

**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.**

(each an “Applicant” and collectively, the “Applicants”)

FIRST REPORT OF THE MONITOR

November 9, 2022

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INTRODUCTION

1. On November 3, 2022, the Court heard an application by the Applicants (the “**CCAA Application**”) for an initial order pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”).
2. BDO Canada Limited (“**BDO**”), as proposed monitor, prepared a pre-filing report dated November 3, 2022 (the “**Proposed Monitor’s Report**”) to provide information to this Court for its consideration in respect of the Applicants’ CCAA Application.
3. On November 3, 2022 (the “**Filing Date**”), the Court granted an initial order in these proceedings (the “**Initial Order**”) that, among other things, appointed BDO as monitor of the Applicants in these CCAA proceedings (in such capacity, the “**Monitor**”), approved a stay of proceedings for the initial 10-day period (the “**Stay of Proceedings**”), approved certain Court-ordered charges, and approved the interim financing facility (the “**DIP Loan**”) to be provided by Cardinal Advisory Limited. (the “**DIP Lender**”) pursuant to a DIP facility agreement (the “**DIP Term Sheet**”).
4. The Initial Order contemplated a comeback motion to be heard November 10, 2022 (the “**Comeback Motion**”).

PURPOSE

5. The purpose of this first report of the Monitor (the “**First Report**”) is to provide information to the Court with respect to:
 - a. the Applicants’ operations and communications with stakeholders since the granting of the Initial Order;
 - b. the Monitor’s activities since its appointment;
 - c. an overview of the Applicants’ 14-week cash flow forecast, inclusive of the Interim Cash Forecast (herein defined), for the period October 31, 2022 to February 5, 2022 (the “**Cash Flow Period**”) on a consolidated basis for the Applicants (the “**Cash Flow Forecast**”) projections and the Monitor’s comments regarding the reasonableness thereof;
 - d. the Applicant’s Comeback Motion, seeking the following relief:

- i. an amended and restated initial order (“**Amended and Restated Initial Order**” or “**ARIO**”) to:
 - I. extend the stay of proceedings contained in the Initial Order (the “**Stay of Proceedings**”) period to February 3, 2022;
 - II. extend the scope of the Stay of Proceedings to include claims against directors and officers in respect of their potential liability under personal guarantees relating to corporate obligations;
 - III. authorize the Applicants to make payments to third-party suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order (“**Pre-Filing Payment(s)**”), with the consent of the Monitor, which are necessary to facilitate the Applicants’ ongoing operations and preserve value during the CCAA proceedings; and
 - IV. approve an increase to the Administration Charge (as defined herein) to the maximum amount of \$500,000.
- ii. an order (“**Sales Process Approval Order**”) to:
 - I. approve and authorize Cannapiece Group Inc. (“**CPG**”) and Cannapiece Corp. (“**CPC**”, and together with CPG, the “**Vendors**”) to enter into a stalking horse purchase agreement dated November 7, 2022 (the “**Stalking Horse SPA**”) between the Vendors and Cardinal Advisory Limited, or its nominee (in such capacity, the “**Stalking Horse Purchaser**”);
 - II. approve the sale and investment solicitation process (“**Stalking Horse Sales Process**”) and the Stalking Horse SPA, and authorizing the Monitor to conduct the proposed Stalking Horse Sales Process;
 - III. approve the payment and priority of the Break Fee, the Professional Fees and Deposit Repayment as provided for in the Stalking Horse SPA;

- IV. authorize and approve the engagement of BDO Canada Transaction Advisory Services Inc. (the “**Sales Agent**”) to assist with the implementation of the Stalking Horse Sales Process;
- V. confirm the Stalking Horse SPA represents the “Stalking Horse Bid” as defined in and for the purposes of the Sales Process Approval Order;
- VI. approve a key employee retention plan (“**KERP**”) and authorizing the Applicants to make payments in accordance with the KERP; and
- VII. such further and other relief as the Court may deem just and equitable.

e. the Monitor’s recommendations on the relief sought at the Comeback Motion.

6. The Monitor understands that the Applicants will be relying on the Affidavit of Afshin Souzankar sworn November 2, 2022 filed in support of the Initial Order, and the Affidavit of Afshin Souzankar sworn November 8, 2022 filed in support of the of relief sought at the Comeback Motion (the “**Souzankar Affidavit**”).
7. The Initial Order and all other materials filed with the Court in these CCAA proceedings are accessible on the Monitor’s website at: <https://www.bdo.ca/en-ca/extranets/cannapiece/> (the “**Monitor’s Website**”).

BACKGROUND AND OVERVIEW

8. This First Report should be read in conjunction with the Souzankar Affidavit. Additional background and financial information with respect to the Applicants was provided in the Proposed Monitor’s Report. A copy of the Proposed Monitor’s Report is attached hereto as **Appendix “A”**.
9. Any terms not expressly defined herein are otherwise defined in the Souzankar Affidavit.

TERMS OF REFERENCE

10. In preparing this First Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants (“**Management**”), and information from other third-party sources (collectively, the “**Information**”). Except as described in this First Report with respect to the Cash Flow Forecast:
 - a. The Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - b. Some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
11. Future oriented financial information referred to in this First Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
12. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this First Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.
13. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

UPDATE ON THE APPLICANTS' ACTIVITIES

14. Since the issuance of the Initial Order, the Applicants have been taking steps and focusing on stabilizing operations. Management, with the assistance of the Monitor, has engaged in various discussions with stakeholders, suppliers, customers and employees. As of the date of this First Report, the Applicants have maintained their business operations without significant disruption or issues.
15. Further details concerning the Applicants' activities are set forth in the Souzankar Affidavit.

MONITOR'S ACTIVITIES TO DATE

16. The Monitor established the Monitor's Website in respect of these CCAA proceedings. All court documents and certain other relevant documents have and will continue to be posted as they are made available.
17. Pursuant to the Initial Order, the following Court materials were posted on the Monitor's Website:
 - c. the Applicant's Application Record filed in support of the Initial Order;
 - d. the Factum of the Applicants dated November 3, 2022;
 - e. the Proposed Monitor's Report;
 - f. the Initial Order;
 - g. the Endorsement of Justice Penny; and
 - h. the Applicant's Motion Record filed in support of the Comeback Motion.
18. On November 9, 2022, the Monitor published notice of the Initial Order in the Globe and Mail (National Edition). A copy of the newspaper notice has been posted on the Monitor's website.
19. The Monitor prepared and sent a notice, which includes information about the CCAA proceedings (the "**Notice to Creditors**"), to all known creditors, based on the contact information of such known creditors who have a claim against the Applicants of more than \$1,000, provided by the Applicants (the "**Known Creditors**"), by prepaid ordinary

mail and email where known. A copy of the Notice to Creditors has been posted on the Monitor's Website.

20. The Monitor has also posted on its website a list showing the names of the Known Creditors and amounts owing according to the books and records of the Applicants in accordance with the CCAA.
21. The Monitor has completed the required statutory forms and e-filed such reports with the Office of the Superintendent in Bankruptcy.
22. Furthermore, since the granting of the Initial Order, the Monitor has:
 - a. assisted the Applicants with stakeholder communications;
 - b. responded to calls, e-mails and letters received from creditors and other parties with respect to the CCAA proceedings;
 - c. participated in various discussions with the Applicants and certain stakeholders in connection with the engagement of the Sales Agent, marketing plan and timelines associated with the Stalking Horse Sales Process;
 - d. created a weekly monitoring protocol with the Applicants to allow the Monitor to review and report on the Applicants weekly cash receipts and disbursements; and
 - e. reviewed the Applicant's actual receipts and disbursements; and
 - f. prepared this First Report, including reviewing the Applicants assets and operations.

APPLICANTS' RECEIPTS AND DISBURSEMENTS TO DATE

23. The Proposed Monitor's Report included a cash flow forecast for the period October 31, 2022, to November 13, 2022 (the "**Interim Cash Flow Forecast**").
24. The Applicants, with the assistance of the Monitor, have prepared the Cash Flow Forecast for the purpose of projecting the Applicants' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"**.
25. The Cash Flow Forecast is presented on weekly basis during the Cash Flow Period and

represents Management's estimate of the projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") set out in the notes to the Cash Flow Forecast.

26. The Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
 - a. the Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - b. as at the date of the First Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or
 - c. the Cash Flow Forecast does not reflect the Assumptions.
27. As previously outlined in the Proposed Monitor's Report, CannaPiece Corp. ("**CPC**") and CannaPiece Group Inc. ("**CPG**") maintain a total of three (3) bank accounts with the Bank of Montreal ("**BMO**"). BMO requires that a minimum cumulative balance of \$30,000 remain in the account(s) to cover potential corporate credit card exposure. The Monitor understands that this restricted cash amount has been netted out of the opening cash position outlined in the Cash Flow Forecast.
28. The Cash Flow Forecast shows that during the Cash Flow Period, the Applicants will experience a net cash outflow of approximately \$3.5 million. The Cash Flow Forecast projects that during the Cash Flow Period the Applicants should have sufficient liquidity with funding from the DIP Loan and the Deposit Facility as outlined in the Stalking Horse SPA and discussed below (which is subject to Court approval). The Monitor notes that the Applicants will need to fully draw on the Deposit Facility to maintain sufficient liquidity.
29. The Monitor has set up a procedure with Management to facilitate its ongoing monitoring of the Applicants' receipts and disbursements. Given the timing of receipt of the Initial Order, and preparation of this First Report, a full week has not passed. The Monitor will attend to a full weekly reconciliation of receipts and disbursements and a projection to

actual variance analysis for each week going forward. Notwithstanding, nothing has come to the Monitor's attention that would constitute a material change during its initial review.

30. As per the Interim Cash Flow Forecast the first tranche from the DIP Loan was advanced, in the net amount of \$490,000 (\$500,000 less the 2% facility fee of \$10K), to fund the Applicant's operations during the Interim Cash Flow period.
31. The Applicants have provided the Monitor with full co-operation and access to the necessary books and records.
32. The Monitor will report future material adverse variances, if any, to the Applicant's Cash Flow Projections.

PROPOSED AMENDED AND RESTATED INITIAL ORDER

33. The proposed ARIO contemplates certain amendments to the Initial Order to grant broader relief in relation to the stay of proceedings, pre-filing payments, and an increase to the Administration Charge.

Proposed Stay Extension

34. The Initial Order provided a Stay of Proceedings up to and including November 10, 2022 (the "**Stay Period**").
35. The Applicants seek an extension of the Stay Period to February 3, 2022 ("**Stay Extension**"). The Monitor is of the view that the proposed Stay Extension is reasonable and appropriate in order to allow the Applicants to pursue the proposed Stalking Horse Sales Process, to be implemented by the Monitor in conjunction with the Sales Agent.
36. As previously noted, it is the Monitor's view, based on the Cash Flow Forecast, that the Applicants will have sufficient liquidity to complete the Stalking Horse Sales Process and to satisfy post filing obligations as they come due, providing the Stalking Horse Sales Process is approved and the funding provisions as set forth in the Stalking Horse SPA are available to the Applicants.

Proposed Expansion of the Stay of Proceedings re: Directors

37. The Applicants seek to extend the scope of the Stay of Proceedings to include claims against the Applicants' directors and officers (the "**Directors**") with regards to personal guarantees that they may have granted in support of corporate obligations.
38. In the Monitor's view, these Directors are crucial to maintaining the Applicants' operations and assisting the Monitor and its Sales Agent in the successful implementation of the Stalking Horse Sales Process through the CCAA proceedings. Any Director's time and energy required to defend against potential claims against them may impact their availability and attention to all matters associated with the Stalking Horse Sales Process.

Pre-Filing Payments

39. The Applicants are seeking the Court's approval to make up to \$150,000 of cumulative Pre-Filing Payments, in each case with the consent of the Monitor and only to suppliers that are deemed critical to the Applicants' ongoing business operations, and which are required to preserve the value of the Applicants business.
40. The Cash Flow Forecast provides for sufficient liquidity to make the quantum of the Pre-Filing Payments.

Increase to Administration Charge

41. The Initial Order provides for a charge up to a maximum amount of \$250,000 (the "**Administration Charge**") in favour of counsel to the Applicants, the Monitor and the Monitor's independent counsel (the "**Professionals**") as security for the professional fees and disbursements incurred prior to and after the Initial Order.
42. The Applicants now seek an increase to the Administration Charge from \$250,000 to \$500,000 to secure the expected ongoing fees and disbursements of the Professionals through these CCAA proceedings.
43. Professional fee obligations secured the Administration Charge will be paid in normal course as outlined in the Cash Flow Forecast.

PROPOSED SALES PROCESS APPROVAL ORDER

Stalking Horse Sales Process

44. Any terms not expressly defined in this section are otherwise defined in the Stalking Horse Sales Process.
45. In the Souzankar Affidavit filed in support of the Initial Order, the Applicants advised they intended to return to Court at the Comeback Motion to seek approval of, among other things, a sales process and a potential stalking horse bid. Additionally, the DIP Term Sheet outlined that Cardinal Advisory Limited or its nominee was in negotiations to become the stalking horse bidder.
46. To reassure CPC's customer base and CPG/CPCs' employees that a going-concern company would emerge from, and that the critical funding would be secured through the CCAA proceedings. On November 8, 2022, the Vendors and the Stalking Horse Purchaser entered into the Stalking Horse SPA to be the stalking horse bidder in the Stalking Horse Sales Process.
47. The Monitor, in consultation with the Applicants, developed the Stalking Horse Sales Process, intended to solicit interest in and opportunities for an investment in or sale of all or substantially all of the Property or business of the Applicants. A copy of the Stalking Horse Sales Process is attached hereto as **Appendix "C"**.
48. On November 8, 2022, the Applicants with the assistance of the Monitor entered into an advisory agreement with the Sales Agent, pending Court approval, to administer the Stalking Horse Sales Process (the "**Sales Agent Agreement**"). A copy of the Sales Agent Agreement is attached here to as **Appendix "D"**.
49. The Monitor and Sales Agent are qualified to administer the Stalking Horse Sales Process for the following reasons:
 - a. they have considerable experience conducting similar sales processes;
 - b. they have extensive industry and intentional contacts who they ensure will be made aware of this opportunity;

- c. they are independent of the Applicants; and
- d. they will ensure that the Stalking Horse Process is thorough and robust, fair, transparent, and efficient for the benefit of the Applicant’s stakeholders.

Stalking Horse Sales Process Summary & Proposed Timeline

50. The proposed Stalking Horse Sales Process timeline is set out in the following table:

Milestone	Deadline
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 SPA	No later than Wednesday, November 30, 2022
Bid Deadline (as defined below)	Monday, January 9, 2023
Deadline to top-up Deposit to \$3,700,000	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

51. The Stalking Horse Sales Process serves to solicit and identify parties that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or business (the “**Opportunity**”).

52. 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, or substantially all of the Property.

53. The Sales Agent, in conjunction with the Monitor, will develop a list of potential bidders (the “**Known Potential Bidders**”). This list will be comprised of those that have previously shown interest in transacting with the Applicants, and other potential strategic and financial parties who the Applicants and the Sales Agent believe may be interested in the Opportunity.

54. The Sales Agent will also prepare a process summary describing the Opportunity (the “**Teaser Letter**”) and a non-disclosure agreement (the “**NDA**”).
55. In addition, the Monitor will arrange for a notice of the Stalking Horse Sales Process to be published in The Globe and Mail, and any other newspaper or journal as the Applicants, in consultation with the Monitor, consider appropriate.
56. Each party that wishes to participate in the Stalking Horse Sales Process, other than the Stalking Horse Bidder, will be required to submit an executed NDA and provide information to the Monitor as to their financial wherewithal to close a transaction. Once that information is received from a Potential Bidders, access to the Data Room will be granted to conduct due diligence. Other due diligence requests, such as on-site visits and other reasonable requests by a potential bidder, may be agreed to by the Applicants, in their reasonable business judgment after consultation with the Monitor.
57. The deadline for a Potential Bidder to submit a formal offer (a “**Bid**”) is **5:00 PM (Eastern Time) on January 9, 2023** or such earlier or later date as may be set (the “**Bid Deadline**”), and shall contain all of the prescribed and required details as outlined in the Stalking Horse Sales Process.
- 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 (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;
- 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/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 SPA;
 - 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; and
 - l. the Bid must contemplate closing the transaction set out therein on or before February 3, 2023.
58. 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 SPA shall automatically be considered as a Qualified Bid for the purposes of the Auction (as defined herein).
59. The Monitor may only designate a Bid as a Qualified Bid where the proposed purchase price is equal to or greater than that contained in the Stalking Horse Bid, *plus* the amount of the break fee (\$175,000), *plus* professional fees (up to \$25,000) *plus* \$100,000 (equal to the bidding increment contained in the Auction).
60. 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.

61. 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.
62. 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.
63. 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.
64. 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**”). For certainty, Qualified Parties shall provide the Monitor with:
 - i. evidence of immediately available funds being held in trust in an amount sufficient to pay 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.
65. 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.

66. Before the conclusion of the Auction, the Monitor, in consultation with the Vendors, will, among other things identify the highest or otherwise best bid received at the Auction (the “**Successful Bid**” and the Qualified Party making such bid, the “**Successful Party**”).
67. The closing of the transaction contemplated in any successful bid is conditional upon Court approval at a hearing to be schedule, subject to Court availability, no later than January 30, 2023. This ensures no transaction will proceed without the Court’s express authorization.
68. 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.

Approval of Stalking Horse SPA

69. Any terms not expressly defined in this section are otherwise defined in the Stalking Horse SPA.
70. As noted above, the previously approved DIP Term Sheet referenced that the DIP Lender or it nominee would be negotiating a stalking horse bid with the Applicants.
71. The Stalking Horse SPA will act as the minimum bid (the “**Stalking Horse Bid**”) against which all other bids will be evaluated in the Stalking Horse Sales Process. Unless other superior bids are received, it is contemplated that the Stalking Horse SPA will be selected as the successful bid in the Stalking Horse Sales Process. A copy of the Stalking Horse SPA is attached hereto as **Appendix “D”**.
72. The Monitor provides a summary of certain material terms of the Stalking Horse SPA below but directs the reader to the Stalking Horse SPA for the full terms and conditions thereof:
 - a. the Stalking Horse SPA is structured as a share purchase transaction and is conditional upon the Court issuing a reverse vesting order and obtaining landlord

approval for the extension of the property lease of the 1724 McPherson Court, Pickering, Ontario, together with other customary conditions;

- b. the Stalking Horse Bidder is also the DIP Lender. The Stalking Horse SPA further proposes that the Stalking Horse Bidder shall fund the ongoing working capital requirements of the Company to the maximum of \$3,000,000, to be disbursed on a weekly basis based on the Cash Flow Forecast (the “**Deposit Facility**”) These additional advances are in addition to the DIP Loan. Of note, advances under the Deposit Facility will not accrue further interest, fees or expenses. The Deposit Facility and DIP Loan will enable the implementation of the proposed Stalking Horse Sales Process by providing the Vendors sufficient working capital through the Stay Extension;
- c. the purchase price to be paid by the Stalking Horse Bidder is \$3.5 million cash, plus Assumed Liabilities, if any (the “**Purchase Price**”);
- d. as set forth in the Souzankar Affidavit, the Stalking Horse Bidder anticipates the go-forward retention of the majority of the Applicants’ employees;
- e. closing is scheduled 10 days, or sooner, after receipt of the Court issuing an approval order;
- f. in the event the Stalking Horse Bid is unsuccessful, the Stalking Horse Bidder is entitled to a break fee of \$175,000 (the “**Break Fee**”), professional fees and expenses incurred to the maximum of \$25,000 (“**Professional Fees**”) and repayment of the Deposit Facility. In addition, the Stalking Horse SPA requires that the Break Fee, Professional Fees and Deposit Facility be repaid within one (1) business day after the court granting an approval order for the Successful Bid, sourced and paid with the total deposit amount paid by the Successful Bidder just prior to the Auction, such payment being subject to Court approval; and
- g. if the Stalking Horse Bidder is the Successful Bidder under the SISP, the Break Fee and Professional Fees are not payable, and the DIP Loan and those amounts advanced pursuant to the Deposit Facility will be credited towards the Purchase Price.

73. Absent the Deposit Facility mechanism contained in the Stalking Horse SPA, the Applicants would be unable to fund on-going operations and the minimum working capital requirements during the CCAA proceedings.
74. The Monitor understands the Applicant’s primary senior secured creditors, Camella Marzilli (“**Marzilli**”) and 2125028 Ontario Inc. (“**212**”) are supportive of the Stalking Horse Sales Process and Stalking Horse SPA. The Applicants are indebted to Marzilli for approximately \$6.8 million (the “**Marzilli Debt**”) and 212 for \$4 million (the “**212 Debt**”) respectively as of November 2022. Pursuant to the Stalking Horse SPA, the Stalking Horse Bidder will determine on or before November 30, 2022, if the Marzilli Debt and 212 Debt are assumed as part of the Stalking Horse SPA which will cause an upward adjustment to the Purchase Price.
75. The Applicants have previously made significant efforts to refinance their business prior to the commencement of these CCAA proceedings without success. The DIP Lender was the only party that showed credible and timely interest in acquiring the Vendors’ business and funding the Stalking Horse Sales Process to allow the Applicants to effectively market and solicit offers for the sale of the Property for the benefit of Applicant’s stakeholders. The Break Fee and Professional Fees were required to adequately compensate the Purchaser.

Key Employee Retention Plan

76. As part of the of the proposed Sales Process Order, the Applicant, in consultation with the Monitor, has developed and is seeking approval of a KERP with the principal purpose of providing an incentive to those eligible employees (collectively, the “**Eligible Employees**”) to remain with and assist the Applicants throughout the CCAA proceedings. The Eligible Employees and proposed KERP include:

Role	Annualized Pay	Proposed KERP Amount	Reason
Director Finance	\$ 151,999.90	\$ 30,000.00	Manages all accounting functions and reporting. No other qualified accounting staff to fill in if employee left. CPC AND CPG are also in the midst of a HST audit and excise tax reporting review which requires this employee. Professional fees would increase with no senior finance person.
Director Operations	\$ 120,000.14	\$ 10,000.00	Responsible for production functions. Given the recent departure of the COO and termination of other operations staff, there is no redundancy for this critical role.
Director Supply Chain	\$ 110,000.02	\$ 10,000.00	Key contact for client procurement teams. Vacancy could cause instability on incoming orders and would impact revenue during transition.
Quality Assurance Person	\$ 95,000.10	\$ 10,000.00	Head of quality and required member to maintain Health Canada license. VP of quality, and 2 other senior members of that team, have been recently terminated. As such there is no redundancy. No alternative QAP is registered with Health Canada. The absence of this required employee would cause major operational issues.
HR Manager	\$ 104,000.00	\$ 10,000.00	Key member for staff communication and retention of current team. With the large number of staff, transitioning to a new HR leader would be a risk to the business.
Director IT	\$ 110,000.02	\$ 10,000.00	Responsible for IT framework needed to be compliant and continue to operate. Company has stringent Health Canada requirements and any untimely departure could cause compliance issues.
President & Responsible Person	\$ 240,000.00	\$ 30,000.00	Responsible Person for Health Canada License and main point of contact with all clients. Oversees licensed activities of the Company. Currently the key contact with the Professionals during the CCAA proceeding and key customer contact.
Chief Legal Officer	\$ 230,000.16	\$ 20,000.00	Key member overseeing compliance with Health Canada requirements and legal functions of the Company and heavily involved in the CCAA process. Professional fees would increase with no senior legal person.
Director Business Development	\$ 140,000.12	\$ 10,000.00	Responsible for day to day client needs and incoming orders. Chief Commercial Officer recently terminated, any vacancy in leadership on the client management side is a reputational risk and would impact sales.
Procurement & Planning Manager	\$ 110,000.02	\$ 10,000.00	Key contact with all vendors and oversees production planning. Working with critical vendors ensuring continuity of supplies as our procurement needs are niche and require approval process to be compliant with our quality assurance systems.
Director Product Development	\$ 130,000.00	\$ 10,000.00	Key individual overseeing the extraction production. Has the expertise and is critical to continuation of the extraction side of the business.
Total KERP		\$ 160,000.00	

77. The Applicants submit that:

- a. the KERP was developed by the Applicant with the principal purpose of providing an incentive to the Eligible Employees to remain with the Applicants throughout these CCAA proceedings;
- b. Eligible Employees are critical to the preservation of the Applicant's enterprise value during the restructuring process, including to the Staking Horse Bidder, and are likely to seek alternative employment absent the KERP;
- c. it would be detrimental to the restructuring process if the Applicants were required to find replacements for the Eligible Employees during this critical period;
- d. the KERP not only provides appropriate incentives for the Eligible Employees to remain in their current positions but also ensures that they are properly compensated for their assistance in the Applicants' restructuring process; and

- e. the KERP has no charge on the property of the Applicants and is assumed paid through the Cash Flow Forecast.
78. The KERP payments are proposed to be paid in two equal installments, the first in Week 5 (end of November), and a final payment in Week 14 (in line with the end of the Stalking Horse Sales Process).

CONCLUSIONS AND RECOMMENDATIONS

The Proposed ARIO

79. The Monitor supports the relief sought by the Applicants in the ARIO. The Monitor is of the view that:
- a. as noted above, the proposed Stay Extension is reasonable and appropriate in order to allow the Applicants to pursue the proposed Stalking Horse Sales Process, to be implemented by the Monitor in conjunction with the Sales Agent. Further, based on the Cash Flow Forecast supported by the availability of advances under the Deposit Facility, the Monitor believes the Applicants will have sufficient liquidity for the duration of the extended Stay Period;
 - b. the proposed expansion to the scope of the stay of proceedings to directors in relation to guarantee claims is reasonable and appropriate in the circumstances;
 - c. in order to allow for the continued operation of the Applicants business and to minimize business disruptions, the proposed payment of certain pre-filing amounts owing to critical suppliers is reasonable and appropriate in the circumstances (noting that these Pre-Filing Payments are to be paid where necessary and subject to the approval of the Monitor); and
 - d. the proposed increase in the Administration Charge to be consistent with the estimated fees of the professionals to be incurred during the proposed extended Stay Period and as set out in the Cash Flow Forecast, is required and reasonable in the circumstances.

The Proposed Sales Process Order

80. The Monitor is of the view that the proposed Stalking Horse Sales Process represents the best alternative for the benefit of the Applicants and their stakeholders generally, in the circumstances. The Stalking Horse Sales Process will ensure an efficient and robust process, in the context of the Applicants limited liquidity and immediate funding requirements to maintain operations as a going concern. In this regard, the timeline contained in the Stalking Horse Sales Process is structured to adequately expose the Vendors' business, assets, and shares to the market, while balanced against the liquidity constraints of the Applicants.
81. The Stalking Horse Sales Process is intended to provide a fair and transparent process, with active participation by the Monitor, to determine whether there is a superior offer available compared to the offer contained in the Stalking Horse SPA. All potentially interested parties will be given sufficient time to evaluate the Opportunity and have an equal chance to submit a Qualified Bid.
82. With the exception of the Stalking Horse SPA being automatically admitted as a Qualified Bid, the Stalking Horse Purchaser has no undue advantage in the Stalking Horse Sales Process.
83. The Applicants tight liquidity, together with the current challenges of the cannabis market generally, has required an accelerated timeline to pursue a potential transaction. The Monitor is supportive of the Stalking Horse Sales Process.
84. With respect to the Stalking Horse SPA, the Monitor is supportive of the Stalking Horse SPA for the following reasons:
- a. prior refinancing efforts have failed and no other offers for the Applicants business and assets currently exists;
 - b. absent the financial support contained in the Stalking Horse SPA, the Applicants will "run-out" of cash resulting in a potential "shut-down" and liquidation of the Applicants business causing the loss of jobs and minimal recoveries for the stakeholders;
 - c. the Stalking Horse SPA will provide stability to the Applicants business and operations, and give confidence to its customers, employees and suppliers that a

going concern outcome in these CCAA proceedings will be achieved, thereby maintaining enterprise value for the stakeholders;

- d. it allows and supports the implementation of the Stalking Horse Sales Process in an effort to maximize recoveries for the stakeholders while preserving employees jobs, and the ongoing use of the Health Canada Licence and Excise Licence;
- e. future value to stakeholders who will continue to conduct business with the Applicants;
- f. the Stalking Horse Bidder has confirmed it is committed to retaining the majority of the Applicants' employees; and
- g. the Break Fee and Professional Fees were required to compensate the Stalking Horse Bidder's efforts, and the Monitor is of the view the Break Fee and Professional Fees are typical for this size transaction and reasonable in the circumstances.

85. The Monitor is of the view that the structure of the KERP and the quantum of the amounts payable to the KERP participants are reasonable in the circumstances.

86. Given the reasons set out in this First Report, the Monitor supports the relief sought by the Applicants at the Comeback Motion.

87. The Monitor is not aware of any non-compliance by the Applicants with the requirements of the CCAA or any order issued by this Court in the CCAA proceedings. The Monitor believes that the Applicants have acted, and continue to act, in good faith and with due diligence.

All of which is respectfully submitted this 9th day of November 2022.

**BDO CANADA LIMITED, in its capacity
as CCAA Monitor of the Applicants, and not
in its corporate or personal capacity.**

A handwritten signature in black ink, appearing to read "Clark Lonergan". The signature is written in a cursive, flowing style.

**Clark Lonergan, CA, CPA, CIRP, LIT
Senior Vice President**

First Report of the Monitor

Appendix "A"

Court File No. _____

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.**

(each an “Applicant” and collectively, the “Applicants”)

**REPORT OF BDO CANADA LIMITED
AS THE PROPOSED CCAA MONITOR**

November 3, 2022

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INTRODUCTION

1. BDO Canada Limited (“**BDO**” or the “**Proposed Monitor**”) understands that the Applicants have brought an application (the “**CCAA Application**”) before this Court returnable on November 3, 2022, seeking an initial order (the “**Proposed Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“**CCAA**”) to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business by conducting a sales process transaction. The Applicants propose that BDO be appointed as Monitor in these CCAA proceedings (in such capacity, the “**Monitor**”).
2. This report (the “**Report**”) has been prepared by the Proposed Monitor prior to and in contemplation of its appointment as Monitor in the Applicants CCAA proceeding, should this Court grant the Proposed Initial Order, to provide information to this Court for its consideration in respect of the Applicants’ CCAA Application.

PURPOSE

3. The purpose of this Report is to provide information to the Court on:
 - a. BDO's qualifications to act as Monitor;
 - b. an overview of the Applicants;
 - c. background on the circumstances leading to the Applicants’ decision to commence CCAA proceedings;
 - d. an overview of the Applicants’ 2-week cash flow forecast on a consolidated basis for the Applicants (the “**Interim Cash Flow Forecast**”) and the Proposed Monitor’s comments regarding the reasonableness thereof;
 - e. certain relevant matters about the relief sought in the Proposed Initial Order; and
 - f. the Proposed Monitor’s conclusions and recommendations.

TERMS OF REFERENCE

4. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants

(“**Management**”), and information from other third-party sources (collectively, the “**Information**”). Except as described in this Report in respect of the Interim Cash Flow Forecast:

- a. the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - b. some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.
5. Future oriented financial information referred to in this Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variation could be significant.
 6. Unless otherwise indicated, the Proposed Monitor’s understanding of the factual matters expressed in this Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.
 7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

BDO’S QUALIFICATIONS TO ACT AS MONITOR

8. CannaPiece Group Inc. (“**CPG**”) had previously engaged BDO Canada LLP in May 2022 to act as CPG’s new financial statement auditor, however, the engagement was

never ratified by CPG's board of directors. CPG recently issued a letter to BDO confirming that BDO was never in fact CPG's auditor.

9. BDO is a licensed insolvency trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). BDO is not subject to any of the restrictions set out in section 11.7(2) of the CCAA on who may be appointed as Monitor.
10. BDO acted as consultant to the Applicants and has a detailed understanding of the Applicants' operations and cash flow and will be in a position to quickly and seamlessly perform its responsibilities as Monitor, if appointed.
11. The Proposed Monitor will retain Dentons Canada LLP to act as its independent legal counsel.

OVERVIEW OF THE APPLICANTS

12. This Report should be read in conjunction with the Affidavit of Afshin Souzankar, the Applicants' President and Chief Executive Officer, sworn November 2, 2022 (the "**Souzankar Affidavit**") for additional background and financial information with respect to the Applicants. Any terms not expressly defined herein are otherwise defined in the Souzankar Affidavit.

CannaPiece Group Inc.

13. CannaPiece Group Inc., a privately held corporation, was incorporated under the *Ontario Business Corporations Act* on July 18, 2018 and maintains its registered head office at 100 Allstate Parkway, Suite 302, Markham, Ontario L3R 6H3. CPG through its wholly owned subsidiary, CannaPiece Corp. ("**CPC**"), operates a cannabis contract manufacturing business. Additionally, CPG is the top-level holding company for its other wholly owned subsidiaries outlined below. CPG presently has 9 employees.

CannaPiece Corp.

14. CPC was incorporated in Ontario on May 28, 2018, and its registered head office is also 100 Allstate Parkway, Suite 302, Markham, Ontario.

15. CPC is CPG's only remaining operating entity and holds the Applicant's primary assets which include the Health Canada license (the "**License**") permitting CPC to possess, process, and sell cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations*. CPC obtained its License from Health Canada on February 28, 2020. The Licence is valid until February 28, 2023, and the Proposed Monitor understands that it will be renewed prior to its expiry.
16. Additionally, CPC obtained its cannabis licence under the *Excise Act, 2001* (Canada) effective on March 4, 2020 (the "**Excise Licence**"). Currently, it is valid until March 3, 2023, and the Proposed Monitor understand that it will also be renewed prior to its expiry.
17. CPC operates its cannabis contract manufacturing business out of a leased 80,000 square-foot facility at the property municipally known as 1725 McPherson Court, Unit 2, Pickering, Ontario (the "**Pickering Facility**").
18. CPC's other assets consist of cannabis flower, trim, extract, packaging material, furniture, leasehold improvements, and manufacturing equipment.
19. 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.
20. CPC presently has 146 employees and 10 temporary workers (155 total employees inclusive of the CPG employees). All employees are not unionized and do not maintain a pension plan. The Applicants provide a standard group benefit plan to its employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance.

Canadian Craft Growers Corp.

21. 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. CCG does not hold any assets and is currently inactive.

2666222 Ontario Ltd. and 2580385 Ontario Inc.

22. 2666222 Ontario Ltd. ("**222**") was incorporated in Ontario on November 20, 2018. 222, in turn, owns 2580385 Ontario Inc. ("**258**") o/a Green Valley Wellness ("**Green Valley Wellness**"). Green Valley Wellness was incorporated in Ontario on June 1, 2017.
23. 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 Covid-19 pandemic).
24. 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.

2669673 Ontario Inc.

25. 2669673 Ontario Inc. ("**673**") was incorporated in Ontario on December 7, 2018. This entity has minimal assets consisting of a small amount of office furniture and has no business operations. 673 is also subject to a claim of former landlord that it owes rental arrears with respect to a now terminated lease.

CIRCUMSTANCES LEADING TO THE APPLICANTS' CCAA FILING

26. The Canadian cannabis industry is experiencing an extremely challenging operating environment including significant over-supply in the market for cannabis products. This industry is also highly regulated, highly taxed, and subject to ever-changing legislation and delays at all levels of government.
27. Year-to-date ("**YTD**") August 31, 2022, the Applicants have suffered approximately \$6.2 million in losses (not including potential asset impairment charges and discontinued operations write-offs that have yet to be booked) 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. These investments included approximately \$27 million in leasehold improvements and purchase and install of the required manufacturing equipment and machinery associated with the Pickering Facility and in excess of \$10 million for the purchase, development and debt servicing associated with the vacant parcel of land located at 580 Lake Road, Clarington, Ontario (the “**Bowmanville Property**”);
- 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. In September 2022, CPC has seen a number of large customers withdraw or discontinue their orders due to market challenges and oversupply. Management estimates the reduction in monthly revenue as a result to be at a minimum \$400,000, with no indication when these customers will come back online;
- d. loss of major customers. One large customer made a strategic decision to revert to in-house production of its products in an attempt to find a path to profitability. CPC had a long-term, large-volume forecast from this customer and had invested approximately \$1.25 million in capital expenditures and human resource costs to accommodate the anticipated rapid volume growth when the customer stopped sending orders;
- e. 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;
- f. the investment (capital outlay, working capital investment and operating losses) in the CPG’s subsidiaries that have subsequently been sold back to the original vendors and/or businesses now cease to operate; and

- g. significant debt servicing costs associated with the Applicants' capital stack. Much of the Applicants growth, working capital requirements and operating losses have been funded by debt both secured and unsecured. As of August 31, 2022, the Applicants financial records indicated total liabilities of approximately \$48 million (supported by approximately \$25 million of assets (pro-forma) as at the same date).
- 28. The Applicants are subject to several significant litigation and enforcement actions which have placed further stress on the Applicants' current financial position.
- 29. Although Management has made significant efforts to address the financial challenges (including senior management not drawing a salary), they have been unsuccessful thus far in addressing the challenges facing the Applicants.
- 30. As a result of all the above factors, the Applicants face a critical cash shortage and cannot meet its financial obligations. The proposed CCAA proceedings will allow CPC to maintain its business operations, preserve supplier relationships, preserve jobs for its 155 employees, provide stability and maintain value for the benefit of all the Applicants' stakeholders and allow the necessary time to conduct a Court-supervised sales and investment solicitation process ("**SISP**") within the CCAA proceedings.

OVERVIEW OF APPLICANTS' 2-WEEK INTERIM CASH FLOW FORECAST

- 31. The Applicants have prepared an Interim Cash Flow Forecast for the 2-week period from October 31, 2022, to the week ending November 13, 2022 (the "**Interim Cash Flow Period**") for the purposes of projecting the Applicants' estimated liquidity needs during the Interim Cash Flow Period. A copy of the Interim Cash Flow Forecast is attached as **Appendix "A"** to this Report.
- 32. The Interim Cash Flow Forecast is presented on a weekly basis and represents Management's estimates of the projected cash flow during the Interim Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") as set out in the notes to the Interim Cash Flow Forecast.

33. The Proposed Monitor has reviewed the Interim Cash Flow Forecast to the standard required of a Court-appointed monitor by section 23(1)(b) of the CCAA. In accordance with this standard, the Proposed Monitor conducted inquiries, performed analytical procedures, held discussions, and read documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:
 - a. the Assumptions are not consistent with the purpose of the Interim Cash Flow Forecast;
 - b. as at the date of this Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Interim Cash Flow Forecast, given the probable and hypothetical assumptions; or
 - c. the Interim Cash Flow Forecast does not reflect the Assumptions.
34. CPC and CPG maintain a total of three (3) bank accounts with the Bank of Montreal (“**BMO**”). BMO requires that a minimum cumulative balance of \$30,000 remain in the account(s) to cover potential corporate credit card exposure. The Proposed Monitor understands that this restricted cash amount has been netted out of the opening cash position outlined in the Interim Cash Flow Forecast.
35. The Interim Cash Flow Forecast shows that during the Interim Cash Flow Period, the Applicants will experience a net cash outflow of approximately \$480,000. The Interim Cash Flow Forecast projects that during the Interim Cash Flow Period the Applicants should have sufficient liquidity, with the support of the DIP Loan (defined below) which remains subject to Court approval of the debtor-in-possession (“**DIP**”) financing agreement and the related DIP Lender’s Charge (defined and discussed below).
36. The Proposed Initial Order allows for the DIP Lender’s Charge of \$500,000.
37. The Proposed Monitor notes that the Interim Cash Flow Forecast has been prepared solely for the purpose described above and since the Interim Cash Flow Forecast is based on Assumptions regarding future events, actual results will vary from the

information presented even if the Assumptions occur, and the variations could be material. Readers are cautioned that it may not be appropriate for other purposes.

RELEVANT MATTERS ADDRESSED IN THE PROPOSED INITIAL ORDER

38. The Proposed Initial Order provides for two (2) priority charges (collectively, the “**Charges**”) on all of the current and future assets, undertakings, and properties of the Applicants, wherever located, including all proceeds thereof that rank in the following order:
- i. first, the Administration Charge; and
 - ii. second, the DIP Lender’s Charge.
39. The Proposed Monitor understands that the Applicants have provided their secured creditors with notice prior to commencing these CCAA proceedings. Such secured creditors will be included on the Service List in connection with these CCAA proceedings moving forward and, as such, will be provided with motion materials in connection with the comeback motion, upon which the Applicants will seek, among other things, a stay extension.

THE ADMINISTRATION CHARGE

40. The Proposed Initial Order provides for a charge up to a maximum amount of \$250,000 (the “**Administration Charge**”) in favour of counsel to the Applicants, the Proposed Monitor and the Proposed Monitor’s independent counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by the DIP Loan.
41. The Proposed Monitor is of the view that given the current liquidity constraints of the Applicants, the proposed Administration Charge is required and reasonable in the circumstances. The Proposed Monitor is of the view that the Administration Charge is necessary for the effective participation of the professionals in the CCAA proceedings and believes the quantum of the Administration Charge is reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter.

DIP LENDER'S CHARGE

42. The Applicants are seeking approval of a term sheet from Cardinal Advisory Limited, on behalf of a corporation to be incorporated (the “**DIP Lender**”) dated November 2, 2022 (the “**DIP Term Sheet**”) pursuant to which the DIP Lender has agreed to provide the DIP financing to the Applicants (collectively, the “**Borrowers**”) in order to provide sufficient liquidity to continue operations during the initial 10-day stay period, subject to the terms of the DIP Term Sheet.
43. In addition to the approval of this proposed DIP Term Sheet, the Proposed Initial Order also provides for the creation of a related charge of \$500,000 (the “**DIP Lender's Charge**”) to match the maximum allowable borrowing pursuant to the DIP Term Sheet.
44. The material items, terms and conditions of the DIP Term Sheet include the following:
 - a. the Borrower and the DIP Lender, or its nominee, 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 Court granted reverse vesting order; and
 - ii. act as a stalking horse bidder in a Court-supervised SISF within the CCAA proceedings.
 - b. principal amount: \$500,000 (the “**DIP Loan**”);
 - c. 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; and (iii) Recoverable Expenses (as defined in the DIP Term Sheet);
 - d. 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 (defined herein);
 - e. commitment fee: \$10,000, representing 2% of the DIP Loan, payable on the Maturity

Date (herein defined);

- f. 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; and
- g. repayment: The DIP loan is to be repaid on the maturity date, which is defined as the earlier of:
 - i. February 3, 2022;
 - ii. the issue of SISP Order (as defined in the DIP Term Sheet), approving the Purchase Agreement as a stalking horse bid in a SISP, in which case all amounts owing under the DIP Loan sale be treated as a deposit and governed by the SISP Order and Purchase Agreement;
 - iii. the closing of sale or investment transaction resulting from the SISP (other than the transaction contemplated under the Purchase Agreement), which transaction has been approved by the Court;
 - iv. the implementation of a plan of compromise or arrangement within the CCAA Proceedings, which has been approved by the requisite majority of the Borrowers' creditors, and by order of the Court;
 - v. the date on which the CCAA proceedings are terminated for any reason, including if the CCAA proceedings are converted into a proceeding under the BIA; and
 - vi. the occurrence of an Event of Default (as defined in the DIP Term Sheet), subject to a cure period of seven (7) business days, beginning on the date of the occurrence of such Event of Default.

(the "**Maturity Date**")

- 45. A copy of the DIP Term Sheet is attached as Exhibit HH to the Souzankar Affidavit.
- 46. The Proposed Monitor believes the terms offered by the DIP Lender are reasonable

and competitive in the circumstances.

47. As described in the Interim Cash Flow Forecast, the Applicants have a critical and immediate need for interim financing. Without access to the DIP Loan, the Applicants will be unable to continue operation during the Interim Cash Flow Period as:
 - a. the next payroll for the Applicants' employees is due on Tuesday November 8, 2022;
 - b. a number of CPC trade vendors are requiring cash in advance prior to shipment of product/provided services or have significantly reduced their credit terms;
 - c. the Applicants have defaulted on certain obligations/settlements and are subject to multiple enforcement actions;
 - d. November rent for the Pickering Facility is past due; and
 - e. the Applicants are unable to service its secured debt obligations;
48. The Proposed Monitor is satisfied that the amounts set out in the Interim Cash Flow Forecast to be paid prior to the comeback hearing are necessary in the circumstances.
49. The Proposed Monitor is of the view that the Applicants' request for approval of the DIP Term Sheet and the DIP Lender Charge is required and reasonable in order to allow the Applicants the necessary financing to pay the critical payables outlined above and maintain ongoing operations.

CONCLUSIONS AND RECOMMENDATIONS

50. The Proposed Monitor has reviewed the Applicants' CCAA application materials and has consented to act as the Monitor of the Applicants, should this Court grant the Proposed Initial Order.
51. For the reasons stated herein, the Proposed Monitor is of the view that the relief requested by the Applicants as set forth in the proposed Initial Order is necessary, reasonable, and justified and will provide the Applicants the best opportunity to preserve value and maximize recoveries for its stakeholders.
52. The Proposed Monitor is therefore supportive of the Applicants request for relief pursuant to the CCAA and the terms of the proposed Initial Order.

All of which is respectfully submitted this 3rd day of November 2022.

**BDO CANADA LIMITED, in its capacity
as Proposed Monitor of the Applicants, and
not in its corporate or personal capacity.**

Per:

A handwritten signature in black ink, appearing to read "Clark Lonergan". The signature is written in a cursive, flowing style.

**Clark Lonergan, CA, CPA, CIRP, LIT
Senior Vice President**

Appendix “A”

Cannapiece Group Inc., Cannapiece Corp., Canadian Craft Growers Corp.,
2666222 Ontario Ltd., 2580385 Ontario Inc., and 2669673 Ontario Inc. (together the "Applicants")
Combined Interim Cash Flow Forecast for the period
October 31, 2022 to November 13, 2023
(CAD \$)

WEEK ENDING	1	2	TOTAL
	2022-11-06	2022-11-13	
Beginning cash (deficit)	6,190	(152,982)	6,190
Receipts			
Receipts (existing AR)	331,763	203,543	535,306
Receipts (new sales)	-	-	-
Other receipts	-	-	-
Total receipts	331,763	203,543	535,306
Disbursements from operations			
Salaries and wages (incl. all taxes)	-	469,364	469,364
Employee benefits	30,036	-	30,036
Production costs. Supplies and temp. labour	208,500	13,500	222,000
Rent	78,107	-	78,107
Insurance	-	-	-
Utilities, communications, automotive and admin.	64,000	-	64,000
Laboratory charges	40,000	-	40,000
CAPEX and equipment rentals	30,292	23,268	53,560
Repairs and maintenance	15,000	-	15,000
Health Canada license renewal fee	-	-	-
Government remittances (Excise)	-	-	-
Government remittances (HST)	-	-	-
First lien debt interest	-	-	-
DIP fees and interest	-	-	-
Monitor & its counsel's fees	-	-	-
Restructuring costs	-	-	-
KERP	-	-	-
Contingency	25,000	25,000	50,000
Total disbursements	490,935	531,132	1,022,067
Net Cash Flow	(159,172)	(327,589)	(486,761)
Closing cash (deficit)	\$ (152,982)	\$ (480,571)	\$ (480,571)

Cannapiece Group Inc., Cannapiece Corp., Canadian Craft Growers Corp.,
2666222 Ontario Ltd., 2580385 Ontario Inc., and 2669673 Ontario Inc. (together the "Applicants")
Combined Cash Flow Forecast for the period
October 31, 2022 to November 13, 2023
(CAD \$)

Notes to the Unaudited cash flow forecast of the Applicants

In preparing this cash flow forecast (the "Interim Cash Flow Forecast") the Applicants have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Interim Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional information discussed below with respect to the requirements of a Companies' Creditors Arrangements Act ("CCAA") filing. Since the Interim Cash Flow Forecast is based upon assumptions of future events and conditions that are not ascertainable, the actual results achieved during the period will vary from the Interim Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurances that any of the estimates, forecasts or projections will be realized.

Overview

The Interim Cash Flow Forecast includes the receipts and disbursements of all of the Applicants during the Interim Cash Flow Forecast period. The Applicants, with the assistance of BDO Canada Limited in its capacity as the proposed monitor of the Applicants (the "Proposed Monitor") have prepared the Interim Cash Flow Forecast based primarily on estimated disbursements related to the ongoing operations and to the CCAA proceedings.

Notes/Assumptions:

- 1 Based on Management's best estimate with regards to the Applicants' forecasted sales and the collection of outstanding accounts receivables balance considering existing sales forecasts, payment terms, recent collection history and current market conditions. Amounts due from certain customers are pass through transactions and are accordingly excluded from receipts and disbursements.
- 2 Estimate of funds to be recovered from monies currently held in trust by counsel for a real-estate sale transaction that was never completed. Additionally, the Applicants have ~\$400-\$500K in deposits held by the City of Clarington with regards to a production facility that was never started and the land has previously been sold. The Interim Cash Flow Forecast assumes that none of these funds are collected during this period.
- 3 Wages are made up of employee and contract employee amounts. Employee bi-weekly payroll is administered through an external service provider (inclusive of taxes - paid one week in arrears) and contract employees are paid monthly by the Applicants (for the previous month). Week 2 includes ~\$120k of pre-filing amounts owed to contract employees for the month of October 2022.
- 4 Continuation of employee group benefit plan with the Applicants' current insurance provider.
- 5 Payments for anticipated purchased product (flower and trim), production supplies (solvents, personal protective equipment, etc.), temporary production labour costs and other costs required to continue operations.
- 6 Monthly rental amounts associated with the Applicants' Markham head office and the licensed Pickering production facility.
- 7 Current insurance policy premiums are paid as scheduled. Policy was just renewed and lumpsum financing payment of ~\$118K was recently paid.
- 8 Payment of go-forward utility, communication and security facility costs, automotive expense reimbursement, bank fees and other administration costs.
- 9 Payment of laboratory certification costs required for certain finished product sales.
- 10 On-going capital expenditure payments related to previously purchased and installed pre-roll production equipment, production equipment rental expenses and other miscellaneous rental costs. No new capital expenditures are anticipated during this period.
- 11 Repairs and maintenance amounts for minor repairs that are necessary to maintain the licensed facility.
- 12 Health Canada license renewal costs that were due at the end of September 2022 and are fees for the period up to March 31, 2023.
- 13 Current excise tax is assumed to be paid and remain current during this period.
- 14 HST on post-filing activity is assumed to be paid when due.
- 15 First lien debt is assumed not to be serviced during the first 2 weeks.
- 16 These are amounts required for payment pursuant to the DIP Agreement, monthly interest payments and the facility fee charge.
- 17 Costs of the Proposed Monitor and its counsel to the date of filing and thereafter.
- 18 Costs of the Applicants' legal counsel to the date of filing and monthly amounts thereafter.
- 19 Amounts allocated for a Key Employee Retention Program to assist in retaining key personnel to help manage the CCAA sale, investment and solicitation process, maintain the Applicants' Health Canada license and operations during this period.
- 20 Contingency of \$25K per week is assumed throughout the period to cover unanticipated costs and/or delay in the collection of accounts receivable amounts.
- 21 Cash deficit is funded by the DIP Facility in a single tranche of \$500K on issuance of the Proposed Initial Order.

First Report of the Monitor

Appendix "B"

WEEK ENDING	1 2022-11-06	2 2022-11-13	3 2022-11-20	4 2022-11-27	5 2022-12-04	6 2022-12-11	7 2022-12-18	8 2022-12-25	9 2023-01-01	10 2023-01-08	11 2023-01-15	12 2023-01-22	13 2023-01-29	14 2023-02-05	TOTAL	
Beginning cash (deficit)	6,190	(152,982)	(480,571)	(865,608)	(1,509,438)	(1,632,925)	(2,164,057)	(2,388,864)	(2,585,433)	(3,231,368)	(3,491,703)	(3,455,297)	(3,481,982)	(2,624,708)	6,190	
Receipts	Notes															
Receipts (existing AR)	331,763	203,543	-	-	508,115	-	-	115,936	-	-	-	-	-	-	1,159,357	
Receipts (new sales)	-	-	32,389	-	194,333	-	117,619	98,628	-	568,136	425,412	432,868	1,044,042	132,210	3,045,636	
Other receipts	-	-	-	-	-	-	-	-	-	-	-	-	-	250,000	250,000	
Total receipts	331,763	203,543	32,389	-	702,448	-	117,619	214,564	-	568,136	425,412	432,868	1,044,042	382,210	4,454,993	
Disbursements from operations																
Salaries and wages (incl. all taxes)	-	469,364	-	349,364	-	469,364	-	349,364	-	349,364	120,000	349,364	-	644,364	3,100,548	
Employee benefits	30,036	-	-	-	30,036	-	-	-	30,036	-	-	-	-	30,036	120,144	
Production costs. Supplies and temp. labour	208,500	13,500	13,500	13,500	253,500	13,500	13,500	13,500	253,500	13,500	13,500	13,500	13,500	238,500	1,089,000	
Rent	78,107	-	-	-	78,107	-	-	-	78,107	-	-	-	-	78,107	312,429	
Insurance	-	-	48,421	32,698	-	-	48,421	-	-	-	-	48,421	-	-	177,961	
Utilities, comm., automotive & admin.	64,000	-	-	-	64,000	-	-	-	64,000	-	-	-	-	64,000	256,000	
Laboratory charges	40,000	-	-	-	50,000	-	-	-	50,000	-	-	-	-	50,000	190,000	
CAPEX and equipment rentals	30,292	23,268	130,505	23,268	30,292	23,268	130,505	23,268	30,292	23,268	130,505	23,268	23,268	30,292	675,559	
Repairs and maintenance	15,000	-	-	-	15,000	-	-	-	15,000	-	-	-	-	15,000	60,000	
Health Canada license renewal fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Government remittances (Excise)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Government remittances (HST)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
First lien debt interest	-	-	-	-	-	-	-	-	-	417,339	-	-	-	-	417,339	
DIP fees and interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Monitor & its counsel's fees	-	-	100,000	100,000	100,000	-	75,000	-	50,000	-	50,000	-	75,000	-	550,000	
Restructuring costs	-	-	100,000	100,000	100,000	-	50,000	-	50,000	-	50,000	-	50,000	-	500,000	
KERP	-	-	-	-	80,000	-	-	-	-	-	-	-	-	80,000	160,000	
Contingency	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	350,000	
Total disbursements	490,935	531,132	417,426	643,830	825,935	531,132	342,426	411,132	645,935	828,471	389,005	459,553	186,768	1,255,299	7,958,980	
Net Cash Flow	(159,172)	(327,589)	(385,037)	(643,830)	(123,487)	(531,132)	(224,807)	(196,568)	(645,935)	(260,335)	36,407	(26,685)	857,274	(873,089)	(3,503,987)	
Closing cash (deficit)	21	\$ (152,982)	\$ (480,571)	\$ (865,608)	\$ (1,509,438)	\$ (1,632,925)	\$ (2,164,057)	\$ (2,388,864)	\$ (2,585,433)	\$ (3,231,368)	\$ (3,491,703)	\$ (3,455,297)	\$ (3,481,982)	\$ (2,624,708)	\$ (3,497,797)	\$ (3,497,797)
Cumulative Funding from DIP Loan/Deposit Facility	21	490,000	490,000	865,608	1,509,438	1,632,925	2,164,057	2,388,864	2,585,433	3,231,368	3,491,703	3,491,703	3,491,703	3,491,703	3,497,797	3,497,797
Closing cash (deficit) after DIP/Deposit Funding	21	\$ 337,018	\$ 9,429	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,407	\$ 9,722	\$ 866,996	\$ -	\$ -	

Notes to the Unaudited cash flow forecast of the Applicants

In preparing this cash flow forecast (the "Cash Flow Forecast") the Applicants have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the operations of the Applicants and additional information discussed below with respect to the requirements of a Companies' Creditors Arrangements Act ("CCAA") filing. Since the Cash Flow Forecast is based upon assumptions of future events and conditions that are not ascertainable, the actual results achieved during the period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variation may be material. There is no representation, warranty or other assurances that any of the estimates, forecasts or projections will be realized.

Overview

The Cash Flow Forecast includes the receipts and disbursements of all of the Applicants during the Cash Flow Forecast Period. The Applicants, with the assistance of BDO Canada Limited in its capacity as the monitor of the Applicants (the "Monitor") have prepared the Cash Flow Forecast based primarily on estimated disbursements related to the ongoing operations and to the CCAA proceedings.

Notes/Assumptions:

- Based on Management's best estimate with regards to the Applicants' forecasted sales and the collection of outstanding accounts receivables balance considering existing sales forecasts, payment terms, recent collection history and current market conditions. Amounts due from certain customers are pass through transactions and are accordingly excluded from receipts and disbursements.
- Estimate of funds to be recovered from monies currently held in trust by counsel for a transactions that was never completed. Additionally, the Company has ~\$400-\$500K in deposits held by the City of Clarington with regards to a production facility that was never started and the land has previously been sold. The Cash Flow Forecast assumes that none of these funds are collected during this period.
- Wages are made up of employee and contract employee amounts. Employee bi-weekly payroll is administered through an external service provider (inclusive of taxes - paid one week in arrears) and contract employees are paid monthly by the Applicants (for the previous month). Week 2 includes ~\$120k of pre-filing amounts owed to contract employees for the month of October 2022. Week 14 assumes that all outstanding payroll is paid current (i.e., the one-week in arrears is paid) and the contract employees are paid for the month of January. The contract employees are made up (6) individuals including: senior management, Mr. Souzankar, Mr. Etemudi and Mr. Khadem-Shahreza (cumulative \$75K per month); the President, HR; and the facility manager. Senior management have not been paid for a number of months, accordingly, they are assumed to be paid for October and through the remainder of the CCAA proceedings.
- Continuation of employee group benefit plan with the Company's current insurance provider.
- Payments for anticipated purchased product (flower and trim), production supplies (solvents, personal protective equipment, etc.), temporary production labour costs and other costs required to continue operations.
- Monthly rental amounts associated with the Company's Markham head office and the licensed Pickering production facility.
- Current insurance policy premiums are paid as scheduled. Policy was just renewed and lumpsum financing payment of ~\$118K was recently paid. Additionally, there are certain pre-filing amounts payable in Week 4 related to FY21/FY22 insurance true up amounts required to keep the insurance policy in force (amount assumed to be approx. \$33K).
- Payment of go-forward utility, communication and security facility costs, automotive expense reimbursement, bank fees and other administration costs.
- Payment of laboratory certification costs required for certain finished product sales, assumes "non-contracted" preferred customer pricing no longer continues.
- On-going capital expenditure payments related to previously purchased and installed pre-roll production equipment, production equipment rental expenses and other miscellaneous rental costs. No new capital expenditures are anticipated during this period.
- Repairs and maintenance amounts for minor repairs that are necessary to maintain the licensed facility.
- Health Canada license renewal costs that were due at the end of September 2022 and are fees for the period up to March 31, 2023.
- Current excise tax is assumed to be paid and remain current during this period (these excise flow through amounts are not included - receipts or matching disbursements). No pre-filing amounts are assumed to be paid with regards to the Excise License.
- HST go-forward is assumed to be paid during this period. Given the level of expenses vs. sales during the forecast period the Applicants expect to be in nominal refund position throughout the period.
- First lien debt is assumed not to be serviced during the Cash Flow Forecast Period.

**Cannapiece Group Inc., Cannapiece Corp., Canadian Craft Growers Corp.,
2666222 Ontario Ltd., 2580385 Ontario Inc. and 2669673 Ontario Inc. (together the "Applicants")
Combined Cash Flow Forecast for the period of October 31, 2022 to February 5, 2023
(CAD \$)**

- 16 Per the DIP Agreement, the 2% facility fee (\$10K) is due at maturity. Given anticipated funding requirements of the Applicants the DIP Lender has funded a net \$490K which nets of the \$10K facility fee and is thus assumed paid and not in the cash flow.
- 17 Costs of the Monitor and its counsel to the date of filing and thereafter.
- 18 Costs of the Applicant's legal counsel to the date of filing and monthly amounts thereafter.
- 19 Amounts allocated for a Key Employee Retention Program to assist in retaining key personnel (11 employees made up of operational directors, finance, HR, legal and the President, ranging from \$10K to \$30K) to help manage the CCAA sale and investment solicitation process, maintain the Company's Health Canada license and operations during this period. These amounts are assumed to be paid 50% at the end of November 2022 and 50% at the end of January 2023.
- 20 Contingency of \$25K per week is assumed throughout the period to cover unanticipated costs and/or delay in the collection of accounts receivable amounts.
- 21 Cash deficit is funded by the DIP Loan in one tranche of \$500K on issuance of the Initial Order; and weekly thereafter (beginning Week 3) funded by a Deposit Facility per the Sales Process Approval Order/Stalking Horse SPA as outlined in the Cash Flow Forecast to a cumulative total of approximately \$3.5 million.

First Report of the Monitor

Appendix "C"

Stalking Horse Sales 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 (the SISP or the “Stalking Horse Sales Process”).
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:

Milestone	Deadline
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 SPA	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 3, 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 designated 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 3, 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
pnaumis@bdo.ca

First Report of the Monitor

Appendix "D"



Cameron Percy
Managing Director
BDO Canada Transaction Advisory Services Inc.
222 Bay St. Suite 2200
Toronto, ON M5K 1H1 Canada

November 7, 2022

CONFIDENTIAL

Cannapiece Corp.
100 Allstate Parkway
Suite 302
Markham, Ontario
L3R 6H3

Attention: Afshin Souzankar

Dear Mr. Souzankar:

BDO Canada Transaction Advisory Services Inc. ("BDO") understands that Cannapiece Group Inc. and Cannapiece Corp and/or their affiliates and subsidiaries (collectively the "Company"), are seeking to pursue a Sale and Investment Solicitation Process for the Company (the "Transaction"). The Company wishes to engage BDO as its exclusive financial advisor with respect to the Transaction and BDO desires to assist the Company with respect to the Transaction on the following terms, including the Standard Terms and Conditions attached hereto as Appendix "A":

Capitalized terms used herein and not otherwise defined have the meanings given to them in the Standard Terms and Conditions.

1. Scope of Services

BDO's scope of work will include, subject to any Court decision or approval, the following Services as outlined below:

- a. Review the objectives and constraints of the Company and Transaction stakeholders in conducting the engagement to determine a specific and detailed strategy for executing the Transaction that best meets the objectives;
- b. Assist the Company to identify, obtain, assemble, and organize in a data room all of the necessary information required to complete the Transaction;
- c. Help establish and maintain a list of prospective buyers or investors ("Transaction Sources");
- d. Develop an information package ("Confidential Information Summary" or "CIS") to support discussion with the prospective purchasers. The CIS may include information on some or all of the following areas, to be agreed upon:



- i) Summary of historical income statement and balance sheet including normalizing adjustments and commentary;
 - ii) Company history, ownership structure, and general overview of the business;
 - iii) Analysis of sales volume, sales mix, gross margin, net profit margins, and other relevant operating metrics;
 - iv) Summary of the Company's performance relative to peers or competitors;
 - v) Detailed description of the Company's facilities;
 - vi) Summary of the Company's management team, staff, and relevant metrics (e.g., turnover); and
 - vii) Summary of potential opportunities for growth and continued improvement.
- e. Provide the Company with a standard template confidentiality agreement to be reviewed and approved by Transaction legal counsel;
- f. Use commercially reasonable efforts to market the Transaction and introduce the Company to potential Transaction Sources;
- g. Coordinate and manage the distribution of the CIS to prospective Transaction Sources, with the Company's prior approval, to obtain confirmation of their interest in pursuing a Transaction on terms consistent with the Transaction objectives;
- h. Help evaluate and qualify all interested Transaction Sources;
- i. Assist the Company's management with presentations, schedule and attend appointments with qualified Transaction Sources as requested by the Company;
- j. Manage the online data room and facilitate the due diligence process as required by the Transaction Source(s);
- k. Distribute the template definitive agreements to potential Transaction Sources;
- l. Prepare a bid letter which provides instructions on the bid process, including the Bid Deadline (the "Bid Letter");
- m. Solicit final and binding offers alongside marked-up Template APA;
- n. Provide assistance and advice as requested by the Company and Transaction stakeholders with the evaluation and negotiation of formal offers and the Closing of the Transaction.



For abundant clarity, the terms of any Transaction shall be as negotiated between the Company, Transaction stakeholders and the Transaction Source, with BDO's assistance, but BDO cannot guarantee a successful conclusion to the negotiations with any such Transaction Sources. During the term of this Agreement, the Company and Transaction stakeholders shall refer to BDO as Transaction Sources all Transaction inquiries received by it prior to or during the term hereof and use its reasonable efforts to assist BDO in undertaking and completing the Transaction.

In connection with this Agreement, the Company represents and warrants that, to the best of its knowledge, all information given to BDO, or otherwise contained in the information package or any other transaction document it approves, shall be complete and correct in all material respects, and shall not otherwise contain any materially misleading statements or omissions.

The Company further represents and warrants to BDO that there are no brokers, representatives or other persons who have an interest in compensation due to BDO from the Transaction contemplated herein.

3. Professional Fees

In consideration of the foregoing:

- a. **Hourly Fees:** Hourly Fees will be based on the time invested at our standard hourly rates and will be billed monthly. The following are our standard hourly rates:

Staff	Hourly rate (CAD\$)
1. Managing Director	\$650
2. VP/Director	\$500
3. Manager	\$375
4. Associate	\$240
5. Analyst	\$160

- b. **Disbursements and Expenses:** In addition to any fees payable by the Company to BDO hereunder, the Company shall, whether or not a Transaction is consummated, reimburse BDO for its travel and other reasonable out-of-pocket expenses (including any database usage costs and all fees, disbursements and other charges incurred by BDO with the Company's consent) incurred in connection with any actual or proposed Transaction, or otherwise arising out of BDO's activities under or contemplated by, this engagement. These expenses shall not exceed \$2,500 unless approved by the Company in writing.

- c. **Taxes:** BDO will apply all applicable provincial and federal taxes to all fees.



The Company and Transaction stakeholders hereby irrevocably authorize and instructs their legal counsel to pay directly to BDO, out of the closing proceeds, at Closing the unpaid cash sums provided for in Paragraphs (a) through (d) above and agrees to notify the Transaction Source of this provision. The Company and Transaction stakeholder hereby expressly agree that in the event any dispute or disagreement arises with respect to the payment to BDO of the sums due at Closing, that the Transaction Source shall immediately place all disputed sums in an interest-bearing escrow account pending resolution of the dispute pursuant to this Agreement and shall not under any circumstances deliver such disputed sums to the Company and/or Transaction stakeholders. The Company and Transaction stakeholder hereby irrevocably authorize and instruct the Transaction Source to escrow such disputed sums. The Company and Transaction stakeholder further agree that any sums due pursuant to Paragraphs (a) through (d) above which are not in dispute shall not be escrowed but shall be paid upon Closing to BDO by the Transaction Source as provided for under the terms of this Agreement.

In the event that this Agreement is terminated prior to a Transaction Closing, BDO shall be entitled to (i) the entire cash sum paid (and then due and payable) to it as provided for in Paragraphs (a), (b) and (d) above.

4. Engagement Team

This engagement will be under the direction of Cameron Percy, who will maintain overall responsibility on behalf of BDO and Salman J. Virani will lead the day-to-day execution of the engagement. The team will include other professionals, as necessary, to complete the engagement.

5. Exclusivity

To allow BDO to properly coordinate the Transaction process, the Company agrees that BDO shall act as the sole and exclusive financial advisor in connection with the Transaction. You agree that neither the Company nor other advisors will initiate any discussions with Transaction Sources without first notifying BDO. In the event that the Company is solicited by a third party, the Company agrees to promptly inform BDO so that BDO can effectively render the Services provided for in this agreement.

6. Standard Terms and Conditions

By signing this Agreement, you acknowledge that you have read and understood the Standard Terms and Conditions attached hereto as Appendix "A" and agree to be bound by those terms in respect of the Services described above, including without limitation, the limitations of liability contained therein that limit our professional liability.

If the above engagement and Agreement relating thereto are acceptable, please execute the acceptance and acknowledgment of this Agreement as hereinafter provided.



Very truly yours,
BDO Canada Transaction Advisory Services Inc.

By: _____
Cameron D. Percy, Managing Director

ACCEPTANCE AND ACKNOWLEDGMENT:

The Company, on behalf of itself and its subsidiaries and affiliates and the shareholders, hereby accepts the above engagement and agrees to the terms and provisions set forth above with respect to such engagement.

Cannapiece Group Inc. and Cannapiece Corp.

By: Afshin Souzankar
Afshin Souzankar
President

Date: Nov 8, 2022

Appendix A - Standard Terms and Conditions

1. Overview and Interpretation

- 1.1 To the extent that any of the provisions of the accompanying letter conflict with these Standard Terms and Conditions, these Standard Terms and Conditions shall prevail. This Agreement may not be changed, modified, or waived in whole or part except by an instrument in writing signed by both parties.
- 1.2 In this Agreement, the following words and expressions have the meanings set out below:
- **This Agreement** - these Standard Terms and Conditions, the letter to which they are attached, and any supporting schedules or other appendices to the letter
 - **Services** - the services provided or to be provided under this Agreement
 - **We, us, our, BDO** - refer to BDO Canada Transaction Advisory Services Inc., a corporation organized under the federal laws of Canada
 - **You, your** - the party or parties contracting with BDO under this Agreement, including the party's or parties' management and those charged with corporate governance. You and your does not include BDO, its affiliates or BDO Member Firms
 - **BDO Member Firm or Firms** - any firm or firms that form part of the international network of independent firms that are members of BDO International Limited
 - **Confidential Information** - all non-public confidential or proprietary information of relating to you or your individual personnel
 - **Working Papers** - documents or advice, prepared by us or for us, in connection with our Services, excluding Deliverables

- **Deliverables** - the output of our Services, including the CIS, but excluding our Working Papers
- **Client Information** - information provided to us by you or on your behalf

Other capitalized terms used herein and not defined shall have the meaning given to them in the accompanying letter.

2. Entire Agreement and Survival

- 2.1 This Agreement sets forth the entire agreement between the parties with respect to the Services, superseding all prior agreements, negotiations, or understandings, whether oral or written, with respect to Services. It is understood that this Agreement will not be superseded by any contract with us for other specific services that are not of the same scope as the Services contemplated in this Agreement, unless the other contract explicitly references this Agreement and an intent to supersede it.
- 2.2 The provisions of this Agreement that give either of us rights or obligations beyond its termination shall continue indefinitely following the termination of this Agreement. Any clause that is meant to continue to apply after termination of this Agreement will do so.

3. BDO Network and Sole Recourse

- 3.1 BDO is an affiliate of BDO Canada LLP, a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international network of independent member firms (i.e. BDO Member Firms), each of which is a separate legal entity.
- 3.2 We may use BDO affiliates, including other BDO Member Firms, or subcontractors to provide Services; however, we remain solely responsible for the Services. You agree not to bring any claim or action against another BDO Member Firm (or their partners, members, directors, employees or

subcontractors) or our subcontractors in respect of any liability relating to the provision of Services.

3.3 You agree that any of our affiliates, subcontractors, and other BDO Member Firms and any subcontractors thereof whom we directly or indirectly involve in providing Services have the right to rely on and enforce Section 3.2 above as if they were a party to this Agreement.

4. Our Relationship With You

4.1 We will use reasonable efforts to complete, within any agreed-upon time frame, the performance of our Services.

4.2 We will perform our Services in accordance with applicable professional standards.

4.3 We will provide Services to you as an independent contractor and not as your employee, agent, partner, or joint venture. Neither you nor we have any right, power, or authority to bind the other.

5. Your Responsibilities

5.1 You shall be responsible for your personnel's compliance with your obligations under this Agreement. We will not be responsible for any delays or other consequences arising from you not fulfilling your obligations.

5.2 You are responsible for all decisions relating to our Services, the use or implementation of the output of our Services and for determining whether the Services are appropriate for your purposes.

5.3 You shall promptly provide (or cause others to provide) to us, the information, resources and assistance (including access to records, systems, premises and people) that we reasonably require to perform our Services.

5.4 To the best of your knowledge, all Client Information will be accurate and complete in all material respects. The provision of Client Information to us will not infringe any copyright or other third-party rights.

5.5 We will rely on Client Information made available to us and, unless we expressly agree otherwise, will have no responsibility to evaluate or verify it.

6. Working Papers and Deliverables

6.1 **Ownership** - Any Working Papers prepared by us, or for us, in connection with the Services belong solely to us. These documents constitute Confidential Information, and will be retained by us in accordance with BDO policies and procedures, as necessary to comply with professional and regulatory standards. Upon our receipt of full payment of all amounts owing under the Agreement, you will own all right, title and interest to the Deliverables, save and except for any BDO intellectual property incorporated therein, which remains the sole and exclusive property of BDO.

6.2 **Oral advice and draft deliverables** - You should not rely upon any draft deliverables or oral advice provided by us. Should you wish to rely upon something we have said to you, please let us know and, if possible, we will provide the information that you require in writing.

6.3 **Updating Deliverables** - We shall not be required to update any final Deliverables for circumstances of which we become aware, or events occurring, after its delivery.

7. Reliance by Third Parties

7.1 Our Services will not be planned or conducted in contemplation of or for the purpose of reliance by any party other than you..

8. Independence

8.1 Professional and certain regulatory standards may require us to be independent, in both fact and appearance, with respect to our clients in the performance of certain services. If required, we will communicate to you any relationships between BDO (including its related entities) and you that, in

our professional judgment, may reasonably be thought to bear on our independence.

9. Professional and Regulatory Oversight

- 9.1 As required by legal, regulatory, or professional authorities (both in Canada and abroad) and by BDO policy, our client files may be periodically be reviewed by practice inspectors to ensure that we are adhering to professional and BDO standards. It is understood that by entering into this Agreement, you provide your consent to us providing our files relating to the Services to the practice inspectors for the sole purpose of their inspection.
- 9.2 Certain regulatory bodies may also have the right to conduct investigations of you, including the Services provided by us. To the extent practicable and permitted by law, we will advise you of any such investigation request or order prior to providing our working papers.
- 9.3 You agree to reimburse us for our time and expenses, including reasonable legal fees, incurred in responding to any investigation that is requested or authorized by you or investigations of you undertaken under government regulation or authority, court order or other legal process.

10. Privacy and Consents

- 10.1 You agree we will have access to all personal information in your custody that we require to complete our engagement. We may collect, use, transfer, store, or process such information disclosed by you of a personal nature (personal information). Our Services are provided on the understanding that:
- (a) you have obtained any consents for collection, use and disclosure to us of personal information required under all applicable privacy legislation; and
 - (b) we will hold all personal information in compliance with our Privacy Statement.

11. Confidentiality

- 11.1 We agree to use Confidential Information provided by you only in relation to the Services in connection with which the information is provided and we will not disclose the information, except where required by law, regulation, or professional obligation. We may, however, give Confidential Information to other BDO Member Firms or other subcontractors assisting us in providing the Services. All Confidential Information, including any Client Information, will be retained by BDO in accordance with applicable laws and regulations and our standard document retention policies. You may, at any time, request a return of any Client Information provided to us hereunder; provided that we may retain such copies of any Client Information that we deem necessary or appropriate for record-keeping purposes, and any such retained Client Information will remain subject to our confidentiality obligations.
- 11.2 Neither of us may use or reference the other's name, logos, or trademarks publicly without the other's prior written consent, although we may publicly identify you as a client in connection with specific Services or generally.
- 11.3 BDO shall be entitled to include a description of the work we render to or for you in marketing and research materials and disclose such information to third parties, provided that all such information will be made anonymous and not associated with you. Additionally, we may analyze information on an industry or sector basis for internal purposes or to provide industry/sector wide information to our clients or potential clients. You consent to our using information obtained from you in this way provided that the outputs therefrom will not contain any identifying features that can be attributed to you.
- 11.4 BDO, upon Closing a Transaction, shall have the right to place advertisements in financial newspapers, journals and other marketing materials at its own expense describing non-

confidential information of its Services to the Company hereunder. Without limiting the foregoing, BDO may also publicize its Services in connection herewith, including, without limitation, providing non-confidential information to the financial press and other media.

12. Electronic Communications

- 12.1 Both parties recognize and accept the security risks associated with email communications, including but not limited to the lack of security, unreliability of delivery and possible loss of confidentiality and privilege. Unless you request in writing that we do not communicate by internet email, you assume all responsibility and liability in respect of risk associated with its use.
- 12.2 By signing this Agreement, you provide BDO with express consent to communicate with you and your employees, as applicable, electronically, including sending BDO newsletters, publications, announcements, invitations and other news and alerts that may be of interest to you. You and your employees may withdraw such consent at any time by contacting BDO at www.bdo.ca/unsubscribe.

13. Termination

- 13.1 This Agreement applies to the Services whenever performed (including before the date of this Agreement).
- 13.2 This Agreement shall terminate upon the completion of the Services. You or we may terminate this Agreement at any time upon 10 days' prior written notice of such termination to the other party. In addition, we may terminate this Agreement, or any particular Services, immediately upon written notice to you if we reasonably determine that we can no longer provide the Services in accordance with applicable law or professional obligations.
- 13.3 We will not be liable for any loss, cost, or expense arising from such termination. You agree to pay us for all Services performed up to the date of

termination, including Services performed, work-in-progress, and expenses incurred by us up to and including the effective date of the termination of this Agreement. Payment is due upon receipt of our invoice for these amounts.

14. Limitation of Liability

- 14.1 In any dispute, action, claim, demand for losses or damages arising out of the Services performed by BDO pursuant to this Agreement, BDO shall only be liable for its proportionate share of the total liability based on degree of fault as determined by a court of competent jurisdiction or by an independent arbitrator as a result of the dispute resolution procedures, notwithstanding the provisions of any statute or rule of common law which create, or purport to create, joint and several liability.
- 14.2 Our liability shall be restricted to damages of a direct and compensatory nature and shall not include indirect, consequential, aggravated, or punitive damages, or damages for loss of profits or expected tax savings, whether or not the likelihood of such loss or damage was contemplated.
- 14.3 You agree that BDO shall in no event be liable to you for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the Services performed hereunder for an aggregate amount of more than the higher of:
 - (a) one times the fees paid to BDO by you, in a twelve consecutive month period, for the Services provided pursuant to this Agreement giving rise to the claim; and
 - (b) \$10,000.
- 14.4 No exclusion or limitation on the liability of other responsible persons imposed or agreed at any time shall affect any assessment of our proportionate liability hereunder, nor shall settlement of or difficulty enforcing any claim, or the death, dissolution or insolvency of any such other responsible persons or their ceasing to be liable for

the loss or damage or any portion thereof, affect any such assessment.

- 14.5 You agree claims or actions relating to the delivery of the Services shall be brought against us alone, and not against any individual. Where our individuals are described as partners, they are acting as one of our members.

15. Limitation Period

- 15.1 You shall make any claim relating to the Services or otherwise under this Agreement no later than one year after you became aware or ought reasonably to have become aware of the facts giving rise to any such claim.
- 15.2 You shall in no event make any claim relating to the Services or otherwise under this Agreement later than four years after the completion of the Services under this Agreement.
- 15.3 To the extent permitted by law, the parties to this Agreement agree that the limitation periods established in this Agreement replace any limitation periods under any limitations act and/or any other applicable legislation and any limitation periods under any limitations act and/or any other applicable legislation shall not alter the limitation periods specified in this Agreement.

16. Indemnity

- 16.1 To the fullest extent permitted by applicable law and professional regulations, you agree to indemnify and hold harmless BDO from and against all losses, costs (including solicitors' fees), damages, expenses, claims, demands or liabilities arising out of or in consequence of:
- (a) a misrepresentation by a member of your management or board of directors, regardless of whether such person was acting in your interest;
 - (b) the Services performed by BDO pursuant to this Agreement, unless, and to the extent that, such losses, costs, damages and

expenses are found by a court of competent jurisdiction to have been due to the gross negligence of BDO. In the event that the matter is settled out of court, we will mutually agree on the extent of the indemnification to be provided by you, failing which, the matter may be referred to dispute resolution in accordance with the terms of this Agreement.

17. Force Majeure

- 17.1 We will not be liable for any delays or failures in performance or breach of contract due to events or circumstances beyond our reasonable control, including acts of God, war, acts by governments and regulators, acts of terrorism, accident, fire, flood or storm or civil disturbance.

18. Québec Personnel

- 18.1 We may sometimes have individual partners and employees performing the Services within the Province of Québec who are members of the Ordre des comptables professionnels agréés du Québec. Any such members performing professional services hereunder assume full personal civil liability arising from the practice of their profession, regardless of their status within our partnership. They may not invoke the liability of our partnership as grounds for excluding or limiting their own liability. The provisions in Sections 15 (Limitation of Liability) and 16 (Limitation Period) shall therefore not apply to limit the personal civil liability of partners and employees who are members of the Ordre des comptables professionnels agréés du Québec.

19. Governing Laws

- 19.1 The terms of our engagement shall remain operative until amended, terminated, or superseded in writing. They shall be interpreted according to the laws of the province or territory in which BDO's principal Canadian office performing the engagement is located, without regard to such province/territory's rules on conflicts of law. The

Courts of Canada shall have exclusive jurisdiction in relation to any claim, dispute, or difference concerning the Services and any matter arising from it.

20. Alternative Dispute Resolution

- 20.1 Both parties agree that they will first attempt to settle any dispute arising out of or relating to this Agreement or the Services provided hereunder through good faith negotiations.
- 20.2 In the event that the parties are unable to settle or resolve their dispute through negotiation, such dispute shall be subject to mediation using a mediator chosen by mutual agreement of the parties.
- 20.3 All disputes remaining unsettled for more than 60 days following the parties' first meeting with a mediator, or such longer period as the parties mutually agree upon, shall be referred to and finally resolved by arbitration. The parties agree that one arbitrator shall be appointed within twenty (20) days of receipt of the request for arbitration. The place of arbitration shall be in the capital of the Province of the governing law as contained herein. Unless the arbitrator otherwise determines, the fees of the arbitrator and the costs and expenses of the arbitration will be borne and paid equally by the parties. Such arbitration shall be final, conclusive and binding upon the parties, and the parties shall have no right of appeal or judicial review of the decision whatsoever. The parties hereby waive any such right of appeal or judicial review which may otherwise be provided for in any provincial arbitration statute. Judgment upon the award, including any interim award, rendered by the arbitrator may be entered in any court having jurisdiction. The arbitration shall be kept confidential and the existence of the arbitration proceeding and any element thereof (including but not limited to any pleadings, briefs or other documents submitted and exchanged and testimony and other oral submissions and any awards made) shall not be disclosed beyond the

arbitrator(s), the parties, their counsel and any person to whom disclosure is necessary to the conduct of the proceeding except as may be lawfully required in judicial proceedings relating to the arbitration or otherwise.

21. Assignment

- 21.1 No party may assign, transfer, or delegate any of the rights or obligations hereunder without the written consent of the other party or parties. BDO may engage independent contractors and BDO Member Firms to assist us in performing the Services in this Agreement without your consent.

22. Severability

- 22.1 If a court or regulator with proper jurisdiction determines that a provision of this Agreement is invalid, then the provision will be interpreted in a way that is valid under applicable law or regulation. If any provision is invalid, the rest of this Agreement will remain effective.

First Report of the Monitor

Appendix "E"

STALKING HORSE PURCHASE AGREEMENT

This Agreement is made as of the 8th 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

with a copy to:

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

Attention: Rory McGovern
Email: rory@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

with a copy to:

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

Attention: Sam Massie
Email: 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

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

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**

Regulatory Authority	Authorization Type	Details	Licensee	Effective Date	Expiry Date	Licence No.
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:

Milestone	Deadline
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
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**

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

FIRST REPORT OF THE MONITOR

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