

**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 CHALICE BRANDS LTD.

**MOTION RECORD OF THE APPLICANT,
CHALICE BRANDS LTD.**
(Motion Returnable August 31, 2023 at 11:00 a.m.)

August 18, 2023

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Chalice Brands Ltd.

TO: **THE SERVICE LIST**

**ONTARIO
SUPERIOR COURT OF JUSTICE**

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TAB 1

Court File No. CV-23-00699872-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
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ACT* R.S.C. 1985, c. C-36, AS AMENDED

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ARRANGEMENT OF CHALICE BRANDS LTD.

NOTICE OF MOTION

The Applicant, Chalice Brands Ltd. (“**Chalice**”), will make a Motion to a Judge presiding over the Commercial List on August 31, 2023 at 11:00 a.m., or as soon after that time as the Motion can be heard.

PROPOSED METHOD OF HEARING: The Motion is to be heard

- In writing under subrule 37.12.1(1);
- In writing as an opposed motion under subrule 37.12.1(4);
- In person;
- By telephone conference;
- By video conference.

at the following videoconference link:

Meeting ID: 641 7224 4590 Passcode: 708039

<https://ca01web.zoom.us/j/64172244590?pwd=OHg5VkJFNIRHb3FPdFcxaVY4dnRRZz09#success>

THE MOTION IS FOR

1. An order (the “**Approval and Vesting Order**”) substantially in the form attached at Tab 3 of the Applicant’s Motion Record, *inter alia*:
 - (i) approving the sale transaction (the “**Transaction**”) contemplated by the Asset Purchase Agreement dated as of August 11, 2023, (the “**APA**”) between APCO LLC, as buyer (“**APCO**”, or the “**Purchaser**”) and Chalice, Greenpoint Nevada, Inc., Greenpoint Oregon, Inc., Greenpoint Equipment Leasing, LLC, CFA Retail, LLC, SMS Ventures, LLC, and CF Bliss LLC (together, the “**Vendor**”), wherein the Purchaser will acquire substantially all of the assets of the Chalice Group; and
 - (ii) vesting all of the Applicant’s rights, title and interest in the Purchased Assets (as defined in the APA), free and clear of all encumbrances, other than permitted encumbrances;
2. An Order extending the Stay Period (as defined below) to and including October 31, 2023;
3. Such further and other relief as to this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE¹***Background***

1. The Applicant is a publicly traded Ontario corporation with its registered head office in Toronto.
2. The Applicant, together with its U.S.-based subsidiaries (collectively, the “**Chalice Group**”), forms a vertically integrated corporate group that grows, processes, distributes and sells cannabis and cannabis products.
3. The Chalice Group operates primarily in the regulated adult-use market of Oregon.
4. On May 23, 2023, the Applicant sought and obtained protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (“**CCAA**”), pursuant to an Order (the “**Initial Order**”) granted by the Honourable Justice Kimmel of the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”).
5. Among other things, the Initial Order: (i) appointed KSV Restructuring Inc. as the court-appointed monitor in the CCAA proceeding (in that capacity, the “**Monitor**”); (ii) granted a stay of proceedings over the Applicant and the Non-Filing Affiliates (as defined in the Fifth Second Affidavit) until June 2, 2023 (the “**Stay Period**”); and (iii) granted an Administration Charge (as defined in the Initial Order) on all of the assets and property of the Chalice Group.

¹ Capitalized words not otherwise defined herein have the meaning ascribed to them in the Affidavit of Scott Secord sworn August 18, 2023 (the “**Fifth Second Affidavit**”).

6. On June 1, 2023, the CCAA Court granted an Amended and Restated Initial Order (the “**ARIO**”) which, among other things, extended the Stay Period to July 28, 2023 (since extended to August 31, 2023).

7. Because the Chalice Group grows and sells cannabis products, there is uncertainty about whether the Chalice Group can access the tools under the U.S. Bankruptcy Code to restructure its business. As a result, concurrent with the commencement of the CCAA proceeding, the Applicant initiated proceedings in the State of Oregon to place certain of its indirect subsidiaries into state receivership.

8. On May 23, 2023, the Circuit Court of the State of Oregon (the “**Oregon Court**”) entered an order appointing Kenneth S. Eiler as state receiver (the “**Oregon Receiver**”) over the following Chalice subsidiaries: Greenpoint Oregon, CFA Retail, Greenpoint Equipment, SMS Ventures, and CF Bliss (together, the “**Oregon Receivership Entities**” and such proceedings, the “**Oregon Receivership Proceedings**”).

9. On June 1, 2023, the CCAA Court granted an Order (the “**CCAA SISP Order**”) which, among other things, approved a sales and investment solicitation process (the “**SISP**”), the purpose of which was to seek out proposals for the acquisition of, or investment in, the Chalice Group or its business and assets, and to implement one or a combination of such proposals, including a potential sale of the business as a going concern.

10. On June 2, 2023, the Oregon Court granted an order approving the SISP (the “**Oregon SISP Order**”) and together with the CCAA SISP Order, the “**SISP Approval Orders**”).

Outcome of the SISP

11. Since the granting of the SISP Approval Orders, the Applicant, in consultation with the Monitor and the Oregon Receiver, has been conducting the SISP in an effort to achieve a potential sale of some or all of the business as a going concern.

12. The Applicant received four offers by the initial bid deadline, one of which was for substantially all of the Chalice Group's assets (the "**Initial Bids**"). The bidder for substantially all of the Chalice Group's assets was APCO LLC (as above, the "**Purchaser**").

13. The Applicant determined that none of the Initial Bids provided for sufficient cash to cover the administration costs of the proposed sale. The Applicant, in consultation with the Monitor and the Oregon Receiver, proceeded to re-engage with the four bidders in an effort to encourage them to improve their bids.

14. The Applicant extended the bid deadline, in consultation with the Monitor, the Oregon Receiver, and the CRO, in accordance with the SISP.

15. The Purchaser ultimately delivered a revised bid (the "**Revised APCO Bid**").

16. The Applicant, with the approval of the Monitor and the Oregon Receiver, selected the Revised APCO Bid as the Successful Bid and negotiated and entered into the APA with the Purchaser on August 11, 2023.

17. In the view of the Applicant, the Transaction set out in the APA is the best transaction in the circumstances and the best means to maximize the value of the Purchased Assets.

The Asset Purchase Agreement

18. Under the terms of the APA, the Purchaser will acquire substantially all of the assets of the Chalice Group, except for assets described in the APA as Excluded Assets.

19. The Purchaser is a Delaware limited liability company. Its principals and managers are William Simpson and Gary Zipfel. Both of these individuals are familiar with the business and operations of the Chalice Group, including as prior owners, creditors and former members of management.

20. The Purchase Price for the Purchased Assets is USD \$3,000,000.

21. Both the Monitor and the Oregon Receiver are supportive of the Transaction. A liquidation of the assets of the Chalice Group would likely lead to less recovery than the Transaction.

Alleged Liens on Certain of the Purchased Assets

22. There are four creditors of the Chalice Group who assert or potentially assert liens on certain of the Purchased Assets that are subject to the transaction: (i) the Homegrown Lenders, (ii) High Street; (iii) Bobsled; and (iv) the IRS (collectively, the “**Disputed Secured Creditors**”).

23. As of the date of swearing this Affidavit, the Oregon Receiver – with the support of the Applicant – has reached tentative agreements with the Homegrown Lenders and High Street, pursuant to which the Oregon Receiver will pay \$150,000 from the proceeds of the Transaction to each of the Homegrown Lenders and High Street on account of their asserted lien claims.

24. The Oregon Receiver is challenging the Bobsled lien claim. The Purchased Assets do not include any assets subject to the IRS’ tax lien.

Scheduling of Sale Approval Hearings

25. On August 11, 2023, the Oregon Receiver served the following motions in the Oregon Receivership Proceedings: (i) *Oregon Receiver's Motion for Authority to Sell Property Free and Clear of Liens and Interests* (the "**Oregon Sale Motion**"); and (ii) *Oregon Receiver's Motion to Determine Validity of Liens on Purchased Assets* (the "**Lien Motion**" and, together with the Oregon Sale Motion, the "**Oregon Motions**").

26. In the Lien Motion, the Oregon Receiver has requested that the Oregon Court enter an order determining that the Disputed Secured Creditors' liens are invalid and unperfected.

27. Alternatively, the Oregon Receiver has requested that the Oregon Court grant the Oregon Sale Motion and authorize the Oregon Receiver to close the Transaction free and clear of all liens, with all claims to any liens and interests against the Property attach (including any alleged liens asserted by the Disputed Secured Creditors) attaching to the net proceeds of the Transaction in the same order and in the same priority as such liens and interests had with respect to the Property immediately before the Transaction, subject to limited exceptions (including payment of \$150,000 from the proceeds of the Transaction to each of the Homegrown Lenders and High Street).

28. The Oregon Court has set the following hearing dates for the Oregon Motions: August 28, August 31, September 1 and September 5, 2023.

29. In the event that no opposition is filed in respect of the Oregon Motions (or any opposition is resolved prior to August 28, 2023), it is anticipated that the Oregon Sale Motion will proceed on August 28, 2023 and the other hearing dates will be vacated by the Oregon Court.

30. The Applicant, in consultation with the Monitor and the Oregon Receiver, has determined that the Oregon Sale Motion ought to be heard before the sale approval motion is heard by the CCAA Court. Accordingly, should the Oregon Sale Approval Order be granted on August 28, 2023, the Applicant intends to seek the CCAA Approval and Vesting Order, together with the extension of the Stay Period, at the motion currently scheduled on August 31, 2023.

31. In the event that the Oregon Sale Approval Order is not granted in advance of August 31, the Applicant intends to use the August 31 hearing date to request an extension of the Stay Period, and will request another hearing date in early September (after the Oregon Sale Approval Order has been granted) to seek the CCAA Approval and Vesting Order.

Stay Extension

32. The Applicant is seeking to extend the Stay Period so that it will run to and including October 31, 2023. This will allow the Applicant time to seek approval of the Transaction from the Oregon Court and the CCAA Court and to close the Transaction.

33. The Applicant, with the assistance of the Monitor, has confirmed that the Applicant will have sufficient liquidity to fund the wind-down of the CCAA proceeding during the proposed extension of the Stay Period.

34. The Applicant has acted, and continues to act, in good faith and with due diligence in the CCAA proceeding since the granting of the Initial Order.

35. The proposed extension of the Stay Period is in the best interests of the Applicant and its stakeholders generally.

36. The Monitor supports the proposed request to extend the Stay Period.

37. Such further and other grounds as the lawyers may advise.

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

1. The affidavit of Scott Secord, sworn August 18, 2023;
2. the Report of the Monitor, to be filed; and
3. Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

August 18, 2023

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Lawyers for the Applicant,
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PROCEEDING COMMENCED AT TORONTO

NOTICE OF MOTION

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TAB 2

Court File No. CV-23-00699872-00CL

**ONTARIO
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AFFIDAVIT OF SCOTT SECORD
(the "**Fifth Secord Affidavit**")

I, Scott Secord, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

1. I am the Chief Restructuring Officer ("**CRO**") of Chalice Brands Ltd. ("**Chalice**") and its subsidiaries, Greenpoint Holdings Delaware, Inc. ("**Greenpoint Holdings**"), Greenpoint Oregon, Inc. ("**Greenpoint Oregon**"), CFA Retail, LLC ("**CFA Retail**"), SMS Ventures, LLC ("**SMS Ventures**"), CF Bliss LLC ("**CF Bliss**"), Greenpoint Workforce, Inc. ("**Greenpoint Workforce**"), Greenpoint Equipment Leasing, LLC ("**Greenpoint Equipment**"), Fifth and Root, Inc. ("**Fifth and Root**") and Greenpoint Nevada, Inc. (collectively, the "**Non-Filing Affiliates**", and together with Chalice, the "**Chalice Group**"), through my personal corporation, Cardinal Advisory Services Inc. ("**Cardinal Advisory**"). I am also a member of Chalice's Board of Directors. I have served as a director of Chalice since March 22, 2021.

2. In my current role as CRO of Chalice, I have oversight over Chalice's governance, business, and general operations. In the course of my duties as CRO and director, I have become familiar with Chalice's businesses, day-to-day operations, and financial affairs. As such, I have

personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with the senior management team of the Chalice Group and the Applicant's financial and legal advisors.

3. I swear this affidavit in support of a motion by the Applicant for an order (the "**Approval and Vesting Order**"), substantially in the form attached as Tab 3 to the Applicant's Motion Record, *inter alia*:

- (a) approving the transaction (the "**Transaction**") contemplated by an Asset Purchase Agreement ("**APA**") dated August 11, 2023 between APCO LLC (the "**Purchaser**") and Chalice, Greenpoint Nevada, Greenpoint Oregon, Greenpoint Equipment, CFA Retail, SMS Ventures, and CF Bliss (together, the "**Vendor**") wherein the Purchaser will acquire substantially all of the assets of the Chalice Group;
- (b) vesting all of the Applicant's right, title and interest in and to the Purchased Assets (as defined in the APA) in the Purchaser, free and clear of all encumbrances, other than permitted encumbrances; and
- (c) extending the Stay Period (as defined below) to and including October 31, 2023.

4. Unless otherwise noted, all references to monetary amounts in this Affidavit are in U.S. dollars.

5. Capitalized terms not otherwise defined herein have the meaning ascribed to them in my previous affidavits sworn May 22, 2023 (the "**First Second Affidavit**"), May 26, 2023 (the "**Second Second Affidavit**"), May 26, 2023 (the "**Third Second Affidavit**"), and July 21, 2023

(the “**Fourth Secord Affidavit**”; collectively with the First, Second, and Third Secord Affidavits, the “**Previous Affidavits**”) copies of which are attached hereto consecutively without exhibits as **Exhibit “A”**.

6. The Transaction contemplated by the APA is the culmination of the SISP (as defined below). The Transaction preserves a significant portion of the Chalice Group’s business on a going concern basis, preserves many of its valuable cannabis licenses, and is the best means to maximize the value of the Purchased Assets (as defined below). The Transaction is supported by the Monitor and the Oregon Receiver.

A. BACKGROUND

(a) Events leading up to CCAA Proceeding and Oregon Receivership

7. The Applicant, together with its subsidiaries (all of which are based in the United States), forms a vertically integrated corporate group that grows, processes, distributes and sells cannabis and cannabis products. The Chalice Group operates primarily in the regulated adult-use market of Oregon.

8. As described in greater detail in the First Secord Affidavit, the last two years have been extremely challenging for the cannabis industry in Oregon and elsewhere in the United States. The Chalice Group has made significant reductions in headcount and inventory procurement and renegotiated or paused certain ongoing contractual obligations such as lease payments and other amounts owing to counterparties.

9. Despite these efforts, the Chalice Group faced an urgent liquidity crisis and was unable to satisfy its obligations as they came due. Immediately prior to the Filing Date (as defined below), the Chalice Group was unable to pay key suppliers and had failed to make payments of interest and principal on certain of its promissory notes. The Chalice Group had also failed to make

payments of interest and principal on certain of its unsecured debentures. Further, certain of the Applicant's subsidiaries had also fallen behind on making lease payments to certain of their landlords.

(b) CCAA Proceeding

10. As a result of its financial difficulties, the Applicant sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("CCAA") on May 23, 2023 (the "**Filing Date**") pursuant to an initial Order (the "**Initial Order**") granted by the Honourable Madam Justice Kimmel of the Commercial List of the Ontario Superior Court of Justice (the "**CCAA Court**").

11. Among other things, the Initial Order: (i) appointed KSV Restructuring Inc. as the court-appointed monitor in the CCAA proceeding (in that capacity, the "**Monitor**"); (ii) granted a stay of proceedings against the Applicants and the Non-Filing Affiliates until June 2, 2023; and (iii) granted an Administration Charge (as defined in the Initial Order) in the amount of \$400,000 on all of the assets and property of Chalice. In addition, the Initial Order authorized the Applicant to pursue all avenues of refinancing of its Business or Property (as defined therein), subject to the approval of the CCAA Court, to enable the Applicant to proceed with an orderly restructuring of its business. A copy of the Initial Order is attached hereto as **Exhibit "B"** and a copy of Justice Kimmel's Endorsement dated May 23, 2023 is attached hereto as **Exhibit "C"**.

12. On June 1, 2023, the CCAA Court granted an Amended and Restated Initial Order (the "**ARIO**") which, among other things, (i) authorized the engagement between the Applicant and Cardinal Advisory, pursuant to which Cardinal Advisory acts as the Chief Restructuring Officer of the Chalice Group; (ii) increased the Administration Charge to \$500,000; (iii) granted the Applicant relief from certain securities disclosure and shareholder meeting requirements; and (iv)

extended the stay of proceedings to July 28, 2023. A copy of the ARIO is attached hereto as **Exhibit “D”** and a copy of Justice Kimmel’s Endorsement dated June 1, 2023 is attached hereto as **Exhibit “E”**.

(c) Oregon Receivership Proceedings

13. Because the Chalice Group grows its own cannabis flower and sells cannabis products, there was uncertainty about whether the Chalice Group could access the tools under the U.S. Bankruptcy Code to restructure its business. As a result, concurrent with the commencement of the CCAA proceeding, the Applicant initiated proceedings in the State of Oregon to have certain of the Non-Filing Affiliates placed into state receivership.

14. To that end, on May 23, 2023, the Circuit Court of the State of Oregon (the “**Oregon Court**”) entered an order (the “**Order Appointing Receiver**”) appointing Kenneth S. Eiler as state receiver (the “**Oregon Receiver**”) over the following Chalice subsidiaries, all of which are formed or have assets in Oregon: Greenpoint Oregon, CFA Retail, Greenpoint Equipment, SMS Ventures, and CF Bliss (together, the “**Oregon Receivership Entities**”). A copy of the Order Appointing Receiver is attached hereto as **Exhibit “F”** to this Affidavit.

(d) The SISP Approval Orders

15. On June 1, 2023, the CCAA Court granted an Order (the “**CCAA SISP Order**”) which, among other things, approved an expedited sales and investment solicitation process (the “**SISP**”). The purpose of the SISP was to seek out proposals for the acquisition of, or investment in, the Chalice Group or their business and assets, and to implement one or a combination of such proposals, including a potential sale of the business as a going concern. The SISP included procedures for potential purchasers to bid on the Chalice Group’s business and assets (the “**Bid Procedures**”). A copy of the CCAA SISP Order is attached hereto as **Exhibit “G”**.

16. On June 2, 2023, the Oregon Court granted an order pursuant to Oregon Revised Statutes which, among other things, authorized the implementation of the SISP (the “**Oregon Court SISP Order**”, and together with the CCAA SISP Order, the “**SISP Approval Orders**”). A copy of the Oregon Court SISP Order is attached hereto as **Exhibit “H”**.

17. The terms of the SISP, including the key procedural steps and dates, are summarized in the Third Second Affidavit.

B. OUTCOME OF THE SISP

18. Since the SISP Approval Orders, the Applicant, Monitor, CRO and Receiver have worked together to market and sell the assets of the Chalice Group, all in accordance with the SISP. Specifically:

- (a) prior to the commencement of the CCAA proceeding, the Board of Directors of the Applicant formed a special committee (the “**Committee**”) to conduct a strategic review to determine potential buyers of the Chalice Group’s assets;
- (b) the Committee spent several weeks actively soliciting potential buyers for the Chalice Group’s assets, including by contacting investment banks to advise them of the opportunity;
- (c) after the commencement of the CCAA proceeding and the approval of the SISP, the Monitor disseminated the Bid Procedures to 38 parties identified by the Monitor, the CRO and the Company as potential buyers of the Chalice Group’s assets;
- (d) the Oregon Receiver caused the Bid Procedures to be disseminated to the members of the Executive Committee of the Oregon Cannabis and Psychedelics Section of

the Oregon State Bar as well as to the Oregon State Bar Cannabis e-mail listserv, which includes non-attorneys with an interest in cannabis law in Oregon;

- (e) the Bid Procedures were provided to parties on the “special notice list” in the Oregon Receivership Proceedings, as certain of such parties were logical potential buyers for all or part of the Chalice Group’s assets as prior owners of such assets;
- (f) twenty parties entered into non-disclosure agreements (“**NDAs**”) and visited the virtual data room to review materials related to the Chalice Group’s assets; and
- (g) several parties had calls and/or meetings with management and made site visits to some of the Chalice Group’s locations.

19. Ultimately, the Applicant received four offers by the bid deadline, one of which was for substantially all of the Chalice Group’s assets (the “**Initial Bids**”). The bidder for substantially all of the Chalice Group’s assets was APCO LLC (as above, the “**Purchaser**”).

20. The Applicant determined that none of the Initial Bids provided for sufficient cash to cover the administration costs of the proposed sale. The Applicant, in consultation with the Monitor and the Oregon Receiver, proceeded to re-engage with each of the four bidders, including the Purchaser, in an effort to encourage the bidders to improve their bids. In that regard, the Applicant extended the bid deadline, with the consent of the Monitor and the Oregon Receiver, in accordance with the SISP.

21. As a result of ongoing negotiations, the Purchaser delivered a revised offer on the evening of July 12, 2023 (the “**Revised APCO Bid**”). The terms of the Revised APCO Bid were subsequently improved and further evaluated by the Applicant, in consultation with the Monitor and the Oregon Receiver, based on several factors, including the purchase price and the net value

provided by such bid as compared to the net value that could be obtained in a liquidation of the Chalice Group's assets, the ability of the proposed purchaser to successfully complete such transaction, the effects of the bid on the stakeholders of the Chalice Group, factors affecting the speed, certainty and value of the transaction (including any licensing, regulatory or legal approvals (including by the Oregon Liquor and Cannabis Commission (the "OLCC") or third party contractual arrangements required to close the transactions and the consideration being entirely composed of cash), the assets included or excluded from the bid, and any related restructuring costs.

22. The Applicant, with the approval of the Monitor and the Oregon Receiver, ultimately selected the Revised APCO Bid as the Successful Bid and negotiated and entered into the APA with the Purchaser on August 11, 2023.

23. The Transaction set out in the APA is the highest value and best going concern alternative available to the Chalice Group and, in the view of the Applicant, is the best transaction in the circumstances and the best means to maximize the value of the Purchased Assets for the benefit of the Chalice Group's stakeholders.

24. The Applicant, in consultation with the Monitor and the Oregon Receiver, has determined that the expected net value that would be provided through a liquidation of the Chalice Group's assets is less than what the Transaction affords. The APA maintains going concern operations for a significant portion of the business, preserves several of the cannabis licenses, offers the possibility of continued employment for a number of the Chalice Group's employees and potentially preserves key supplier and customer relationships.

C. THE ASSET PURCHASE AGREEMENT

25. Under the APA, the Purchaser will acquire substantially all of the assets of the Chalice Group, except for assets described in the APA as Excluded Assets. A copy of the APA is attached to this affidavit as **Exhibit "I"**. All capitalized terms in this section that are not otherwise defined in the affidavit have the meaning given to them in the APA.

26. The Purchaser is a Delaware limited liability company. Its principals and managers are William Simpson and Gary Zipfel. Both of these individuals are familiar with the business and operations of the Chalice Group, including as prior owners, creditors and former members of management.

27. A summary of the key terms of the APA is as follows¹:

	Summary of Material Terms
Purchased Assets	<p>As to each Vendor, all of the Vendor's right, title and interest in, to and under, or relating to, the assets, property and undertaking owned or used or held for use by the Vendor in connection with the business carried on by the Vendor, including without limitation the following properties, assets and rights:</p> <ul style="list-style-type: none"> i. Accounts Receivable; ii. Prepaid Expenses; iii. Inventory; iv. Fixed Assets and Equipment; v. Owned motor vehicles; vi. Tozmoz Assets; vii. Intellectual Property; viii. Information Technology Systems; ix. Goodwill; x. Employee Records; xi. Business Records; xii. Permits; and xiii. Actions

¹ To the extent there is any discrepancy between the Summary of Material Terms in this Affidavit and the APA, the terms of the APA govern.

Excluded Assets	<p>All undertaking, property and assets of the Vendor other than the Purchased Assets shall be excluded from the purchase and sale of assets provided for in the APA (collectively, the “Excluded Assets”). Without limiting the foregoing, the following shall be Excluded Assets:</p> <ul style="list-style-type: none"> i. Any and all OLCC licenses and City licenses associated with the retail stores located at (a) 1917 SE 7th Ave., Portland, OR, (b) 6330 Beaverton Hillsdale Hwy, Portland, OR, and (c) 5035 SE McLoughlin Blvd., Portland, OR (together, the “Excluded Locations”), including OLCC licenses bearing OLCC license numbers 050-10184421855, 050-10169911EE0, and 050-1023329BEE5, and City licenses bearing license numbers MRL22371, MRL22155, and 22CNB-LIC-00060 (together, the “Excluded Licenses”); ii. Any and all contracts to the extent associated with the Excluded Locations; iii. Any and all capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities of any Vendor or any subsidiary of Affiliate of any Vendor; iv. Minute books, stock ledgers, organizational documents, corporate seals, etc, in each case, relating to the organization, maintenance and existence of each of the Vendors, if any; v. Any and all consulting and/or management agreements, including, but not limited to, any consulting and/or management agreement between any Vendor on the one hand and Tozmoz LLC and/or Joel Klobas on the other hand; vi. All motor vehicle leases; vii. Any and all ATMs and contracts or leases related thereto; viii. Any Real Property Leases; ix. Cash on hand as of Closing; x. All tax refunds including any earned income tax credit refunds; and xi. Equipment leased under personal property leases.
Assumed Liabilities	None
Excluded Liabilities	<p>The Purchaser does not assume and shall have no obligation to pay, discharge, honor, fulfill or perform the Excluded Liabilities, if any. Without limiting the foregoing, Purchaser does not assume and shall have no obligation to pay, discharge, honor, fulfill or perform any accounts payable or corporate Liabilities of the Vendor, including without limitation:</p> <ul style="list-style-type: none"> i. the Debenture Indenture dated November 16, 2020, between the Vendor (or any Vendor) and Capital Transfer Agency, ULC, as amended, or any outstanding Liabilities under similar debenture indentures entered into by any Vendor; ii. any debt, obligations or other Liabilities including loans, promissory notes, or lines of credit;

	<ul style="list-style-type: none"> iii. any debt, Liabilities or obligations owned by any Vendor to a local, city, county, state, or federal government authority in the United States or a local, provincial, or federal government authority in Canada including, without limitation, any (a) Canadian federal and provincial source deductions or withholding taxes in respect of Employees of any Vendor, arising prior to Closing; (b) US federal and state withholding taxes in respect of Employees of any Vendor, arising prior to Closing; (c) Oregon state or local marijuana taxes arising prior to Closing; and (d) any licensing or regulatory fees arising or attributable to the Vendor's operations prior to Closing; iv. any sale, transfer, or registration taxes (including HST and Oregon corporate activity tax) (together the "Transfer Taxes") incurred in connection with the Transaction; Vendor shall be solely responsible for the payment of any Transfer Taxes; v. any Liabilities in connection with any present or future litigation to which any Vendor or the directors, officers or Employees of any Vendor may be subject; and vi. any ordinary course or other obligations under the Real Property Leases whether arising prior to or after the Closing Date. <p>In addition, the Vendor will continue to be responsible for all Liabilities for any tax obligation arising prior to or in connection with the operation of the Vendor's business prior to Closing.</p>
<p>Purchase Price</p>	<p>The amount payable by the Purchaser for the Purchased Assets (the "Purchase Price") shall be US \$3 million.</p> <p>The Purchase Price shall be satisfied as follows:</p> <ul style="list-style-type: none"> i. Purchaser's prior payment of the Deposit shall be credited to the Vendor by the release of such amount to the Monitor and the Oregon Receiver on the Closing Date in such amounts as to achieve the division of the Purchase Price set forth in Section 3.2 of the APA; and ii. The balance of the Purchase Price in the amount of \$2,493,546.24 will be paid into escrow within three business days after entry of both the Oregon Court Sale Approval Order and CCAA Court Approval and Vesting Order by wire transfer of immediately available funds and then subsequently released from escrow on the Closing Date to an account of the Oregon Receiver specified in writing by the Oregon Receiver not less than two Business Days prior to the Closing Date. <p>Notwithstanding the above, to the extent Vendor's inventory (at cost), as of the Closing Date, is less than the Minimum Inventory Level, the balance of the Purchase Price shall be reduced by the difference</p>

	between the inventory (at cost) as of the Closing Date and the Minimum Inventory Level.
Allocation of Purchase Price	<p>The Purchase Price shall be allocated among the Purchased Assets in accordance with the Allocation Statement set out at Schedule G of the APA, and the parties shall ensure that all financial information and any tax returns, declarations, or elections filed are consistent with such allocations.</p> <p>The Oregon Receiver on one hand and Chalice and the non-Receiver U.S. Vendor entities on the other hand, agree that the Purchase Price shall be divided among them as follows: (1) \$61,879.66 to Chalice on account of the brand/goodwill; and (2) the balance of the Purchase Price to the Oregon Receiver on account of the assets of the Oregon Receivership Entities.</p>
Approvals and Consent	<p>Except for (a) the issuance of the CCAA Court Approval and Vesting Order, (b) the issuance of the Oregon Court Sale Approval Order, (c) OLCC Approval of change in ownership applications for the OLCC Licenses, (d) City Approval of change in ownership applications for the City Licenses, (e) NCCB Approval of change in ownership applications for the NCCB Licenses, (f) the obtaining of an LUCS as to each of the OLCC Licenses or confirmation from the applicable local governments that the existing applicable LUCSs are still valid, and (g) any consent that may be required in connection with the assignment of a Purchased Asset, no authorization, consent or approval of, or filing with or notice to, any Governmental Entity, court or other Person is required in connection with the execution, delivery or performance of the APA by the Purchaser, and each of the agreements to be executed and delivered by the Purchaser hereunder or the purchase of any of the Purchased Assets hereunder, except for any authorizations, consents, approvals, filings or notices of any Governmental Entity, court or Person would not have a material effect on or materially delay or impair the ability of the Purchaser to consummate the Transaction.</p>
“As Is, Where Is”	<p>The Purchaser is purchasing the Purchased Assets on an “as-is, where-is” basis as at the Time of Closing and will accept the Purchased Assets in their present state, condition and location.</p>
Closing Date	<p>Three (3) Business Days following the day on which the last of the conditions to Closing set out in Article 8 (other than those conditions that by their nature can only be satisfied as of the Closing Date) has been satisfied or waived by the appropriate party, or such other date agreed to by the parties in writing, provided that the Closing Date shall be no later than December 1, 2023, or such later date as may be agreed to by the Purchaser and the Vendor, with the consent of the Monitor and the Oregon Receiver.</p>
Maintenance of Assets	<p>Subject to Article 10 of the APA, during the interim period between execution of the APA and the Closing Date (the “Interim Period”), Vendor will:</p>

	<ul style="list-style-type: none"> i. Use commercially reasonable efforts to maintain the Purchased Assets in a prudent and proper manner; ii. Maintain inventory at the Minimum Inventory Level; iii. Operate its businesses in the ordinary course; iv. Keep open and operate all of its retail stores that are open and operating as of the date of the APA, except for the Excluded Locations; v. Keep active and valid all OLCC Licenses, City Licenses, and provide access to the records and advisors regarding NCCB Licenses; and vi. Pay all costs and expenses associated with the Purchased Assets and comply with all covenants and conditions to any agreements to which the Purchased Assets may be subject.
Master Services Agreement	Should Closing not occur by October 31, 2023, and provided that Purchaser has entered into new Real Property Leases with the applicable landlords for all retail locations (other than Excluded Locations) where the Oregon Receivership Entities hold OLCC Licenses, then in such event, the parties will enter into a Management Services Agreement that is compliant with all applicable state laws and administrative rules and in a form agreed to by the parties, acting reasonably, and approved by the Oregon Receiver and the Monitor.
Employee Matters	Purchaser may offer employment to certain current Employees in the Purchaser's sole discretion. Purchaser will not be responsible for any obligations to or assume any Liabilities associated with Employees who Purchaser does not employ.
Termination Rights	The APA may be terminated at any time prior to Closing in accordance with Section 11.1 of the APA.

28. Based on my review of the Chalice Group's financial position and of the market in my role as CRO, I believe that the Purchase Price to be received as part of the sale is reasonable and fair in the circumstances.

29. It is my understanding that the Monitor and the Oregon Receiver are both supportive of the Transaction. As set out above, the Applicant believes that a liquidation of the Chalice Group would likely lead to less recovery than the Transaction.

D. ALLEGED LIENS ON CERTAIN OF THE PURCHASED ASSETS

30. The Applicant understands that there are four creditors of the Chalice Group who assert or potentially assert liens on certain of the Purchased Assets that are subject to the Transaction: (i) Alicia Smith, Jillian Smith and Marcena Sorrels (collectively, the “**Homegrown Lenders**”); (ii) High Street Capital Partners, LLC (“**High Street**”); (iii) Bobsled Extracts, LLC (“**Bobsled**”); and (iv) the Internal Revenue Service (“**IRS**”) (collectively, the “**Disputed Secured Creditors**”).² As described in greater detail below, the Oregon Receiver has contested these lien claims, and has served motion materials to contest the validity of the alleged liens.

31. As of the date of the swearing of this Affidavit, the Oregon Receiver – with the support of the Applicant – has reached tentative agreements with the Homegrown Lenders and High Street, subject to documentation of those tentative settlements and court approval. Under the terms of the tentative settlements, the Oregon Receivers shall pay \$150,000 to each of the Homegrown Lenders and High Street on account of their asserted lien claims. The Homegrown Lenders’ and High Street’s asserted liens relate to distinct asset pools of retail cannabis assets and such asserted liens do not overlap.

32. The remaining asserted lien claims – which have not been resolved as at the time of the swearing of this Affidavit – are as follows:

(a) Alleged Lien Claimed by Bobsled Extracts, LLC

33. Bobsled’s asserted lien relates to two pieces of equipment: (i) a Luna Tech IO machine (serial #KJ02-003-00) and (ii) a HAL Booth (serial #120U04190069) (the “**Bobsled**

² The principals of the Purchaser have also asserted lien claims against certain of the Purchased Assets, but they have consented to the Transaction and have agreed that they will receive no distribution from the proceeds of the Transaction on account of such asserted liens.

Equipment”). Bobsled also asserts that it owns a commercial freezer in the possession of Greenpoint Oregon (the “**Bobsled Freezer**”). The background to the asserted lien in respect of the Bobsled Equipment is set out below.

34. In May 2021, Bobsled executed a bill of sale transferring title to the Bobsled Equipment to “Golden Leaf Holdings Ltd., an Ontario corporation, or its wholly-owned corporate subsidiary designee”. The Bobsled Equipment was ultimately owned by Greenpoint Oregon and treated by the Chalice Group as an asset of Greenpoint Oregon. Golden Leaf and Greenpoint Oregon executed a secured promissory note (the “**Bobsled Note**”) in May 2021, in favour of Bobsled, evidencing a payment obligation of \$315,000 for the purchase of the Bobsled Equipment. Golden Leaf and Greenpoint Oregon also each executed a Security Agreement dated May 25, 2021, granting a security interest in the Bobsled Equipment to Bobsled to secure the obligations evidenced by the Bobsled Note.

35. Bobsled filed a UCC-1 financing statement in Oregon against Golden Leaf on October 25, 2022. The UCC-1 financing statement was filed *after* Golden Leaf legally changed its name to Chalice on May 25, 2021. Bobsled has not filed in Oregon a UCC-1 financing statement against Chalice or Greenpoint Oregon, nor has it filed a PPSA registration in Ontario against Greenpoint Oregon, Golden Leaf or Chalice.

36. The Oregon Receiver is challenging the validity and perfection of the lien asserted by Bobsled on the basis that:

- (a) the Bobsled Equipment is owned by Greenpoint Oregon. Bobsled did not file a UCC filing statement against Greenpoint Oregon, and therefore does not have a perfected security interest in the Bobsled Equipment;

- (b) to the extent the Bobsled Equipment is owned by Chalice and the Chief Executive Office of Chalice is in Toronto, Ontario, Bobsled was obligated to perfect its lien in Ontario under the PPSA, which it failed to do; and
- (c) to the extent the Bobsled Equipment is owned by Chalice and the Chief Executive Office of Chalice is in Portland, Oregon, Bobsled was obliged to perfect its lien in Oregon by filing a UCC filing statement against the correct legal entity in existence as of the date of the filing of the financing statement (i.e., Chalice), which it failed to do.

37. As to the Bobsled Freezer, Bobsled previously subleased a portion of a processing facility from Greenpoint Oregon. On or around May 20, 2021, following Bobsled's second default under the sublease, Bobsled removed most of its property from the premises in the night without prior notice to Greenpoint Oregon. The Bobsled Freezer was abandoned by Bobsled when it vacated the premises. Greenpoint Oregon has since incurred expenditures for the repair and maintenance of the Bobsled Freezer and has permanently affixed the Bobsled Freezer to another freezer and the ground to address potential seismic activity.

38. The Oregon Receiver has taken the position that the Bobsled Freezer was abandoned by Bobsled, and that Bobsled does not have a lien on or ownership interest in the Bobsled Freezer today.

39. The Purchased Assets in the APA include the Bobsled Equipment and the Bobsled Freezer.

(b) Alleged Lien Claimed by IRS

40. On April 19, 2022, the IRS filed a tax lien against Greenpoint Holdings in the approximately amount of \$1,239,794.72 related to an unpaid tax balance for the period of

December 31, 2020. Greenpoint Holdings is the U.S. parent corporation of the Oregon Receivership Entities. The Purchased Assets do not include any assets of Greenpoint Holdings.

41. The Lien Motion (as defined below) was filed against the IRS by the Oregon Receiver out of an abundance of caution.

E. SCHEDULING OF SALE APPROVAL HEARINGS

42. On August 11, 2023, the Oregon Receiver served the following motions in the Oregon Receivership Proceedings: (i) *Oregon Receiver's Motion for Authority to Sell Property Free and Clear of Liens and Interests* (the "**Oregon Sale Motion**"); and (ii) *Oregon Receiver's Motion to Determine Validity of Liens on Purchased Assets* (the "**Lien Motion**" and, together with the Oregon Sale Motion, the "**Oregon Motions**"). A copy of the Oregon Sale Motion is attached as **Exhibit "J"**. A copy of the Lien Motion is attached as **Exhibit "K"**. A copy of the Declaration of Kenneth S. Eiler (the Oregon Receiver), in support of the Oregon Motions, is attached as **Exhibit "L"**.

43. In the Lien Motion, the Oregon Receiver is disputing the validity of the liens asserted by the Disputed Secured Creditors and has requested that the Oregon Court enter an order determining that the Disputed Secured Creditors' liens are invalid and unperfected. Alternatively, the Oregon Receiver has requested that the Oregon Court grant the Oregon Sale Motion and authorize the Oregon Receiver to close the Transaction free and clear of all liens, with all claims to any liens and interests against the Property (including any alleged liens asserted by the Disputed Secured Creditors) attaching to the net proceeds of the Transaction in the same order and in the same priority as such liens and interests had with respect to the Property immediately before the Transaction, except that the Oregon Receiver is requesting authority to pay (i) all outstanding administrative tax liabilities (whether arising from the Transaction or otherwise) and Oregon state

taxes required to be paid as a condition of transfer of the OLCC licenses; (ii) \$150,000 to the Homegrown Lenders pursuant to a settlement on account of their asserted lien claims; (iii) \$150,000 to High Street on account of its asserted secured claim; and (iv) all allowed administrative claims owing as of the Closing Date at closing other than to holders of administrative claims who have agreed to other treatment. The Applicant supports the relief sought by the Oregon Receiver in the Oregon Motions.

44. The Oregon Court has set the following hearing dates for the Oregon Motions: August 28, 2023 for preliminary matters and opening statements (non-evidentiary), and August 31, September 1 and September 5, 2023 (8 hours total) to hear evidence with respect to the sale and related lien validity issues.

45. In the event that no opposition is filed in respect of the Oregon Motions (or any opposition is resolved prior to August 28, 2023)³, it is anticipated that the Oregon Court will vacate the evidentiary hearing dates currently scheduled for August 31, September 1 and September 5, 2023 and the Oregon Sale Motion will proceed on August 28, 2023.

46. Given that most of the Chalice Group's assets (including the cannabis licenses) are owned by the Oregon Receivership Entities and the Company's operations are based in Oregon, the Applicant, in consultation with the Monitor and the Oregon Receiver, has determined that the Oregon Motions ought to be heard before the sale approval motion in the CCAA Court. Accordingly, should the Oregon Sale Approval Order be granted on August 28, 2023, the Applicant intends to seek the CCAA Approval and Vesting Order, together with the extension of

³ Unless the Oregon Receiver receives an objection to the Oregon Sale Motion or the Lien Motion within fourteen (14) days of the mailing of the motions, the Oregon Receiver will ask the Oregon Court to enter an order approving the requested relief without further notice or hearing.

the Stay Period, at the motion currently scheduled on August 31, 2023. In the event that the Oregon Sale Approval Order is not granted in advance of August 31, the Applicant intends to use the August 31 hearing date to request an extension of the Stay Period and will request another hearing date in early September (after the Oregon Sale Approval Order has been granted) to seek the CCAA Approval and Vesting Order.

F. STAY EXTENSION

47. The Applicant is seeking to extend the Stay Period (as defined in paragraph 14 of the ARIO) so that it will run to and including October 31, 2023. This will allow the Applicant time to seek approval of the Transaction from the Oregon Court and the CCAA Court and to close the Transaction.

48. The Applicant, with the assistance of the Monitor, has confirmed that the Applicant will have sufficient liquidity to fund the wind-down of the CCAA proceeding during the proposed extension of the Stay Period.

49. I believe the Applicant has acted, and continues to act, in good faith and with due diligence in this CCAA proceeding since the granting of the Initial Order, including with respect to the implementation of the SISP and entering into of the APA. I believe that the proposed extended

Stay Period is in the best interests of the Applicant and its stakeholders generally. I am informed by the Monitor that it supports the proposed request to extend the Stay Period.

SWORN by Scott Secord of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on August 18, 2023, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



DocuSigned by:
Fabian Suárez-Amaya
187A64800BA14D8...
Commissioner for Taking Affidavits
(or as may be)

DocuSigned by:
Scott Secord
1DF16980591E40B...
SCOTT SECORD

FABIAN SUÁREZ-AMAYA

This is Exhibit "A" referred to in the Affidavit of Scott Secord sworn remotely before me at the City of Toronto, in the Province of Ontario, on August 18, 2023, in accordance with O. Reg 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits (or as may be)

Court File No. CV-23-00699872-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

AFFIDAVIT

I, Scott Secord, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

1. This Affidavit is made in support of an Application by Chalice Brands Ltd. (“**Chalice**”, or the “**Applicant**”) for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”).
2. I serve as the Chief Restructuring Officer (“**CRO**”) of Chalice through my personal corporation, Cardinal Advisory Services Inc. I am also a member of Chalice’s Board of Directors. I have served as a director of Chalice since March 22, 2021. Over the course of my career, I have been a founder, executive, advisor and board member of multiple successful private and public companies leading to various liquidity events, including as President/CEO of *Pointstreak Sports Technologies Inc.* (2009 to 2015), President/CEO of *Gaming Nation Inc.* (TSX: FAN 2015 to 2018), and Managing Partner of *Cardinal Sports Capital Inc.* (2018 to present). I also served as Executive Chairman and Chief Restructuring Officer for *RISE Life Sciences Inc.* and successfully concluded a reverse take-over transaction for the company.

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3. In my current role as CRO of Chalice, I have oversight over Chalice's governance, business, and general operations. In the course of my duties as CRO and director, I have become familiar with Chalice's businesses, day-to-day operations, and financial affairs. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with the senior management team of the Chalice Group (as defined below) and the Applicant's financial and legal advisors.

4. All references to monetary amounts in this affidavit are in U.S. dollars unless noted otherwise.

A. Introduction

5. Chalice is a publicly traded corporation and reporting issuer, incorporated in Canada, with its registered head office in Toronto, Ontario. Until the issuance of the CTO (defined and detailed below), the common shares of Chalice traded on the Canadian Securities Exchange ("CSE") under the trading symbol "CHAL" as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol "CHALF".

6. Chalice, together with its subsidiaries (together, the "**Chalice Group**"), all of which are based in the United States, forms a vertically integrated corporate group that grows, processes, distributes and sells cannabis and cannabis products. The Chalice Group primarily operates within the Oregon adult-use regulated market, principally through its main operating subsidiaries, Greenpoint Oregon, Inc. ("**Greenpoint Oregon**"), CFA Retail LLC ("**CFA Retail**"), SMS Ventures LLC ("**SMS Ventures**"), and CF Bliss LLC ("**CFB**").

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7. At present, the Chalice Group has approximately 134 full-time employees and approximately 37 part-time employees, all of whom work in the United States and are employed by one of Chalice's wholly-owned indirect subsidiaries, Greenpoint Workforce, Inc. ("**Greenpoint Workforce**"). As described in greater detail below, the Applicant is seeking to extend the stay of proceedings to Greenpoint Workforce, as it is integral to the Chalice Group's operations.

8. The Chalice Group has been incurring operating losses and cash flow deficits since its inception in 2014 and has historically relied on equity and debt financing to fund its operations.

9. In early 2021, the cannabis industry had an optimistic forecast for the future, notwithstanding the impacts of COVID-19. The Chalice Group was relatively well capitalized, year-over-year sales were improving and the industry anticipated that a change in the U.S. federal government would result in the federal legalization of cannabis, the passage of safe banking acts, and the opening up of capital markets in the United States.

10. In anticipation, the Chalice Group undertook an acquisition-based strategy, taking on debt to acquire retail stores and production facilities in Oregon to support its vertical integration. All of these acquisitions were funded through a combination of cash and vendor take-back notes. The Chalice Group anticipated servicing its debt through a combination of revenue from retail operations and equity financing (if available).

11. Unfortunately, the last two years have been very challenging for the cannabis industry in Oregon and elsewhere in the United States. Federal deregulation in the U.S. has not occurred and, as a result, the market value of the entire cannabis industry has started to decline. It was widely assumed that with U.S. federal deregulation, there would be a shift in customer demographics

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from younger consumers to middle age and senior consumers. Generally speaking, younger consumers are higher cannabis users and extremely price sensitive. The expected demographic shift did not occur.

12. In the same time frame, macroeconomic factors created supply chain issues in many industries. This, and the general inflationary environment, not only increased the Chalice Group's cost of goods sold, but also impacted the willingness of consumers, particularly in the cannabis-purchasing demographic, to spend money on recreational activities such as recreational cannabis use. As governments and central banks took steps to combat inflation by raising interest rates, those customers with restricted cashflows started to change their buying habits by reducing consumption and, in some case, returning to the lower-priced black market. Oversupply in more mature markets such as California, Colorado, and Oregon have also led to significant declines in retail cannabis prices. Accordingly, to maintain competitive prices, the Chalice Group was forced to make further cuts in retail prices, adversely impacting its retail revenue. These reductions lead to dramatically lower gross margin dollars, which after the impacts of U.S. Internal Revenue Code ("IRC") Section 280E's denial of U.S. income tax deductions, described below, leaves even less cash flow to fund operating costs.

13. Capital markets in the United States were awaiting federal deregulation so that they could participate in the cannabis industry. The direct impact of these regulatory hurdles remaining in place caused much needed capital, both debt and equity, to dry up. As this situation continued, the value of many cannabis companies decreased dramatically over the past twenty-four months. To my knowledge, many publicly traded cannabis companies and related exchange-traded funds have lost significant value year-over-year.

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14. Additionally, certain of Chalice's subsidiaries, being Greenpoint Oregon, Greenpoint Nevada Inc., CFA Retail, Greenpoint Workforce, SMS Ventures, and CFB are subject to U.S. IRC Section 280E. That section denies deductions and credits attributable to a trade or business that traffics in what the U.S. Controlled Substances Act deems to be "controlled substances". Even though many states have enacted medical and recreational marijuana laws, the Internal Revenue Service ("**IRS**") is applying IRC Section 280E to deny business deductions to businesses involved with medical and recreational marijuana since under U.S. federal law, marijuana is classified as a Schedule 1 controlled substance. Accordingly, Section 280E of the IRC has the impact of essentially taxing cannabis businesses on 21% of their gross profit rather than on their net income, reducing the margins and cash flows on which a business can achieve profitability. To keep attracting customers, the Chalice Group and other operators had to continually drop prices to discourage customers from returning to the black market. As retail selling prices declined, it became more and more difficult for smaller companies like the Chalice Group to adjust their cost structures and obtain profitability.

15. In addition to the challenging market conditions, on May 6, 2022, the Ontario Securities Commission issued a failure-to-file cease trade order (the "**CTO**") as a result of a delay by Chalice in filing its audited financial statements and associated materials for its fiscal year ending December 31, 2021 (the "**2021 Annual Filings**"), as well as its related management's discussion and analysis and officer certifications. As of the date of the swearing of this affidavit, the CTO remains in place and Chalice has not made its 2021 Annual Filings nor filed audited financial statements and associated materials for the fiscal year ending December 31, 2022.

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16. As a result of the CTO, trading in any Chalice securities is prohibited, except in accordance with the conditions in the CTO, for as long as the CTO remains in effect. Chalice's inability to finalize its 2021 and 2022 audited financial statements prevents it from raising further funds through the issuance of equity or debt instruments.

17. Over the past year, the Chalice Group has made significant reductions in headcount and inventory procurement and has renegotiated or paused certain ongoing contractual obligations such as lease payments and the Earn-Out Payments (as defined below), to navigate this period of reduced cash flow. The Chalice Group has also asked key employees to take dramatic pay cuts or deferrals, or to take payment in shares. However, these efforts have not been able to stem the tide. The Chalice Group now faces an urgent liquidity crisis. The Chalice Group is unable to pay key suppliers and has recently failed to make payments of interest and principal on several of its promissory notes, including a vendor take-back note which the lenders thereto argue is secured by certain of the Chalice Group's cannabis regulatory licenses and store inventory. This has caused those notes to fall into default. The Chalice Group has also failed to make payments of interest and principal on certain of its unsecured debentures.

18. Further, certain of Chalice's subsidiaries have also fallen behind on making lease payments to certain of their landlords. I am advised by Tim Solomon, a partner at Leonard Law Group, U.S. counsel to Chalice, that under Oregon law, failure to satisfy rent obligations may entitle the landlords to declare a default under the lease and lock-out the tenant. This, in turn, would put the Chalice Group's store-based cannabis licenses at risk as in Oregon, cannabis licenses are specific to a retail location and risk being suspended or terminated if the retail location

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ceases operation. At present, the Chalice Group owes approximately \$6 million in trade payables, which includes over \$1 million in missed rent.

19. Given all these circumstances, the Applicant requires an urgent stay of proceedings and related relief under the CCAA in order to ensure the corporate group can continue going concern operations while the Applicant, the CRO and the Proposed Monitor (as defined below) pursue a coordinated going concern sale of all or a significant portion of the Chalice Group's assets. In order to best ensure a coordinated going-concern sale, the Applicant also seeks to have the stay of proceedings and other provisions of an initial order under the CCAA (the "**Initial Order**") extended to its direct subsidiary Greenpoint Holdings Delaware, Inc. ("**Greenpoint Holdings**") and to each of its indirect, wholly-owned subsidiaries, all of which are based in the U.S. (together, the "**Non-Filing Affiliates**"). The Non-Filing Affiliates are listed at Schedule A to this Affidavit. The Non-Filing Affiliates are integral to the overall enterprise operation. Extending the stay to the Non-Filing Affiliates will allow the Chalice Group to stabilize its operations and ensure a coordinated restructuring process.

20. Concurrently with the filing of this Application for relief under the CCAA, the Applicant has commenced proceedings in the State of Oregon in order to have the following Chalice subsidiaries, all of which are formed or have assets in Oregon, placed into state receivership: Greenpoint Oregon, CFA Retail, Greenpoint Equipment Leasing, LLC, SMS Ventures, and CFB (together, the "**Oregon Subsidiaries**"). Should the Oregon Subsidiaries be placed in receivership, I am advised by Mr. Solomon that there shall be an automatic stay of proceedings in the State of Oregon against those entities and their property, prohibiting the commencement or continuation of any proceedings by creditors, including landlords, and preventing them from taking precipitous

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actions against those entities and their property. If appointed, the proposed receiver (the “**Oregon Receiver**”) will immediately take steps to obtain temporary cannabis licenses from the Oregon Liquor and Cannabis Commission (“**OLCC**”) to the extent necessary. It is intended that the Applicant and the CRO, with the assistance of the proposed Monitor, will conduct the proposed going concern sale process, in consultation with the Oregon Receiver and in a coordinated fashion.

21. I am advised by Mr. Solomon that because the Chalice Group grows and sells cannabis and cannabis products, it is unable to access the tools available in the U.S. under federal law pursuant to the U.S. Bankruptcy Code, whether or not the Chalice Group is in compliance with state cannabis laws. As such, I understand that state receivership is the best way to protect the assets of the Oregon Subsidiaries.

B. Corporate Structure

22. Chalice is an Ontario corporation with its registered head office located at 84 Richmond Street East, Toronto, Ontario. It operates as the public company in the corporate group and its assets are comprised of its direct and indirect ownership of the remaining entities in the Chalice Group.

23. Chalice was incorporated on April 12, 2011 as Longacre Resources Inc. (“**Longacre**”) under the *Business Corporations Act* (British Columbia). Golden Leaf Holdings Inc. (“**GLHI**”) was incorporated on April 8, 2014 under the *Business Corporations Act* (Ontario) (“**OBCA**”). On October 6, 2015, Longacre was continued under the OBCA as Golden Leaf Holdings Ltd. (“**Golden Leaf**”) and completed a reverse take-over with GLHI. Pursuant to the reverse take-over, Golden Leaf acquired all of the issued and outstanding shares of GLHI pursuant to a three-cornered

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amalgamation, whereby (i) Longacre incorporated 2470251 Ontario Inc. (“**Subco**”), a new wholly-owned Ontario subsidiary of Longacre; (ii) Golden Leaf was issued one Common Share in exchange for each common share of GLHI then held by GLHI shareholders; and (iii) Subco amalgamated with GLHI to form an amalgamated subsidiary of Golden Leaf.

24. On May 25, 2021, Golden Leaf officially changed its name to Chalice Brands Ltd.

25. As noted above, Chalice is the public, ultimate parent company of the Chalice Group. Chalice is the 100% owner of Greenpoint Holdings, which is in turn the 100% owner of each of the operating subsidiaries in the Chalice Group, listed in the table below. Chalice does not otherwise carry on operations. A copy of the Chalice Group’s organizational chart is attached hereto as **Exhibit “A”**.

Company Name	Place of Formation/Incorporation	Principal Activity
Greenpoint Oregon, Inc.	Oregon	Cannabis production, distribution, and sales
CFA Retail LLC	Oregon	Retail operations in Oregon
Greenpoint Equipment Leasing, LLC	Oregon	Ownership and leasing of capital equipment
Greenpoint Workforce, Inc.	Oregon	Administers payroll/benefits for employees on behalf of U.S. operating companies
SMS Ventures LLC	Oregon	Retail operations in Oregon
CF Bliss LLC	Oregon	Retail operations in Oregon

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Company Name	Place of Formation/Incorporation	Principal Activity
Greenpoint Nevada, Inc.	Nevada	Nevada wholesale operations; also holds certain intangible purchased assets

26. The Chalice Group is also the 80% owner of Fifth and Root, Inc., a company based in California, carrying on business related to a CBD skincare line.

27. As of May 17, 2023, Chalice's equity consisted of:

- (a) 84,415,725 issued and outstanding common shares;
- (b) 15,900,000 warrants; and
- (c) 5,900,000 stock options and restricted stock units.

C. The Business of the Chalice Group

(a) General Operations

28. The Chalice Group is a vertically integrated (farm-to-table) cannabis company. The Chalice Group grows its own cannabis flower, which it processes for sale and production. The Chalice Group uses its own cannabis flower to extract cannabis by-products for sale and for manufacture into other edible and extract products.

29. The Chalice Group operates a leased cultivation facility located outside of Portland, Oregon called Bald Peak. 100% of Bald Peak's agricultural output is sold through Chalice stores. Overall, Bald Peak's agricultural output supplies approximately 50% of the cannabis flower sold through the Chalice Group's retail stores, while the Chalice Group purchases another 50% of the cannabis flower it retails from third parties.

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30. The Chalice Group produces a variety of branded products through its owned production facilities in Oregon and through manufacturing agreements in other states.

31. In Oregon, the Chalice Group has a 25,000 ft² leased facility shared between its corporate headquarters and its primary distribution facility in Portland. Roughly half of this facility is devoted to the Chalice Group's Airport Way dispensary/headquarters, and half is devoted to edibles production and wholesale distribution activities.

32. The Chalice Group also operates two processing and extraction locations in two adjacent 6000ft² suites in Clackamas, OR, just southeast of Portland. The Chalice Group purchased the operations and equipment relating to the processing and extraction locations from Tozmoz, LLC ("**Tozmoz**") in December 2021, as more fully described below.

(b) Retail Business

33. The Chalice Group owns and operates a network of 16 retail stores in Oregon: 14 operate under the flagship dispensary banner "Chalice Farms", one under the banner "Cannabliss and Co." and one under the banner "Left Coast Connection". Eight stores are located within the Portland Metro Area and eight are in the Willamette Valley, within two hours of the Portland Metro Area. A chart detailing the locations of each store and the Chalice Group entity operating the location is attached hereto as **Exhibit "B"**.

34. The Chalice Group also distributes its branded products to other retailers in the Oregon wholesale market. These operations are supported by the same distribution infrastructure used for the Chalice Group's retail stores, at the Chalice Group's headquarters in Portland.

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(c) Cannabis Licenses

35. The Chalice Group holds 32 regulatory licenses in Oregon related to producing, processing, wholesaling, and retailing cannabis. While all of these licenses are in good standing, four are on “Temporary Closure Status” under the OLCC licensing regime.

36. In Nevada, the Chalice Group holds four licenses related to cultivation and product manufacturing of medical marijuana. All four licenses are in good standing but are currently inactive. Chalice does not hold any licenses in Canada. A list of all Chalice Group cannabis licenses and license holders is attached hereto as **Exhibit “C”**.

(d) Employees

37. The Chalice Group currently has a total of 134 full-time employees and 37 part-time employees.

38. Greenpoint Workforce employs and pays all of the employees of the Chalice Group. There is no formal shared services or other agreement between Greenpoint Workforce and the other Chalice Group entities, which reimburse Greenpoint Workforce for employee expenses as the parties determine appropriate. Allocation of employee payroll is based on the type of activity performed and what legal entity is associated with said activity.

39. In 2020, U.S. Congress passed the *Coronavirus Aid, Relief and Economic Security (CARES) Act* which, among other things, created a new employee retention tax credit (the “**ERTCs**”) for private employers carrying on a trade or business who had closed, partially closed or had experienced significant revenue losses as a result of COVID-19. The ERTCs are a refundable tax credit created to encourage employers to keep their employees on the payroll during certain quarters in 2020 and 2021 affected by the pandemic.

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40. For the years 2020 and 2021, Greenpoint Workforce claimed ERTCs. To date, Greenpoint Workforce has received \$2,700,000 worth of ERTCs and anticipates receiving another \$2,300,000 of ERTCs in the near future.

41. As described in more detail below, on or about May 12, 2023, Greenpoint Workforce made a payment of \$1,450,000 to Chalice as partial repayment of its intercompany debt, which Chalice intends to use to fund this CCAA proceeding. Greenpoint Workforce also intends to use a portion of the ERTC proceeds received to date to repay the Bridge Loans (as defined below) during the course of this proceeding.

(e) Leased and Owned Property

42. The Chalice Group does not own any real property in Canada or the U.S.

43. The Chalice Group leases certain properties in Oregon, including all of its 16 retail store locations, its three (3) production facilities and its cultivation location (Bald Peak). Chalice has guaranteed certain of those leases.

(f) Trade Payables

44. As of May 22, 2023, the Chalice Group owed a total of \$6,000,000 to its suppliers, various vendors, and landlords.

(g) Banking Arrangements

45. Chalice has three bank accounts in Canada with the Olympia Trust Company: one USD account, one CAD account, and one GBP account. Chalice also has two bank accounts in Canada through Corpay (formerly known as Cambridge Global Payments) to help process cross-border payments: one USD account and one CAD account.

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46. The Chalice Group has 21 active bank accounts in the United States through Salal Credit Union (“**Salal**”), each denominated in USD. Salal is based in the State of Washington, and accordingly each of the Chalice Group’s accounts with Salal is held in Washington. The Chalice Group’s accounts with Salal are held by the following entities:

- (a) Greenpoint Oregon (1) – consolidated operations account;
- (b) Greenpoint Workforce (2) – one account for payroll and payroll taxes and one account to hold ERTC funds;
- (c) Greenpoint Equipment Leasing, LLC (1) – one account with a small balance but largely dormant;
- (d) Greenpoint Holdings (1) – one account for non-payroll taxes, and acts as a pass-through account for traditional means of sending funds to Canada;
- (e) CFA Retail (7) – one account for each CFA Retail retail store location;
- (f) CFB (4) – one account for each CFB retail store location;
- (g) SMS Ventures (5) – one account for each SMS Ventures retail store location.

47. To assist in its cash management arrangements, the Chalice Group contracts with a third-party cash management logistics provider, Empyreal Logistics (“**Empyreal**”). On a regular basis, Empyreal picks up cash from the Chalice Group’s retail stores and transports the cash to its own vault. Empyreal then processes the cash deposits into each corresponding store’s licensed bank account. The Chalice Group’s management team then sweeps those funds into the Chalice Group’s main consolidated operating account at Salal twice per week.

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(h) Intellectual Property

48. The Chalice Group owns a limited amount of intellectual property. The Assumed Business Name (“ABN”) “Chalice Farms” is owned by CFB. The main customer-facing website, www.chalicebrands.com, was created in 2021 and is owned by Greenpoint Holdings.

49. While Chalice purchased a number of other ABNs pursuant to certain acquisitions described in greater detail below, those ABNs or other tradenames were either never formally transferred with the Oregon Secretary of State, or, in the case of “Homegrown Oregon”, have expired.

50. As well as its primary customer-facing website, the Chalice Group owns a number of other domain names which are currently inactive.

D. Financial Position of the Chalice Group

51. On May 3, 2022, Chalice announced it would be delayed in filing its 2021 Annual Filings, stating that that additional time was required to permit it and its then-auditors to complete work and enquiries in connection with the audit of the Chalice Group’s 2021 consolidated financial statements.

52. As a result of the delay, on May 6, 2022, the Ontario Securities Commission issued the CTO against Chalice. A copy of the CTO is attached hereto as **Exhibit “D”**.

53. As a consequence of the CTO, no person or company may trade in or purchase a security of Chalice, except in accordance with the conditions in the CTO, for as long as the CTO remains in effect.

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54. As of the date of the swearing of this Affidavit, Chalice has not yet made the 2021 Annual Filings and the CTO remains in place. Chalice has been delayed in finalizing the 2021 Annual Filings, in part, due to the resignation of its former CFO in June 2022, and a change in its external auditors.

55. A copy of the Chalice Group's unaudited, consolidated financial statements as at December 31, 2021, which is the most recent draft financial statements that is available, is attached hereto as **Exhibit "E"**.

(a) Assets

56. As of December 31, 2021, the assets of the Chalice Group had an unaudited book value of approximately \$32,950,001 and consisted of the following.

Type of Asset	Amount
Cash	\$4,795,535
Accounts receivable	\$1,177,087
Biological assets	\$612,793
Inventory	\$3,371,630
Prepaid expenses and deposits	\$890,554
Current Assets: \$10,847,599	
Property, plant and equipment	\$2,916,221
Other receivables	\$189,257
Right-of-use assets, net	\$5,232,838
Intangible assets, net	\$10,226,858
Goodwill	\$3,537,228
Non-Current Assets: \$22,102,402	
Total Assets: \$32,950,001	

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(b) Liabilities

57. As of December 31, 2021, the liabilities of the Chalice Group had an unaudited book value of approximately \$29,847,412 and consisted of the following:

Type of Liability	Amount
Accounts payable and accrued liabilities	\$4,181,553
Income taxes payable	\$2,648,527
Sales tax payable	\$961,894
Current portion of long-term debt	\$27,399
Current portion of notes payable	\$549,752
Convertible debentures carried at fair value	\$3,087,820
Consideration payable – cash portion	\$798,276
Consideration payable – equity portion	\$4,527,000
Lease liability	\$963,259
Current Liabilities: \$17,745,480	
Notes payable	\$1,853,998
Deferred tax liability	\$320,708
Long-term debt	\$112,748
Long-term lease liability	\$5,439,599
Warrant liability	\$535,066
Convertible debentures carried at amortized cost	\$2,272,126
Consideration payable – cash portion	\$1,567,687
Non-Current Liability: \$12,101,932	
Total Liabilities: \$29,847,412	

58. After removing intangible assets and goodwill, the Chalice Group's liabilities exceed its assets. The Chalice Group's financial position has continued to deteriorate since the preparation of these financial statements.

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(c) Earnings

59. For the period ending December 31, 2021, the Chalice Group's net loss was \$16,965,906.

E. Chalice Indebtedness

60. As of the date of the swearing of this affidavit, Chalice's principal liabilities consist of outstanding debt under three notes and two series of unsecured debentures with an aggregate outstanding principal amount of approximately **\$10,259,297**, as summarized in the following chart:

Instrument	Maturity Date	Principal Outstanding
Notes		
Bobsled Note	2024-05-31	\$108,587
Homegrown Note (co-borrower with Greenpoint Holdings)	2025-06-01	\$1,896,411
Revised Earn-Out Agreement	2027-04-01	\$2,149,299
Total Notes Debt		\$4,154,297
Unsecured Debentures		
Round 4 Convertible Debentures	2024-11-16	\$3,086,250
Round 5 Convertible Debentures	2024-11-23	\$3,018,750
Total Debenture Debt		\$6,105,000¹
Total Indebtedness		\$10,259,297

61. In addition to the Chalice indebtedness, four of Chalice's subsidiaries also have funded debt of **\$8,864,616**, as summarized in the following chart:

¹ Debenture debt is in Canadian dollars, as described below. R4: CAD \$4,115,000; R5: CAD \$4,025,000. The USD amounts are calculated using the US:CAD foreign exchange rate of \$0.75 CAD:USD.

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Instrument	Maturity Date	Principal Outstanding
Greenpoint Holdings		
Homegrown Note (co-borrower with Chalice)	2025-06-01	\$1,896,411
Greenpoint Oregon		
Tozmoz Note (unsecured)	2025-12-21	\$178,368
Bobsled Note (co-borrower with Chalice)	2024-05-31	\$108,587
CFB		
Cannabliss Note (secured)	2026-01-01	\$5,850,000
Greenpoint Workforce		
Secured Bridge Loans	2023-04-30	\$550,000
Secured Bridge Loans ²	2023-04-30	\$281,250
Total Subsidiary Indebtedness		\$8,864,616

(a) **Bobsled Note**

62. On May 25, 2021, Golden Leaf (predecessor to Chalice) and Greenpoint Oregon, as borrowers, entered into a secured promissory note with Bobsled Extracts, LLC (“**Bobsled**”), as lender, in the principal amount of \$315,000 (the “**Bobsled Note**”) for the purchase of certain production equipment. A copy of the Bobsled Note is attached hereto as **Exhibit “F”**.

63. The Bobsled Note does not accrue any interest. In lieu of interest, Greenpoint Oregon agreed to enter into a 36-month term product procurement agreement with Bobsled (the “**Product Procurement Agreement**”) pursuant to which the Chalice Group agreed to purchase \$20,000 of

² Certain Bridge Loans were made totalling CAD \$375,000, as described below. The USD amounts are calculated using the US:CAD foreign exchange rate of \$0.75 CAD:USD.

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product from Bobsled per month. The principal under the Bobsled Note is payable in 36 consecutive monthly payments, with the last payment due on May 25, 2024.

64. As of May 1, 2023, \$108,586.97 remains owing on the Bobsled Note. Payments due on April 30 and May 1, 2023 were not made. The Chalice Group has largely failed to meet its obligation under the Product Procurement Agreement to purchase \$20,000 of product from Bobsled per month.

65. The Bobsled Note is secured by the Collateral, as defined in a security agreement entered into between Chalice, Greenpoint Oregon and Bobsled (the “**Bobsled Security Agreement**”). A copy of the Bobsled Security Agreement is attached hereto as **Exhibit “G”**. The Bobsled Note provides that, upon an Event of Default (as defined in the Bobsled Security Agreement), all principal, interest and any other amounts remaining unpaid shall immediately become due and payable. No Ontario Personal Property Security Registration has been made against Chalice in this regard. A Uniform Commercial Code (“**UCC**”) financing statement was registered against Golden Leaf (predecessor to Chalice) in Oregon, which details certain production equipment.

66. On January 27, 2023, Bobsled delivered, through its counsel, a Notice of Default and Demand for Payment (the “**Bobsled Letter**”). Bobsled claimed that Chalice owed \$319,000, being the principal on the Bobsled Note, \$120,000 of missed retail orders, \$38,250 for product which Bobsled had delivered, and \$12,000 in late fees. Chalice disputes the allegations in the Bobsled Letter. A copy of the Bobsled Letter is attached hereto as **Exhibit “H”**.

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(b) Homegrown Note

67. On May 19, 2021, Golden Leaf (predecessor to Chalice) and Greenpoint Holdings entered into an agreement (the **“Homegrown Acquisition”**) to acquire 100% ownership in SMS Ventures, a chain of five retail dispensaries located in Portland, Salem and Albany, Oregon.

68. The total consideration of the Homegrown Acquisition was \$9,750,000, consisting of \$6,000,000 in cash, \$2,000,000 in common shares of Chalice, a promissory note in the principal amount of \$1,750,000 pursuant to which Alicia Smith, Jillian Smith, and Marcena Sorrels (the **“Homegrown Lenders”**), as assignees of the lender Sorrels Investments, LLC, are lenders (the **“Homegrown Note”**), and an indeterminate amount pursuant to an unsecured variable note (the **“Homegrown Variable Note”**).³ Golden Leaf and Greenpoint Holdings are the borrowers under the Homegrown Note. The Homegrown Note accrues interest at the rate of 8% per annum. A copy of the Homegrown Note is attached hereto as **Exhibit “I”**.

69. The Homegrown Note is payable in 48 consecutive monthly payments, commencing on June 1, 2021 and with the last payment due on June 1, 2025. The first 12 payments were required to be paid in equal installments of interest only in the amount of \$11,666.67 per month, and the remaining 36 payments are required to be paid in equal installments of principal and interest in the amount of \$54,838.64 per month.

70. As of May 1, 2023, \$1,896,411 is outstanding on the Homegrown Note.

³ Under the terms of the Homegrown Variable Note, if the closing price of the shares in Golden Leaf (now Chalice) was above CAD \$0.0656 as of the Maturity Date, the Homegrown Variable Note will be cancelled and the Borrower shall have no further obligations under said note. This condition was satisfied and, as a result, the Company has deemed the Homegrown Variable Note cancelled in accordance with its terms, and no payments are owing.

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71. The Homegrown Note provides that performance thereunder is secured by a first priority security interest in the collateral specified in a Security Agreement (as defined in the Homegrown Note) (the “**Homegrown Security Agreement**”). The parties to the Homegrown Security Agreement are Golden Leaf and Greenpoint Holdings as the “Debtor” and the Homegrown Lenders as the “Secured Party.” The collateral, as defined and more fully described in the Homegrown Security Agreement, is generally comprised of certain cannabis licenses, the inventory arising from the licenses and the proceeds from the sale of the inventory. The licenses described in the Homegrown Security Agreement are not the property of Golden Leaf or Greenpoint Holdings, but rather are held by a different Chalice Group entity which is not party to any Homegrown loan or security documents. A copy of the Homegrown Security Agreement is attached hereto as **Exhibit “J”**.

72. No Ontario Personal Property Security Registration has been made against Chalice in respect of the Homegrown Note. UCC financing statements were registered against Chalice and Greenpoint Holdings in Oregon, which detail the cannabis licenses held by the non-party to the Homegrown Note. No UCC financing statement was registered against the entity with title to the collateral that is the subject of the Homegrown Security Agreement.

73. The Homegrown Note further provides that, upon an Event of Default (as defined in the Homegrown Note), all principal, interest and any other amounts remaining unpaid shall immediately become due and payable.

74. The Homegrown Note has been in default since July 2022. No monthly payments have been made since May 2022. The Homegrown Lenders have taken enforcement steps under the Homegrown Loan, as detailed below.

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(c) **Revised Earn-Out Agreement**

75. In connection with various purchases and acquisitions of certain assets or subsidiaries of the Chalice Group on or around July 7, 2017, all as detailed more fully in an Asset Purchase Agreement dated July 7, 2017 and in the Membership Interest Purchase Agreement dated July 7, 2017, certain earn-out payments totaling \$9,527,350 were required to be paid, of which no less than \$5,000,000 in cash (as amended, the “**Cash Payment**”) was payable to the prior owners of Chalice LLC, namely William Simpson, Mike Genovese and Gary Zipfel (the “**Owners**”), with the balance payable in Chalice stock (as amended, the “**Stock Earn-Out Payment**” and, together with the Cash Payment, the “**Earn-Out Payments**”).

76. In or around July 2019, the parties agreed to amend and defer the Earn-Out Payments obligation. On November 18, 2020, the Owners reached an agreement to further extend the Earn-Out Payments due on May 2, 2022 (the “**Revised Earn-Out Agreement**”). A copy of the Revised Earn-Out Agreement is attached hereto as **Exhibit “K”**.

77. Under the Revised Earn-Out Agreement, certain of the debt was converted into shares, with the remaining principal of \$2,500,000 (the “**Remaining Cash Portion**”) becoming payable in 60 consecutive monthly payments of \$41,666 plus an interest rate of 6% beginning on the maturity date of May 2, 2022 and ending on April 2, 2027.

78. The Revised Earn-Out Agreement currently has a principal balance outstanding of \$2,149,299. Payments ceased in mid-2022, but no formal notice of default has been issued. Interest has not been waived on this principal amount.

79. The Revised Earn-Out Agreement provides that, if Chalice is unable to pay or in the event Chalice declares bankruptcy, the Owners shall have as security for the outstanding balance of the

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Remaining Cash Portion, assets of certain Chalice stores designated by Chalice valued to the amount of the then-outstanding balance of Remaining Cash Portion owed by Chalice. No such designation was made and no security agreements were entered into in respect thereof.

(d) Unsecured Debentures

80. Chalice has two outstanding rounds of unsecured debentures with a total aggregate value of CAD \$8,140,000. As described below, interest on the debentures will come due on June 30, 2023.

(i) Round 4 Convertible Debentures

81. On November 18, 2018, Chalice issued unsecured convertible debenture units (collectively, the “**R4 Debentures**”) maturing November 16, 2021. The R4 Debentures accrue interest at a rate of 12% per annum until December 31, 2019 (the original first interest payment date), after which such interest decreased to 10% per annum and is payable semi-annually until maturity. A copy of the R4 indenture under which the R4 Debentures were issued (the “**R4 Indenture**”) is attached hereto as **Exhibit “L”**.

82. The R4 Debentures rank *pari passu* in right of payment of principal and interest with all other R4 Debentures issued under the offering and are subordinated to all existing secured indebtedness of Chalice.

83. The R4 Indenture has been amended multiple times since, first to extend the maturity date from November 16, 2021 to November 16, 2022 and second, by way of extraordinary resolution (the “**Extraordinary Resolution**”), the R4 Debentureholders (i) approved an extension of the time for repayment of the principal owing under the R4 Debentures until November 16, 2024, (ii) waived the default from the failure to pay interest which became due on June 30, 2022, and

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(iii) extended the time for paying interest due on June 30, 2022 and December 31, 2022 to June 30, 2023. A copy of the news release announcing the passage of the Extraordinary Resolution is attached hereto as **Exhibit “M”**.

84. As of the date hereof, the outstanding principal with respect to the R4 Debentures is CAD \$4,115,000.

(ii) Round 5 Convertible Debentures

85. On November 23, 2021, Chalice issued unsecured convertible debenture units (collectively, the **“R5 Debentures”**) maturing November 23, 2024. The R5 Debentures accrue interest at a rate of 10% per annum, payable on a semi-annual basis. A copy of the R5 indenture, under which the R5 Debentures were issued, is attached hereto as **Exhibit “N”**.

86. The R5 Debentures rank *pari passu* in right of payment of principal and interest with all other R5 Debentures issued under the offering and are subordinated to all existing secured indebtedness of Chalice.

87. The R5 Debentures also had interest coming due on June 30, 2022 but, as Chalice was unable to pay this interest, the parties informally agreed to waive the default on this interest.

88. As of the date hereof, the outstanding principal with respect to the R5 Debentures is CAD \$4,025,000.

(e) Intercompany Debt

89. As of May 10, 2023 Chalice has provided Greenpoint Workforce with loans of approximately \$4,000,000 to fund operating costs, namely employee wages and other working

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capital obligations. On May 12, 2023, Greenpoint Workforce made a payment of \$1,450,000 to Chalice as partial repayment of its intercompany debt.

90. As at December 31, 2021, being the date of the most recent draft financial statements, the following amounts were owed to Chalice by its subsidiaries:

Entity	Amount
Greenpoint Holdings	\$55,578,393.89
Greenpoint Oregon	\$27,725,493.78
CFA Retail	\$3,130,556.26
Greenpoint Equipment Leasing, LLC	\$916,846.41
Greenpoint Workforce	\$3,989,351.23
GLH	\$6,395,133.99
GL Management Inc. (since dissolved)	\$9,290,062.11
Greenpoint Real Estate LLC (since dissolved)	(\$1,534,099.26)
CF Greenpoint CA, Inc. (since dissolved)	\$3,870,194.75
CF CA Inc. (since dissolved)	\$214,775.32
Greenpoint Nevada Inc.	\$134,581.28
Total:	USD \$109,711,289.76

91. While Chalice has not required its subsidiaries to enter into formal loan agreements in respect of these amounts loaned, the amounts listed above are consistent with the Chalice Group's tax filing of IRS Form 5472 included in its U.S. income tax return for the year ending December 31, 2021 which listed intercompany debt owing to Chalice in the amount of USD \$109,711,289.76.

92. While at this time it is not expected that the Oregon Subsidiaries will need financing from Chalice during the contemplated receivership proceedings in Oregon, in the event that such need

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arises, the Oregon Subsidiaries have entered into a General Security Agreement with Chalice, evidenced by UCC filings, to ensure the assets of Chalice as the CCAA Applicant are protected.

(f) Subsidiary Indebtedness

(i) Cannabliss Note

93. On September 16, 2021, CFB entered into an asset purchase agreement (as amended, the “**Cannabliss APA**”) to acquire four retail stores branded Cannabliss & Co. from Acreage Holdings Inc. (“**Acreage**”), for a total consideration of \$6,500,000. On July 1, 2022, CFB and Acreage entered into an amending agreement (the “**Cannabliss Amending Agreement**”) which, among other things, extended the closing date under the Cannabliss APA in order to provide CFB with a longer time frame to service the debt obligations.

94. In connection with the Cannabliss Amending Agreement, CFB entered into a 36-month secured promissory note (as amended, the “**Cannabliss Note**”) in the principal amount of \$5,850,000, carrying accrued interest at a rate of 12% per annum, payable on a quarterly basis commencing January 1, 2023. Under the Cannabliss Note, CFB agreed to make balloon payments to High Street Capital Partners (“**High Street**”) of \$1,000,000 on January 1, 2024 and \$1,000,000 on January 1, 2025. Amounts that remain owing to High Street, if any, shall be paid on January 1, 2026. A copy of the Cannabliss Note is attached hereto as **Exhibit “O”**.

95. The Cannabliss Note is secured by a security agreement dated July 1, 2022 (the “**Cannabliss Security Agreement**”) entered into between CFB and High Street. Until the Cannabliss Note is paid in full, CFB grants High Street a security interest in the Collateral (as defined therein), including among other things, all Equipment, Inventory, Accounts, General Intangibles, any the Cannabis Licenses and permits acquired by CFB under the Cannabliss APA,

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and all intellectual property listed in the schedules thereto (each as defined in the Cannabliss Security Agreement). A copy of the Cannabliss Security Agreement is attached hereto as **Exhibit “P”**. A UCC financing statement was registered by High Street against CFB in Oregon.

96. The Cannabliss Note provides that, in the event Chalice or CFB experiences a Change in Control (as defined in the Cannabliss Note), High Street has the right to accelerate the Cannabliss Note to be due and payable in full upon the closing of such Change in Control.

97. The Cannabliss Note further provides that, upon an Event of Default (as defined in the Cannabliss Note), all principal, interest and any other amounts remaining unpaid shall immediately become due and payable. The Cannabliss Note provides that Greenpoint Holdings will be a guarantor. While a guarantee was drafted, it was never executed.

(ii) Tozmoz Note

98. On December 21, 2021, Chalice acquired substantially all of the assets of Tozmoz, a licensed cannabis processor in Oregon, pursuant to an asset purchase agreement. The purchased assets included a facility located in Clackamas County, which serves as the headquarters for multiple extraction options. The consideration consisted of 1,268,116 shares of Chalice stock, a 48-month unsecured promissory note for \$400,000 (the **“Tozmoz Note”**), and forgiveness of a promissory note from Tozmoz valued at \$656,718. A copy of the Tozmoz Note is attached hereto as **Exhibit “Q”**.

99. The Tozmoz Note is payable in 48 equal monthly instalments of \$9,394, with the first payment due on the first day of the first full month after closing. The Tozmoz Note accrues interest at 6% per annum.

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(iii) Greenpoint Workforce Bridge Loans

100. On November 22, 2022, Greenpoint Workforce entered into three secured bridge loan term sheets – one with Dan Noonan in the amount of CAD \$250,000, one with Gary Zipfel in the amount of \$300,000 and one with Karl Rickard Miller Trust in the amount of \$250,000 (Noonan, Zipfel and Miller, together, the “**Bridge Lenders**”), which were intended to fund day-to-day working capital requirements until Greenpoint Workforce received the ERTC funds from the IRS. Subsequently, Dan Noonan and Greenpoint Workforce entered into an additional bridge loan term sheet, to further meet day-to-day working capital requirements, in the amount of CAD \$125,000 (the four loans together, the “**Bridge Loans**”). In order to secure the Bridge Loans, the Board of Directors of Chalice committed to the Bridge Lenders that the Bridge Loans would be repaid upon receipt of the first tranche of ERTCs. The Bridge Lenders advanced funds concurrently with the execution of the Bridge Loans. Copies of the Bridge Loans are attached hereto as **Exhibit “R”**.

101. The Bridge Loans were intended to be secured; however, due to an oversight, the parties did not finalize the security agreements. Upon realizing the oversight, each of the Bridge Lenders entered into security agreements with Greenpoint Workforce dated May 7, 2023, copies of which are attached hereto as **Exhibit “S”**, and registered UCC financing statements in Oregon accordingly.

102. The Bridge Loans accrue interest at a fixed rates of 1.5% per month, have a term of five months and mature upon the earlier of April 30, 2023, the date on which Greenpoint Workforce received the ERTC refund, and the date a Bridge Lender demands repayment following an event of default.

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103. Greenpoint Workforce intends to repay the Bridge Loans during the course of this CCAA proceeding.

104. A summary of all UCC filings against Chalice is attached hereto as **Exhibit "T"**.

F. Urgent Need for Relief

105. As described above, the Chalice Group faces an urgent liquidity crisis. Notwithstanding significant reductions in headcount and inventory procurement made over the past year by the Chalice Group, the deferral of payments to key employees, and the renegotiation of certain ongoing contractual obligations, Chalice and its operating subsidiaries find themselves unable satisfy their obligations as they come due. As present, the Chalice Group's trade payables totals approximately \$6,000,000 million. Several of Chalice's subsidiaries are in default under their leases and there are amounts owing to landlords.

106. Moreover, Chalice and certain of the Non-Filing Affiliates are alleged to be, or are, in default under their respective debt obligations.

107. With respect to the Homegrown Note in particular, Chalice has not been able to pay either interest or principal since June 2022. The Homegrown Lenders issued a Notice of Default on July 19, 2022 and a Notice of Acceleration on August 8, 2022. On the same day, the Homegrown Lenders initiated an arbitration against Chalice relating to the defaults under the Homegrown Note. The Homegrown Lenders recently voluntarily dismissed that arbitration to instead begin a nonjudicial foreclosure of certain collateral belonging to the Chalice Group. A copy of the Notice of Disposition threatening such action is attached hereto as **Exhibit "U"**. On May 3, 2023, the Homegrown Lenders, through counsel, wrote directly to the OLCC, advising the OLCC that they were purportedly taking steps to foreclose on assets of the Chalice Group, and seeking OLCC's

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approval for temporary authority to operate five of the Chalice Group's cannabis licenses. A copy of the letter from the Homegrown Lenders to the OLCC is attached hereto as **Exhibit "V"**.

108. On May 10, 2023, the Chalice Group, through its local U.S. corporate counsel wrote to the OLCC, disputing the Homegrown Lender's claims. A copy of this letter to the OLCC dated May 10, 2023 is attached hereto as **Exhibit "W"**.

109. The Chalice Group had also failed to pay interest on its R4 and R5 Debentures and does not have sufficient liquidity to make payments on either of the unsecured debentures when the next interest payments come due on June 30, 2023.

110. The detrimental impact of Section 280E of the IRC on the Chalice Group's operating margins, together with the inability of Chalice to raise funds through issuing equity as a result of the CTO, have further contributed to the Chalice Group's liquidity crisis, and severely limited the Chalice Group's ability to meet its imminent obligations.

G. Relief Sought

(a) Stay of Proceedings

111. In order to provide breathing space to allow the Applicant and the CRO, with the assistance of the proposed Monitor, to operate the business and conduct a coordinated sale process in consultation with the Oregon Receiver, the Applicant urgently requires an initial stay of proceedings for 10 days, until it can return to the Court for a second hearing.

112. Concurrently with the filing of this Application for relief under the CCAA, the Applicant is commencing proceedings in the State of Oregon in order to have the Oregon Subsidiaries placed into receivership. The Applicant is proposing that Mr. Kenneth Eiler be appointed as the Oregon

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Receiver. Mr. Eiler is a practicing lawyer and has over 20 years experience as a licensed trustee. A copy of Mr. Eiler's CV is attached hereto as **Exhibit "X"**. As noted above, should the Oregon Subsidiaries successfully be placed in receivership, there shall be an automatic stay of proceedings in the State of Oregon against those entities and their property, prohibiting the commencement or continuation of any proceedings by creditors, including landlords, and preventing them from taking precipitous actions against those entities or their property. The Oregon Receiver will immediately take steps to obtain temporary cannabis licenses from the OLCC, to the extent necessary.

113. It would be detrimental to the CRO's ability, with the assistance of the Monitor, and in close consultation and coordination with the Oregon Receiver, to pursue a going concern solution if proceedings were commenced or continued or rights and remedies were executed against it, including as against Chalice.

114. The Applicant seeks the benefit of the stay of proceedings to be extended to the Non-Filing Affiliates as they are integral to the overall enterprise operation. Among other things, (i) Greenpoint Workforce acts as the only employer within the corporate group and funds payroll; (ii) the Non-Filing Affiliates hold the cannabis licenses, operate the cultivation and production facilities, and operate the 16 retail stores; (iii) certain creditor and landlord-driven enforcement action is being pursued against certain of the Non-Filing Affiliates that may put the licenses at risk; (iv) the shares and membership interests of Chalice's operating subsidiaries are held by Greenpoint Holdings; and (v) failure to satisfy payroll is a director and officer liability, making it critical that there is no risk to Greenpoint Workforce being able to facilitate same. Extending the

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stay to the Non-Filing Affiliates will allow the Chalice Group to stabilize its operations and ensure a coordinated restructuring process.

115. Because the Non-Filing Affiliates are integral to the Chalice Group's operations, the commencement of any proceedings or the exercise of any rights or remedies in Canada or elsewhere against the Non-Filing Affiliates would be detrimental to the Applicant's efforts to pursue a going concern sale of the Chalice Group, with the assistance of the proposed Monitor, and would undermine a process that would otherwise benefit the stakeholders of the Chalice Group as a whole. The Initial Order contains provisions enjoining the exercise of rights and remedies against the Non-Filing Affiliates while the CCAA process is being undertaken to the extent that those rights or remedies are related to or would have an impact upon the Chalice Group.

116. To ensure that the appointment of the Oregon Receiver is not affected by the CCAA proceeding, the Initial Order includes a carve out from the stay for the Non-Filing Affiliates to permit the hearing of the Oregon receivership proceeding and the granting of an Order appointing the Oregon Receiver as regards the Oregon Subsidiaries (including a Complaint and a Motion to Appoint Receiver). The Initial Order expressly contemplates that the Oregon receivership proceeding can be heard, and an Order can be granted. Any stay of proceedings granted in Oregon may not have effect beyond the borders of Oregon.

117. The requested stay will provide the breathing space that the Applicant and the CRO need to oversee a going concern sale of all or substantially all of the Chalice Group's assets, in close consultation with the Oregon Receiver. The Applicant intends to seek approval of an expeditious sales and investment solicitation process at a further motion on notice to affected parties (the

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“Comeback Hearing”). The stay in Canada, and the concurrent stay of proceedings being sought in Oregon, will help to protect the interests of the Chalice Group’s stakeholders, including employees, suppliers, customers and lenders.

(b) Proposed Monitor

118. It is proposed that KSV Restructuring Inc. (**“KSV”**, or the **“Proposed Monitor”**) will act as the Monitor in the CCAA proceeding if the proposed Initial Order is issued. The Proposed Monitor has consented to act as the Monitor on the terms set out in the proposed Initial Order. A copy of the Proposed Monitor’s consent to act as monitor is attached hereto as **Exhibit “Y”**.

(c) Administration Charge

119. In connection with its appointment, it is proposed that the Proposed Monitor, along with its counsel and the Applicant’s counsel, will be granted a Court-ordered charge on Chalice’s assets as security for their respective fees and disbursements relating to services rendered in respect of the Applicant up to a maximum of CAD \$400,000 (the **“Administration Charge”**). The Administration Charge is proposed to have first priority over all other charges.

(d) Appointment of Chief Restructuring Officer

120. As described above, the Chalice Group has engaged me, through Cardinal Advisory Services Inc. to act as the CRO. A copy of the executed engagement letter (the **“CRO Engagement Letter”**) is attached hereto as **Exhibit “Z”**.

121. In the course of my duties as CRO and director, I have become and am familiar with the Chalice Group’s businesses, day-to-day operations, and financial affairs. I understand the Chalice Group’s financial situation and am well-positioned to lead the enterprise through the restructuring process and into a sale and investment solicitation process.

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122. The proposed Amended and Restated Initial Order (“ARIO”), to be sought at the Comeback Hearing, provides for the approval of the CRO Engagement Letter and my appointment as CRO, as well as the inclusion of the CRO’s fees in the Administration Charge and a corresponding increase in the size of the charge. The CRO Engagement Letter sets out the applicable fees and disbursements.

123. I am advised by Marc Wasserman, a partner at Osler, Hoskin & Harcourt LLP and believe that many of the CRO-related provisions in the proposed ARIO are similar to protections afforded to chief restructuring officers in other CCAA proceedings. These protections include that:

- (a) nothing in the proposed ARIO shall be construed as resulting in the CRO being an employer, successor employer, a responsible person, operator or person with apparent authority within the meaning of any statute, regulation or rule of law, or equity for any purpose whatsoever; and
- (b) no action or other proceeding shall be commenced directly, or by way of counterclaim, third-party claim or otherwise, against or in respect of the CRO and all rights and remedies of any Person against or in respect of the CRO are hereby stayed and suspended, except with the written consent of the CRO and the Monitor, or with leave of this Court on notice to the Applicant, the Monitor and the CRO. I believe that my appointment as CRO is in the best interests of the Chalice Group and its stakeholders. I also understand that the Proposed Monitor supports my appointment as CRO.

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(e) Cash Flow Forecast

124. I understand that the Proposed Monitor will be filing a pre-filing report which will include a cash flow projection. The cash flow projection will demonstrate that Chalice has sufficient liquidity to continue going concern operations during the proposed stay period should the stay of proceedings be granted. It is not contemplated that Chalice will require debtor-in-possession financing during this CCAA proceeding.

125. The Applicant anticipates that the Proposed Monitor, if appointed, will provide oversight and assistance to Chalice, will assist in the proposed sale process or coordinate where necessary with the Oregon Receiver, and will report to the Court in respect of their actual results relative to cash flow forecast during this proceeding. Existing accounting procedures will provide the Proposed Monitor with the ability to accurately track the flow of funds and assist with any issues that may arise.

(f) Relief from Certain Securities Filing Requirements and in Respect of the AGM

126. The Applicant is a publicly traded company and reporting issuer, whose common shares previously traded on the CSE under the trading symbol "CHAL" as well as over the counter on the OTCQX® operated by OTC Markets Group Inc. under the trading symbol "CHALF".

127. Given the Chalice Group's significant liquidity constraints, the Applicant has determined that directing further time and resources to securities reporting is not appropriate or practical at this time. Accordingly, the Applicant will be seeking relief in the ARIO at the Comeback Hearing authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases, financial reporting or any other actions that may be required by any federal, provincial or other law

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respecting securities or capital markets in Canada or the United States and other rules and policies of the CSE or OTCOX®.

128. Additionally, the Applicant believes it would be a distraction and an unnecessary expense for it to hold an annual general meeting in the circumstances where it is subject to creditor protection. As a result, the Applicant is also seeking to be relieved of any obligations to call and hold an annual general meeting until further Order of this Court.

129. I understand that the Proposed Monitor will post all Court materials, which will include Chalice's cash flow projections and variance analyses, such that shareholders and other stakeholders will still have uninterrupted access to, among other things, the Applicant's operational and financial information.

H. Conclusion

130. The Initial Order sought by the Applicant is in the best interest of the Chalice Group and its stakeholders. Without the stay of proceedings, the Applicant faces an immediate cessation of going concern operations, the liquidation of its assets (including the potential loss of valuable cannabis licenses) and the loss of employment for the Chalice Group's employees. I believe that a CCAA proceeding, together with the concurrent state receivership, is the only viable method to restructure the Chalice Group's business for the benefit of all stakeholders.

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SWORN by Scott Secord of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on May 22, 2023, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits
(or as may be)

FABIAN SUÁREZ-AMAYA



SCOTT SECORD

Court File No. CV-23-00699872-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

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

IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

Applicant

AFFIDAVIT OF SCOTT SECORD

(the "Second Secord Affidavit")

I, Scott Secord, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

1. I serve as the Chief Restructuring Officer ("**CRO**") of Chalice Brands Ltd. ("**Chalice**") and its subsidiaries, Greenpoint Holdings Delaware, Inc. ("**Greenpoint Holdings**"), Greenpoint Oregon, Inc. ("**Greenpoint Oregon**"), CFA Retail, LLC ("**CFA Retail**"), SMS Ventures, LLC ("**SMS Ventures**"), CF Bliss LLC ("**CFB**"), Greenpoint Workforce, Inc. ("**Greenpoint Workforce**"), Greenpoint Equipment Leasing, LLC, Fifth and Root, Inc. and Greenpoint Nevada, Inc. (collectively, the "**Non-Filing Affiliates**", and together with Chalice, the "**Chalice Group**"), through my personal corporation, Cardinal Advisory Services Inc. ("**Cardinal Advisory**"). I am also a member of Chalice's Board of Directors. I have served as a director of Chalice since March 22, 2021.

2. In my current role as CRO of Chalice, I have oversight over Chalice's governance, business, and general operations. In the course of my duties as CRO and director, I have become

familiar with Chalice's businesses, day-to-day operations, and financial affairs. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with the senior management team of the Chalice Group and the Applicant's financial and legal advisors.

3. This Affidavit is made in support of an Amended and Restated Initial Order ("ARIO"), substantially in the form attached at **Tab 3** to the Supplementary Application Record, among things:

- (a) abridging the time for service of the Supplementary Application Record and dispensing with service on any person other than those served;
- (b) allowing the Applicant to file a plan of compromise or arrangement;
- (c) approving the engagement between the Applicant and Cardinal Advisory, pursuant to which Cardinal Advisory will act as the CRO of the Chalice Group through my services;
- (d) approving the fees and expenses contemplated under the CRO engagement letter, granting the CRO the benefit of the Administration Charge (as defined below);
- (e) increasing the Administration Charge by \$100,000, up to a maximum amount of \$500,000, with the support of the Monitor, to reflect the success fee provided under the CRO engagement letter, which is payable upon the occurrence of a sale, transfer, or assumption, on a going concern basis, or all or substantially all of the Chalice Group's operations and assets;

- (f) authorizing the decision by the Applicant to incur no further expenses for the duration of the Stay Period (as defined below) in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada or by the rules and regulations of a stock exchange, provided that any securities regulator or stock exchange shall not be prohibited from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the *Companies' Creditors Arrangement Act*, R.S.C., 1985 c. C-36 ("CCAA") as a consequence of such failure by the Applicant;
- (g) relieving the Applicant of any obligation to call and hold its annual general meeting of shareholders (the "AGM") until further Order of this Court;
- (h) extending the Stay Period (as defined below) until and including July 28, 2023; and
- (i) such further and other relief as this Court may deem just.

4. The relief sought in the ARIO is set out in the Applicant's Notice of Application dated May 23, 2023.

5. The purpose of this Affidavit is to inform the Court and all stakeholders about certain activities of the Applicant since the granting of the Initial Order. This Affidavit should be read in conjunction with the affidavit that I swore on May 22, 2023 (the "**First Second Affidavit**"), which contains information relevant to the following relief being sought through the ARIO:

- (a) the approval of the engagement of Cardinal Advisory as CRO;

- (b) the approval of the fees and expenses contemplated in the CRO engagement letter and associated increase to the Administration Charge;
 - (c) the authorization of the Applicant's decision not to incur further expenses for the duration of the Stay Period in relation to securities and capital market filings and disclosures; and
 - (d) the relief of the Applicant's obligation to call and hold its AGM.
6. A copy of the First Second Affidavit is attached hereto without exhibits (except for Exhibit "Z" to the First Second Affidavit, the CRO engagement letter, for ease of reference) as **Exhibit "A"** to this Affidavit.
7. Unless otherwise noted, all references to monetary amounts in this Affidavit are in U.S. dollars. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the First Second Affidavit.
- A. Overview of the Applicant's Activities Since the Initial Order**
8. On May 23, 2023, Chalice was granted protection under the CCAA pursuant to an initial order (the "**Initial Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**").
9. The Initial Order, a copy of which is attached hereto as **Exhibit "B"** to this Affidavit, among other things:
- (a) appointed KSV Restructuring Inc. to act as monitor within this CCAA proceeding (the "**Monitor**");

- (b) granted a stay of proceedings in favour of Chalice until and including June 2, 2023 (the “**Stay Period**”);
- (c) extended the stay of proceedings and other benefits and protections of the Initial Order and the CCAA to the Non-Filing Affiliates; and
- (d) granted an Administration Charge of up to \$400,000 on the Property of the Applicant (as those terms are defined in the Initial Order).

10. Since the granting of the Initial Order, the Applicant, in close consultation and with the assistance of the Monitor, has been working in good faith and with due diligence to:

- (a) stabilize its business and operations as part of this CCAA proceeding;
- (b) advise its stakeholders, including contacting the Investment Industry Regulatory Organization of Canada (“**IIROC**”) of the granting of the Initial Order;¹
- (c) work with the Oregon Receiver (as defined below) and its counsel in connection with the commencement of the Oregon Receivership (as defined below); and
- (d) respond to employee and creditor inquiries regarding this CCAA proceeding.

11. Subsequent to the granting of the Initial Order, the Applicant determined that one individual is an employee of the Applicant.

¹ I am advised by Justin Sherman of Osler, Hoskin & Harcourt LLP, counsel to the Applicant, that in accordance with policies of the Canadian Securities Exchange, Chalice is required to pre-notify IIROC prior to disseminating any press release that discloses material information. Accordingly, on May 23, 2023, Chalice submitted a draft of the press release announcing the initial order to IIROC for pre-notification purposes. IIROC communicated that they had no objection to the news release.

12. Further, in accordance with the Initial Order:

- (a) on May 23, 2023, the Monitor posted the Initial Order and related motion materials on the Monitor's website: <https://www.ksvadvisory.com/experience/case/chalice-brands-ltd>; and
- (b) the Monitor will publish a notice in *The Globe and Mail* (National Edition) containing the information prescribed under the CCAA on May 31, 2023 and on June 6, 2023.

13. On May 23, 2023, a CaseLines database was established for this CCAA proceeding and all persons currently listed on the Service List (as defined in the Initial Order) were granted access thereto. A copy of the Initial Order and Chalice's Application Record and factum were uploaded to the CaseLines database that same day.

B. Oregon Receivership Proceedings

14. As discussed in greater detail in the First Second Affidavit, as a cannabis business, the Chalice Group cannot access the protections of the federal U.S. Bankruptcy Code, even though the Chalice Group operates in compliance with state cannabis laws. As a result, on May 22, 2023, Chalice filed a complaint in the State of Oregon against Greenpoint Oregon, CFA Retail, Greenpoint Equipment Leasing, LLC, SMS Ventures, and CFB (together, the "**Oregon Receivership Entities**"), all of which are formed or have assets in Oregon, in order to commence the process of having the Oregon Receivership Entities placed into receivership in the State of Oregon (the "**Oregon Receivership**").

15. On May 23, 2023, the Circuit Court of the State of Oregon (the “**Oregon Court**”) signed an order (the “**Order Appointing Receiver**”) appointing Kenneth S. Eiler as state receiver over the Oregon Receivership Entities (the “**Oregon Receiver**”). Pursuant to the Order Appointing Receiver, among other things, an automatic stay has been applied in the State of Oregon against the Oregon Receivership Entities and their property, prohibiting the commencement or continuation of any proceedings by creditors, including landlords, and preventing them from taking precipitous actions against those entities or their property. A copy of the Order Appointing Receiver is attached hereto as **Exhibit “D”** to this Affidavit.

16. Since its appointment, the Oregon Receiver has taken steps to stabilize the business and operations of the Oregon Receivership Entities. Among other things, the Oregon Receiver wrote to the Oregon Liquor and Cannabis Commission (the “**OLCC**”) to advise it of the commencement of the Oregon Receivership and to request temporary cannabis licenses in order to continue operating the retail stores of the Oregon Receivership Entities. The OLCC was also served with the Applicant’s Application Record, factum, and the Initial Order on May 23, 2023. A copy of the email communications from the Oregon Receiver and his counsel to the OLCC is attached hereto as **Exhibit “E”** to this Affidavit.

17. I understand that the Oregon Receiver has also had preliminary discussions with certain creditors of the Chalice Group, including counsel to the Homegrown Lenders.

18. As noted in the First Secord Affidavit, it is intended that the Applicant and the CRO, with the assistance of the Monitor, will work in a coordinated fashion with the Oregon Receiver to operate the business of the Chalice Group while it seeks to achieve a going concern transaction, including in the implementation of the proposed sale process.

C. Extending the Stay of Proceedings is Appropriate

19. The Applicant is seeking to extend the stay of proceedings up to and including July 28, 2023. The Stay Period is necessary and appropriate in the circumstances to allow for the continued operation of the Chalice Group’s business during the implementation of the proposed sale process and the continuation of discussions with the Applicant’s stakeholders.

20. I believe that the Applicant has acted, and continues to act, in good faith and with due diligence since the granting of the Initial Order. As described above, the Applicant has been working diligently with the Monitor and the Oregon Receiver to prepare the sales process and has been in discussions with many of the Chalice Group’s stakeholders, including its employees.

21. The Monitor has expressed its support for the extension of the Stay Period to July 28, 2023.

SWORN BEFORE ME over video teleconference this 26th day of May, 2023 pursuant to O. Reg 431/20, Administering Oath or Declaration Remotely. The affiant was located in the City of Toronto, in the Province of Ontario, while the Commissioner was located in the City of Toronto, in the Province of Ontario.



DocuSigned by:
Emilie Dillon
58C63E8818CD461...

Commissioner for Taking Affidavits
Emilie Dillon (LSO No. 85199L)

DocuSigned by:
Scott Secord
1DF16980591E40B...

Scott Secord

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

Court File No: CV-23-00699872-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE
BRANDS LTD.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

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Lawyers for the Applicant,
Chalice Brands Ltd.

Court File No. CV-23-00699872-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE**

COMMERCIAL LIST

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

IN THE MATTER OF THE PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

Applicant

AFFIDAVIT OF SCOTT SECORD

(the “**Third Secord Affidavit**”)

I, Scott Secord, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I serve as the Chief Restructuring Officer (“**CRO**”) of Chalice Brands Ltd. (“**Chalice**”) and its subsidiaries, Greenpoint Holdings Delaware, Inc. (“**Greenpoint Holdings**”), Greenpoint Oregon, Inc. (“**Greenpoint Oregon**”), CFA Retail, LLC (“**CFA Retail**”), SMS Ventures, LLC (“**SMS Ventures**”), CF Bliss LLC (“**CFB**”), Greenpoint Workforce, Inc. (“**Greenpoint Workforce**”), Greenpoint Equipment Leasing, LLC, Fifth and Root, Inc. and Greenpoint Nevada, Inc. (collectively, the “**Non-Filing Affiliates**”, and together with Chalice, the “**Chalice Group**”), through my personal corporation, Cardinal Advisory Services Inc. (“**Cardinal Advisory**”). I am also a member of Chalice’s Board of Directors. I have served as a director of Chalice since March 22, 2021.

2. In my current role as CRO of Chalice, I have oversight over Chalice’s governance, business, and general operations. In the course of my duties as CRO and director, I have become

familiar with Chalice's businesses, day-to-day operations, and financial affairs. As such, I have personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with the senior management team of the Chalice Group and the Applicant's financial and legal advisors.

3. I make this Affidavit in support of a motion brought by the Applicant for, among other things, an Order approving the SISP (as defined below) substantially in the form included at **Tab 3** of the Motion Record (the "**CCAA Court SISP Approval Order**").

4. Unless otherwise noted, all references to monetary amounts in this Affidavit are in U.S. dollars.

A. Background

5. On May 23, 2023, Chalice was granted protection under the CCAA pursuant to an initial order (the "**Initial Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**").

6. Among other things, the Initial Order:

- (a) appointed KSV Restructuring Inc. to act as monitor within this CCAA proceeding (the "**Monitor**"); and
- (b) granted a stay of proceedings in favour of Chalice until and including June 2, 2023 (the "**Stay Period**") and extended that stay and other benefits and protections of the Initial Order and the CCAA to the Non-Filing Affiliates.

7. Further information with respect to the Chalice Group and this proceeding is provided in my affidavit sworn May 22, 2023 (the “**First Second Affidavit**”), and my affidavit sworn May 26, 2023 in support of the Applicant’s request for an amended and restated initial order (“**ARIO**”) (the “**Second Second Affidavit**”), for, among other things, an extension to the Stay Period until and including July 28, 2023. This Affidavit should be read in conjunction with the First Second Affidavit and Second Second Affidavit.

8. A copy of the First Second Affidavit without exhibits is attached hereto as **Exhibit “A”** to this Affidavit. All capitalized terms not otherwise defined have the meaning ascribed to them in the First Second Affidavit and Second Second Affidavit.

B. Oregon Receivership Proceedings

9. On May 22, 2023, the Circuit Court of the State of Oregon (the “**Oregon Court**”) signed an order (the “**Order Appointing Receiver**”) appointing Kenneth S. Eiler as state receiver (the “**Oregon Receiver**”) over the following Chalice subsidiaries, all of which are formed or have assets in Oregon: Greenpoint Oregon, CFA Retail, Greenpoint Equipment Leasing, LLC, SMS Ventures, and CFB (together, the “**Oregon Receivership Entities**”).

10. As noted in the First Second Affidavit, it is intended that the Applicant and the CRO, with the assistance of the Monitor, will work in a coordinated fashion with the Oregon Receiver to operate the business of the Chalice Group while it seeks to achieve a going concern transaction. As described in greater detail below, the proposed SISF builds in extensive consultation with, and consent and approval rights to, the Oregon Receiver. The proposed SISF also contemplates coordination of the CCAA Court Sale Approval Motion (as defined below) in the CCAA Court

with a similar motion for approval of the SISP (or “bid procedures”) before the Oregon Court in the Oregon Receivership proceedings.

11. To that end, concurrent with this motion to request approval of the SISP, the Oregon Receiver intends to serve a motion (the “**Bid Procedures Motion**”) later today, seeking an order from the Oregon Court pursuant to Oregon Revised Statutes, among other things, authorizing the implementation of the SISP (the “**Oregon Court SISP Approval Order**”, and together with the CCAA Court SISP Approval Order, the “**SISP Approval Orders**”). The SISP contemplates that the hearing of the Bid Procedures Motion will take place on June 2, 2023, subject to availability of the Oregon Court. A copy of the Bid Procedures Motion and proposed Oregon Court SISP Approval Order is attached hereto as **Exhibits “B” and “C”**, respectively.

C. An Expedited SISP is Needed to Preserve Value

12. The Initial Order granted the Applicant the right to pursue all avenues of refinancing of its Business or Property (as defined therein), in whole or part, subject to prior approval of the CCAA Court being obtained before any material refinancing, to permit the Applicant to proceed with an orderly restructuring of the business. The Applicant is therefore seeking this Court’s approval of the proposed sale and investment solicitation process (the “**SISP**”), pursuant to the CCAA Court SISP Approval Order.

13. Since the commencement of this CCAA proceeding, the Applicant has been working with the Monitor, the CRO, and the Oregon Receiver to design and implement an accelerated and flexible sale and investment process as part of this CCAA proceeding and in parallel with the Oregon Receivership. The purpose of the SISP is to seek out proposals for the acquisition of or investment in all or part of the Chalice Group’s property, assets and undertaking (the “**Property**”)

and/or its business (the “**Business**”) (such transaction, a “**Transaction**”). As regards Fifth and Root Inc., the sales process shall contemplate the sale of the securities of Fifth and Root Inc. held by other members of the Chalice Group, and such securities are included in the definition of “Property”. It is intended that the SISP will result in one or more of a restructuring, recapitalization, or other form of reorganization of the business and affairs of the Applicant as a going concern, or a sale of all, substantially all, or one or more components of the Property and Business operations as a going concern or otherwise (the “**Opportunity**”).

14. The SISP will be conducted by Chalice, the CRO, the Monitor, and their respective affiliates, partners, consultants, advisors, experts, accountants, counsel and agents, in consultation with the Oregon Receiver. Under the terms of the proposed SISP, unless otherwise noted, the CRO shall be deemed to be acting for and on behalf of the Applicant and is fully authorized and empowered to take any and all actions and steps for and on behalf of the Applicant pursuant to the SISP. The Monitor will oversee, in all respects, the conduct of the SISP by the Applicant. Without limitation to that supervisory role, the Monitor and the Oregon Receiver will participate in the SISP in the manner set out in the SISP in the SISP Approval Orders.

15. The proposed SISP is attached hereto as **Exhibit “D”** to this Affidavit. The specifics of the SISP are set out in the CCAA Court SISP Approval Order and SISP itself, but I have summarized certain aspects below. Capitalized terms not otherwise defined in this section of my Affidavit have the meaning ascribed to them in the SISP.

(a) **General**

16. Pursuant to the proposed SISP, 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 Applicant or any of its subsidiaries, the CRO, the Monitor, the Oregon Receiver or any of their respective agents, advisors, or estates.

17. The proposed SISP will proceed on an expediated basis, with the following key dates, beginning on June 1, 2023 as such dates may be modified or extended in accordance with the terms of the SISP or orders of the CCAA Court and the Oregon Court:

Date	Event
June 1, 2023	CCAA Court and Oregon Court approval and commencement of the SISP
June 1, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for Distribution of the Teaser Letter (as defined below)
June 26, 2023 at 5:00 p.m. (prevailing Eastern Time) (“Bid Deadline”)	Deadline for submission of Qualified Bids (as defined below)
June 30, 2023 at 11:59 p.m. (prevailing Eastern Time) (“Successful Bid Selection Deadline”)	Deadline for selection of the Successful Bid (as defined below)
July 10, 2023 at 10:00 a.m. (prevailing Eastern Time) or such other time as the CCAA Court may advise. (“CCAA Court Sale Approval Motion Date”)	Hearing of the CCAA Court Sale Approval Motion (as defined below)
July 10, 2023 at 10:00 a.m. (prevailing Pacific Time) or such other time as the Oregon Court may advise (“Oregon Court Sale Approval Motion Date”)	Hearing of the Oregon Court Sale Approval Motion (as defined below)

Date	Event
July 20, 2023, or such later date as may be agreed to by the Successful Bidder (as defined below) and the Applicant, with the consent of the Monitor and the Oregon Receiver (“ Outside Date ”)	Deadline for completion of the transaction(s) represented by the Successful Bid

18. In the event that the SISP is approved by the CCAA Court or the Oregon Court after June 1, 2023, the key dates set out above will be revised to reflect the commencement of the SISP being the date of the approval of the SISP by the CCAA Court or the Oregon Court, whichever is later, and the timeline shall be extended accordingly.

19. This accelerated timeline is necessary, owing to the dire state of the Chalice Group’s financial position. As discussed in the First Second Affidavit, the Chalice Group faces an urgent liquidity crisis. The Chalice Group’s cash flow forecast does not support a more traditional two-phased SISP process that would require continuing going concern operations for several months. An efficient and circumscribed SISP process is the best option to preserve and maximize value for stakeholders.

20. Additionally, the Applicant shall have the right to modify the SISP (including, without limitation, to extend the Bid Deadline or any other deadline) with the prior written approval of the Monitor and Oregon Receiver and with notice to all Potential Bidders (as defined below) in the SISP at that time, if the Monitor believes such modification will enhance the process or better achieve the objectives of the SISP.

21. The Applicant, the Monitor, the CRO and the Oregon Receiver shall not have any liability whatsoever to any person or entity, including without limitation any Potential Bidder, Qualified

Bidder, Successful Bidder (all terms as defined below) or any other creditor or stakeholder, as a result of implementation or otherwise in connection with the SISP, except to the extent that any such liabilities result from the gross negligence or wilful misconduct of the Applicant, the Monitor, the CRO or the Oregon Receiver, as applicable, as determined by the CCAA Court.

(b) Solicitation of Interest

22. The SISP contemplates that, as soon as reasonably practicable following the issuance of the SISP Approval Orders, the Applicant will, with the consent of the Monitor and the Oregon Receiver, prepare an initial list of persons who may have an interest in the Opportunity, including (i) parties that have previously communicated to the Applicant, the CRO, the Monitor, or the Oregon Receiver an interest in the Opportunity, and (ii) strategic and financial parties in Canada, the United States or other jurisdictions that the Applicant, the CRO, the Monitor, or the Oregon Receiver reasonably determine may be interested in the Opportunity. In addition, the Applicant will publish a notice of the SISP in the *Oregon Daily Journal of Commerce* and any other publication in Canada or the United States as the Applicant, with the consent of the Monitor and the Oregon Receiver, considers appropriate, if any.

23. On the first business day following the date on which the later of the SISP Approval Orders are granted, the Applicant will prepare and distribute 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, as well as a non-disclosure agreement, developed with the approval of the Monitor and the Oregon Receiver (the “**NDA**”).

(c) **Qualified Bidders & Due Diligence**

24. Any party who wishes to participate in the SISP (a “**Potential Bidder**”) must, pursuant to the proposed SISP, deliver to the Monitor:

- (a) an executed NDA, which will enure to the benefit of any Successful Bidder at Closing (as defined below); and
- (b) written confirmation of the identity of the Potential Bidder, the contact information for such Potential Bidder, and financial disclosure sufficient to allow the Applicant, with the approval of the Monitor and the Oregon Receiver, to make a reasonable determination as to the Potential Bidder’s financial and other capabilities to consummate a Transaction pursuant to a Qualified Bid.

25. Potential Bidders who have satisfied the above requirements, and that the Applicant, with the consent of the Monitor and the Oregon Receiver, has determined is likely (based on the availability of financing, experience, and other considerations) to be able to consummate a Transaction pursuant to a Qualified Bid Offer (as defined below), may be deemed to be a “**Qualified Bidder**”. At any time during the proposed SISP, the Applicant may make a motion to the CCAA Court and the Oregon Court requesting approval to eliminate a Qualified Bidder from the SISP.

26. Pursuant to the proposed SISP, subject to competitive and other business considerations, the Applicant, with the consent of the Monitor and the Oregon Receiver, shall afford each Qualified Bidder such access to due diligence materials and information relating to the Property and Business as they may deem appropriate, which may include management presentations and

access to any electronic data room. Qualified Bidders will also be permitted to make further diligence requests. Selected due diligence materials may be withheld from certain Qualified Bidders if the Applicant, the Monitor, and the Oregon Receiver determine that such materials contain proprietary or sensitive competitive information and/or could negatively impact the SISP.

(d) **Receipt of Qualified Bids**

27. A Qualified Bidder that wishes to make a formal binding proposal to acquire all, substantially all, or a portion of the Property, or make an investment in, restructure, reorganize or refinance the Business/the Chalice Group, must deliver a binding bid to the Monitor so as to be received not later than the Bid Deadline.

28. A submitted bid will be considered a “**Qualified Bid**” only if the bid:

- (a) identifies the Qualified Bidder and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated Transaction;
- (b) is submitted in the form of an executed mark-up of the template asset purchase agreement reflecting such Qualified Bidder’s proposed changes to the template asset purchase agreement, and a written and binding commitment to close on the terms and conditions set forth therein;
- (c) includes a letter stating that the Qualified Bidder’s offer is irrevocable and open for acceptance until the earlier of (a) the date that the Property has been sold pursuant to the closing of the Transaction approved by the CCAA Court and the Oregon Court and (b) the Outside Date.

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- (d) is not conditional on obtaining financing or any board of directors or similar governing body or equityholder approval or on the outcome or review of due diligence;
- (e) contains written evidence upon which the Applicant may reasonably conclude that the Qualified Bidder, in consultation with the Monitor and the Oregon Receiver, has the necessary financial ability to close the contemplated Transaction and provide adequate assurance of future performance of all obligations to be assumed;
- (f) is accompanied by a cash deposit to be held by the Monitor in a non-interest bearing account in an amount equal to at least ten percent (10%) of the purchase price or investment contemplated therein;
- (g) includes acknowledgements and representations of the Qualified Bidder that, in each case except as expressly stated in the definitive transaction agreement(s) signed by the Applicant, (i) it has had an opportunity to conduct any and all due diligence and it has relied solely upon its own independent review, investigation and/or inspection of any documents, the Business and/or the Property in making its bid (ii) it is not relying upon any written or oral statements, representations, promises, warranties, conditions, or guaranties whatsoever, made by any person or party, including the Applicant, the Monitor and the Oregon Receiver, and their respective employees, officers, directors, agents, advisors and other representatives, regarding the proposed transactions, this SISF, or any information provided in connection therewith; and (iii) it is making its bid on an “as is, where is” basis and without surviving representations or warranties of any kind by the

Applicant, the Monitor or the Oregon Receiver or any of their respective employees, officers, directors, agents, advisors and other representatives.

- (h) provides for Closing (as defined below) to occur no later than the Outside Date;
and
- (i) is received by the Bid Deadline.

29. Following the Bid Deadline, the Applicant, with the consent of the Monitor and the Oregon Receiver, will assess each bid submitted by a Qualified Bidder for compliance with the above requirements. However, the Applicant, with the consent of the Monitor and the Oregon Receiver, may waive strict compliance with any one or more of the requirements specified above and deem any such non-compliant bid to be a Qualified Bid. The Applicant may also, with the consent of the Monitor and the Oregon Receiver, aggregate separate non-overlapping bids from unaffiliated Qualified Bidders to create one Qualified Bid.

(e) **Evaluation of Competing Bids & Selection of Successful Bid**

30. Pursuant to the proposed SISP, only Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder.

31. A Qualified Bid will be valued based upon numerous factors, each as determined by the Applicant, with the consent of the Monitor and the Oregon Receiver, including: purchase price or investment amount contemplated by the Qualified Bid, the net value provided by such bid, the claims likely to be created by such bid in relation to other bids, the identity, circumstances and ability of the Qualified Bidder to successfully complete such transaction(s), the proposed transaction documents, the effects of the bid on the stakeholders of the Chalice Group, factors

affecting the speed, certainty and value of the transaction (including any regulatory or legal approvals or third party contractual arrangements required to close the transactions), the assets included or excluded from the bid, any related restructuring costs, and the likelihood and timing of consummating such transactions.

32. Prior to the Successful Bid Selection Deadline, the Applicant, with the consent of the Monitor and the Oregon Receiver, will: (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Applicant, with the consent of the Monitor and the Oregon Receiver, and the applicable Qualified Bidder, and may be amended, modified or varied to improve such Qualified Bid as a result of such negotiations; and (b) identify the highest or otherwise best bid (the “**Successful Bid**”, and the Qualified Bidder making such Successful Bid, the “**Successful Bidder**”) for any particular Property or the Business in whole or part.

33. The determination of any Successful Bid by the Applicant, with the consent of the Monitor and the Oregon Receiver, shall be subject to approval by the CCAA Court and the Oregon Court.

34. The Applicant shall have no obligation to enter into a Successful Bid, and reserves the right, with the consent of the Monitor and the Oregon Receiver, to reject any or all Qualified Bid(s).

(f) **Sale Approval Motion Hearing & Closing**

35. The hearing of the motion pursuant to the CCAA for the CCAA Court to approve any transaction with a Successful Bidder (the “**CCAA Court Sale Approval Motion**”) shall take place on the CCAA Court Sale Approval Motion Date, where the Applicant shall seek, among other things, approval from the Court to consummate any Successful Bid.

36. The Applicant shall seek to coordinate the CCAA Sale Approval Motion with a similar or analogous motion before the Oregon Court in the Oregon Receivership proceedings (“**Oregon Court Sale Approval Motion**”) which shall take place on the Oregon Court Sale Approval Motion Date.

37. As part of the Oregon Court Sale Approval Motion, the Oregon Receiver shall seek, among other things, approval from the Oregon Court to consummate any Successful Bid.

38. The Applicant and the Successful Bidder shall take all reasonable steps to complete the transaction(s) contemplated by the Successful Bid as soon as possible after the Successful Bid is approved by the CCAA Court and the Oregon Court (“**Closing**”).

(g) Confidentiality and Communication

39. Under the proposed SISP, all discussions regarding any bid or Transaction contemplated pursuant to the SISP should be directed through the Monitor, unless otherwise directed by the Monitor.

(h) Conclusion

40. In light of the circumstances the Chalice Group finds itself in, it is my belief that the proposed SISP is the most reasonable and efficient path for the Chalice Group, and will help identify the best opportunity to restructure, recapitalization, reorganize, or sell the Business. The expedited nature of the SISP is both necessary and appropriate for the Chalice Group to successfully complete a transaction(s) as soon as practicable, and possibly allow the Business to continue as a going concern, therefore maximizing value for the Chalice Group’s creditors generally.

SWORN BEFORE ME over video teleconference this 26th day of May, 2023 pursuant to O. Reg 431/20, Administering Oath or Declaration Remotely. The affiant was located in the City of Toronto, in the Province of Ontario, while the Commissioner was located in the City of Toronto, in the Province of Ontario.



DocuSigned by:
Emilie Dillon
58C63E8818CD461...

Commissioner for Taking Affidavits
Emilie Dillon (LSO No. 85199L)

DocuSigned by:
Scott Secord
1DF16980591E40B...

Scott Secord

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

Court File No: CV-23-00699872-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE
BRANDS LTD.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

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Lawyers for the Applicant,
Chalice Brands Ltd.

Court File No. CV-23-00699872-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

**AFFIDAVIT OF SCOTT SECORD
(the "Fourth Secord Affidavit")**

I, Scott Secord, of the City of Toronto, in the Province of Ontario, MAKE OATH AND
SAY:

1. I am the Chief Restructuring Officer ("**CRO**") of Chalice Brands Ltd. ("**Chalice**") and its subsidiaries, Greenpoint Holdings Delaware, Inc. ("**Greenpoint Holdings**"), Greenpoint Oregon, Inc. ("**Greenpoint Oregon**"), CFA Retail, LLC ("**CFA Retail**"), SMS Ventures, LLC ("**SMS Ventures**"), CF Bliss LLC ("**CF Bliss**"), Greenpoint Workforce, Inc. ("**Greenpoint Workforce**"), Greenpoint Equipment Leasing, LLC ("**Greenpoint Equipment**"), Fifth and Root, Inc. ("**Fifth and Root**") and Greenpoint Nevada, Inc. (collectively, the "**Non-Filing Affiliates**", and together with Chalice, the "**Chalice Group**"), through my personal corporation, Cardinal Advisory Services Inc. ("**Cardinal Advisory**"). I am also a member of Chalice's Board of Directors. I have served as a director of Chalice since March 22, 2021.

2. In my current role as CRO of Chalice, I have oversight over Chalice's governance, business, and general operations. In the course of my duties as CRO and director, I have become familiar with Chalice's businesses, day-to-day operations, and financial affairs. As such, I have

personal knowledge of the matters deposed to herein. Where I have relied on other sources for information, I have so stated and I believe them to be true. In preparing this Affidavit, I have also consulted with the senior management team of the Chalice Group and the Applicant's financial and legal advisors.

3. I swear this affidavit in support of a motion by the Applicant for an order (the "**Stay Extension Order**"), substantially in the form attached as Tab 3 to the Applicant's Motion Record, extending the Stay Period (as defined below) to and including August 31, 2023.

4. As set out in greater detail below, the Applicant has acted, and continues to act, in good faith and with due diligence in these CCAA proceedings since the granting of the Initial Order. The Applicant is currently engaged in the SISP (as defined below), where it hopes to achieve a sale of some or all of the Chalice Group business as a going concern. The Applicant is in advanced discussions with one of the bidders who submitted a bid at the Qualified Bid Deadline (as defined below) and continues to field inquiries from other interested parties. The Applicant requires an extension of the Stay Period to, among other things, allow for continued negotiations and enter into an executable transaction.

5. Unless otherwise noted, all references to monetary amounts in this Affidavit are in U.S. dollars.

6. Capitalized terms not otherwise defined herein have the meaning ascribed to them in my previous affidavits sworn May 22, 2023 (the "**First Second Affidavit**"), May 26, 2023 (the "**Second Second Affidavit**"), and May 26, 2023 (the "**Third Second Affidavit**"; collectively with the First and Second Second Affidavits, the "**Previous Affidavits**") copies of which are attached hereto consecutively without exhibits as **Exhibit "A"**.

A. BACKGROUND

(a) Events leading up to CCAA Proceeding and Oregon Receivership

7. The Applicant, together with its subsidiaries (all of which are based in the United States), forms a vertically integrated corporate group that grows, processes, distributes and sells cannabis and cannabis products. The Chalice Group operates primarily in the regulated adult-use market of Oregon.

8. As described in greater detail in the First Secord Affidavit, the last two years have been extremely challenging for the cannabis industry in Oregon and elsewhere in the United States. The Chalice Group has made significant reductions in headcount and inventory procurement and renegotiated or paused certain ongoing contractual obligations such as lease payments and other amounts owing to counterparties.

9. Despite these efforts, the Chalice Group faced an urgent liquidity crisis and was unable to satisfy its obligations as they came due. Immediately prior to the Filing Date (as defined below), the Chalice Group was unable to pay key suppliers and had failed to make payments of interest and principal on certain of its promissory notes. The Chalice Group had also failed to make payments of interest and principal on certain of its unsecured debentures. Further, certain of the Applicant's subsidiaries had also fallen behind on making lease payments to certain of their landlords.

(b) CCAA Proceedings

10. As a result of its financial difficulties, the Applicant sought and obtained protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("CCAA") on May 23, 2023 (the "**Filing Date**") pursuant to an initial Order (the "**Initial Order**") granted by the Honourable

Madam Justice Kimmel of the Commercial List of the Ontario Superior Court of Justice (the “**CCAA Court**”).

11. Among other things, the Initial Order: (i) appointed KSV Restructuring Inc. as the court-appointed monitor in the CCAA proceedings (in that capacity, the “**Monitor**”); (ii) granted a stay of proceedings against the Applicants and the Non-Filing Affiliates until June 2, 2023; and (iii) granted an Administration Charge (as defined in the Initial Order) in the amount of \$400,000 on all of the assts and property of the Chalice Group. In addition, the Initial Order authorized the Applicant to pursue all avenues of refinancing of its Business or Property (as defined therein), subject to the approval of the CCAA Court, to enable the Applicant to proceed with an orderly restructuring of its business. A copy of the Initial Order is attached hereto as **Exhibit “B”** and a copy of Justice Kimmel’s Endorsement dated May 23, 2023 is attached hereto as **Exhibit “C”**.

12. On June 1, 2023, the CCAA Court granted an Amended and Restated Initial Order (the “**ARIO**”) which, among other things, (i) authorized the engagement between the Applicant and Cardinal Advisory, pursuant to which Cardinal Advisory will act as the Chief Restructuring Officer of the Chalice Group; (ii) increased the Administration Charge to \$500,000; (iii) granted the Applicant relief from certain securities disclosure and shareholder meeting requirements; and (iv) extended the stay of proceedings to July 28, 2023. A copy of the ARIO is attached hereto as **Exhibit “D”** and a copy of Justice Kimmel’s Endorsement dated June 1, 2023 is attached hereto as **Exhibit “E”**.

13. Also on June 1, 2023, the CCAA Court granted an Order (the “**CCAA SISP Order**”) which, among other things, approved an expedited sales and investment solicitation process (the “**SISP**”). The purpose of the SISP was to seek out proposals for the acquisition of, or investment in, the Chalice Group or their business and assets, and to implement one or a combination of such

proposals, including a potential sale of the business as a going concern. A copy of the CCAA SISP Order is attached hereto as **Exhibit “F”**.

(c) Oregon Receivership Proceedings

14. Because the Chalice Group grows its own cannabis flower and sells cannabis products, there was uncertainty about whether the Chalice Group could access the tools under the U.S. Bankruptcy Code to restructure its business. As a result, concurrent with the commencement of the CCAA proceedings, the Applicant initiated proceedings in the State of Oregon to have certain of the Non-Filing Affiliates placed into state receivership.

15. To that end, on May 23, 2023, the Circuit Court of the State of Oregon (the “**Oregon Court**”) entered an order (the “**Order Appointing Receiver**”) appointing Kenneth S. Eiler as state receiver (the “**Oregon Receiver**”) over the following Chalice subsidiaries, all of which are formed or have assets in Oregon: Greenpoint Oregon, CFA Retail, Greenpoint Equipment, SMS Ventures, and CF Bliss (together, the “**Oregon Receivership Entities**”). A copy of the Order Appointing Receiver is attached hereto as **Exhibit “G”** to this Affidavit.

16. On May 26, 2023, the Oregon Receiver served a motion (the “**Bid Procedures Motion**”) on May 26, 2023, seeking an order from the Oregon Court pursuant to Oregon Revised Statutes, among other things, authorizing the implementation of the SISP (the “**Oregon Court SISP Order**”, and together with the CCAA SISP Order, the “**SISP Approval Orders**”).

17. On June 2, 2023, the Oregon Court granted the Oregon Court SISP Order, a copy of which is attached hereto as **Exhibit “H”**.

18. The SISP Approval Orders contained the following key dates, subject to the availability of the CCAA Court and the Oregon Court:

Date	Procedural Step
June 1, 2023	CCAA Court approval and commencement of the SISP
June 2, 2023 at 5:30 p.m. (prevailing Eastern Time)	Oregon Court approval and commencement of the SISP
June 5, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for Distribution of the Teaser Letter
June 30, 2023 at 5:00 p.m. (prevailing Eastern Time) (“ Bid Deadline ”)	Deadline for submission of Qualified Bids
July 5, 2023 at 11:59 p.m. (prevailing Eastern Time) (“ Successful Bid Selection Deadline ”)	Deadline for selection of the Successful Bid
July 17, 2023 at 11:00 a.m. (prevailing Eastern Time) or such other time as the CCAA Court may advise (“ CCAA Court Sale Approval Motion Date ”)	Hearing of the Sale Approval Motion
July 17, 2023 at 10:00 a.m. (prevailing Pacific Time) or such other time as the Oregon Court may advise (“ Oregon Court Sale Approval Motion Date ”)	Hearing of the Oregon Court Sale Approval Motion
July 27 2023, or such later date as may be agreed to by the Successful Bidder (as defined below) and the Applicant, with the consent of the Monitor and the Oregon Receiver (“ Outside Date ”)	Deadline for completion of the transaction(s) represented by the Successful Bid

19. Under the SISP, the Applicant is permitted to modify the SISP (including, without limitation, to extend the Bid Deadline or any other deadline) with the prior written approval of the Monitor and the Oregon Receiver if, in the Monitor’s reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP.

B. UPDATE OF THE CHALICE GROUP’S RECENT ACTIVITIES

(a) The Chalice Group’s Business

20. Since the commencement of the CCAA Proceedings and the Oregon Receivership Proceedings, the Applicant and the CRO, with the assistance of the Monitor, have worked in a coordinated fashion with the Oregon Receiver to stabilize the business and operations of the Chalice Group while it seeks to achieve a going concern transaction.

21. On June 1, 2023, the Oregon Liquor and Cannabis Commission (“**OLCC**”) granted the Oregon Receiver temporary authority to operate the cannabis licenses of the Chalice Group. A copy of this temporary authority is attached hereto as **Exhibit “I”**.

22. On June 1, 2023, Jeff Yapp, the former CEO of the Applicant, and Kala Bernhardt, the former CFO of the Applicant, resigned. Meghan Miller, and Byron Henson immediately stepped into those roles, respectively. As a result, there has been no material interruption or interference with the CCAA Proceeding, the Oregon Proceeding, or the daily operations of the Chalice Group.

23. On or about June 5, 2023, it was discovered that the Chalice Group had a previously undisclosed liability relating to unpaid marijuana taxes owing to the State of Oregon in the months of March 2023 through May 2023.

24. As of the swearing of this affidavit, Greenpoint Workforce has not yet received the remaining ERTC funds as described in paragraphs 39-40 of the First Secord Affidavit. The Internal Revenue Service (“**IRS**”) has advised that certain tax liabilities remain unpaid. The Oregon Receiver has directly engaged with the IRS representative on the issue of funds owing, and the IRS’ set off rights, if any. The Applicant continues to explore avenues for payment of the ERTC funds.

25. On June 15, 2023, the OLCC approved new temporary rules requiring cannabis retailers to obtain a Certificate of Tax Compliance from the Oregon Department of Revenue as a condition for acquiring or renewing a cannabis retailer license, as well as for changes of ownership to a license. The temporary rules went into effect immediately. The Applicant intends to work with the Monitor and the Oregon Receiver to ensure that any transaction that emerges from the SISF takes these regulatory changes into account.

26. In addition, the Oregon Receiver has filed several motions in the Oregon Receivership, including the following:

- (a) On June 7, 2023, the Oregon Receiver filed a Motion and Notice of Intent of the Receiver to retain Bennington and Moshofsky PC as accountants.
- (b) On June 7, 2023, the Oregon Receiver filed a Motion and Notice of Intent of the Receiver to retain Lane Powell PC as its counsel.
- (c) On June 7, 2023, the Oregon Receiver filed a series of Notices of Rejection of certain real estate leases. On June 15, the Oregon Receiver filed a series of Notices of Withdrawal of the previous Notices.
- (d) On June 22, 2023, the Oregon Receiver filed a Notice of Receivership, Claims Process and Claims Bar Date.
- (e) On June 23, 2023, the Oregon Receiver filed a Motion and Notice of Intent to retain Jeff Wong as tax counsel.
- (f) On June 23, 2023, the Oregon Receiver filed a Motion and Notice of Intent to retain Dana Borys as a tax accountant for the Oregon Receiver.
- (g) On June 27, 2023, the Oregon Receiver filed a Motion to pay certain pre-receivership sales tax.

(b) Motion commenced by Homegrown Lenders

27. On June 30, 2023, Alicia Smith, Jillian Smith and Marcena Sorrels (collectively, the “**Homegrown Lenders**”) filed a motion in the Oregon Receivership Proceeding in the Oregon Court (the “**Lift Stay Motion**”) seeking the following relief:

- (a) an Order lifting the stay of proceedings and authorizing the Homegrown Lenders to foreclose on what they allege to be their collateral under a security agreement with Chalice and Greenpoint Holdings, which includes five OLCC licensed retail marijuana dispensaries; or
- (b) in the alternative, an Order declaring that SMS Ventures holds title to what the Homegrown Lenders allege to be their collateral, and that the Homegrown Lenders have a perfected first prior security interest in the alleged collateral.

28. A copy of the Homegrown Lenders' Lift Stay motion is attached hereto as **Exhibit "J"**.

29. On July 6, 2023, the Homegrown Lenders filed a further, related motion (the "**Motion to Expedite**") in the Oregon Court seeking expedited consideration and requesting that the Oregon Court hear the Lift Stay Motion on or before July 17, 2023. A copy of the Motion to Expedite is attached hereto as **Exhibit "K"**.

30. On July 14, 2023, the Oregon Receiver filed an Objection to the Lift Stay Motion and Motion to Expedite. A copy of the Oregon Receiver's Objection is attached hereto as **Exhibit "L"**.

31. The hearing in respect of the Motion to Expedite and Lift Stay Motion was heard on the afternoon of July 14, 2023. The motion was denied by the Oregon Court and the Oregon Receiver was permitted to proceed with the SISP.

(c) **Interim Financing to Oregon Receivership Entities**

32. The ARIO authorizes and empowers Chalice to continue its receivership application against the Oregon Receivership Entities. In early July 2023, the Oregon Receiver requested USD \$150,000 for professional fees in order to continue and complete the Receivership (the "**Interim Financing**"). The Applicant, in consultation with the Monitor, considered the request and

determined that it was in the best interests of the Chalice Group to advance the Interim Financing to execute and close a transaction for the assets of the Chalice Group, particularly in light of the fact that the SISP, detailed below, has involved extensive assistance from the Oregon Receiver in respect of regulatory and tax matters. As of the date of this affidavit, the SISP remains in progress. Without the Oregon Receiver's assistance, a transaction would be much more difficult, and perhaps impossible, to effect.

33. The Order Appointing Receiver contemplates that, as necessary to satisfy the costs and expenses of the Oregon Receivership, Chalice may advance funds to the Oregon Receiver on a first-priority basis (the "**Financing Lien**"), subject to a lien in favour of the Receiver and its professionals (the "**Receiver's Lien**"). The Applicant also has security agreements with the Oregon Receivership Entities, registered against each of the Oregon Receivership Entities via UCC filings, which also serve to perfect any security advanced in respect of the Financing Lien.

34. To ensure that any Interim Financing has the best possible security, the Applicant requested, and the Oregon Receiver agreed, that the parties would enter into a consent and acknowledgement (the "**Consent and Acknowledgement**") such that the Applicant has a right of subrogation in respect of the Receiver's Lien and may claim the benefit of the lien as security for the Interim Financing. The Monitor agreed that the terms of the Consent and Acknowledgement were reasonable and supported the advance on such terms. A copy of the Consent and Acknowledgement dated July 17, 2023 is attached hereto as **Exhibit "M"**.

35. As of the date of this affidavit, the funds under the Interim Financing have not yet been advanced, but the Applicant anticipates that such funds will be delivered to the Oregon Receiver prior to the return of this motion.

C. SISP UPDATE

36. As noted above, both the CCAA Court and the Oregon Court approved the SISP pursuant to the SISP Approval Orders.

37. Since the granting of the SISP Approval Orders, the Applicant, in consultation with the Monitor and the Oregon Receiver, has been conducting the SISP in an effort to achieve a potential sale of some or all of the business as a going concern.

38. The Applicant received four bids (the “**Initial Bids**”) at the initial Qualified Bid Deadline.

39. The Applicant, with the approval of the Monitor and the Oregon Receiver, elected to extend the deadlines in the SISP in order to take additional time to negotiate with the bidder it identified as having the best initial offer, to better achieve the objectives of the SISP. All of the parties who submitted Initial Bids were advised of the extension of the deadlines in the SISP. A copy of the July 19, 2023 email sent by the Monitor advising of the extension is attached hereto as **Exhibit “N”**. The Applicant and the Monitor also continued to have discussions with other interested parties regarding the process and various bid options.

40. The Monitor received revised bids from the identified bidder on the evening of July 12, 2023 and again on July 15, 2023. In addition, the Applicant, the Monitor and the Oregon Receiver continued to field inquiries from parties who have expressed some level of interest in acquiring some or all of the Chalice Group’s assets.

41. As of the date hereof, the Applicant, in consultation with the Monitor and the Oregon Receiver, remains in advanced discussions with the bidder who submitted the revised bids in an effort to reach agreement on terms and enter into an executable transaction. To ensure the integrity

of the SISP process, the nature of these discussions, the terms of the revised bid, and the identity of the bidder, remain confidential at this time.

42. Based on the progress that has been made to date, the Applicant anticipates being back before this Court in the coming weeks to seek approval of a sale transaction. The Oregon Receiver will also seek approval of such sale from the Oregon Court. At the Lift Stay Motion, the Oregon Court advised the Oregon Receiver that the Court was not available to hear a sale approval motion until mid-August.

43. On July 18, 2023, Canadian counsel to the Homegrown Lenders wrote to counsel to the Applicant and the Monitor advising that they expect to be “instructed to oppose any sale to an entity related to the Applicant for less than fair market value” and requesting that any motion for sale approval is brought on fulsome notice to affected parties. A copy of the July 18 letter is attached hereto as **Exhibit “O”**.

D. STAY EXTENSION

44. The Applicant is seeking to extend the Stay Period (as defined in paragraph 14 of the ARIO) so that it will run to and including August 31, 2023. This will allow the Applicant to continue advancing the SISP, including further negotiations with potential bidders and hopefully close a prospective sale transaction, and work towards winding down the remainder of the Chalice Group’s business.

45. The Applicant, with the assistance of the Monitor, has confirmed that the Applicant will have sufficient liquidity to fund the CCAA Proceedings during the proposed extension of the Stay Period.

46. I believe the Applicant has acted, and continues to act, in good faith and with due diligence in these CCAA proceedings since the granting of the Initial Order, including with respect to the implementation of the SISP and the ongoing negotiations with prospective purchasers. I believe that the proposed extended Stay Period is in the best interests of the Applicant and its stakeholders generally. I am informed by the Monitor that it supports the proposed request to extend the Stay Period.

SWORN by Scott Secord of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on July 21, 2023, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Fabian Suárez-Amaya

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Commissioner for Taking Affidavits
(or as may be)

FABIAN SUÁREZ-AMAYA



DocuSigned by:

Scott Secord

1DF16980591E40B...

SCOTT SECORD

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

Court File No: CV-23-00699872-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE
BRANDS LTD.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

AFFIDAVIT OF SCOTT SECORD

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Lawyers for the Applicant,
Chalice Brands Ltd.

This is Exhibit "B" referred to in the Affidavit of Scott Secord sworn remotely before me at the City of Toronto, in the Province of Ontario, on August 18, 2023, in accordance with O. Reg 431/20, Administering Oath or Declaration Remotely.



Commissioner for Taking Affidavits (or as may be)



Court File No. CV-23-00699872-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MADAM)	TUESDAY, THE 23RD
)	
JUSTICE KIMMEL)	DAY OF MAY, 2023

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 CHALICE BRANDS LTD.

INITIAL ORDER

THIS APPLICATION, made by Chalice Brands Ltd. (the “**Applicant**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), was heard this day by videoconference via Zoom in Toronto, Ontario.

ON READING the affidavit of Scott Secord sworn May 22, 2023 and the Exhibits thereto (the “**Secord Affidavit**”), the pre-filing report of the proposed monitor, KSV Restructuring Inc. (“**KSV**”), dated May 22, 2023 (the “**Pre-Filing Report**”), and on hearing the submissions of counsel for the Applicant, counsel for KSV and those other parties listed on the Counsel Slip, and on reading the consent of KSV to act as the monitor (the “**Monitor**”),

SERVICE

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

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the “**Business**”) and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by it, with liberty to retain such further Assistants as the Applicant deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system currently in place as described in the Second Affidavit or, with the consent of the Monitor, replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement that may be filed with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that, with the consent of the Monitor, the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of Business and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing expenses; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of this proceeding at their standard rates and charges.

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

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

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

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior

- to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business of the Applicant.

8. **THIS COURT ORDERS** that, except as specifically permitted herein, and subject to the consent of the Monitor, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

9. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing, to permit the Applicant to proceed with an orderly restructuring of the Business.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

10. **THIS COURT ORDERS** that until and including June 2, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicant or the Monitor or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently

under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO PROCEEDINGS AGAINST THE NON-FILING AFFILIATES

11. **THIS COURT ORDERS** that during the Stay Period, no Proceeding shall be commenced or continued against or in respect of Greenpoint Holdings Delaware Inc., Fifth and Root, Inc., Greenpoint Nevada Inc., Greenpoint Oregon, Inc., Greenpoint Workforce Inc., Greenpoint Equipment Leasing, LLC, CFA Retail LLC, SMS Ventures LLC or CF Bliss LLC (together, the “**Non-Filing Affiliates**”) or any of their current and future assets, businesses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (collectively, the “**Non-Filing Affiliates’ Property**”, and together with the Non-Filing Affiliates’ business, the “**Non-Filing Affiliates’ Property and Business**”) including, without limitation, terminating, making any demand, accelerating, amending or declaring in default or taking any enforcement steps under any agreement or agreements with respect to which the Applicant is a party, borrower, principal obligor or guarantor, and no default or event of default shall have occurred or be deemed to have occurred under any such agreement or agreements, by reason of:

- a) the insolvency of the Applicant;
- b) the Applicant having made an application to this Court under the CCAA;
- c) the Applicant being a party to this proceeding;
- d) the Applicant taking any step related to this CCAA proceeding; or
- e) any default or cross-default arising from the matters set out in subparagraphs (a), (b), (c), or (d) above, or arising from the Applicant breaching or failing to perform any contractual or other obligations (collectively, the “**Non-Filing Affiliates’ Default Events**”),

except with the prior written consent of the Applicant and the Monitor, or with leave of this Court.

12. **THIS COURT ORDERS** that, notwithstanding paragraph 11 hereof, the Applicant is authorized and empowered, but not obligated, to commence and/or continue its complaint in the Circuit Court of the State of Oregon for breach of loan agreements and appointment of a receiver, and a motion to appoint an Oregon state receiver (the “**Receiver**”) with respect to Greenpoint Oregon, Inc.; Greenpoint Equipment Leasing, LLC; CFA Retail LLC; SMS Ventures LLC; and CF Bliss LLC, and that the granting of the order sought in the motion to appoint the Receiver shall not constitute a breach of the stay of proceedings in respect of those Non-Filing Affiliates.

NO EXERCISE OF RIGHTS OR REMEDIES

13. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicant or the Monitor, or their respective employees and representatives acting in such capacities, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any Person against or in respect of the Non-Filing Affiliates, or affecting the Non-Filing Affiliates’ Property and Business, as a result of a Non-Filing Affiliates’ Default Event, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Non-Filing Affiliates to carry on any business which the Non-Filing Affiliates are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

DIRECTORS' AND OFFICERS' INDEMNIFICATION

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

APPOINTMENT OF MONITOR

20. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

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

- (a) monitor the Applicant's receipts and disbursements;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the Applicant's cash flow statements and any other reporting to the Court or otherwise;
- (d) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, wherever located and to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (e) monitor all payments, obligations or transfers as between the Applicant and the Non-Filing Affiliates;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property or be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c.16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C., 1985, c. E-15, the *Ontario Cannabis Licence Act*, S.O. 2018, c. 12, Sched. 2 and the Ontario, *Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1, or such other applicable federal or provincial legislation or regulations (collectively, the “**Cannabis Legislation**”) and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof

within the meaning of any Cannabis Legislation or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

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

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its respective employees and representatives acting such capacities shall incur any liability or obligation as a result of the appointment of the Monitor or the carrying out by it of the provisions of this Order,

including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on, or subsequent to the date of this Order, by the Applicant as part of the costs of this proceeding. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel to the Monitor, and the Applicant's counsel on a weekly basis.

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

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and counsel to the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$400,000 as security for their professional fees and disbursements incurred at their standard rates and charges, both before and after the making of this Order in respect of this proceeding. The Administration Charge shall have the priority set out in paragraphs 29-30 herein.

VALIDITY AND PRIORITY OF ADMINISTRATION CHARGE

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

30. **THIS COURT ORDERS** that the Administration Charge shall constitute a charge on the Property and such Administration Charge shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

31. **THIS COURT ORDERS** that the Applicant shall be entitled, on a subsequent attendance on notice to those Persons likely to be affected thereby, to seek an increase to the amount, to seek additional charges and to seek priority of the Administration Charge ahead of any Encumbrance over which the Administration Charge has not obtained priority under this Order.

32. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, the Administration Charge unless the Applicant also obtains the prior written consent of the Monitor and the beneficiaries of the Administration Charge affected thereby (collectively, the “**Chargees**”), or further Order of this Court.

33. **THIS COURT ORDERS** that the Administration Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by (a) the pendency of this proceeding and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the Administration Charge shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Administration Charge; and

- (c) the payments made by the Applicant pursuant to this Order, and the granting of the Administration Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

34. **THIS COURT ORDERS** that the Administration Charge created by this Order over leases of real property in Canada shall only be an Administration Charge in the Applicant's interest in such real property leases.

SERVICE AND NOTICE

35. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner or by electronic message to the e-mail addresses as last shown on the records of the Applicant, a notice to every known creditor who has a claim against the Applicant of more than \$1,000 (excluding individual employees or former employees), and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

36. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca//scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL – www.ksvadvisory.com/experience/case/chalice-brands-ltd. (the "**Website**").

37. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in this proceeding, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

38. **THIS COURT ORDERS** that the Applicant and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in this proceeding, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3© of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

39. **THIS COURT ORDERS** that the Monitor shall maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor nor its counsel shall have any liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

GENERAL

40. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

41. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

42. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, including but without limitation the Circuit Court of the State of Oregon, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

43. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that KSV is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having this proceeding recognized in a jurisdiction outside Canada.

44. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order.



Digitally signed by
Jessica Kimmel
Date: 2023.05.23
09:32:59 -04'00'

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

Court File No: CV-23-00699872-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

INITIAL ORDER

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF CHALICE BRANDS LTD.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

PROCEEDING COMMENCED AT TORONTO

MOTION RECORD OF THE APPLICANT,
CHALICE BRANDS LTD.
(Motion Returnable August 31, 2023, at 11:00 a.m.)

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