

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.

**MOTION RECORD OF THE APPLICANT
(APPROVAL OF SISP)**

May 26, 2023

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TO: **THE SERVICE LIST**

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.

SERVICE LIST

(As at May 26, 2023)

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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.

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TAB 1

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.

NOTICE OF MOTION

(Motion for Approval of SISP)

The Applicant, Chalice Brands Ltd. (the “**Applicant**” or “**Chalice**”) will make a motion before the Honourable Justice Kimmel of the Ontario Superior Court of Justice (Commercial List) on June 1, 2023 at 2:00 p.m., or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING:

- In writing under subrule 37.12.1 (1) because it is (*insert one of* on consent, unopposed *or* made without notice);
- In writing as an opposed motion under subrule 37.12.1 (4);
- In person;
- By telephone conference;
- By video conference.

at the following location:

<https://ca01web.zoom.us/j/64172244590?pwd=OHg5VkFZNIRHb3FPdFcxaVY4dnRRZz09#success>

Meeting ID: 641 7224 4590

Passcode: 708039

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THE MOTION IS FOR:

1. Abridgement of the time for service of the Notice of Motion and Motion Record and dispensing with service on any person other than those served;
2. An Order approving the SISP (as defined below) substantially in the form included at **Tab 3** of the Motion Record;
3. Such other and further relief as counsel may request and this Honourable Court may allow.

THE GROUNDS FOR THIS MOTION ARE:

Update on CCAA Proceeding

4. On May 23, 2023, the Applicant 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**”). The Initial Order extended the benefits of the protections and authorizations under the Initial Order to Chalice’s 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 and together with Chalice, the “**Chalice Group**”);
5. KSV Restructuring Inc. was appointed under the Initial Order as Monitor (the “**Monitor**”) of this CCAA proceeding;
6. 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 (the

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“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”) (the “Oregon Receivership”);

7. Concurrently with this motion on June 1, 2023, the Applicant is seeking approval of an amended and restated initial order (the “ARIO”) seeking, among other things, to extend the stay of proceedings granted under the Initial Order until July 28, 2023;

Approval of the SISP

8. The Applicant, in consultation with the CRO, the Monitor and the Oregon Receiver, has developed the SISP;

9. The purpose of the SISP is to seek out proposals for the acquisition of or investment in the Chalice Group’s 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. Given the Applicant’s significant liquidity constraints, the proposed SISP’s accelerated timeline is the only viable option available to the Applicant to pursue a going concern solution for the benefit of all stakeholders, and is necessary to protect against further erosion of the Chalice Group’s value;

11. The proposed SISP builds in extensive consultation with, and consent and approval rights to, the Oregon Receiver, and coordination of the CCAA Court Sale Approval Motion (as defined in the SISP) in the CCAA Court with a similar or analogous motion before the Oregon Court in the Oregon Receivership proceedings;

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12. The Monitor supports the request to approve and implement the SISP;
13. The Oregon Receiver is also concurrently bringing a motion seeking an order from the Oregon Court to authorize the implementation of the SISP;

Other Grounds

14. The provisions of the *Companies' Creditors Arrangement Act*, R.S.C., 1985 c. C-36, including s. 11.02, s.11.3, and s. 36 and the inherent and equitable jurisdiction of this Honourable Court;
15. Rule 1.04, 1.05, 2.03, 3.02, 16, 37, and 59.06 of the *Rules of Civil Procedure*, R.R.O. 1990 Reg. 194, as amended, and section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
16. Such further and other grounds as the counsel may advise.

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

- (a) the Affidavit of Scott Secord, sworn May 26, 2023, in support of the proposed SISP;
- (b) the Affidavit of Scott Secord sworn May 26, 2023, in support of the proposed ARIQ;
- (c) the Affidavit of Scott Secord, sworn May 22, 2023;
- (d) the Pre-Filing Report of the Monitor;
- (e) the First Report of the Monitor, to be filed; and

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- (f) such further and other material as counsel may advise and this Honourable Court may allow.

May 26, 2023

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Lawyers for the Applicant,
Chalice Brands Ltd.

TO: THE SERVICE LIST

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36, AS AMENDED

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

**NOTICE OF MOTION
(Motion for Approval of SISP)**

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Chalice Brands Ltd.

TAB 2

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

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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**”)

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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

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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 SISF, 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

THIS IS **EXHIBIT “A”** REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD 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)

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.

- 35 -

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.

- 36 -

(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

- 37 -

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.

- 38 -

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

THIS IS **EXHIBIT “B”** REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD 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)

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IN THE CIRCUIT COURT OF THE STATE OF OREGON
FOR THE COUNTY OF MULTNOMAH

CHALICE BRANDS, LTD., a Canadian corporation,

Plaintiff,

v.

GREENPOINT OREGON, INC., an Oregon corporation; GREENPOINT EQUIPMENT LEASING, LLC, an Oregon limited liability company; CFA RETAIL LLC, an Oregon limited liability company; SMS VENTURES LLC, an Oregon limited liability company; and CF BLISS LLC, an Oregon limited liability company,

Defendants.

Case No. 23CV20696

RECEIVER’S MOTION FOR APPROVAL OF BID PROCEDURES

EXPEDITED CONSIDERATION REQUESTED

(Judge David F. Rees)

I. MOTION

Kenneth S. Eiler, the court-appointed receiver in this action (the “**Receiver**”), through undersigned counsel, moves the Court pursuant to ORS 37.250(2) for an order approving bid procedures in connection with the sale of assets of the receivership estate. This Motion is supported by the Court’s records in this action and the Declaration of Kenneth S. Eiler filed contemporaneously herewith (the “**Eiler Decl.**”).

II. BACKGROUND

On May 23, 2023, Chalice Brands, LTD (“**Plaintiff**”) commenced the above-captioned proceeding seeking to have a receiver appointed over certain of Plaintiff’s wholly-owned subsidiaries, Greenpoint Oregon, Inc., Greenpoint Equipment Leasing, LLC, CFA Retail LLC,

1 SMS Ventures LLC, and CF Bliss LLC (the “**Defendants**” and together with Plaintiff, the
2 “**Company**”).

3 On May 23, 2023, the Court entered a Stipulated Order Appointing Receiver (the
4 “**Receivership Order**”), which appointed the Receiver over the Defendants and their Property (as
5 defined in the Order).

6 Also on May 23, 2023, Plaintiff sought and obtained an initial order under Canada’s
7 Companies’ Creditors Arrangement Act (“**CCAA**”) from the Ontario Superior Court of Justice
8 (the “**CCAA Order**”). The CCAA Order and the Receivership Order, among other things, impose
9 a stay of proceedings against the Company. The CCAA proceedings and these receivership
10 proceedings were commenced with the goal of achieving a value-maximizing sale of the assets of
11 the Company.

12 To that end, the Receiver seeks an order of the Court authorizing bid procedures (as
13 described herein, the “**Bid Procedures**”) to establish a process for marketing and selling the
14 Company’s assets (including the assets of the receivership estates) through a competitive process
15 that will maximize value for all of the Defendants’ stakeholders. Plaintiff is similarly seeking
16 approval of the Bid Procedures (referred to in Canada as the “Sale and Investment Solicitation
17 Process” or “SISP”) in its CCAA proceedings. A true and correct copy of the SISP/Bid Procedures
18 are attached hereto as **Exhibit 1**. Plaintiff and the Receiver contemplate coordinating for the sale
19 of substantially all of the Company’s assets, which the Receiver, in the exercise of his business
20 judgment, believes is in the best interest of the stakeholders of the Defendants and beneficiaries of
21 the receivership estates.

22 The Receiver understands that the Company has been incurring operating losses and cash
23 flow deficits since its inception in 2014, and has historically relied on equity and debt financing to
24 fund its operations. The Receiver also understands that the Company’s trade payables (including
25 amounts owed by Defendants) total approximately \$6 million and several of Defendants are in
26 default under their lease obligations and have outstanding amounts owing to their respective
27 landlords.

1 The Defendants are presently cash-flow negative. Based on the Receiver’s review of cash
2 flow projections of the Defendants, the Receiver anticipates that the Defendants will need to rely
3 on Plaintiff’s limited cash to make advances to the receivership estates for operating capital to
4 maintain the businesses of the Defendants during the course of these receivership proceedings.
5 Plaintiff is itself in insolvency proceedings in Canada under the CCAA, and is similarly seeking
6 an expedited sale process in Canada in accordance with the SISP/Bid Procedures. In light of the
7 foregoing, it is the Receiver’s business judgment that an expeditious, coordinated cross-border
8 marketing and sale process is critical to maximizing the value of the Defendants’ assets.
9 Accordingly, the Receiver intends to file a motion for expedited consideration of this Motion and
10 approval of the Bid Procedures.

11 **III. THE COMPANY AND DEFENDANTS’ OPERATIONS**

12 The Company is a vertically integrated cannabis company that grows, processes, distributes
13 and sells cannabis and cannabis products, operating within the Oregon adult-use regulated market,
14 primarily through Plaintiff’s wholly-owned operating subsidiaries, the Defendants.

15 The Defendants’ operations include:

- 16 a. The operation of a cultivation facility located outside of Portland, Oregon called Bald
17 Peak. All of Bald Peak’s agricultural output is sold through the Company’s retail
18 stores;
- 19 b. The operation of two processing and extraction locations in Clackamas, Oregon;
- 20 c. The operation of 16 retail stores in Oregon: 14 operate under the flagship dispensary
21 banner “Chalice Farms,” one under the banner “Cannabliss and Co” and one under the
22 banner “Left Coast Connections”;
- 23 d. Production and wholesale distribution of edible products; and
- 24 e. The distribution of branded products to the Company’s retail stores and other retailers
25 in the Oregon wholesale market.

26 The Receiver believes that a sale of the Company as a going concern, in whole or in part,
27 in coordination with the Company’s CCAA proceedings, will maximize the value of the

1 Defendants' assets for the benefit of the Defendants' stakeholders and beneficiaries of the
2 receivership estates.

3 **IV. OVERVIEW OF BID PROCEDURES**

4 At a high level, the Bid Procedures provide for the following marketing and sale process
5 milestones:¹

6	June 1, 2023	CCAA Court and Oregon Court approval and commencement of the SISP
7		
8	June 1, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for Distribution of the Teaser Letter
9		
10	June 26, 2023 at 5:00 p.m. (prevailing Eastern Time) (" Bid Deadline ")	Deadline for submission of Qualified Bids
11		
12	June 30, 2023 at 11:59 p.m. (prevailing Eastern Time) (" Successful Bid Selection Deadline ")	Deadline for selection of the Successful Bid
13		
14	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 Sale Approval Motion (as defined below)
15		
16	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
17		
18		

19 **V. POINTS AND AUTHORITIES**

20 ORS 37.250 provides that "the court may prescribe standards or procedures calculated to
21 maximize the proceeds of the transfer." ORS 37.250. In chapter 11 bankruptcy cases, which are
22 instructive with respect to the current position of the defendants, the purpose of sale and bidding
23 procedures is to promote competition in order to maximize the value of the estate's assets. *See In*
24

25
26 ¹ Capitalized terms used but not defined herein shall have the meanings given to them in the Bid
27 Procedures.

1 *re O'Brien Envtl. Energy, Inc.*, 181 F.3d 527, 537 (3d Cir. 1999); *In re Integrated Res. Inc.*, 147
2 B.R. 650, 659 (S.D.N.Y. 1992).

3 During a court-supervised sales process, a court will review proposed bidding procedures
4 under the business judgment rule. *In re Culp*, 550 B.R. 683, 697 (D. Del. 2015) (“[C]ourts require
5 the [bankruptcy Trustee] to show that a sound business purpose justifies such actions. * * * If the
6 bankruptcy trustee’s decision evidences a sound business purpose, then the Bankruptcy Court
7 should approve the sale.”) (internal quotations omitted). Under Oregon law, the business judgment
8 rule generally precludes “judicial inquiry into actions of corporate directors taken in good faith
9 and in the exercise of honest judgment in the lawful and legitimate furtherance of corporate
10 purposes.” *Bernards v. Summit Real Est. Mgmt., Inc.*, 229 Or. App. 357, 365 (2009) (quoting
11 *Crandon Cap. Partners v. Shelk*, 219 Or.App. 16, 31 (2008)); see *F.D.I.C. v. Christensen*, No.
12 3:13-CV-00109-PK, 2013 WL 3305242, at *2 (D. Or. June 28, 2013) (applying Oregon law and
13 recognizing same).

14 The Receiver believes that the Bid Procedures are a valid exercise of its business judgment.
15 The Bid Procedures: (a) provide sufficient notice of each element of the proposed sale process,
16 (b) facilitate a value-maximizing sale, and (c) ensure an unbiased, reasonable, and good faith sale
17 process. The Bid Procedures will promote active bidding from interested parties and will elicit the
18 highest or otherwise best offers available for the Company’s assets, including the assets of the
19 receivership estates.

20 The Bid Procedures are designed to facilitate an orderly and expedited, yet competitive,
21 bidding process to maximize the value realized by the receivership estates from the sale.
22 Specifically, the Bid Procedures contemplate a bidding process with minimum barriers to entry
23 that encourage broad participation. At the same time, the Bid Procedures provide the Receiver
24 with a robust opportunity to consider competing bids and select the highest or otherwise best offer
25 for the execution of the sale. As a result, creditors of the receivership estate can be assured that
26 the consideration obtained will be fair and reasonable and at or above market.

27

1 Taking into account the potential cost of holding and operating the assets of the
 2 receivership estates, the Receiver submits that the marketing process as contemplated in the Bid
 3 Procedures (a) is fair to the owners of the assets and all other parties with an interest in the assets,
 4 (b) is reasonable under the circumstances, and (c) will maximize the return from the assets to the
 5 receivership estates. Accordingly, the Receiver requests that the Court approve the Bid
 6 Procedures.

7 **VI. CONCLUSION**

8 For the reasons set forth herein, the Receiver requests entry of an order, substantially in the
 9 form filed contemporaneously herewith, approving the Bid Procedures.

10 DATED: May 26, 2023

11 LANE POWELL PC

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 14 By: s/ David W. Criswell
 15 David W. Criswell, OSB No. 925930
 16 Andrew J. Geppert, OSB No. 203744
 Telephone: 503.778.2100
 docketing@lanepowell.com

17 Proposed Attorneys for Receiver, Kenneth S. Eiler
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CERTIFICATE OF SERVICE

I, David W. Criswell, hereby certify that on this 26th day of May, 2023, I caused a copy of the foregoing **RECEIVER'S MOTION FOR APPROVAL OF BID PROCEDURES** to be served via U.S. Mail and electronic mail, on the following:

<p>Timothy A. Solomon, Esq. LEONARD LAW GROUP LLC 4110 SE Hawthorne Blvd, PMB 506 Portland, OR 97214 tsolomon@llg-llc.com</p> <p><i>Attorney for Plaintiff</i></p>	<p>Holly C. Hayman, Esq. FARLEIGH WADA WITT 121 SW Morrison Street, Suite 600 Portland, OR 97204 hhayman@fwwlaw.com</p> <p><i>Attorney for Defendants</i></p>
<p>Allison C. Bizzano, Esq. LOTUS LAW GROUP, LLC 2 Centerpointe Drive, Suite 345 Lake Oswego, OR 97035 allison@lotuslawgroup.com</p> <p><i>Attorney for Secured Creditors Alicia Smith, Jillian Smith, Marcena Sorrels</i></p>	<p>Lauren B. Bernton, Esq. TONKON TORP LLP 888 SW Fifth Avenue, Suite 1600 Portland, OR 97204 lauren.bernton@tonkon.com</p> <p><i>Attorney for Bobsled Extracts, LLC</i></p>
<p>Daniel Shouldice, Esq. McMILLAN LLP Royal Centre, 1055 W. Georgia St, Ste 1500 PO Box 11117 Vancouver, BC V6E 4N7 daniel.shouldice@mcmillan.ca</p> <p><i>Attorney for Gary Zipfel</i></p>	<p>Jesse Mondry, Esq. Kathleen Biddle, Esq. Vincent Sliwoski, Esq. HARRIS BRICKEN 511 SE 11th Avenue, Suite 201 Portland, OR 97214 jesse@harrisbricken.com kathleen@harrisbricken.com vince@harrisbricken.com</p> <p><i>Attorney for Kush Originals, LLC, judgment-creditor for Chalice entities CF Bliss LLC and CFA Farms LLC</i></p>
<p>Kathryn Esaw, Esq. Shawn Irving, Esq. Osler, Hoskin & Harcourt LLP 100 King Street West 1 First Canadian Place Suite 6200 PO Box 50 Toronto, ON M5X 1B8 kesaw@osler.com sirving@osler.com</p> <p><i>Attorneys for Chalice Brands LTD (Canadian Proceeding)</i></p>	<p>Nathan Q. Rugg, Esq. Joeseeph D. Lambert, Esq. Barack Ferrazzano Kirschbaum & Nagelberg 200 West Madison Street, Suite 3900 Chicago, IL 60606 nathan.rugg@bfkn.com joe.lambert@bfkn.com</p> <p><i>Attorneys for Landlord Aventine Property Group</i></p>

1	USGAI	Security State Bank & Trust
2	1190 N Carrol Ave	201 W Main Street
3	Southlake, TX 76092	Fredericksburg, TX,78624
4	<i>Creditor</i>	<i>Creditor</i>
5	APG McLoughlin 2, LLC	Gary Zipfel
6	Aventine Prop Group	1551 Penstemon Court
7	111 S. Wacker Drive	Grayslake, IL 60030
8	Suite 3350	<i>Creditor</i>
	Chicago, IL 60606	
9	Mike Genovese	William Simpson
10	3300 NW 185 th Avenue, #163	P.O. Box 510
11	Portland, OR 97229	Lawai, HI 19765
	<i>Creditor</i>	<i>Creditor</i>
12	High Street Capital Partners, LLC	Yamhill County
13	366 Madison Ave	535 NE 5th St, Room 42
14	NY, NY 10017	McMinnville, OR 97128
	<i>Creditor</i>	<i>Creditor</i>
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s/ David W. Criswell

 David W. Criswell

THIS IS **EXHIBIT “C”** REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD 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)

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IN THE CIRCUIT COURT OF THE STATE OF OREGON
FOR THE COUNTY OF MULTNOMAH

CHALICE BRANDS, LTD., a Canadian corporation,

Plaintiff,

v.

GREENPOINT OREGON, INC., an Oregon corporation; GREENPOINT EQUIPMENT LEASING, LLC, an Oregon limited liability company; CFA RETAIL LLC, an Oregon limited liability company; SMS VENTURES LLC, an Oregon limited liability company; and CF BLISS LLC, an Oregon limited liability company,

Defendants.

Case No. 23CV20696

(PROPOSED) ORDER APPROVING BID PROCEDURES

(Judge David F. Rees)

This matter came before the Court on Receiver’s Motion for Approval of Bid Procedures (the “**Motion**”).¹ Based on the record herein and the Court having considered the record, the Motion, and having been fully advised in the premises,

IT IS HEREBY ORDERED as follows:

1. The Motion is granted.
2. The Bid Procedures, entitled Sale and Investment Solicitation Process (SISP) attached hereto as **Exhibit 1**, the terms of which are expressly incorporated herein and made a part of this Order, are hereby approved.

¹ Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Motion and/or the Bid Procedures, as applicable.

1 3. The Applicant, the Monitor, the Chief Restructuring Officer (the “CRO”), and the
2 Receiver, and their respective affiliates, partners, consultants, advisors, experts, accountants,
3 counsel and agents (collectively, “**Assistants**”) are hereby authorized and directed to take any and
4 all actions as may be necessary or desirable to implement and carry out the Bid Procedures in
5 accordance with its terms and this Order.

6 4. The Applicant, the Monitor, the Receiver, the CRO, and their respective Assistants
7 shall have no liability with respect to any and all losses, claims, damages or liabilities of any kind
8 or nature to any person or entity as a result of implementing or otherwise in connection with the
9 Bid Procedures, except to the extent that any such losses, claims, damages or liabilities result from
10 the gross negligence or willful misconduct of the Applicant, the Monitor, the Receiver or the CRO,
11 as applicable, as determined by this Court.

12 5. The Monitor, the Applicant, the CRO, and the Receiver are authorized and
13 permitted to disclose personal information of identifiable individuals (“**Personal Information**”)
14 to prospective bidders or offerors and to their advisors, including human resources and payroll
15 information, records pertaining to the Company’s past and current employees, and information on
16 specific customers, but only to the extent desired or required to negotiate or attempt to complete a
17 transaction under the Bid Procedures. Each prospective bidder or offeror to whom any Personal
18 Information is disclosed shall maintain and protect the privacy of such Personal Information with
19 security safeguards appropriate to the sensitivity of the Personal Information and as may otherwise
20 be required by applicable law. Each prospective bidder or offeror to whom any Personal
21 Information is disclosed shall also limit the use of such Personal Information to its participation in
22 the Bid Procedures, and if it does not complete a sale, shall return all such information to the
23 Applicant, the Monitor, or the Receiver, as applicable, or in the alternative destroy all such
24 information and confirm same to the Applicant, the Monitor, or the Receiver. The Successful
25 Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the
26 transaction contemplated in the Successful Bid(s), shall be entitled to use the personal information
27 provided to it that is related to the assets and/or business acquired pursuant to the sale in a manner

1 which is in all material respects identical to the prior use of such information by the Company and
2 shall return all other personal information to the Applicant, the Monitor, or the Receiver, as
3 applicable, or ensure that all other personal information is destroyed and confirm same to the
4 Applicant, the Monitor, or the Receiver.

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10 Presented by:

11 David W. Criswell, OSB No. 925930
12 Andrew J. Geppert, OSB No. 203744
13 Telephone: 503.778.2100
14 Attorneys for Receiver

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CERTIFICATE OF READINESS
(UTCR 5.100(2))

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This proposed order or judgment is ready for judicial signature because:

- Each opposing party affected by this order or judgment has stipulated to the order or judgment, as shown by each opposing party’s signature on the document being submitted.
- Each opposing party affected by this order or judgment has approved the order or judgment, as shown by signature on the document being submitted or by written confirmation of approval sent to me.
- I have served a copy of this order or judgment on all parties entitled to service, and:
 - No objection has been served on me.
 - I received objections that I could not resolve with the opposing party despite reasonable efforts to do so. I have filed a copy of the objections I received and indicated which objections remain unresolved.
 - After conferring about objections, [role and name of opposing party] agreed to independently file any remaining objection.
- The relief sought is against an opposing party who has been found in default.
- An order of default is being requested with this proposed judgment.
- Service is not required pursuant to subsection (3) of this rule, or by statute, rule, or otherwise.
- This is a proposed judgment that includes an award of punitive damages and notice has been served on the Director of the Crime Victims’ Assistance Section as required by subsection (4) of this rule.
- Other:

DATED: May __, 2023

s/

Andrew J. Geppert, OSB No. 203744
Attorney for Receiver

CERTIFICATE OF SERVICE

I, David W. Criswell, hereby certify that on this 26th day of May, 2023, I caused a copy of the foregoing **(PROPOSED) ORDER APPROVING BID PROCEDURES** to be served via U.S. Mail and electronic mail, on the following:

<p>Timothy A. Solomon, Esq. LEONARD LAW GROUP LLC 4110 SE Hawthorne Blvd, PMB 506 Portland, OR 97214 tsolomon@llg-llc.com</p> <p><i>Attorney for Plaintiff</i></p>	<p>Holly C. Hayman, Esq. FARLEIGH WADA WITT 121 SW Morrison Street, Suite 600 Portland, OR 97204 hhayman@fwwlaw.com</p> <p><i>Attorney for Defendants</i></p>
<p>Allison C. Bizzano, Esq. LOTUS LAW GROUP, LLC 2 Centerpointe Drive, Suite 345 Lake Oswego, OR 97035 allison@lotuslawgroup.com</p> <p><i>Attorney for Secured Creditors Alicia Smith, Jillian Smith, Marcena Sorrels</i></p>	<p>Lauren B. Bernton, Esq. TONKON TORP LLP 888 SW Fifth Avenue, Suite 1600 Portland, OR 97204 lauren.bernton@tonkon.com</p> <p><i>Attorney for Bobsled Extracts, LLC</i></p>
<p>Daniel Shouldice, Esq. McMILLAN LLP Royal Centre, 1055 W. Georgia St, Ste 1500 PO Box 11117 Vancouver, BC V6E 4N7 daniel.shouldice@mcmillan.ca</p> <p><i>Attorney for Gary Zipfel</i></p>	<p>Jesse Mondry, Esq. Kathleen Biddle, Esq. Vincent Sliwoski, Esq. HARRIS BRICKEN 511 SE 11th Avenue, Suite 201 Portland, OR 97214 jesse@harrisbricken.com kathleen@harrisbricken.com vince@harrisbricken.com</p> <p><i>Attorney for Kush Originals, LLC, judgment-creditor for Chalice entities CF Bliss LLC and CFA Farms LLC</i></p>
<p>Kathryn Esaw, Esq. Shawn Irving, Esq. Osler, Hoskin & Harcourt LLP 100 King Street West 1 First Canadian Place Suite 6200 PO Box 50 Toronto, ON M5X 1B8 kesaw@osler.com sirving@osler.com</p> <p><i>Attorneys for Chalice Brands LTD (Canadian Proceeding)</i></p>	<p>Nathan Q. Rugg, Esq. Joeseeph D. Lambert, Esq. Barack Ferrazzano Kirschbaum & Nagelberg 200 West Madison Street, Suite 3900 Chicago, IL 60606 nathan.rugg@bfkn.com joe.lambert@bfkn.com</p> <p><i>Attorneys for Landlord Aventine Property Group</i></p>

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	Chicago, IL 60606	
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	<i>Creditor</i>	<i>Creditor</i>
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s/ David W. Criswell
David W. Criswell

THIS IS **EXHIBIT “D”** REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD 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
58C83E8818CD461...

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

SALE AND INVESTMENT SOLICITATION PROCESS

Introduction

On May 23, 2023, Chalice Brands Ltd. (the “**Applicant**” or the “**Company**”) sought and obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) and the proceedings commenced thereby, the “**CCAA Proceedings**”) from the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”).

Pursuant to the Initial Order, among other things: (i) KSV Restructuring Inc. was appointed as the Monitor in the Applicant’s CCAA Proceedings (in such capacity, the “**Monitor**”); and (ii) a stay of proceedings was granted over the Applicant and its subsidiaries (together, the “**Chalice Group**”).

Also on May 23, 2023, the Company obtained an order in the Circuit Court of the State of Oregon (the “**Oregon Court**”) granting the appointment of an Oregon state receiver (the “**Oregon Receiver**”) over certain of the Company’s wholly-owned subsidiaries; namely, Greenpoint Oregon, Inc.; Greenpoint Equipment Leasing, LLC; CFA Retail LLC; SMS Ventures LLC; and CF Bliss LLC (together, the “**Oregon Receivership Entities**” and such proceedings, the “**Oregon Receivership**”).

On June 1, 2023, the CCAA Court granted an amended and restated Initial Order under the CCAA, among other things: (i) extending the stay of proceedings to July 28, 2023; (ii) increasing the administration charge to a maximum amount of \$500,000; (iii) approving the engagement between the Applicant and Cardinal Advisory Services Inc. (“**Cardinal Advisory**”), pursuant to which Cardinal Advisory will act as the chief restructuring officer of the Company and its affiliates (the “**CRO**”) through the services of Scott Secord; (iv) relieving the Company from certain securities reporting obligations; and (v) relieving the Company from the obligation to call and hold an annual meeting of the Company’s shareholders.

On June 1, 2023, the CCAA Court granted an order under the CCAA and on June [2], 2023, the Oregon Court granted an order pursuant to Oregon Revised Statutes, among other things (and together, the “**SISP Approval Orders**”), authorizing the implementation of a sale and investment solicitation process on the terms set forth herein (the “**SISP**”) to solicit interest in and opportunities for a sale, or investment in, all or part of the Chalice Group’s, including the Oregon Receivership Entities’, property, assets and undertaking (the “**Property**”) and/or its business (the “**Business**”) (such transaction, a “**Transaction**”).¹

Opportunity

1. The SISP may 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**”).
2. 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

¹ As regards Fifth and Root Inc., the sales process shall contemplate the sale of the securities of Fifth and Root Inc. held by members of the Chalice Group and such securities are included in the definition of “Property”.

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of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Chalice Group in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to CCAA Court orders, except as otherwise provided in such CCAA Court orders and, as applicable and if the parties determine appropriate, any Oregon Court orders.

Key Dates

3. The key dates for the SISP are as follows, as such dates may be modified or extended in accordance with the terms of this SISP, or orders of the CCAA Court and the Oregon Court:

June 1, 2023	CCAA Court and Oregon Court approval and commencement of the SISP
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June 1, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for Distribution of the Teaser Letter (as defined below)
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June 26, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for submission of Qualified Bids (as defined below)
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(“Bid Deadline”)

June 30, 2023 at 11:59 p.m. (prevailing Eastern Time)	Deadline for selection of the Successful Bid (as defined below)
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(“Successful Bid Selection Deadline”)

July 10, 2023 at 10:00 a.m. (prevailing Eastern Time) or such other time as the CCAA Court may advise	Hearing of the Sale Approval Motion (as defined below)
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(“CCAA Court Sale Approval Motion Date”)

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)
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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
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4. 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.

Solicitation of Interest

5. As soon as reasonably practicable following the issuance of the SISP Approval Orders the Applicant will (to the extent it has not already done so), with the consent of the Monitor and the Oregon Receiver:
 - (a) prepare an initial list of persons who may have an interest in the Opportunity (the “**Known Potential Bidders**”), including (i) parties that have 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;
 - (b) cause a notice of the SISP (and such other relevant information which the Applicant, with the approval of the Monitor and the Oregon Receiver, considers appropriate) to be published 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; and
 - (c) prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicant, with the approval of the Monitor and the Oregon Receiver (the “**NDA**”), which, together with the Teaser Letter, shall, commencing on the first business day following the date on which the later of the SISP Approval Orders are granted, be distributed to Known Potential Bidders and to any party that requests same from the Applicant as soon as possible following such request.

Qualified Bidders

6. Any party who wishes to participate in the SISP (a “**Potential Bidder**”) must deliver to the Monitor at the address specified in Appendix “A” (including by email):
 - (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.
7. A Potential Bidder that (i) has satisfied the requirements set out in paragraph 6, and (ii) 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, may be deemed to be a “**Qualified Bidder**”.

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8. At any time during the 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, and where such orders are granted such bidder will be eliminated from the SISP and will no longer be a “Qualified Bidder” for the purposes of the SISP.
9. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and evaluation of a potential Transaction.

Due Diligence

10. The Applicant, with the consent of the Monitor and the Oregon Receiver, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence materials and information relating to the Property and Business as they may deem appropriate.
11. Due diligence access may include management presentations, access to any electronic data room (“**Data Room**”) and other matters which a Qualified Bidder may reasonably request and as to which the Applicant may agree, with the consent of the Monitor and the Oregon Receiver.
12. The Monitor shall coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. All due diligence and information requests must be directed to Eli Brenner, KSV Restructuring Inc. at ebrenner@ksvadvisory.com or 416-932-6028.
13. Neither the Applicant, nor the Monitor, nor the Oregon Receiver will be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders.
14. The Applicant, the Monitor and the Oregon Receiver reserve the right to limit any Qualified Bidder’s access to any confidential information (including any information in any Data Room) and to creditors, customers, landlords, suppliers or other stakeholders of the Chalice Group, where, in the opinion of the Applicant, the Monitor or the Oregon Receiver, such access could negatively impact the SISP, the ability to maintain the confidentiality of the Chalice Group’s confidential or competitive information, the Business, or the Property. For the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Applicant, the Monitor or the Oregon Receiver determine such information to represent proprietary or sensitive competitive information.

Receipt of Qualified Bids

15. 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 at the address specified in Appendix “A” (including by email), so as to be received not later than the Bid Deadline.
16. Subject to paragraph 20, a bid so submitted will be considered a qualified Bid (a “**Qualified Bid**”) only if it complies with all of the following requirements:

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- (a) Identification of Qualified Bidder. The bid 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) Written Submission of Modified APA and Commitment to Close. The bid is submitted in the form of an executed mark-up of the template asset purchase agreement (each a “**Modified APA**”) reflecting such Qualified Bidder’s proposed changes to the template asset purchase agreement (together with a blackline of the Modified APA against the template asset purchase agreement), and a written and binding commitment to close on the terms and conditions set forth therein.
- (c) Irrevocable. The bid 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.
- (d) Contingencies. The bid 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) Proof of Financial Ability to Perform. The bid contains written evidence upon which the Applicant, in consultation with the Monitor and the Oregon Receiver, may reasonably conclude that the Qualified Bidder has the necessary financial ability to close the contemplated Transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated Transaction.
- (f) Deposit. The bid is accompanied by a cash deposit, to be held by the Monitor in a non-interest bearing account in accordance with the terms hereof in an amount equal to at least ten percent (10%) of the purchase price or investment contemplated therein.
- (g) Acknowledgments and Representations. The bid 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) Closing. The bid provides for Closing to occur no later than the Outside Date; and
- (i) Deadline. The bid is received by the Bid Deadline.

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17. 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 pursuant to paragraph 15 to determine whether they comply with the requirements set out in paragraph 16.
18. The Applicant may, with the consent of the Monitor and the Oregon Receiver, aggregate separate non-overlapping bids from unaffiliated Qualified Bidders to create one “Qualified Bid”.

Evaluation of Competing Bids

19. Only Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder.
20. 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.
21. A Qualified Bid will be valued based upon numerous factors, including, without limitation, items such as the following, as applicable: 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, each as determined by the Applicant, with the consent of the Monitor and the Oregon Receiver.

Selection of Successful Bid

22. 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. 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.
23. 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).

Sale Approval Motion Hearing

24. The hearing of the motion pursuant to the CCAA for the CCAA Court to approve any transaction with a Successful Bidder (the “**Sale Approval Motion**”) shall take place on the CCAA Court Sale Approval Motion Date.
25. As part of the Sale Approval Motion, the Applicant shall seek, among other things, approval from the CCAA Court to consummate any Successful Bid.
26. The Applicant shall seek to coordinate the Sale Approval Motion with a similar or analogous motion before the Oregon Court in the Oregon Receivership proceedings (the “**Oregon Court Sale Approval Motion**”) which shall take place on the Oregon Court Sale Approval Motion Date.
27. 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.
28. All Qualified Bids, other than the Successful Bid, if any, shall be deemed rejected by the Applicant on and as of the date of approval of the Successful Bid by the CCAA Court and the Oregon Court.

Closing the Successful Bid

29. The Chalice Group 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**”).

Confidentiality, Stakeholder/Bidder Communication and Access to Information

30. All discussions regarding any bid or Transaction contemplated herein should be directed through the Monitor, unless otherwise directed by the Monitor. Under no circumstances should the management of the Applicant or any creditor, customer, landlord supplier or other stakeholder of the Applicant be contacted or communicated with directly without the prior consent of the Monitor; provided, however, that the CRO and the Oregon Receiver may be so contacted or communicated with. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISF process. For greater certainty, nothing herein shall preclude a person from contacting potential bidders, with the agreement of the Monitor and the Oregon Receiver, to advise that the Applicant has commenced a SISF and that they should contact the Monitor if they are interested.
31. If it is determined by the Applicant, with the consent of the Monitor and the Oregon Receiver, that it would be worthwhile to facilitate a discussion between a Qualified Bidder and a stakeholder or other third party as a consequence of a condition to closing or potential closing condition identified by such bidder, the Applicant with the consent of the Monitor and the Oregon Receiver may provide such bidder with the opportunity to meet with the relevant stakeholder or third party to discuss such condition or potential condition, with a view to enabling such bidder to seek to satisfy the condition or assess whether the condition is not required or can be waived. Any such meetings or other form of communication will take place on terms and conditions considered appropriate by the Applicant, with the consent of the Monitor and the Oregon Receiver. The Monitor and the Oregon Receiver

must be provided with the opportunity to be present at all such communications or meetings.

General

32. Unless otherwise provided for herein, 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.
33. 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 herein and in the SISP Approval Orders, and is entitled to receive all information in relation to the SISP.
34. If there is a Successful Bid, the applicable deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Sale Approval Motion and Oregon Court Sale Approval Motion will be applied to the purchase price or other consideration to be paid or investment amount to be made by the Successful Bidder, as applicable, upon closing of the approved transaction and will be non-refundable. Any deposit delivered with a Qualified Bid that is not selected as a Successful Bid will be returned to the applicable bidder as soon as reasonably practicable (but not later than ten (10) business days) after the date upon which the Successful Bid is at the Sale Approval Motion and Oregon Court Sale Approval Motion or such earlier date as may be determined by the Applicant, with the consent of the Monitor and the Oregon Receiver.
35. If a Successful Bidder breaches its obligations under the terms of the SISP, its deposit shall be forfeited as liquidated damages and not as a penalty.
36. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between any member of the Chalice Group and any Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be signed with the Applicant.
37. Without limiting the preceding paragraph, 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 or any other creditor or stakeholder, as a result of implementation or otherwise in connection with this 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. Further, no person or entity, including without limitation any Potential Bidder, Qualified Bidder, Successful Bidder or any other creditor or stakeholder shall have any claim against the Applicant, the Monitor, the CRO or Oregon Receiver in respect of the SISP for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct by the Applicant, the Monitor, the CRO or the Oregon Receiver, as applicable, as determined by the CCAA Court.
38. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with their participation in the SISP, including submission of any bid, due diligence activities, completion of a Successful Bid and any negotiations or other actions whether or not they lead to the consummation of a transaction.

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39. 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 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; provided that, all Potential Bidders remaining in the SISP at the applicable time shall be advised of any substantive modification to the procedures set forth herein.
40. All bidders shall be deemed to have consented to the jurisdiction of the CCAA Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and Closing, as applicable.
41. For the avoidance of doubt, any approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or the Oregon Court, or any other statute or as otherwise required at law in order to implement a Successful Bid.

* * * * *

APPENDIX "A"

KSV Restructuring Inc., LIT,
Monitor of Chalice Brands Ltd.
150 King Street West, Suite 2308
Toronto ON M5H 1J9
Attention: Eli Brenner
Email: ebrenner@ksvadvisory.com

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. Court File No: CV-23-00699872-00CL
C-36, AS AMENDED

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 SECOND

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Lawyers for the Applicant,
Chalice Brands Ltd.

TAB 3

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM)	THURSDAY, THE 1ST
)	
JUSTICE KIMMEL)	DAY OF JUNE, 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.

SISP APPROVAL ORDER

THIS MOTION, 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**”) for an order, among other things, approving the proposed sale and solicitation process, was heard this day by videoconference via Zoom in Toronto, Ontario.

ON READING the affidavit of Scott Secord sworn May 26, 2023 and the Exhibits thereto the “**Secord Affidavit**”), the First Report of the KSV Restructuring Inc. (“**KSV**”), in its capacity as monitor of the Applicant (the “**Monitor**”), dated May [●], 2023 and on hearing the submissions of counsel for the Applicant, counsel for the Monitor and those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavit of Service of Emilie Dillon sworn May 26, 2023.

SERVICE AND DEFINITIONS

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

2. **THIS COURT ORDERS** that, unless otherwise defined, each capitalized term in this Order has the meaning given in the sale and investment solicitation process attached hereto as Schedule “A” (the “SISP”).

APPROVAL OF SALE AND INVESTMENT SOLICITATION PROCESS

3. **THIS COURT ORDERS** that the SISP (subject to any amendments thereto that may be made in accordance therewith and with this Order) be and is hereby approved.

4. **THIS COURT ORDERS** that the Applicant and the Monitor are authorized to immediately commence the SISP to solicit interest in the opportunity for a sale of or investment in all or part of the owned property, assets and undertaking of (i) the Applicant and (ii) subject to entry of an order of the Circuit Court of the State of Oregon approving the SISP (the “**Oregon SISP Order**”), 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 “**Chalice Group**”) and/or the Chalice Group’s business.

5. **THIS COURT ORDERS** that the Applicant, the Monitor, the Oregon Receiver and the Chief Restructuring Officer (the “**CRO**”), and their respective affiliates, partners, consultants, advisors, experts, accountants, counsel and agents (collectively, “**Assistants**”) are hereby authorized and directed to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and this Order and the Oregon SISP Order, as applicable.

6. **THIS COURT ORDERS** that the Applicant, the Monitor, the Oregon Receiver, the CRO, and their respective Assistants shall have no liability with respect to any and all losses, claims, damages or liabilities of any kind or nature to any person or entity as a result of implementing or otherwise in connection with the SISP, except to the extent that any such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Applicant, the Monitor, the Oregon Receiver or the CRO, as applicable, as determined by this Court.

7. **THIS COURT ORDERS** that in respect of the SISP, the Monitor shall have all of the benefits and protections granted to it under the CCAA, the ARIO and any other Order of this Court in this proceeding.

8. **THIS COURT ORDERS** that notwithstanding anything contained herein or in the SISP, the Monitor shall not take possession of the Property or be deemed to take possession of the Property, including pursuant to any provision of the Cannabis Legislation (as defined in the ARIO).

PROTECTION OF PERSONAL INFORMATION

9. **THIS COURT ORDERS** that, pursuant to section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Monitor, the Applicant, the Oregon Receiver, and the CRO are authorized and permitted to disclose personal information of identifiable individuals (“**Personal Information**”) to prospective bidders or offerors and to their advisors, including human resources and payroll information, records pertaining to the Chalice Group’s past and current employees, and information on specific customers, but only to the extent desired or required to negotiate or attempt to complete a transaction under the SISP. Each prospective bidder or offeror to whom any Personal Information is disclosed shall maintain and protect the privacy of such Personal Information with security safeguards appropriate to the sensitivity of the Personal Information and as may otherwise be required by applicable federal or provincial legislation. Each prospective bidder or offeror to whom any Personal Information is disclosed shall also limit the use of such Personal Information to its participation in the SISP, and if it does not complete a sale, shall return all such information to the Applicant, the Monitor, or the Oregon Receiver, as applicable, or in the alternative destroy all such information and confirm same to the Applicant, the Monitor, or the Oregon Receiver. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the transaction contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the assets and/or business acquired pursuant to the sale in a manner which is in all material respects identical to the prior use of such information by the Chalice Group, and shall return all other personal information to the Applicant, the Monitor, or the Oregon Receiver, as applicable, or ensure that all other personal information is destroyed and confirm same to the Applicant, the Monitor, or the Oregon Receiver.

GENERAL

10. **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.

11. **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.

12. **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 proceeding for the purpose of having this proceeding recognized in a jurisdiction outside Canada.

13. **THIS COURT ORDERS** that the Applicant and the Monitor and their respective counsel may serve or distribute this Order, or 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 prospective bidders, offerors or other interested parties and their advisors (if any). For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

14. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on June 1, 2023.

Schedule "A"

[See attached]

SALE AND INVESTMENT SOLICITATION PROCESS

Introduction

On May 23, 2023, Chalice Brands Ltd. (the “**Applicant**” or the “**Company**”) sought and obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act* (“**CCAA**”) and the proceedings commenced thereby, the “**CCAA Proceedings**”) from the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”).

Pursuant to the Initial Order, among other things: (i) KSV Restructuring Inc. was appointed as the Monitor in the Applicant’s CCAA Proceedings (in such capacity, the “**Monitor**”); and (ii) a stay of proceedings was granted over the Applicant and its subsidiaries (together, the “**Chalice Group**”).

Also on May 23, 2023, the Company obtained an order in the Circuit Court of the State of Oregon (the “**Oregon Court**”) granting the appointment of an Oregon state receiver (the “**Oregon Receiver**”) over certain of the Company’s wholly-owned subsidiaries; namely, Greenpoint Oregon, Inc.; Greenpoint Equipment Leasing, LLC; CFA Retail LLC; SMS Ventures LLC; and CF Bliss LLC (together, the “**Oregon Receivership Entities**” and such proceedings, the “**Oregon Receivership**”).

On June 1, 2023, the CCAA Court granted an amended and restated Initial Order under the CCAA, among other things: (i) extending the stay of proceedings to July 28, 2023; (ii) increasing the administration charge to a maximum amount of \$500,000; (iii) approving the engagement between the Applicant and Cardinal Advisory Services Inc. (“**Cardinal Advisory**”), pursuant to which Cardinal Advisory will act as the chief restructuring officer of the Company and its affiliates (the “**CRO**”) through the services of Scott Secord; (iv) relieving the Company from certain securities reporting obligations; and (v) relieving the Company from the obligation to call and hold an annual meeting of the Company’s shareholders.

On June 1, 2023, the CCAA Court granted an order under the CCAA and on June [2], 2023, the Oregon Court granted an order pursuant to Oregon Revised Statutes, among other things (and together, the “**SISP Approval Orders**”), authorizing the implementation of a sale and investment solicitation process on the terms set forth herein (the “**SISP**”) to solicit interest in and opportunities for a sale, or investment in, all or part of the Chalice Group’s, including the Oregon Receivership Entities’, property, assets and undertaking (the “**Property**”) and/or its business (the “**Business**”) (such transaction, a “**Transaction**”).¹

Opportunity

1. The SISP may 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**”).
2. 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

¹ As regards Fifth and Root Inc., the sales process shall contemplate the sale of the securities of Fifth and Root Inc. held by members of the Chalice Group and such securities are included in the definition of “Property”.

of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Chalice Group in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to CCAA Court orders, except as otherwise provided in such CCAA Court orders and, as applicable and if the parties determine appropriate, any Oregon Court orders.

Key Dates

3. The key dates for the SISP are as follows, as such dates may be modified or extended in accordance with the terms of this SISP, or orders of the CCAA Court and the Oregon Court:

June 1, 2023	CCAA Court and Oregon Court approval and commencement of the SISP
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June 1, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for Distribution of the Teaser Letter (as defined below)
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June 26, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for submission of Qualified Bids (as defined below)
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(“Bid Deadline”)

June 30, 2023 at 11:59 p.m. (prevailing Eastern Time)	Deadline for selection of the Successful Bid (as defined below)
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(“Successful Bid Selection Deadline”)

July 10, 2023 at 10:00 a.m. (prevailing Eastern Time) or such other time as the CCAA Court may advise	Hearing of the Sale Approval Motion (as defined below)
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(“CCAA Court Sale Approval Motion Date”)

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)
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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
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4. 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.

Solicitation of Interest

5. As soon as reasonably practicable following the issuance of the SISP Approval Orders the Applicant will (to the extent it has not already done so), with the consent of the Monitor and the Oregon Receiver:
 - (a) prepare an initial list of persons who may have an interest in the Opportunity (the “**Known Potential Bidders**”), including (i) parties that have 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;
 - (b) cause a notice of the SISP (and such other relevant information which the Applicant, with the approval of the Monitor and the Oregon Receiver, considers appropriate) to be published 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; and
 - (c) prepare: (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicant, with the approval of the Monitor and the Oregon Receiver (the “**NDA**”), which, together with the Teaser Letter, shall, commencing on the first business day following the date on which the later of the SISP Approval Orders are granted, be distributed to Known Potential Bidders and to any party that requests same from the Applicant as soon as possible following such request.

Qualified Bidders

6. Any party who wishes to participate in the SISP (a “**Potential Bidder**”) must deliver to the Monitor at the address specified in Appendix “A” (including by email):
 - (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.
7. A Potential Bidder that (i) has satisfied the requirements set out in paragraph 6, and (ii) 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, may be deemed to be a “**Qualified Bidder**”.

8. At any time during the 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, and where such orders are granted such bidder will be eliminated from the SISP and will no longer be a “Qualified Bidder” for the purposes of the SISP.
9. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and evaluation of a potential Transaction.

Due Diligence

10. The Applicant, with the consent of the Monitor and the Oregon Receiver, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence materials and information relating to the Property and Business as they may deem appropriate.
11. Due diligence access may include management presentations, access to any electronic data room (“**Data Room**”) and other matters which a Qualified Bidder may reasonably request and as to which the Applicant may agree, with the consent of the Monitor and the Oregon Receiver.
12. The Monitor shall coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders. All due diligence and information requests must be directed to Eli Brenner, KSV Restructuring Inc. at ebrenner@ksvadvisory.com or 416-932-6028.
13. Neither the Applicant, nor the Monitor, nor the Oregon Receiver will be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders.
14. The Applicant, the Monitor and the Oregon Receiver reserve the right to limit any Qualified Bidder’s access to any confidential information (including any information in any Data Room) and to creditors, customers, landlords, suppliers or other stakeholders of the Chalice Group, where, in the opinion of the Applicant, the Monitor or the Oregon Receiver, such access could negatively impact the SISP, the ability to maintain the confidentiality of the Chalice Group’s confidential or competitive information, the Business, or the Property. For the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Applicant, the Monitor or the Oregon Receiver determine such information to represent proprietary or sensitive competitive information.

Receipt of Qualified Bids

15. 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 at the address specified in Appendix “A” (including by email), so as to be received not later than the Bid Deadline.
16. Subject to paragraph 20, a bid so submitted will be considered a qualified Bid (a “**Qualified Bid**”) only if it complies with all of the following requirements:

- (a) Identification of Qualified Bidder. The bid 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) Written Submission of Modified APA and Commitment to Close. The bid is submitted in the form of an executed mark-up of the template asset purchase agreement (each a “**Modified APA**”) reflecting such Qualified Bidder’s proposed changes to the template asset purchase agreement (together with a blackline of the Modified APA against the template asset purchase agreement), and a written and binding commitment to close on the terms and conditions set forth therein.
- (c) Irrevocable. The bid 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.
- (d) Contingencies. The bid 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) Proof of Financial Ability to Perform. The bid contains written evidence upon which the Applicant, in consultation with the Monitor and the Oregon Receiver, may reasonably conclude that the Qualified Bidder has the necessary financial ability to close the contemplated Transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated Transaction.
- (f) Deposit. The bid is accompanied by a cash deposit, to be held by the Monitor in a non-interest bearing account in accordance with the terms hereof in an amount equal to at least ten percent (10%) of the purchase price or investment contemplated therein.
- (g) Acknowledgments and Representations. The bid 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) Closing. The bid provides for Closing to occur no later than the Outside Date; and
- (i) Deadline. The bid is received by the Bid Deadline.

17. 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 pursuant to paragraph 15 to determine whether they comply with the requirements set out in paragraph 16.
18. The Applicant may, with the consent of the Monitor and the Oregon Receiver, aggregate separate non-overlapping bids from unaffiliated Qualified Bidders to create one “Qualified Bid”.

Evaluation of Competing Bids

19. Only Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder.
20. 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.
21. A Qualified Bid will be valued based upon numerous factors, including, without limitation, items such as the following, as applicable: 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, each as determined by the Applicant, with the consent of the Monitor and the Oregon Receiver.

Selection of Successful Bid

22. 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. 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.
23. 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).

Sale Approval Motion Hearing

24. The hearing of the motion pursuant to the CCAA for the CCAA Court to approve any transaction with a Successful Bidder (the “**Sale Approval Motion**”) shall take place on the CCAA Court Sale Approval Motion Date.
25. As part of the Sale Approval Motion, the Applicant shall seek, among other things, approval from the CCAA Court to consummate any Successful Bid.
26. The Applicant shall seek to coordinate the Sale Approval Motion with a similar or analogous motion before the Oregon Court in the Oregon Receivership proceedings (the “**Oregon Court Sale Approval Motion**”) which shall take place on the Oregon Court Sale Approval Motion Date.
27. 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.
28. All Qualified Bids, other than the Successful Bid, if any, shall be deemed rejected by the Applicant on and as of the date of approval of the Successful Bid by the CCAA Court and the Oregon Court.

Closing the Successful Bid

29. The Chalice Group 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**”).

Confidentiality, Stakeholder/Bidder Communication and Access to Information

30. All discussions regarding any bid or Transaction contemplated herein should be directed through the Monitor, unless otherwise directed by the Monitor. Under no circumstances should the management of the Applicant or any creditor, customer, landlord supplier or other stakeholder of the Applicant be contacted or communicated with directly without the prior consent of the Monitor; provided, however, that the CRO and the Oregon Receiver may be so contacted or communicated with. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISF process. For greater certainty, nothing herein shall preclude a person from contacting potential bidders, with the agreement of the Monitor and the Oregon Receiver, to advise that the Applicant has commenced a SISF and that they should contact the Monitor if they are interested.
31. If it is determined by the Applicant, with the consent of the Monitor and the Oregon Receiver, that it would be worthwhile to facilitate a discussion between a Qualified Bidder and a stakeholder or other third party as a consequence of a condition to closing or potential closing condition identified by such bidder, the Applicant with the consent of the Monitor and the Oregon Receiver may provide such bidder with the opportunity to meet with the relevant stakeholder or third party to discuss such condition or potential condition, with a view to enabling such bidder to seek to satisfy the condition or assess whether the condition is not required or can be waived. Any such meetings or other form of communication will take place on terms and conditions considered appropriate by the Applicant, with the consent of the Monitor and the Oregon Receiver. The Monitor and the Oregon Receiver

must be provided with the opportunity to be present at all such communications or meetings.

General

32. Unless otherwise provided for herein, 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.
33. 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 herein and in the SISP Approval Orders, and is entitled to receive all information in relation to the SISP.
34. If there is a Successful Bid, the applicable deposit (plus accrued interest) paid by the Successful Bidder whose bid is approved at the Sale Approval Motion and Oregon Court Sale Approval Motion will be applied to the purchase price or other consideration to be paid or investment amount to be made by the Successful Bidder, as applicable, upon closing of the approved transaction and will be non-refundable. Any deposit delivered with a Qualified Bid that is not selected as a Successful Bid will be returned to the applicable bidder as soon as reasonably practicable (but not later than ten (10) business days) after the date upon which the Successful Bid is at the Sale Approval Motion and Oregon Court Sale Approval Motion or such earlier date as may be determined by the Applicant, with the consent of the Monitor and the Oregon Receiver.
35. If a Successful Bidder breaches its obligations under the terms of the SISP, its deposit shall be forfeited as liquidated damages and not as a penalty.
36. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between any member of the Chalice Group and any Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be signed with the Applicant.
37. Without limiting the preceding paragraph, 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 or any other creditor or stakeholder, as a result of implementation or otherwise in connection with this 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. Further, no person or entity, including without limitation any Potential Bidder, Qualified Bidder, Successful Bidder or any other creditor or stakeholder shall have any claim against the Applicant, the Monitor, the CRO or Oregon Receiver in respect of the SISP for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct by the Applicant, the Monitor, the CRO or the Oregon Receiver, as applicable, as determined by the CCAA Court.
38. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with their participation in the SISP, including submission of any bid, due diligence activities, completion of a Successful Bid and any negotiations or other actions whether or not they lead to the consummation of a transaction.

39. 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 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; provided that, all Potential Bidders remaining in the SISP at the applicable time shall be advised of any substantive modification to the procedures set forth herein.
40. All bidders shall be deemed to have consented to the jurisdiction of the CCAA Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and Closing, as applicable.
41. For the avoidance of doubt, any approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or the Oregon Court, or any other statute or as otherwise required at law in order to implement a Successful Bid.

* * * * *

APPENDIX “A”

KSV Restructuring Inc., LIT,
Monitor of Chalice Brands Ltd.
150 King Street West, Suite 2308
Toronto ON M5H 1J9
Attention: Eli Brenner
Email: ebrenner@ksvadvisory.com

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

SISP Approval Order

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

Court File No. CV-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

MOTION RECORD OF THE APPLICANT
(APPROVAL OF SISP)

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