING HORSE SALE PROCESS**

3. **THIS COURT ORDERS** that the SISP (subject to such amendments as may be agreed to by the Monitor, the Applicants and the DIP Lender in accordance with the terms of the SISP) be and is hereby approved.

4. **THIS COURT ORDERS** that the Monitor is authorized and directed to take such steps as it deems necessary or advisable to carry out and perform its obligations under the SISP and to take such steps and execute such documentation as may be necessary or incidental to the SISP, subject to the terms of the SISP and subject to prior approval of this Court being obtained before completion of any transaction(s) under the SISP.

5. **THIS COURT ORDERS** that the Monitor and its respective assistants, affiliates, partners, employees, representatives and agents shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the SISP, except to the extent such losses, claims, damages or liabilities result from the gross negligence or willful misconduct of the Monitor in performing its obligations under the SISP as determined by this Court.

#### **STALKING HORSE SPA**

6. **THIS COURT ORDERS** that the execution, delivery, entry into, compliance with, and performance by the Applicants of the Stalking Horse SPA dated as of November 8, 2022 (the “**Stalking Horse SPA**”) between CannaPiece Group Inc., as Vendor, and Cardinal Advisory Limited (or its nominee) as Purchaser, substantially in the form attached as **Exhibit “B”** to the Second Souzankar Affidavit is hereby ratified, authorized and approved.

7. **THIS COURT ORDERS** that payment of the Break Fee pursuant to section 5.1(b) of the Stalking Horse SPA is hereby approved.

8. **THIS COURT ORDERS** that the priority of payment of the Professional Fees the Break Fee and the Deposit Repayment, if payable pursuant to sections 5.1(b) and 5.1(c) of the Stalking Horse SPA be and is hereby approved.

9. **THIS COURT ORDERS** that the Monitor and the Applicants and their respective counsel be and are hereby authorized but not obligated, to serve or distribute this SISP Order, any other materials, orders, communication, correspondence or other information as may be necessary or desirable in connection with the SISP to any Person (as defined in the Initial Order dated November 3, 2022, as amended and restated) or interested party that the Monitor or the

Applicants considers appropriate. For greater certainty, any such distribution, communication or correspondence shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

## **PIPEDA**

10. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Monitor and the Applicants are hereby authorized and permitted to disclose and transfer to each potential bidder (the “**Bidders**”) and to their advisors, if requested by such Bidders, personal information of identifiable individuals, including, without limitation, all human resources and payroll information in the Applicants’ records pertaining to its past and current employees, but only to the extent desirable or required to negotiate or attempt to complete a sale of the Property (“**Sale**”) or investment in the Business (“**Investment**”). Each Bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale or Investment, and if it does not complete a Sale or Investment, shall return all such information to the Monitor and the Applicants, or in the alternative destroy all such information. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the transaction contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Property of Business acquired pursuant to the Sale or invested in pursuant to the Investment in a manner which is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Monitor and the Applicants, or ensure that all other personal information is destroyed.

## **APPROVAL OF KEY EMPLOYEE RETENTION PLAN**

11. **THIS COURT ORDERS** that the key employee retention plan (“**KERP**”) described in the Second Souzankar Affidavit and in the First Report of the Monitor, certain details of which constitute Appendix “●” to the First Report of the Monitor, is hereby approved and the Applicants are authorized and directed to make payments in accordance with the terms thereof.

## **GENERAL**

12. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

13. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

14. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the

terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

15. **THIS COURT ORDERS** that this Order is effective from the date that it is made and is enforceable without any need for entry and filing.

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**SCHEDULE "A"**  
**SALE AND INVESTMENT SOLICITATION PROCESS**

## Sale and Investment Solicitation Process

### Introduction

1. On November 3, 2022, CannaPiece Group Inc. (“CPG”) and its subsidiaries, namely CannaPiece Corp. (“CPC”), the licensed contract manufacturer of cannabis products (collectively, the “Applicants”) were granted an initial order (as amended and restated on November 10, 2022, and as may be further amended or amended and restated from time to time, the “Initial Order”) under the *Companies’ Creditors Arrangement Act* (the “CCAA” and the “CCAA Proceedings”) by the Ontario Superior Court of Justice (the “Court”). The Initial Order, among other things:
  - (a) stayed all proceedings against the Applicants, their assets, and their respective directors and officers;
  - (b) appointed BDO Canada Limited as the monitor of the Applicants (in such capacity, the “Monitor”);
  - (c) authorized the Applicants to enter into a debtor-in-possession financing facility (the “DIP Facility”) with Cardinal Advisory Limited (the “DIP Lender”) pursuant to a Term Sheet dated November 2, 2022 (the “DIP Term Sheet”), and approved a charge in favour of the DIP Lender over all of the Applicants’ present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof to secure the amounts outstanding under or in connection with the DIP Facility; and
  - (d) authorized the Applicants to pursue all avenues of sale or investment of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
2. As outlined in the DIP Term Sheet, the Applicants and the DIP Lender, or its nominee (the “Stalking Horse Bidder”) were in the process of negotiating a purchase agreement (the “Stalking Horse Agreement” or when referring to the bid, the “Stalking Horse Bid”) pursuant to which the Stalking Horse Bidder would: (a) acquire 100% ownership of CPC within the CCAA Proceedings by way of reverse vesting order issued by the Court; and (b) act as a stalking horse bidder in a Court-supervised sale and investment solicitation process (“SISP”) within the CCAA Proceedings.
3. Further to the Applicants’ restructuring efforts and the terms of the DIP Term Sheet, on November 10, 2022, the Court granted an order (the “Sale Process Approval Order”) which approved, among other things: (a) the SISP; (b) the engagement of the BDO Canada Transaction Advisory Services Inc. as sales agent (the “Sales Agent”) to assist with the SISP; and (c) the Stalking Horse Agreement, as the Stalking Horse Bid in the SISP. The SISP is intended to solicit interest in an acquisition or refinancing of the business of the Applicants, or a sale of the assets and/or the business of the Applicants by way of merger, reorganization, recapitalization, primary equity issuance or other similar transaction. The Stalking Horse Bid is intended to provide a degree of certainty in the marketplace for the Applicants, including CPC’s customers and its employees, that a going-concern sale of CPC is a viable outcome of the SISP. The Applicants intend to provide all qualified interested parties with an opportunity to participate in the SISP.

### Opportunity

4. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Applicants’ assets and business operations (the “Opportunity”). The Opportunity may include one or more of a restructuring, recapitalization or other form of reorganization of the business and affairs of the Applicants as a going concern or a sale of all, substantially all, or one or



more components of the Applicants' Property (as defined in the Initial Order) and business operations (the "**Business**") as a going concern or otherwise.

5. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined below), any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Applicants, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Applicants in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders (i.e. approval and vesting order, reverse vesting order, etc.).

**Timeline**

6. The following table sets out the key milestones under the SISP:

<b>Milestone</b>	<b>Deadline</b>
Deadline to publish notice of SISP and deliver Teaser Letter and NDA to Known Potential Bidders	Friday, November 18, 2022
Deadline to finalize schedule of Assumed Liabilities in the Stalking Horse Agreement	No later than Wednesday, November 30, 2022
Bid Deadline (as defined below)	Monday, January 9, 2023
Deadline to top-up Deposit to Stalking Horse Payout Amount (as defined below)	Friday, January 13, 2023
Auction (as defined below)	Monday, January 16, 2023
Hearing of the Sale Approval Motion (as defined below)	No later than Monday, January 30, 2023, subject to the availability of the Court

7. Subject to any order of the Court, the dates set out in the SISP may be extended by the Monitor with the consent and approval of the Applicants and the Stalking Horse Bidder.

**Solicitation of Interest: Notice of the SISP**

8. As soon as reasonably practicable, but in any event by no later than November 18, 2022:
  - (a) The Sales Agent, in consultation with the Monitor and Applicants, will prepare a list of potential bidders, including: (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity; and (ii) local and international strategic and financial parties who the Applicants, in consultation with the Monitor, believe may be

- interested in purchasing all or part of the Business and Property or investing in the Applicants pursuant to the SISP, in each case whether or not such party has submitted a letter of intent or similar document (collectively, “**Known Potential Bidders**”);
- (b) the Monitor will arrange for a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Applicants, considers appropriate) (the “**Notice**”) to be published in The Globe and Mail (National Edition), and any other newspaper or journal as the Applicants, in consultation with the Monitor, consider appropriate, if any; and
  - (c) the Sales Agent, in consultation with the Monitor and Applicants, will prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicants and the Monitor, and their respective counsel.
9. The Sales Agent will send the Teaser Letter and NDA to each Known Potential Bidders by no later than Friday November 18, 2022, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Applicants or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

#### **Potential Bidders and Due Diligence Materials**

10. Any party who wishes to participate in the SISP (a “**Potential Bidder**”), other than the Stalking Horse Bidder, must provide to the Sales Agent an NDA executed by it, and which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof, and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
11. The Sales Agent, in consultation with the Monitor and the Applicants, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Potential Bidder who has signed and delivered an NDA to the Monitor and provided information as to their financial wherewithal to close a transaction such access to due diligence material and information relating to the Property and Business as the Applicants or the Monitor deem appropriate. Due diligence shall include access to an electronic data room containing information about the Applicants and the Business (the “**Data Room**”), and may also include management presentations, on-site inspections, and other matters which a Potential Bidder may reasonably request and as to which the Applicants, in their reasonable business judgment and after consulting with the Monitor, may agree. The Sales Agent will designate a representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner in which such requests must be communicated. Neither the Sales Agent, Applicants nor the Monitor will be obligated to furnish any information relating to the Property or Business to any person other than to Potential Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Potential Bidders if the Sales Agent, in consultation with Applicants and with the approval of the Monitor, determine such information to represent proprietary or sensitive competitive information. Neither the Sales Agent, Applicants nor the Monitor is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the Sale of the Property and the Business.
12. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Applicants.

### Continued Management of CPC

13. The management team of the Applicants has agreed to provide transition services to the Successful Bidder following the closing of the transaction contemplated by the Successful Bid (as defined below). Such services will be provided for the period of time required to ensure the successful transition of CPC's operations, in exchange for compensation on the same or similar terms to the current employment arrangements of such individuals.

### Stalking Horse Bid Non-Cash Purchase Price Finalized

14. The Stalking Horse Agreement contemplates a purchase price of \$3.5 million plus certain "Assumed Liabilities" that will be stipulated by the Purchaser on or before November 30, 2022. The schedule of Assumed Liabilities, once final, will be made available to Potential Bidders in the Data Room.

### Formal Binding Offers

15. Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or Business (a "**Bidder**") shall submit a binding offer (a "**Bid**") that complies with all of the following requirements to the Monitor at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than **5:00 PM (Eastern Time) on January 9, 2023** or such earlier or later date as may be set out in the Bid process letter that may be circulated by the Sales Agent to Potential Bidders, with the approval of the Applicants and Monitor and in consultation with the Stalking Horse Bidder (the "**Bid Deadline**"):
  - (a) the Bid must be a binding offer to:
    - (i) acquire all, substantially all, or a portion of the Property (a "**Sale Proposal**"); and/or
    - (ii) make an investment in, restructure, reorganize or refinance the Business or the Applicants (an "**Investment Proposal**").
  - (b) the Bid (either individually or in combination with other bids that make up one bid) must be an offer to purchase or make an investment in some or all of the Applicants or their Property or Business and must be consistent with any necessary terms and conditions established by the Sales Agent, Applicants and the Monitor and communicated to Bidders;
  - (c) the Bid must include a letter stating that the Bidder's offer is irrevocable until the selection of the Successful Bidder, provided that if such Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
  - (d) the Bid must include duly authorized and executed transaction agreements that clearly state the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;
  - (e) the Bid must include written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Applicants and the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;
  - (f) the Bid must not be conditional on: (i) the outcome of unperformed due diligence by the Bidder including, but not limited to, the negotiation and completion of a transition

- agreement with key personnel or management required to maintain the cannabis licenses in good standing; or (ii) obtaining financing;
- (g) the Bid must fully disclose the identity of each entity that will be entering into the transaction or the financing, or that is otherwise participating or benefiting from such Bid;
  - (h) for a Sale Proposal, the Bid must include:
    - (i) the Purchase Price in Canadian dollars and a description of any non-cash consideration, including details of any liabilities to be assumed by the Bidder and key assumptions supporting the valuation;
    - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
    - (iii) a specific indication of the financial capability of the Bidder and the expected structure and financing of the transaction;
    - (iv) a description of the conditions and approvals required to complete the closing of the transaction, consistent with those contained in the Stalking Horse Bid;
    - (v) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;
    - (vi) any other terms or conditions of the Sale Proposal that the Bidder believes are material to the transaction; and
    - (vii) a commitment by the Bidder to provide a non-refundable deposit equal to 10% of the Purchase Price in the Sale Proposal.
  - (i) for an Investment Proposal, the Bid includes:
    - (i) a description of how the Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
    - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;
    - (iii) the underlying assumptions regarding the pro forma capital structure;
    - (iv) a specific indication of the sources of capital for the Bidder and the structure and financing of the transaction;
    - (v) a description of the conditions and approvals required for to complete the closing of the transaction, measured against those contained in the Stalking Horse Bid;
    - (vi) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;
    - (vii) any other terms or conditions of the Investment Proposal; and
    - (viii) a commitment by the Bidder to provide a deposit equal to 10% of the total new investment contemplated in the Investment Proposal.
  - (j) the Bid must include acknowledgements and representations of the Bidder that the Bidder:
    - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business, and the Applicants prior to making its offer;

- (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
  - (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory, or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Applicants;
  - (k) the Bid must be received by the Bid Deadline;
  - (l) the Bid must contemplate closing the transaction set out therein on or before February 6, 2023.
16. Following the Bid Deadline, the Sales Agent, Applicants and the Monitor will assess the Bids received. The Monitor, in consultation with the Applicants, and with the approval of the Applicants, will designate the most competitive bids that comply with the foregoing requirements to be “**Qualified Bids**”. No Bid received shall be deemed not to be a Qualified Bid without the approval of the Monitor. Only Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s). The Stalking Horse Bid shall automatically be considered as a Qualified Bid for the purposes of the Auction.
17. The Monitor may only designate a Bid as a Qualified Bid where the proposed Purchaser Price is equal to or greater than that contained in the Stalking Horse Bid, *plus* the amount of the break fee, *plus* professional fees, *plus* \$100,000.
18. The Monitor, in consultation with the Applicants and with the approval of the Applicants, may waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Bid to be a Qualified Bid.
19. The Monitor shall notify each Bidder in writing as to whether its Bid constituted a Qualified Bid within two (2) business days of the Bid Deadline, or at such later time as the Monitor deems appropriate.
20. The Monitor may, in consultation with the Applicants and with the approval of the Applicants, aggregate separate Bids from unaffiliated Bidders to create one Qualified Bid.

#### **Evaluation of Competing Bids**

21. A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such bid; (ii) the identity, circumstances and ability of the Bidder to successfully complete such transactions; (iii) the proposed transaction documents, (iv) factors affecting the speed, certainty and value of the transaction, (v) the assets included or excluded from the bid, (vi) any related restructuring costs, and (vii) the likelihood and timing of consummating such transaction, each as determined by the Applicants and the Monitor.

## Auction

22. If the Monitor receives at least one additional Qualified Bid, in addition to the Court-approved Stalking Horse Bid, the Monitor will conduct and administer an Auction in accordance with the terms of this SISP (the “**Auction**”). Instructions to participate in the Auction, which will take place via video conferencing, will be provided to Qualified Parties (as defined below) not less than 24 hours prior to the Auction.
23. Only parties that provided a Qualified Bid by the Bid Deadline, as confirmed by the Monitor, including the Stalking Horse Bid (collectively, the “**Qualified Parties**” and each, a “**Qualified Party**”), shall be eligible to participate in the Auction. No later than 5:00 p.m. Eastern Daylight Time on January 13, 2023:
  - (a) each Qualified Party must inform the Monitor whether it intends to participate in the Auction;
  - (b) those Qualified Parties intending to participate in the Auction must satisfy the Monitor of their ability to deliver a deposit top-up equivalent to the Stalking Horse Bidder’s deposit, professional fees, and break fee, which aggregate amount is expected to total approximately \$3.7 million (the “**Stalking Horse Payout Amount**”), in the event that such Qualified Party’s Bid is the Successful Bid. For certainty, Qualified Parties shall provide the Monitor with:
    - (i) evidence of immediately available funds being held in trust in an amount sufficient to repay the Stalking Horse Payout Amount; and
    - (ii) a pledge, commitment or otherwise issued in favour of the Stalking Horse Bidder in an amount equal to the Stalking Horse Payout Amount, payable upon the Court’s approval of such Qualified Party’s Successful Bid and an Order approving such payment to the Stalking Horse Bidder.
24. The Monitor will promptly thereafter inform in writing each Qualified Party who has expressed its intent to participate in the Auction of the identity of all other Qualified Parties that have indicated their intent to participate in the Auction. If no Qualified Party provides such expression of intent, the Stalking Horse Bid, shall be the Successful Bid.

## Auction Procedure

25. The Auction shall be governed by the following procedures:
  - (a) **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent Overbids (as defined below) at the Auction. The Monitor shall provide all Qualified Parties with the details of the lead Bid by 5:00 PM (Eastern Time) two (2) business days after the Bid Deadline;
  - (b) **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer, and it intends to consummate the proposed transaction if selected as the Successful Bid;
  - (c) **Minimum Overbid.** The Auction shall begin with the Qualified Bid that represents the highest or otherwise best Qualified Bid as determined by the Monitor, in consultation with the Applicants (the “**Initial Bid**”), and any bid made at the Auction by a Qualified Party

subsequent to the Monitors announcement of the Initial Bid (each, an “**Overbid**”), must proceed in minimum additional cash increments of \$100,000;

- (d) **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference, on an open basis, and all Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties with the understanding that all formal bids will be delivered in one group video conference, on an open basis;
- (e) **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s);
- (f) **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded; and
- (g) **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules at the Auction as it sees fit.

### **Selection of Successful Bid**

- 26. Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will:
  - (a) review each Qualified Bid, considering the factors set out in paragraph 15 and, among other things:
    - (i) the amount of consideration being offered, and, if applicable, the proposed form, composition, and allocation of same;
    - (ii) the value of any assumption of liabilities or waiver of liabilities not otherwise accounted for in paragraph 24(a)(i);
    - (iii) the likelihood of the Qualified Party’s ability to close a transaction by February 6, 2023, after completion of the Auction and timing thereof (including factors such as the transaction structure and execution risk, including conditions to, timing of, and certainty of closing; termination provisions; availability of financing and financial wherewithal to meet all commitments and required governmental or other approvals); the likelihood of the Court’s approval of the Successful Bid; the net benefit to the Applicants; and
    - (iv) any other factors the Applicants may, consistent with their fiduciary duties, reasonably deem relevant; and
  - (b) identify the highest or otherwise best bid received at the Auction (the “**Successful Bid**” and the Qualified Party making such bid, the “**Successful Party**”).
- 27. The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with and Approval from the Applicants, subject to the milestones set forth in paragraph 6.

### **Sale Approval Motion Hearing**

28. At the hearing of the motion to approve any transaction with a Successful Party (the “**Sale Approval Motion**”), the Monitor or the Applicants shall seek, among other things, approval from the Court to consummate the transaction contemplated by the Successful Bid. All Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Monitor and the Applicants on and as of the date of approval of the Successful Bid by the Court.

### **Confidentiality and Access to Information**

29. All discussions regarding a Sale Proposal, Investment Proposal, or Bid should be directed through the Monitor. Under no circumstances should the management of the Applicants be contacted directly without the prior consent of the Monitor. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP.
30. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Applicants, the Monitor and such other Bidders or Potential Bidders in connection with the SISP, except to the extent the Applicants, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Potential Bidders or Bidders.

### **Supervision of the SISP**

31. The Monitor shall oversee and conduct the SISP with the assistance of the Sale Agent, in all respects, and, without limitation to that supervisory role, the Monitor will participate in the SISP in the manner set out in this SISP Procedure, the Sale Process Approval Order, the Initial Order and any other orders of the Court, and is entitled to receive all information in relation to the SISP.
32. This SISP does not and will not be interpreted to create any contractual or other legal relationship between the Applicants or the Monitor and any Potential Bidder, any Bidder, or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Applicants.
33. Without limiting the preceding paragraph, the Monitor, the Sales Agent and its advisors shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Bidder, the Successful Bidder, the Applicants, the Stalking Horse Bidder or any other creditor or other stakeholder of the Applicants, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result of gross negligence or wilful misconduct of the Monitor. By submitting a Bid, each Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Monitor.
34. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, the Auction and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
35. Without limiting in any way the intent and effect of the applicable provisions of the Stalking Horse Bid in respect of the SISP, the Applicants and the Monitor shall have the right to modify the SISP (including, without limitation, pursuant to the Bid process letter) with the prior written approval of



the Applicants and consultation with the Stalking Horse Bidder if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the Service List in these CCAA proceedings shall be advised of any substantive modification to the procedures set forth herein.

36. The Monitor may seek advice and directions from the Court in relation to all matters associated with the implementation of the SISP.

**Schedule "1"**  
**Address of Monitor**

**To the Monitor:**

BDO Canada Limited  
20 Wellington East  
Suite 500  
Toronto, Ontario  
M5E 1C5

Attention: Clark Lonergan and Peter Naumis

Email: [clonergan@bdo.ca](mailto:clonergan@bdo.ca)  
[pnaumis@bdo.ca](mailto:pnaumis@bdo.ca)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C. C-36, AS AMENDED

Court File No.: CV-22-00689631-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECEGROUP INC., CANNAPIECE CORP., CANNAPIECE CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO INC.  
Applicants

**ONTARIO  
SUPERIOR COURT OF JUSTICE -  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER**  
**(SISP, Stalking Horse SPA & KERP Approval)**  
**(Returnable November 10, 2022)**

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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED  
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
CANNAPIECE GROUP INC., CANNAPIECE CORP., CANADIAN CRAFT GROWERS  
CORP., 2666222 ONTARIO LTD., 2580385 ONTARIO INC. AND 2669673 ONTARIO  
INC.**

Court File No.: CV-22-00689631-00CL

**Applicants**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**  
Proceeding commenced at TORONTO

**MOTION RECORD  
(Re Comeback Hearing)  
(Returnable November 10, 2022)**

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