

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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**SUPPLEMENTARY APPLICATION RECORD OF THE APPLICANT  
VOLUME 1**

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May 26, 2023

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Chalice Brands Ltd.

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

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SUPERIOR COURT OF JUSTICE**

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT  
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# **TAB 1**



Court File No.

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**NOTICE OF APPLICATION**

TO THE RESPONDENT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing (*choose one of the following*)

- In writing
- In person
- By telephone conference
- By video conference

at the following video conference link:

<https://ca01web.zoom.us/j/64172244590?pwd=OHg5VkFZNIRHb3FPdFexaVY4dnRRZz09>

Meeting ID: 641 7224 4590

Passcode: 708039, on **Tuesday, May 23, at 8:00 AM.**

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

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IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date \_\_\_\_\_ Issued by \_\_\_\_\_  
Local Registrar

Address of court office: Superior Court of Justice  
330 University Avenue  
9th Floor  
Toronto ON M5G 1R7

TO: **SERVICE LIST**

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### APPLICATION

1. The Applicant, Chalice Brands Ltd., (“**Chalice**”, or the “**Applicant**”) makes an application for an Order substantially in the form attached as Tab 3 of the Application Record (the “**Initial Order**”), including, among other things:

- (a) abridging the time for service of this notice of application and dispensing with service on any person other than those served;
- (b) declaring that the Applicant is party to which the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) applies;
- (c) declaring that 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**”), shall enjoy the benefits of the protections provided to the Applicant under the Initial Order;
- (d) appointing KSV Restructuring Inc. (“**KSV**”) as an officer of this Court to monitor the assets, businesses and affairs of the Chalice Group (in such capacity, the “**Monitor**”);
- (e) staying, for an initial period of not more than ten days (the “**Initial Stay Period**”) all proceedings taken or that might be taken in respect of the Applicant or the

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Monitor, or their respective employees, directors, advisors, officers and representatives acting in such capacities, subject to further Order of the Court (the “**Stay of Proceedings**”);

- (f) extending the Stay of Proceedings to the Non-Filing Affiliates;
- (g) authorizing the Applicant to continue to utilize the Cash Management System (as defined in the Initial Order) and to maintain the banking arrangements currently in place for the Chalice Group;
- (h) granting a charge over the property of the Applicant, in the maximum amount of \$400,000, to secure the fees and disbursements incurred in connection with services rendered to the Applicant both before and after the commencement of the CCAA proceedings in favour of counsel to the Applicant, the Monitor, and counsel to the Monitor (the “**Administration Charge**”);
- (i) such further and other relief as this Court may deem just.

2. If the proposed Initial Order is granted, the Applicant intends to seek an amended and restated initial order (“**ARIO**”) within 10 days of the Initial Order being granted seeking, among other things:

- (a) 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 (“**CRO**”) of the Applicant through the services of Scott Secord;

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- (b) approving the fees and expenses contemplated under the CRO engagement letter, granting the CRO the benefit of the Administration Charge, and increasing the Administration Charge to a maximum amount of \$500,000;
- (c) authorizing the decision by the Applicant to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada or by the rules and regulations of a stock exchange, provided that any securities regulator or stock exchange shall not be prohibited from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicant;
- (d) relieving the Applicant of any obligation to call and hold its annual general meeting of shareholders (the “AGM”) until further Order of the Court; and
- (e) an extension of the Stay of Proceedings.

3. The grounds for the application are:

**General**

- (a) The Applicant is insolvent;
- (b) the Applicant is a company to which the CCAA applies;
- (c) claims against the Applicant exceed \$5 million;

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- (d) Chalice is a public company governed by the Ontario *Business Corporations Act*, R.S.O. 1990, c. B.16, with its registered head office in Toronto, Ontario
- (e) prior to the issuance of the CTO (as defined below), the common shares of Chalice traded on the Canadian Securities Exchange 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”;
- (f) the Chalice Group is a vertically integrated cannabis company that operates primarily in the State of Oregon;
- (g) the Chalice Group grows its own cannabis flower at a leased cultivation facility outside of Portland, Oregon which it sells through its retail stores;
- (h) the Chalice Group operates two processing and extraction facilities in Clackamas, Oregon, as well as a facility dedicated to edibles production and wholesale distribution;
- (i) the Chalice Group owns and operates a network of 16 retail stores in Oregon: 14 under the flagship dispensary banner “Chalice Farms”, one under the banner “Cannabliss and Co.” and one under the banner “Left Coast Connection”, eight of which are located in Portland, Oregon, and eight of which are located elsewhere in the Willamette Valley, within two hours of the Portland Metro Area;
- (j) the Chalice Group holds 32 regulatory licenses in Oregon related to producing, processing, wholesaling and retailing cannabis;



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- (k) the Chalice Group holds another four licenses in Nevada related to cultivation and product manufacturing of medical marijuana, all of which are in good standing but inactive;
- (l) the Chalice Group employs 134 full-time employees and 37 part-time employees through Greenpoint Workforce, all of whom work in the United States;
- (m) the Chalice Group does not own any real property in Canada or in the United States. It leases certain properties in Oregon, including all of its 16 retail store locations, its three production facilities, and its cultivation facility;
- (n) Since its inception, the Chalice Group has been largely cash flow negative from operations and has relied on equity and debt financing to fund the company;
- (o) Chalice has outstanding debt consisting principally of three promissory notes and two series of unsecured debentures with an aggregate outstanding principal amount of approximately USD \$10,260,000;
- (p) Chalice's subsidiaries have outstanding debt consisting of four promissory notes and four bridge loans with an aggregate outstanding principal amount of approximately USD \$8,860,000 (including approximately USD \$2,000,000 of which is co-borrowed by Chalice, and included in the total amount owed by Chalice);
- (q) the Chalice Group has approximately USD \$6,000,000 owing in trades payable owing to its suppliers, various vendors, and landlords;

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- (r) 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;
- (s) 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;
- (t) the Chalice Group is facing an urgent liquidity crisis. Notwithstanding significant reductions in headcount and inventory procurement made over the past year, and 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;
- (u) Chalice is currently in default on all three of its promissory notes, has ceased paying interest on one of its unsecured 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;
- (v) certain of the Non-Filing Affiliates are alleged to be, or are, in default under their respective debt obligations;
- (w) lenders under one set of Chalice’s promissory notes have recently threatened to foreclose on the assets of the Chalice Group, and have requested regulatory

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approval in Oregon for temporary authority to operate five of the Chalice Group's cannabis licenses;

### **Stay of Proceedings**

- (x) as a cannabis business, the Chalice Group cannot access the protections of the federal U.S. Bankruptcy Code even though the Chalice Group operates in compliance with state cannabis laws;
- (y) as a result, 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 Greenpoint Oregon, CFA Retail, Greenpoint Equipment Leasing, LLC, SMS Ventures, and CFB (together, the **“Oregon Subsidiaries”**) placed into receivership;
- (z) should the Oregon Subsidiaries be placed into receivership, there shall be a stay of proceedings in the State of Oregon against those entities and their property;
- (aa) the Applicant urgently requires the Stay of Proceedings and the other relief sought under the CCAA in order to provide breathing space to permit the Chalice Group to continue operating as a going concern while the Applicant and its chief restructuring officer (the **“CRO”**), with the assistance of the proposed Monitor and in close consultation with the proposed receiver of the Oregon Subsidiaries (the **“Oregon Receiver”**), pursue a coordinated sale of all or substantially all of the Chalice Group's assets;

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- (bb) as any stay granted pursuant to the Oregon Receiverships may not have effect beyond the State of Oregon, it is necessary and in the best interest of the Chalice Group and its stakeholders that the Stay of Proceedings be extended to the Non-Filing Affiliates, as they are integral to the Chalice Group's overall enterprise, and require protection to stabilize the Chalice Group's operations and ensure a coordinated restructuring process;
- (cc) the commencement or continuation 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 entire Chalice Group in consultation with the Oregon Receiver;

#### **Administration Charge**

- (dd) the granting of the Administration Charge is appropriate in the circumstances and will facilitate the active involvement of the beneficiaries of the Administration Charge during the CCAA proceedings;

#### **CRO Engagement**

- (ee) on May 12, 2023, the Applicant entered into an engagement with Cardinal Advisory pursuant to which Cardinal Advisory would act as CRO of the Applicant through the services of Mr. Scott Secord to assist the Chalice Group in managing its business and operations and in connection with its restructuring efforts;
- (ff) Mr. Secord is a member of the board of directors of Chalice;

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- (gg) the Applicant is requesting that this Court approve the fees and expenses contemplated under the CRO engagement letter;
- (hh) additionally, in connection with the CRO's appointment, it is proposed that the CRO be added to the Administration Charge (if granted) as security for the fees and expenses incurred by the CRO relating to the services rendered to the Applicants;

### **Securities Filings**

- (ii) as noted above, prior to the CTO, the common shares of Chalice traded on the Canadian Securities Exchange 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", and, as a result, the Applicant has certain regulatory and reporting obligations;
- (jj) in light of the Applicant's significant liquidity constraints, it has determined that directing further time and resources to securities reporting is not appropriate or practical at this time;
- (kk) the Applicant is seeking relief authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, press releases, financial reporting or any other actions that may be required by any federal, provincial or other law relating to securities or capital markets in Canada or by the rules and regulations of a stock exchange;
- (ll) the Applicant believes it would be a distraction and unnecessary expense for it to hold an AGM in the circumstances where it is subject to creditor protection and is

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accordingly seeking to be relieved of any obligation to call and hold an AGM until further Order of this Court;

### **Other Grounds**

- (mm) the provisions of the CCAA and the inherent and equitable jurisdiction of this Court;
  - (nn) Rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 16, 38 and 39 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; and
  - (oo) Such further and other grounds as counsel may advise and this Court may permit.
4. The following documentary evidence will be used at the hearing of the application:
- (a) The affidavit of Scott Secord, sworn May 22, 2023;
  - (b) The consent of KSV to act as the Monitor;
  - (c) The Pre-Filing Report of the Proposed Monitor; and
  - (d) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

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May 23, 2023

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Lawyers for the Applicant,  
Chalice Brands Ltd.

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

Court File No.

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 APPLICATION**

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Lawyers for the Applicant,  
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 "Second Secord Affidavit")

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

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

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

- 2 -

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

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

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

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

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

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

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

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

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

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

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

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

---

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

12. Further, in accordance with the Initial Order:
- (a) on May 23, 2023, the Monitor posted the Initial Order and related motion materials on the Monitor's website: <https://www.ksvadvisory.com/experience/case/chalice-brands-ltd>; and
  - (b) the Monitor will publish a notice in *The Globe and Mail* (National Edition) containing the information prescribed under the CCAA on May 31, 2023 and on June 6, 2023.
13. On May 23, 2023, a CaseLines database was established for this CCAA proceeding and all persons currently listed on the Service List (as defined in the Initial Order) were granted access thereto. A copy of the Initial Order and Chalice's Application Record and factum were uploaded to the CaseLines database that same day.

#### **B. Oregon Receivership Proceedings**

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

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

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

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

18. As noted in the First 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, including in the implementation of the proposed sale process.



**C. Extending the Stay of Proceedings is Appropriate**

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

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

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

SWORN BEFORE ME over video teleconference this 26<sup>th</sup> 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 26<sup>th</sup> 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...

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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.

- 2 -

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**").

- 3 -

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”**.

<b>Company Name</b>	<b>Place of Formation/Incorporation</b>	<b>Principal Activity</b>
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 ft<sup>2</sup> 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 6000ft<sup>2</sup> 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](http://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
<b>Current Assets: \$10,847,599</b>	
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
<b>Non-Current Assets: \$22,102,402</b>	
<b>Total Assets: \$32,950,001</b>	

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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:

<b>Type of Liability</b>	<b>Amount</b>
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
<b>Current Liabilities: \$17,745,480</b>	
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
<b>Non-Current Liability: \$12,101,932</b>	
<b>Total Liabilities: \$29,847,412</b>	

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:

<b>Instrument</b>	<b>Maturity Date</b>	<b>Principal Outstanding</b>
<b>Notes</b>		
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
<b>Total Notes Debt</b>		<b>\$4,154,297</b>
<b>Unsecured Debentures</b>		
Round 4 Convertible Debentures	2024-11-16	\$3,086,250
Round 5 Convertible Debentures	2024-11-23	\$3,018,750
<b>Total Debenture Debt</b>		<b>\$6,105,000<sup>1</sup></b>
<b>Total Indebtedness</b>		<b>\$10,259,297</b>

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:

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

(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

<sup>2</sup> 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”**).<sup>3</sup> 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.

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<sup>3</sup> 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
<b>Total:</b>	<b>USD \$109,711,289.76</b>

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

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

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

**(f) Subsidiary Indebtedness**

**(i) Cannabliss Note**

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

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

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

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

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

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

**(ii) Tozmoz Note**

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

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

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**(iii) Greenpoint Workforce Bridge Loans**

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

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

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

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

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

#### **F. Urgent Need for Relief**

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

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

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



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

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

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

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

## **G. Relief Sought**

### **(a) Stay of Proceedings**

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

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

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

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

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

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

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

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

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

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

**(b) Proposed Monitor**

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

**(c) Administration Charge**

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

**(d) Appointment of Chief Restructuring Officer**

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

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

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

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

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

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**(e) Cash Flow Forecast**

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

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

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

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

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

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

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

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

#### **H. Conclusion**

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

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



A handwritten signature in black ink, appearing to read 'Scott Secord', enclosed within a large right-facing curly bracket.



A handwritten signature in black ink, appearing to read 'Fabian Suárez-Amaya', positioned below the text of the Commissioner.

---

Commissioner for Taking Affidavits  
(or as may be)

---

**SCOTT SECORD**

**FABIAN SUÁREZ-AMAYA**





**THIS IS EXHIBIT "Z" REFERRED TO IN THE  
AFFIDAVIT OF SCOTT SECORD, SWORN  
BEFORE ME OVER VIDEO CONFERENCE THIS  
MAY 22, 2023.**

A handwritten signature in black ink, appearing to be 'J. J. Seccombe', written over a horizontal line.

---

**Commissioner for Taking Affidavits**

May 12, 2023

Chalice Brands Ltd.  
13315 NE Airport Way, Suite 700  
Portland, Oregon 97230  
Email: rickm@roguevp.com

**Attention: Rickard Miller, Director, Chalice Brands Ltd.**

Dear Sir:

**Re: Engagement with respect to Chalice Brands Ltd.**

### **1. Introduction**

This letter confirms and sets forth the terms and conditions of the engagement between Chalice Brands Ltd. (“**Chalice**”) and Cardinal Advisory Services Inc. (“**Cardinal**”), pursuant to which Cardinal will provide the services of Scott Secord to act as the chief restructuring officer (the “**CRO**”) of Chalice and its direct and indirect subsidiaries (collectively, the “**Chalice Group**”).

### **2. Background**

Chalice requires advice in connection with certain proceedings under the *Companies’ Creditors Arrangement Act* (Canada) (“**CCAA**”) that it is contemplating. In light of such contemplated CCAA proceeding, Chalice has identified the need for a chief restructuring officer to assist the Chalice Group in managing its business and operations and in connection with a restructuring effort.

In connection with any such CCAA proceeding, the Chalice Group may commence a sale and investment solicitation process (the “**SISP**”) to explore potential strategic options and alternatives, including the review of potential sale, investment, financing, recapitalization, restructuring or other material transactions involving the Chalice Group and its business and assets (a “**Restructuring**”).

### **3. Term of Engagement**

The term of this engagement shall commence on the date of this engagement letter and, unless sooner terminated pursuant to the provisions of this letter agreement, shall continue in full force and effect for nine (9) months following the date of this engagement letter (the “**Initial Term**”). At the expiration of the Initial Term, this engagement shall automatically renew for successive three (3) month periods unless sooner terminated pursuant to the provisions of this agreement (the “**Term**”).

### **4. Scope of the Engagement**

Notwithstanding anything to the contrary in this agreement, Scott Secord, on behalf of Cardinal, shall act as an advisor to the Chalice Group until such time as the Court grants the Amended and Restated Initial Order (as defined below). Until the issuance of the Amended

and Restated Initial Order, any reference herein to the CRO shall be deemed to be a reference to Scott Secord solely in his capacity as an advisor.

Cardinal shall be retained by Chalice pursuant to the terms of this engagement letter to provide the following services to the Chalice Group:

- (a) reviewing the financial, liquidity and operational challenges facing the Chalice Group;
- (b) providing advice to the board of directors of Chalice (the “**Board**”) and management on the strategic, financial and operational issues and options of the Chalice Group;
- (c) overseeing the conduct and implementation of the SISP, if any, including participating in discussions and negotiations with participants in that process and evaluating any Restructuring options that may arise;
- (d) reviewing and assisting in the preparation of cash flow forecasts;
- (e) reviewing or assisting in the provision of reporting required pursuant to an initial order granted by the supervising CCAA court (the “**Court**”) in connection with a proceeding under the CCAA (the “**Initial Order**”) or an amended and restated Initial Order (the “**Amended and Restated Initial Order**”);
- (f) assisting the Board and management in managing stakeholder relations;
- (g) engaging in discussions and updates with the Court-appointed monitor of the CCAA Debtors (the “**Monitor**”) in connection with all matters relating to the CCAA proceedings and the Restructuring;
- (h) taking such actions as may be required pursuant to Court order; and
- (i) providing such other services as may be appropriate to address the financial and operational challenges of the Chalice Group and to advance the Restructuring and the CCAA proceedings.

Without limiting the generality of the foregoing, (i) the CRO shall exercise decision-making authority in respect of Restructuring matters, subject to Board approval where appropriate, and (ii) the CRO shall be at liberty to engage in unfettered communications with the Monitor and its professional advisors and representatives, in connection with the CCAA proceedings, the Restructuring, the SISP, if any, and matters relating to the Chalice Group’s business, operations and assets, subject to any restrictions that may be imposed by Court order.

## **5. Cooperation and Information**

Chalice agrees to authorize and direct the officers, employees, representatives, agents and advisors of the Chalice Group to:

- (a) cooperate fully with the CRO in the exercise of the duties set out herein;

- (b) provide the CRO with complete, timely and unrestricted access to its premises and to all information, records and files that the CRO may request from time to time in connection with his engagement;
- (c) meet with the CRO to provide whatever analysis and explanations the CRO may reasonably require; and
- (d) use reasonable skill, care and attention to ensure that all information provided to the CRO is accurate and complete and to promptly notify the CRO if they subsequently learn that the information provided is incorrect, inaccurate or otherwise should not be relied upon.

## **6. Acknowledgments Regarding Activities**

Chalice acknowledges that the CRO's analysis will be based on information supplied by the Chalice Group and supplemented by discussions with management, the Board, and other advisors. Chalice understands that, although all information gathered will be reviewed for reasonableness, the CRO will not be independently verifying the accuracy or completeness of such information or conducting an audit as part of this engagement. Therefore, the activities of the CRO will not necessarily disclose any errors, irregularities, or improprieties, if any exist, relating to the Chalice Group or its officers, employees, representatives, agents or advisors.

As part of this engagement, the CRO will be required to assist the Chalice Group in discussions with the Chalice Group's stakeholders.

The Chalice Group is responsible for all information it provides to third parties directly or indirectly through the CRO.

If the CRO determines, with the Board's approval, that additional outside agents, including appraisers, are required, the fees and reasonable expenses of such third parties will be paid by Chalice.

Chalice acknowledges that, in providing the services described herein, the CRO may implement and/or effect the Chalice Group's restructuring initiatives, perform management functions, make management decisions and act as an agent for the Chalice Group, but that such actions and decisions will only be undertaken after consideration and approval of the Board and/or approval of the Court in circumstances where such Board or Court approval is necessary or appropriate.

## **7. Reporting**

The CRO shall report directly to the Board and shall receive instructions from the Board.

## **8. Compensation**

- (a) As compensation for the services of the CRO, Chalice shall pay to Cardinal:

- (i) a consulting fee of USD\$30,000.00 plus HST per month (the “**Consulting Fees**”) payable in quarterly installments in advance by wire transfer starting on the date of this letter and then every three months thereafter (being May 11, August 11, November 11, etc); provided, that the first quarterly installment of Consulting Fees for the period from the date of this letter up to but excluding the next quarterly installment, shall be paid within three (3) business days of this letter. In the event that this agreement terminates prior to the end of the applicable Term, no further Consulting Fee payments will be made in respect of this agreement; however, any advance payments are non-refundable.
  - (ii) a success fee of USD\$100,000.00 plus HST (the “**Success Fee**” and together with the Consulting Fees, the “**CRO Fees**”), which payment shall be triggered on the occurrence of a sale, transfer, or assumption, on a going concern basis, or all or substantially all of the Chalice Group’s operations and assets to any person, group of persons, partnership, corporation or other entity (including, without limitation, existing creditors, employees, affiliates, and/or shareholders of the Chalice Group), provided however that a liquidation of the Chalice Group’s assets by auctioneers or other liquidators shall not be a triggering event.
- (b) The Success Fee will be payable if the events in Section 8(a)(ii) are completed or implemented (as the case may be) during the term of this engagement or within a period of six (6) months following: (i) the termination of this engagement by Chalice other than as a result of a breach of this agreement by Cardinal or (ii) the termination of this engagement by Cardinal as a result of the breach of this agreement by Chalice.
- (c) Chalice shall reimburse Cardinal for all reasonable expenses and disbursements incurred by the CRO in connection with undertaking this engagement, including expenses and disbursements relating to parking, taxis, train fare, air fare, subway, hotels, meals and auto mileage at a rate of 60 cents per kilometre, provided that the CRO shall obtain the prior consent of Chalice before incurring any particular expense or disbursement in excess of USD\$2,000.
- (d) Cardinal shall deliver an invoice to Chalice every second Friday starting from the date of this agreement setting out the Consulting Fees, expenses and disbursements payable by Chalice in respect of the period since the previous invoice issued, which invoice shall be paid by Chalice within three (3) business days of receipt.
- (e) Within three (3) business days of the execution of this engagement letter, Chalice shall pay to Cardinal a non-refundable retainer of USD\$90,000.00 plus HST (the “**Retainer**”), representing three (3) months of Consulting Fees. Cardinal will hold the Retainer and apply it to the payment of Consulting Fees and disbursements as a final settlement at the completion of the engagement. Any amount of the Retainer remaining after the final settlement of all Consulting Fees and disbursements owing to Cardinal will be repaid to Chalice.

## 9. Court Approval and Protections

- (a) On or prior to May 31, 2023, Chalice shall seek the Amended and Restated Initial Order, which shall, among other things: (i) approve this engagement letter, including the engagement of Cardinal and the CRO and the payment of the fees and expenses contemplated by this engagement letter *nunc pro tunc*; (ii) provide that Cardinal and Mr. Secord are entitled to the benefit of a charge obtained in the CCAA proceedings in respect of any obligations of Chalice under this engagement letter, including the indemnity of Cardinal and the CRO contained herein; and (iii) provide other customary protections to Cardinal and the CRO.
- (b) Neither Cardinal nor the CRO shall have any liability or obligation to the Chalice Group for any Losses (as defined below) in connection with the engagement contemplated herein or the actions or omissions of the CRO in connection with such engagement, except and solely to the extent that a court of competent jurisdiction determines that such Losses resulted from the gross negligence or willful misconduct of Cardinal or the CRO, as applicable. In no event shall the quantum of any liability of Cardinal or the CRO to the Chalice Group exceed the quantum of the CRO Fees paid to Cardinal.
- (c) Chalice hereby agrees to indemnify and hold harmless each of Cardinal and the CRO from and against any Losses that are suffered, incurred or sustained by Cardinal or the CRO in connection with the engagement contemplated herein or the actions or omissions of the CRO in connection with such engagement (“**Indemnified Loss**”), except and solely to the extent that a court of competent jurisdiction determines that such Indemnified Loss resulted from the gross negligence or willful misconduct of Cardinal or the CRO.

For purposes of this Section 9, “**Losses**” means all costs, disbursements, charges, awards, expenses, losses, damages, fees (including any legal, professional or advisory fees or disbursements), liabilities, obligations, amounts paid to address, settle or dispose of any claim or satisfy any judgment, and any related fines, penalties or interest, whether arising or asserted directly or indirectly or through contribution or indemnity,

## 10. Termination

- (a) This engagement may be terminated by Chalice or Cardinal upon 30 days’ advance written notice to the other party.
- (b) Cardinal may terminate this agreement and the CRO may resign immediately in the event that it determines, in its sole discretion, that:
  - (i) the Board or the Chalice Group is (i) committing acts of wrong-doing or misfeasance; or (ii) taking action or omitting to take action that prevents the CRO from properly discharging its duties and obligations;
  - (ii) if the Court-ordered protections afforded to Cardinal or the CRO pursuant to the Amended and Restated Initial Order are modified or amended in any manner that adversely affects Cardinal or the CRO; or

- (iii) circumstances arise that unduly or materially alter the nature of the engagement, the role of the CRO, or the ability of the CRO to carry out its mandate.

## **11. Notices**

All notices and other communications provided for in this engagement agreement shall be in writing and shall be sent to the respective address set forth below (or, as to each party, at such other address as shall be designated by such party in a writing to the other party)

if to Cardinal, to it at the following address:

Cardinal Advisory Services Inc.  
120 Adelaide Street West, Suite 2210  
Toronto, ON M5T 1H1  
Email: scottlsecord@gmail.com

if to Chalice Brands Inc., to it at the following address:

Chalice Brands Inc.  
13315 NE Airport Way, Suite 700  
Portland, Oregon 97230  
Email: rickm@roguevp.com

## **12. Governing Law**

This engagement agreement is governed by the laws of the province of Ontario and the laws of Canada applicable therein. Any dispute pertaining to this engagement will be dealt with exclusively by the Court.

*[Signature page follows]*



**IN WITNESS WHEREOF** the undersigned agree to the terms of this engagement letter as of the date first written above.

**CARDINAL ADVISORY SERVICES  
INC.**

Per:



---

Name: Scott Secord  
Title: President/CEO

**CHALICE BRANDS LTD.**

Per:



---

Name: Rickard Miller  
Title: Lead Director

THIS IS **EXHIBIT “B”** REFERRED TO IN THE AFFIDAVIT OF SCOTT SECORD SWORN BEFORE ME over video teleconference this 26<sup>th</sup> 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...

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



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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

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

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

**INITIAL ORDER**

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

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

**SERVICE**

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

**APPLICATION**

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

## POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

to the date of this Order but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business of the Applicant.

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

## **RESTRUCTURING**

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

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

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

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

### **NO PROCEEDINGS AGAINST THE NON-FILING AFFILIATES**

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

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

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

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

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

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

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



## **NO INTERFERENCE WITH RIGHTS**

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

## **CONTINUATION OF SERVICES**

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

## **NON-DEROGATION OF RIGHTS**

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

## **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

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

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

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

## **APPOINTMENT OF MONITOR**

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **VALIDITY AND PRIORITY OF ADMINISTRATION CHARGE**

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

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

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

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

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

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

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

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

### **SERVICE AND NOTICE**

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

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

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

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

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

#### **GENERAL**

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

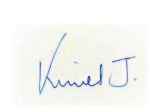


41. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

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

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

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



Digitally signed by  
Jessica Kimmel  
Date: 2023.05.23  
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**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

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

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*Ontario*  
**SUPERIOR COURT OF JUSTICE**  
**COMMERCIAL LIST**  
Proceeding commenced at Toronto

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**INITIAL 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

**SUPPLEMENTARY APPLICATION RECORD OF THE**  
**APPLICANT, VOLUME 1**

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