



**Third Report of
KSV Restructuring Inc.
as CCAA Monitor of
Chalice Brands Ltd.**

August 28, 2023

Contents		Page
1.0	Introduction.....	1
1.1	Purposes of this Report.....	2
1.2	Restrictions	3
1.3	Currency	4
1.4	Capitalized Terms	4
2.0	Background	4
3.0	SISP	4
3.1	Marketing Process	4
3.2	SISP Results.....	5
3.3	Confidentiality and Sealing.....	6
4.0	Sale Transaction.....	6
4.1	Alleged Liens on Certain of the Purchased Assets	8
4.2	Oregon Motions.....	9
4.3	Transaction Recommendation.....	10
5.0	Cash Flow Forecast.....	10
6.0	Stay Extension.....	11
7.0	Next Steps.....	11
8.0	Conclusion and Recommendation	11

Appendices

Appendix	Tab
Corporate Chart	A
Asset Purchase Agreement dated August 11, 2023	B
Second Report of the Monitor dated July 25, 2023.....	C
Cash Flow and Company’s Report on Cash Flow	D
Monitor’s Report on Cash Flow	E
Confidential Appendix	Tab
Offer Summary.....	1

COURT FILE NO.: CV-23-00699872-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

THIRD REPORT OF
KSV RESTRUCTURING INC., IN ITS CAPACITY AS MONITOR

AUGUST 28, 2023

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “Court”) made on May 23, 2023 (the “Initial Order”), Chalice Brands Ltd. (“Chalice” or the “Applicant”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) and KSV Restructuring Inc. was appointed monitor of the Applicant (in such capacity, the “Monitor”).
2. Substantially all of Chalice’s value is derived through its equity interests in its direct and indirect subsidiaries in the United States (“U.S.”) (together with Chalice, the “Chalice Group”).
3. As a cannabis company with operations in the U.S., the Chalice Group’s ability to access the protections of the federal U.S. Bankruptcy Code, including relief under Chapter 15 of the U.S. Bankruptcy Code, is untested. As a result, on May 22, 2023, Chalice filed a complaint in the State of Oregon against the following subsidiaries: Greenpoint Oregon, Inc., CFA Retail LLC, Greenpoint Equipment Leasing, LLC, SMS Ventures LLC, and CF Bliss LLC (together, the “Oregon Receivership Entities”) in order to commence the process of having the Oregon Receivership Entities placed into receivership. On May 23, 2023, the Circuit Court of the State of Oregon (the “Oregon Court”) signed an order appointing Kenneth S. Eiler as state receiver (the “Oregon Receiver”) over the Oregon Receivership Entities (the “Oregon Receivership Proceedings”).

4. Pursuant to the terms of the Initial Order, among other things, the Court:
 - a) granted a stay of proceedings in favour of the Applicant to and including June 2, 2023 (the “Stay Period”) and extended that stay and other benefits and protections of the Initial Order to the Non-Filing Affiliates¹; and
 - b) granted a charge in the amount of \$400,000 on the Applicant’s current and future assets, property and undertaking to secure the fees and disbursements of the Applicant’s legal counsel, as well as the fees and disbursements of the Monitor and its independent counsel (the “Administration Charge”).
5. At a motion heard on June 1, 2023 (the “Comeback Motion”), the Court issued an Amended and Restated Initial Order which, among other things:
 - a) extended the Stay Period to July 28, 2023;
 - b) increased the Administration Charge to \$500,000;
 - c) approved the agreement between the Applicant and Cardinal Advisory Services Inc. (“Cardinal Advisory”), pursuant to which Cardinal Advisory through the services of Scott Secord acts as the Chief Restructuring Officer (“CRO”) of the Chalice Group; and
 - d) relieved Chalice from certain securities disclosure and shareholder meeting requirements.
6. At the Comeback Motion, the Court also issued an order (the “CCAA SISP Approval Order”) approving an expedited sale and investment solicitation process (the “SISP”) for the purpose of soliciting interest in, and opportunities for the acquisition of, or investment in, the assets and business operations of the Chalice Group. On June 2, 2023, the Oregon Court granted an order authorizing the implementation of the SISP in the Oregon Receivership Proceedings (together with the CCAA SISP Approval Order, the “SISP Approval Orders”).
7. On July 27, 2023, the Court issued an order extending the Stay Period to and including August 31, 2023.

1.1 Purposes of this Report

1. The purposes of this report (the “Report”) are to:
 - a) provide background information regarding the Chalice Group and this proceeding;
 - b) summarize the results of the SISP;

¹ The Non-Filing Affiliates are 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 and CF Bliss LLC.

- c) summarize the proposed transaction (the “Transaction”) for substantially all of the assets of the Chalice Group, pursuant to an asset purchase agreement dated August 11, 2023 (the “APA”) entered into between Chalice, Greenpoint Nevada Inc., Greenpoint Oregon, Inc., Greenpoint Equipment Leasing, LLC, CFA Retail LLC, SMS Ventures LLC, and CF Bliss LLC (collectively, the “Vendor”) and APCO LLC (the “Purchaser”);
- d) report on the Applicant’s cash flow projection for the period from August 26, 2023 to and including October 31, 2023 (the “Updated Cash Flow Forecast”);
- e) discuss the reasons to extend the Stay Period from August 31, 2023 to October 31, 2023; and
- f) recommend that the Court issue the following orders:
 - i. an Approval and Vesting Order, among other things:
 - approving the Transaction as contemplated by the APA; and
 - vesting all of the Applicant’s right, title and interest in and to the Purchased Assets (as defined in the APA) in the Purchaser, free and clear of all encumbrances, other than permitted encumbrances;
 - ii. an order, among other things:
 - extending the Stay Period to October 31, 2023; and
 - sealing the confidential appendix to this Report.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the unaudited financial information and books and records of the Chalice Group, discussions with its management, discussions with its counsel, discussions with the CRO and discussions with the Oregon Receiver and its counsel.
2. The Monitor has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Updated Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicant’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Updated Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in U.S. dollars.

1.4 Capitalized Terms

1. Capitalized terms not otherwise defined in this Report have the meanings given to them in the Affidavit of Scott Secord, sworn August 18, 2023 in support of the Applicant's motion to seek the Approval and Vesting Order and extend the Stay Period (the "Fifth Secord Affidavit").

2.0 Background

1. Chalice is the ultimate parent company of the Chalice Group, which is a vertically integrated cannabis company that grows, processes, distributes and sells cannabis and cannabis products, operating within the Oregon adult-use regulated market.
2. The corporate chart for the Chalice Group is provided in Appendix "A".
3. Chalice is a public company. On May 6, 2022, the Ontario Securities Commission issued a cease trade order 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. Until the issuance of the cease trade order, 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".
4. To date, the Monitor has filed with this Court the following reports in this proceeding: (i) the Pre-Filing Report dated May 23, 2023, (ii) the First Report dated May 30, 2023, and (iii) the Second Report dated July 25, 2023 (the "Second Report" and collectively, the "Prior Reports"). The Prior Reports and all other public Court documents are available on the Monitor's website at the following link: <https://www.ksvadvisory.com/experience/case/chalice-brands-ltd>.

3.0 SISP

3.1 Marketing Process

1. Consistent with the terms of the SISP Approval Orders, the Applicant, with the oversight of the Monitor and the assistance of the CRO and Oregon Receiver, carried out the SISP. A summary of the SISP marketing process is as follows:
 - a) prior to the commencement of the CCAA proceeding, the Board of Directors of the Applicant formed a special committee to determine potential buyers for the Chalice Group's assets, and spent several weeks soliciting same;

- b) following the issuance of the SISP Approval Orders, the Monitor launched the SISP on June 1, 2023 by distributing an interest solicitation letter detailing the acquisition opportunity (the “Teaser”) to prospective purchasers;
- c) the Teaser was sent to 38 prospective purchasers, comprised of Canadian and U.S. operators and other strategic parties, including certain parties that contacted the Monitor directly. In compiling the list of prospective purchasers, the Monitor sought input from the Applicant, the CRO and the Oregon Receiver;
- d) attached to the Teaser was a form of non-disclosure agreement (“NDA”). Parties that executed the NDA were provided the opportunity to access an online data room managed by the Monitor. The data room contained certain historical and projected financial information and certain other relevant diligence information, including material contracts; and
- e) the Oregon Receiver sent a notice regarding the SISP to the members of the Executive Committee of the Oregon Cannabis and Psychedelics Section of the Oregon State Bar as well as to the Oregon State Bar Cannabis e-mail list, which includes non-attorneys with an interest in cannabis law in Oregon.

3.2 SISP Results

1. A summary of the results of the SISP is as follows:
 - a) 20 parties entered into the NDA and were granted access to the online data room;
 - b) the Applicant received four offers by the bid deadline on June 30, 2023, one of which was from the Purchaser (the “Initial Bids”). A summary of the Initial Bids is provided in Confidential Appendix “1” (the “Offer Summary”);
 - c) the Applicant determined that none of the Initial Bids provided for sufficient consideration to pay all priority items such that the Oregon Court would approve the sale. With the consent of the Monitor and the Oregon Receiver, the Applicant re-engaged with each of the four bidders and extended the bid deadline, pursuant to the terms of the SISP;
 - d) as a result of ongoing negotiations, the Purchaser delivered a revised offer on July 12, 2023 (the “Revised APCO Bid”). The terms of the Revised APCO Bid were subsequently improved.
 - e) with the consent of the Monitor and the Oregon Receiver, the Applicant selected the improved Revised APCO Bid as the successful bid in the SISP and negotiated and entered into the APA with the Purchaser on August 11, 2023.

3.3 Confidentiality and Sealing

1. The Monitor respectfully requests that the Offer Summary contained in the Confidential Appendix be filed with the Court on a confidential basis and be sealed until the Transaction closes or upon further order of the Court as the document contains confidential information. If the Offer Summary is not sealed, the information may negatively impact realizations on the business in the event that the Transaction does not close. The Monitor is not aware of any party that will be prejudiced if the information contained in the Offer Summary is sealed for the period requested. In the Monitor's view, the salutary effects of sealing such information from the public record outweigh the deleterious effects of doing so in the circumstances. Accordingly, the Monitor believes the proposed sealing is appropriate in the circumstances.

4.0 Sale Transaction²

1. A copy of the APA is attached as Appendix "B".
2. A summary of the key terms of the APA is as follows:
 - a) **Vendor**: Chalice, Greenpoint Nevada Inc., Greenpoint Oregon, Inc., Greenpoint Equipment Leasing, LLC, CFA Retail LLC, SMS Ventures LLC, and CF Bliss LLC.
 - b) **Purchaser**: APCO LLC.³
 - c) **Purchased Assets**: All of the Vendor's right, title and interest in, to and under, or relating to, the assets, property and undertaking owned or used or held for use by the Vendor in connection with the business carried on by the Vendor.
 - d) **Excluded Assets**: All undertaking, property and assets of the Vendor other than the Purchased Assets, including the Excluded Locations and Excluded Licenses, any and all contracts to the extent associated with the Excluded Locations and cash on hand as of Closing.
 - e) **Assumed Liabilities**: None.
 - f) **Excluded Liabilities**: All Liabilities of the Vendor are Excluded Liabilities.
 - g) **Purchase Price**: \$3,000,000.00. The Purchaser's prior payment of the Deposit (\$506,453.76) shall be credited to the Vendor by the release of such amount to the Monitor and the Oregon Receiver on the Closing Date, proportionately based on the allocation methodology set out in the APA. The balance of the purchase price (\$2,493,546.24) will be paid into escrow within three business days after entry of both the Oregon Court Sale Approval Order and CCAA Court Approval and Vesting Order and then subsequently released from escrow on

² Capitalized terms in this section of the Report not otherwise defined have the meanings provided to them in the APA or the Fifth Secord Affidavit, as applicable.

³ The Purchaser is a Delaware limited liability company. Its principals and managers are William Simpson and Gary Zipfel. Both of these individuals are familiar with the business and operations of the Chalice Group through their involvement as, among other things, shareholders, creditors and former members of management.

the Closing Date. To the extent Vendor's inventory (at cost), as of the Closing Date, is less than the Minimum Inventory Level⁴, the balance of the Purchase Price shall be reduced by the difference.

- h) **Approvals and Consent**: No authorization, consent or approval of, or filing with or notice to, any Governmental Entity, court or other Person that would have a material effect on or materially delay or impair the ability of the Purchaser to consummate the Transaction is required in connection with the execution, delivery or performance of the APA by the Purchaser, except for:
- i. the issuance of the CCAA Court Approval and Vesting Order;
 - ii. the issuance of the Oregon Court Sale Approval Order;
 - iii. Oregon Liquor and Cannabis Commission ("OLCC") approval of change in ownership applications for the OLCC Licenses;
 - iv. Portland, Oregon approval of change in ownership applications for the City Licenses;
 - v. Nevada Cannabis Compliance Board approval of change in ownership applications for its licenses;
 - vi. the obtaining of a Land Use Compatibility Statement ("LUCS") as to each of the OLCC Licenses or confirmation from the applicable local governments that the existing applicable LUCSs are still valid; and
 - vii. any consent that may be required in connection with the assignment of a Purchased Asset.
- i) **"As Is, Where Is"**: Consistent with the terms of a standard insolvency transaction, the Purchaser will accept the Purchased Assets at the Time of Closing on an "as is, where is" basis.
- j) **Master Services Agreement**: Should Closing not occur by October 31, 2023, and provided that the Purchaser has entered into new Real Property Leases with the applicable landlords for all retail locations (other than Excluded Locations) where the Oregon Receivership Entities hold OLCC Licenses, the parties will enter into a Management Services Agreement that is compliant with all applicable state laws and administrative rules and in a form agreed to by the parties, acting reasonably, and approved by the Oregon Receiver and the Monitor.
- k) **Employee Matters**: The Purchaser will not be responsible for any obligations to or assume any Liabilities associated with Employees who the Purchaser does not employ. The Purchaser may offer employment to any current Employees, in its discretion.

⁴ The Minimum Inventory Level is the value of Vendor's inventory, at cost, calculated based on a rolling 8-week average as of August 8, 2023, subject to a 10% variance, unless otherwise agreed to by Purchaser.

- l) **Termination:** The Agreement may be terminated at any time before Closing in accordance with the terms of the Agreement, including as follows:
- i. by the Purchaser if the Closing has not occurred on or before the Outside Date (being December 1, 2023, or such later date as may be agreed to by the Purchaser and the Vendor, with the consent of the Monitor and the Receiver), provided the Purchaser is not in material breach of its obligations under the Agreement;
 - ii. by the Purchaser if Transaction Approval Orders have not been entered by October 1, 2023;
 - iii. by the Vendor (with the consent of the Monitor and the Receiver), if the Purchaser fails to fulfill any conditions for the benefit of the Vendor by the Outside Date or if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty, which would prevent the satisfaction of the conditions set forth for the benefit of the Vendor or mutual benefit of the Vendor and Purchaser, unless the Vendor is in material breach of its obligations under this Agreement, and such failure has not been waived by the Purchaser or cured by the Outside Date; or
 - iv. by the Purchaser, if the Vendor fails to fulfill any condition for the benefit by Purchaser by the Outside Date or if there has been a material violation or breach by the Vendor of any covenant, representation or warranty, which would prevent the satisfaction of the conditions for the benefit of the purchaser or mutual benefit of the Vendor and the Purchaser, unless the Purchaser is in material breach of its obligations under this Agreement, and such failure has not been waived by the Vendor or cured by the Outside Date.

4.1 Alleged Liens on Certain of the Purchased Assets

1. There are four creditors of the Chalice Group who assert or may potentially assert liens on certain of the Purchased Assets: (i) Alicia Smith, Jillian Smith and Marcena Sorrels (collectively, the “Homegrown Lenders”); (ii) High Street Capital Partners, LLC (“High Street”); (iii) Bobsled Extracts, LLC (“Bobsled”); and (iv) the Internal Revenue Service (“IRS”).⁵
2. As of the date of this Report, the Oregon Receiver, with the support of the Applicant, reached tentative agreements with the Homegrown Lenders and High Street, subject to documenting the agreements and Oregon Court approval. Under the terms of the tentative settlements, the Oregon Receiver would pay \$150,000 to each of the Homegrown Lenders and High Street on account of their asserted lien claims.

⁵ The principals of the Purchaser have also asserted lien claims on certain of the Purchased Assets, but they have agreed they will receive no distribution from the proceeds of the Transaction on account of such asserted liens.

3. The Oregon Receiver has not been able to reach resolutions with Bobsled and IRS (the “Disputed Secured Creditors”) and has filed a motion in the Oregon Receivership Proceedings to determine the validity of their liens (the “Lien Motion”). In respect of the Lien Motion, the Oregon Receiver is disputing the validity of the liens asserted by the Disputed Secured Creditors and has requested that the Oregon Court enter an order determining that the Disputed Secured Creditors’ liens are invalid and unperfected.
4. As an alternative, the Oregon Receiver has requested that the Oregon Court grant a motion (the “Sale Motion” and together with the Lien Motion, the “Oregon Motions”) approving the Transaction and authorizing the Oregon Receiver to close the Transaction free and clear of all liens, with all claims to any liens and interests against the Purchased Assets (including any alleged liens asserted by the Disputed Secured Creditors) attaching to the net proceeds of the Transaction in the same order and in the same priority as such liens and interests had with respect to the Purchased Assets immediately before the Transaction, except that the Oregon Receiver is requesting authority to pay (i) all outstanding administrative tax liabilities and Oregon state taxes required to be paid as a condition of transfer of the OLCC licenses; (ii) \$150,000 to each of the Homegrown Lenders and High Street pursuant to a settlement on account of their asserted lien claims; and (iii) all allowed administrative claims owing as of the Closing Date other than to holders of administrative claims who have agreed to other treatment. In the event the Sale Motion is granted, it would permit the Transaction to promptly proceed to closing, with the liens of the Disputed Secured Creditors to be adjudicated after closing.
5. The Monitor has been advised by the Oregon Receiver that if either of the Oregon Motions are granted by the Oregon Court, all proceeds from the Transaction would be used to pay administrative claims and/or amounts to the Homegrown Lenders and High Street and that no funds would be distributed to the Applicant (other than repayment in full of the \$150,000 in Interim Funding (as defined in the Second Report) advanced by the Applicant to the Oregon Receiver for professional fees to continue and complete the Oregon Receivership Proceedings, as described in Section 3.3 of the Second Report attached as Appendix “C”).

4.2 Oregon Motions

1. Given that most of the Chalice Group’s assets (including the cannabis licenses) are owned by the Oregon Receivership Entities, the Applicant, in consultation with the Monitor and the Oregon Receiver, has determined that the Oregon Motions should be heard before the sale approval motion in this Court.
2. In the event that no opposition is filed in respect of the Oregon Motions (or any opposition is resolved prior to August 28, 2023), it is anticipated that the Oregon Court Sale Motion will proceed on August 28, 2023.
3. Should the Oregon Court Sale Approval Order be granted on August 28, 2023, the Applicant intends to seek the Approval and Vesting Order, together with an order extending the Stay Period, at the motion currently scheduled before this Court on August 31, 2023.
4. If the Oregon Court Sale Approval Order is not granted before August 31, 2023, on the motion returnable August 31, 2023, the Applicant intends to seek an adjournment from this Court of the motion seeking approval of the Transaction and at that time will only seek an order extending the Stay Period, as well as a sealing order.

4.3 Transaction Recommendation

1. The Monitor recommends that the Court issue an order approving the Transaction as contemplated by the APA for the following reasons:
 - a) the SISP was conducted in accordance with the terms of the SISP Approval Orders, including the timelines it established and the breadth of the marketing process, which allowed multiple parties to perform due diligence;
 - b) the Purchaser's offer represents the best and highest offer received in the SISP and the consideration under the Transaction is greater than the consideration contemplated under the other bids received in the SISP;
 - c) absent the Transaction, the Chalice Group will need to immediately cease operations and in those circumstances the only available alternative would be a liquidation of the Chalice Group's assets;
 - d) the Applicant is of the view that the Transaction is the best transaction in the circumstances and the best means to maximize the value of the Purchased Assets for the benefit of the Chalice Group's stakeholders, particularly as compared to the net value that the Applicant believes could be obtained in a liquidation of the Chalice Group's assets; and
 - e) the Transaction contemplates the continuation of a portion of the Chalice Group's business, preserves several of the cannabis licenses, offers the possibility of continued employment for a number of the Chalice Group's employees and potentially preserves key supplier and customer relationships.

5.0 Cash Flow Forecast

1. The Applicant prepared the Updated Cash Flow Forecast to and including October 31, 2023. The Updated Cash Flow Forecast and the Applicant's statutory report on the cash flow prepared pursuant to Section 10(2)(b) of the CCAA are attached as Appendix "D".
2. As of the date of this Report, the Applicant had approximately \$239,000 in cash on hand. The Updated Cash Flow Forecast reflects that Chalice will have sufficient liquidity to pay all expenses until October 31, 2023. The Applicant does not expect to make any further advances to the Oregon Receiver.
3. Based on the Monitor's review of the Updated Cash Flow Forecast, the assumptions appear reasonable. The Monitor's statutory report on the Updated Cash Flow Forecast is attached as Appendix "E".

6.0 Stay Extension

1. The Stay Period currently expires on August 31, 2023. The Applicant is requesting an extension to the Stay Period to and including October 31, 2023.
2. The Monitor is supportive of this request for the following reasons:
 - a) in the Monitor's view, the Applicant is acting in good faith and with due diligence;
 - b) it will allow the Chalice Group to close the Transaction and obtain any necessary regulatory approvals in respect of same;
 - c) the Updated Cash Flow Forecast reflects that the Applicant has sufficient liquidity to fund the wind-down of the CCAA proceeding through the extended Stay Period; and
 - d) no creditor will be materially prejudiced if the extension is granted.

7.0 Next Steps

1. Following the closing of the Transaction, the Applicant intends to return to Court to seek an order to terminate the CCAA proceeding.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(f) of this Report.

* * *

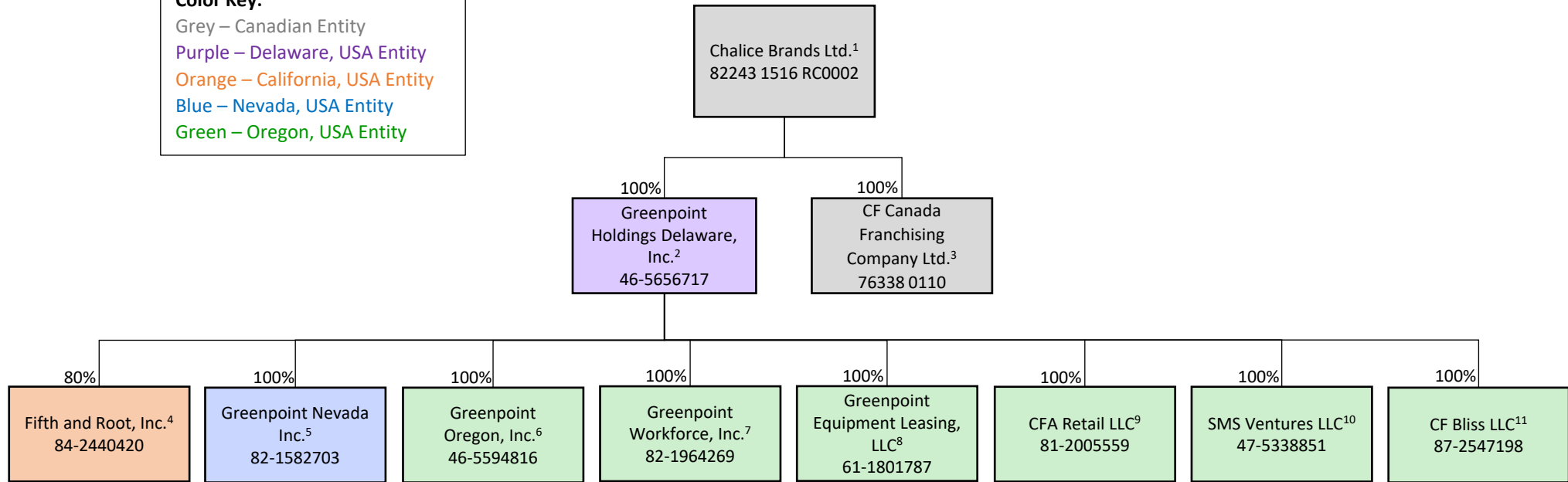
All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR OF
CHALICE BRANDS LTD.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

Color Key:
 Grey – Canadian Entity
 Purple – Delaware, USA Entity
 Orange – California, USA Entity
 Blue – Nevada, USA Entity
 Green – Oregon, USA Entity



Notes:

1. Chalice Brands Ltd. – Publicly traded holding company fka Golden Leaf Holdings Ltd.
2. CF Canada Franchising Company Ltd. – Non-active entity to be dissolved before 12/31/2023
3. Greenpoint Holdings Delaware, Inc. – Primary holding company in United States (U.S.)
4. Fifth and Root, Inc. – U.S. retail operations for CBD skincare line
5. Greenpoint Nevada Inc. – Nevada wholesale operation; also holds NevWa purchased assets
6. Greenpoint Oregon, Inc. – Oregon production and wholesale operations
7. Greenpoint Workforce, Inc. – Administers payroll/benefits to U.S. operating subsidiaries
8. Greenpoint Equipment Leasing, LLC – Owns/leases capital equipment for U.S. operations
9. CFA Retail LLC – Chalice retail operations in Oregon
10. SMS Ventures LLC – Homegrown retail operations in Oregon
11. CF Bliss LLC – Cannabliss & Co. retail operations in Oregon



Appendix “B”

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made the 11th day of August, 2023.

BETWEEN:

CHALICE BRANDS LTD., a corporation incorporated pursuant to the laws of Ontario ("**Chalice**"), and those other entities listed on Schedule A hereto.

(together, the "**Vendor**")

- and-

APCO LLC, a limited liability company organized under the laws of Delaware

(the "**Purchaser**")

RECITALS:

WHEREAS on May 23, 2023, Chalice sought and obtained an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act* (“**CCAA**” and the proceeding commenced thereby, the “**CCAA Proceeding**”) from the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”).

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

AND WHEREAS also on May 23, 2023, Chalice obtained an order in the Multnomah County Circuit Court of the State of Oregon (the “**Oregon Court**”) granting the appointment of Kenneth S. Eiler as receiver (the “**Receiver**”) over certain of Chalice’s wholly-owned subsidiaries; namely, Greenpoint Oregon, Inc.; Greenpoint Equipment Leasing, LLC; CFA Retail LLC; SMS Ventures LLC; and CF Bliss LLC (together, the “**Receivership Entities**”).

AND WHEREAS on June 1, 2023, the CCAA Court granted an amended and restated Initial Order under the CCAA, among other things: (i) extending the stay of proceedings to July 28, 2023; and (ii) approving the engagement between the Applicant and Cardinal Advisory Services Inc. (“**Cardinal Advisory**”), pursuant to which Cardinal Advisory will act as the chief restructuring officer of the Chalice Group (the “**CRO**”) through the services of Scott Secord.

AND WHEREAS also on June 1, 2023, the CCAA Court granted an order under the CCAA and on June 2, 2023, the Oregon Court granted an order pursuant to Oregon Receivership Code, among other things, authorizing the implementation of a sale and investment solicitation process on the terms set forth therein (the “**SISP**”) to solicit interest in and opportunities for a sale, or investment in, all or part of the Chalice Group’s, including the Receivership Entities’ property, assets and undertaking and/or its business.

AND WHEREAS on June 2, 2023, the Oregon Court granted an order pursuant to the Oregon Receivership Code authorizing the implementation of the SISP.

AND WHEREAS on July 27, 2023, the CCAA Court granted a Stay Extension Order extending the stay of proceedings in the CCAA Proceeding to August 31, 2023.

AND WHEREAS the Vendor owns the assets described in Schedule B hereto (the “**Purchased Assets**”) and wishes to sell the Purchased Assets to the Purchaser, and the Purchaser wishes to purchase the Purchased Assets from the Vendor.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations, warranties, and indemnities of the parties herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each party, the parties agree as follows:

ARTICLE 1

INTERPRETATION

1.1 Defined Terms

Wherever used in this Agreement, unless the context otherwise requires, the following terms shall have the following meanings and grammatical variations of such terms shall have the corresponding meanings:

“Affiliate” of any Person means, at the time such determination is being made, any other Person controlling, controlled by or under common control with such first Person, in each case, whether directly or indirectly through one or more intermediaries, and “control” and any derivation thereof means the control by one Person of another Person in accordance with the following: a Person (“A”) controls another Person (“B”) where A has the power to determine the management and policies of B by contract or status (for example, the status of A being the general partner of B) or by virtue of beneficial ownership of a majority of the voting interests in B; and, for certainty and without limitation, if A owns shares to which are attached more than 50% of the votes permitted to be cast in the election of directors (or other Persons performing a similar role) of B, then A controls B for this purpose;

“Agreement” means this Asset Purchase Agreement, including any schedules or exhibits appended to this Asset Purchase Agreement, in each case as the same may be supplemented, amended, restated or replaced from time to time;

“Allocation Statement” has the meaning give to it in Section 3.2;

“Assumed Liabilities” means all those Liabilities described in Schedule C hereto;

“Business Day” means any day other than a Saturday, Sunday or day on which chartered banks in Toronto, Ontario or Portland, Oregon are authorized or obligated by law to close or are generally closed;

“CCAA Court” has the meaning given to it in the Recitals;

“CCAA Court Approval and Vesting Order” means an order of the CCAA Court substantially in the form attached as Schedule D hereto;

“City” means the city of Portland, Oregon;

“City Approval” means approval by the City of a change in ownership of all City Licenses, except the Excluded Licenses, currently held by any Vendor in favor of Purchaser; the issuance of new City licenses to Purchaser with respect to all City Licenses currently held by any Vendor, except the Excluded Licenses; and change in location applications, if applicable, as to the City Licenses described on Schedule H hereto;

“City Licenses” means those City marijuana regulatory licenses set forth on Schedule H hereto;

“Claims” means all past, present and future claims, charges, suits, proceedings, Liabilities, deficiencies, demands, controversies, actions, causes of action, obligations, losses, damages, penalties, orders, judgments, costs, expenses, fines, amounts paid in settlement, disbursements, legal fees on a substantial indemnity basis, and other professional fees and disbursements, interest, demands and actions of any nature or any kind whatsoever, including, without limitation, any labor grievances, pay equity claims, and successor employer claims;

“Closing” means the completion of the Transaction in accordance with the terms and subject to the conditions of this Agreement;

“Closing Date” means the date that is three (3) Business Days following the day on which the last of the conditions to Closing set out in Article 8 (other than those conditions that by their nature can only be satisfied as of the Closing Date, but assuming the satisfaction or waiver of such conditions on the Closing Date, as applicable) has been satisfied or waived by the appropriate party, or such other date agreed to by the parties in writing, provided that the Closing Date shall be no later than the Outside Date;

“Deposit” means the deposit in the amount of \$506,453.76, which was delivered by the Purchaser on or about June 29, 2023, and which is being held by the Monitor in accordance with the SISP to be released in accordance with the terms of Section 3.1(c);

“Employee” means an individual who currently provides services to Vendor directly or indirectly, whether on a full-time, part-time or temporary basis, whether active or inactive, as of the Closing Date, and includes an employee who is on statutory or approved leaves of absence;

“Encumbrances” means all mortgages, pledges, charges, liens regardless of seniority, executions, levies, charges, financial or other monetary claims, debentures, trust deeds, trusts or deemed trusts (whether contractual, statutory or otherwise), assignments by way of security, security interests (whether contractual, statutory or otherwise), option or privilege (whether contractual, statutory or otherwise), conditional sales contracts or other title retention agreements or similar interests or instruments charging, or creating a security interest in, or against title to, the Purchased Assets or any part thereof or interest therein, and any registered instruments, agreements, options, easements, servitudes, rights of way, restrictions, executions or other liens, charges or encumbrances (including notices or other registrations in respect of any of the foregoing) against title to the Purchased Assets or any part thereof or interest therein, in each case whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

“ETA” means the *Excise Tax Act* (Canada), as amended from time to time;

“Excluded Assets” has the meaning given to it in Section 2.2;

“Excluded Liabilities” means all Liabilities, other than the Assumed Liabilities;

“Governmental Authorization” means, with respect to any Person, any order, authorization, approval, licence or permit or similar authorization issued by or from any Governmental Entity having jurisdiction over such Person;

“Governmental Entity” means any court or tribunal in any jurisdiction or any federal, provincial, state, municipal or other governmental body, agency, authority, department, commission, board, instrumentality or tribunal thereof;

“HST” means all taxes payable under the ETA and any reference to a specific provision of the ETA or any such provincial, territorial or foreign legislation shall refer to any provision thereto of like or similar effect;

“Interim Period” has the meaning given to it in Article 9;

“Liabilities” means any and all debts, liabilities, commitments and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, matured or unmatured, or determined or determinable, including those arising under any applicable law or Claim, and those arising under any contract, agreement, arrangement, commitment or undertaking;

“LUCS” means Land Use Compatibility Statement;

“Minimum Inventory Level” means the U.S. Dollar value of Vendor’s inventory, at cost, calculated based on a rolling 8-week average as of August 8, 2023, subject to a 10% variance, unless otherwise agreed to by Purchaser;

“Monitor” has the meaning given to it in the Recitals;

“Monitor’s Certificate” means the certificate to be filed with the CCAA Court by the Monitor certifying receipt by the Monitor of written confirmation, in form and substance satisfactory to the Monitor, from each relevant party that all conditions of Closing in its favor, which are for the benefit of such party, have been satisfied or waived;

“NCCB” means the Nevada Cannabis Compliance Board;

“NCCB Approval” means approval by the NCCB of a change in ownership of all NCCB Licenses currently held by any Vendor in favor of Purchaser; the issuance of new NCCB licenses to Purchaser with respect to all NCCB Licenses currently held by any Vendor; and change in location applications, if applicable, as to the NCCB Licenses;

“NCCB Licenses” means those Possible NCCB Licenses set forth on Schedule H hereto for which Purchaser elects to seek NCCB Approval; Purchaser shall provide written notice to Vendor by October 15, 2023, as to which Possible NCCB Licenses, if any, are NCCB Licenses;

“OLCC” means the Oregon Liquor and Cannabis Commission;

“OLCC Approval” means (i) approval by the OLCC of a change in ownership of all OLCC Licenses, except the Excluded Licenses, currently held by any Vendor in favor of

Purchaser; (ii) the issuance of new OLCC licenses to Purchaser with respect to all OLCC Licenses currently held by any Vendor, except the Excluded Licenses; and (iii) change in location applications, if applicable, as to the OLCC Licenses described on Schedule H hereto;

“**OLCC Licenses**” means those OLCC licenses set forth on Schedule H hereto;

“**Oregon Court**” has the meaning given to it in the Recitals;

“**Oregon Court Sale Approval Order**” means an order of the Oregon Court substantially in the form attached as Schedule E hereto issued pursuant to ORS 37.250;

“**Outside Date**” means December 1, 2023, or such later date as may be agreed to by the Purchaser and the Vendor, with the consent of the Monitor and the Receiver;

“**Permitted Encumbrances**” means all those Encumbrances described in Schedule F hereto;

“**Person**” means an individual, company, corporation, partnership, joint venture, limited liability company, association, company, trust, enterprise, unincorporated organization, Governmental Entity or other entity however designated or constituted;

“**Possible NCCB Licenses**” means those NCCB licenses set forth on Schedule H hereto;

“**Purchase Price**” has the meaning given to it in Section 3.1;

“**Purchased Assets**” has the meaning given to it in the Recitals;

“**Real Property Leases**” has the meaning given to it in Section 2.2(h);

“**Receiver**” has the meaning given to it in the Recitals.

“**Receivership Entities**” has the meaning given to it in the Recitals.

“**Receivership Court**” means the Circuit Court of Multnomah County, Oregon, USA.

“**Tax Act**” means the *Income Tax Act* (Canada) and any relevant provincial legislation imposing taxes similar to the *Income Tax Act* (Canada);

“**Time of Closing**” means the date and time set out in the Monitor’s Certificate;

“**Transaction**” means the transaction of purchase and sale contemplated by this Agreement;

“**Transaction Approval Orders**” means, collectively, the CCAA Court Approval and Vesting Order and the Oregon Court Sale Approval Order;

“**Transaction Documents**” has the meaning set forth in Section 1.5; and

“**Transferred Permits**” has the meaning given to it in Schedule B hereto.

1.2 Currency

Unless otherwise indicated, all dollar amounts in this Agreement are expressed in United States currency.

1.3 Sections and Headings; Interpretation

The division of this Agreement into Articles, Sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to an Article, Section, Subsection or Schedule refers to the specified article of, section of, subsection of, or schedule to, this Agreement. The terms “this Agreement”, “hereof”, “hereunder”, and similar expressions refer to this Agreement and not to any particular Article, Section, Subsection or other portion hereof and include an agreement supplemental hereto. Whenever used in this Agreement, the words “include,” “includes,” or “including” shall be deemed to be followed by the words “without limitation,” and the word “or” is not exclusive.

1.4 Number, Gender

In this Agreement, words importing the singular number only shall include the plural and vice versa; words importing gender shall include all genders.

1.5 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement (the “**Transaction Documents**”), constitute the entire agreement between the parties with respect to the subject matter hereof and set out all the covenants, promises, warranties, representations, conditions and agreements between the parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether written or oral between the parties. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

1.6 Time of Essence

Time shall be of the essence of this Agreement.

1.7 Applicable Law

As to Purchased Assets owned by Chalice and transferred to Purchaser hereunder, this Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party shall

be deemed to have consented to the exclusive jurisdiction of the CCAA Court in connection with any disputes relating to this Agreement. As to the Purchased Assets owned by the Receivership Entities or US entities other than the Receivership Entities, and transferred to Purchaser hereunder, this Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the State of Oregon and each party shall be deemed to have consented to the exclusive jurisdiction of the Receivership Court in connection with any disputes relating to this Agreement.

1.8 Successors and Assigns

This Agreement shall inure to the benefit of and shall be binding on and enforceable by the parties and, where the context so permits, their respective successors and permitted assigns.

1.9 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.

1.10 Amendments and Waivers

No amendment of any provision of this Agreement shall be binding on any party unless agreed to in writing by each of the parties hereto and consented to in writing by the Monitor and the Receiver. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver constitute a continuing waiver unless otherwise provided.

1.11 Statutory References

Any reference in this Agreement to a statute includes all regulations made thereunder, all amendments to such statutes or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

1.12 Consent

Whenever a provision of this Agreement requires an approval or consent by a person who is a party to such agreement, and notification of such approval or consent is not delivered within the applicable time period, then, unless otherwise specified, such person shall be conclusively deemed to have withheld its approval or consent.

1.13 Calculation of Time

Unless otherwise specified, time periods referred to in this Agreement within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the

period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.14 Conflict or Inconsistency

Wherever any provision, whether express or implied, of any Schedule or Transaction Document conflicts or is at variance with any provision in the main body of this Agreement, the provision in the main body shall prevail. Wherever any provision, whether express or implied, of this Agreement conflicts with or is at variance with any documentation issued in furtherance hereof, the provision of this Agreement shall prevail.

1.15 Business Day

Whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following such day.

1.16 Independent Legal Advice

Each of the parties hereto acknowledge that they have been afforded the opportunity of receiving independent legal advice concerning this Agreement, and in the event that any party has executed this Agreement without the benefit of independent legal advice, such party hereby waives the right to receive such independent legal advice.

1.17 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule A – Other Vendors

Schedule B – Purchased Assets

Schedule C – Assumed Liabilities

Schedule D – CCAA Court Approval and Vesting Order

Schedule E – Oregon Court Sale Approval Order

Schedule F – Permitted Encumbrances

Schedule G – Purchase Price Allocation

Schedule H – OLCC Licenses, City Licenses, NCCB Licenses

ARTICLE 2
PURCHASE AND SALE OF PURCHASED ASSETS

2.1 Purchased Assets

Subject to the terms and conditions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase and assume from the Vendor, on the Closing Date, effective as of the Time of Closing, all of the Vendor's right, title and interest, in and to the Purchased Assets.

2.2 Excluded Assets

All undertaking, property and assets of the Vendor other than the Purchased Assets shall be excluded from the purchase and sale of assets provided for in this Agreement (collectively, the "**Excluded Assets**"). Without limiting the foregoing, the following shall be Excluded Assets:

- (a) any and all OLCC licenses and City licenses associated with the retail stores located at (i) 1917 SE 7th Ave., Portland, OR; (ii) 6330 Beaverton Hillsdale Hwy, Portland, OR, and (iii) 5035 SE McLoughlin Blvd., Portland, OR, (together, the "**Excluded Locations**"), including OLCC licenses bearing OLCC license numbers 050-10184421855, 050-10169911EE0, and 050-1023329BEE5, and City licenses bearing license numbers MRL22371, MRL22155, and 22CNB-LIC-00060 (together, the "**Excluded Licenses**");
- (b) any and all contracts to the extent associated with the Excluded Locations;
- (c) any and all capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or nonvoting, whether preferred, common or otherwise, and including share appreciation, contingent interest or similar rights) of any Vendor or any subsidiary or Affiliate of any Vendor;
- (d) minute books, stock ledgers, organizational documents, corporate seals, taxpayer and other identification numbers and other documents, in each case, relating to the organization, maintenance and existence of each of the Vendors, if any;
- (e) any and all consulting and/or management agreements including, but not limited to, any consulting and/or management agreement between any Vendor on the one hand and Tozmoz LLC and/or Joel Klobas on the other hand;
- (f) all motor vehicle leases;
- (g) any and all ATMs and contracts or leases related thereto;
- (h) the leases and other agreements to occupy any premises entered into by, or assigned in favor of, any Vendor, including all purchase options, prepaid rents, security deposits, rights to appurtenances and improvements, licenses and permits relating thereto and all leasehold improvements thereon (collectively, the "**Real Property Leases**");

- (i) cash on hand as of Closing;
- (j) all tax refunds including any earned income tax credit refunds; and
- (k) equipment leased under personal property leases.

2.3 Assumed Liabilities

Subject to the terms and conditions of this Agreement, the Purchaser shall assume, on the Closing Date, effective as of the Time of Closing, and shall pay, discharge, honor, fulfill and perform, as the case may be and as and when due, from and after the Closing Date, the Assumed Liabilities.

2.4 Excluded Liabilities

Except as expressly assumed pursuant to Section 2.3, the Purchaser does not assume and shall have no obligation to pay, discharge, honor, fulfill or perform the Excluded Liabilities, if any. Without limiting the foregoing, Purchaser does not assume and shall have no obligation to pay, discharge, honor, fulfill or perform any accounts payable or corporate Liabilities of the Vendor, including, without limitation:

- (a) the Debenture Indenture dated November 16, 2020, between the Vendor (or any Vendor) and Capital Transfer Agency, ULC, as amended, or any outstanding Liabilities under similar debenture indentures entered into by any Vendor;
- (b) any debt, obligations or other Liabilities including, loans, promissory notes, or lines of credit;
- (c) any debt, Liabilities or obligations owed by any Vendor to a local, city, county, state, or federal government authority in the United States or a local, provincial, or federal government authority in Canada including, without limitation, any (i) Canadian federal and provincial source deductions or withholding taxes in respect of Employees of any Vendor, arising prior to Closing; (ii) US federal and state withholding taxes in respect of Employees of any Vendor, arising prior to Closing; (iii) Oregon state or local marijuana taxes arising prior to Closing; and (iv) any licensing or regulatory fees arising or attributable to the Vendor's operations prior to Closing;
- (d) any sale, transfer, or registration taxes (including HST and Oregon corporate activity tax) (together, the "Transfer Taxes") incurred in connection with the Transaction; Vendor shall be solely responsible for the payment of any Transfer Taxes;
- (e) any Liabilities in connection with any present or future litigation to which any Vendor or the directors, officers or Employees of any Vendor may be subject;
- (f) intentionally deleted;
- (g) intentionally deleted; and

(h) any ordinary course or other obligations under the Real Property Leases whether arising prior to or after the Closing Date.

In addition, the Vendor will continue to be responsible for all Liabilities for any tax obligation arising prior to or in connection with the operation of the Vendor's businesses prior to Closing.

2.5 As-is, Where-is

(a) The Purchaser acknowledges to and in favor of the Vendor, the Monitor and the Receiver that the Purchaser has conducted its own investigations and inspections of the Purchased Assets and that the Purchaser is responsible for conducting its own inspections and investigations of all matters and things connected with or in any way related to the Purchased Assets, that the Purchaser has satisfied itself with respect to the Purchased Assets and all matters and things connected with or in any way related to the Purchased Assets, that the Purchaser has relied upon its own investigations and inspections in entering into this Agreement, that the Purchaser is purchasing the Purchased Assets on an "as-is, where-is" basis as at the Time of Closing, that the Purchaser will accept the Purchased Assets in their present state, condition and location and that the Purchaser hereby acknowledges that the Vendor has made no representations, warranties, statements or promises (whether express or implied), including with respect to the Purchased Assets, save and except as are contained herein, including as to title, description, Encumbrances, fitness for purpose, merchantability, quantity, condition or quality, and that any and all conditions and warranties expressed or implied by the *Sale of Goods Act* (Ontario) or other sale of goods laws do not apply to the sale of the Purchased Assets and are hereby waived by the Purchaser. The disclaimer in this Section 2.5 is made notwithstanding the delivery or disclosure to the Purchaser or its directors, officers, employees, agents or representatives of any documentation or other information (including any financial projections, estimates, budgets, offering memoranda, management presentations, due diligence materials or other supplemental data not included in this Agreement). The Purchaser also acknowledges that neither the Monitor nor the Receiver have provided any representations or warranties in respect of any matter or thing whatsoever in connection with the Transaction contemplated hereby, including with respect to the Purchased Assets.

(b) The provisions of this Section 2.5 will survive Closing or the termination of this Agreement.

2.6 Approvals and Consents

(a) As promptly as possible after the granting of both the CCAA Court Approval and Vesting Order and the Oregon Court Sale Approval Order, (i) Vendor shall (a) submit to the OLCC a change in ownership application for all OLCC Licenses in favor of Purchaser; (b) submit to the City a change in ownership application for all City Licenses in favor of Purchaser, and (c) submit to the NCCB a change in ownership application for all NCCB Licenses in favor of Purchaser; (d) use commercially reasonable efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Entities (including the OLCC Approval, City Approval, and NCCB

Approval) that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement and (ii) Purchaser shall submit all necessary applications related to the OLCC Licenses, City Licenses, and NCCB Licenses.

(b) Purchaser shall be responsible for obtaining a new Land Use Compatibility Statement (“LUCS”) with respect to the OLCC Licenses

(c) To the extent Vendor seeks to temporarily close any retail store on or after the date of this Agreement, other than the Excluded Locations, that is open and operating as of the date of this Agreement, Vendor shall not close such retail store without prior consultation with Purchaser, and to the extent there is a disagreement between Vendor and Purchaser over store closure, Purchaser shall have an opportunity to fund the cost of operations at such location and receive the profits of operations at such location; in such event, Vendor shall keep such location open. There shall be no credit to the Purchase Price for any such costs paid by Purchaser.

ARTICLE 3 **PURCHASE PRICE**

3.1 Purchase Price

(a) The amount payable by the Purchaser for the Purchased Assets (the “**Purchase Price**”) shall be US \$3,000,000.

(b) The Purchase Price shall be satisfied as follows:

(i) Purchaser’s prior payment of the Deposit, which is being held by the Monitor for the benefit of the Vendor, shall be credited to the Vendor by the release of such amount to the Monitor and the Receiver on the Closing Date in such amounts as to achieve the division of the Purchase Price set forth in Section 3.2 below; and

(ii) the balance of the Purchase Price in the amount of \$2,493,546.24 will be paid into escrow within three business (3) days after entry of both the Oregon Court Sale Approval Order and CCAA Court Approval and Vesting Order by wire transfer of immediately available funds and then subsequently released from escrow on the Closing Date to an account of the Receiver specified in writing by the Receiver not less than two (2) Business Days prior to the Closing Date.

Notwithstanding the above.:

(A) To the extent Vendor’s inventory (at cost), as of the Closing Date, is less than the Minimum Inventory Level, the balance of the Purchase Price shall be reduced by the difference between the inventory (at cost) as of the Closing Date and the Minimum Inventory Level.

- (c) The amount paid to the Monitor by the Purchaser pursuant to 3.1(b)(i) will be:
- (i) credited to the Vendor at the Time of Closing if the sale and purchase of the Purchased Assets, as provided for herein, is completed in accordance with the terms and conditions hereof;
 - (ii) forfeited to the Vendor (together with all interest accrued thereon, if any), less any applicable withholding tax, if the Closing does not occur by reason that this Agreement is terminated by the Vendor pursuant to Section 11.1(f) in order to compensate the Vendor for expenses incurred in connection with the Transaction and the delay caused to the Vendor's efforts to sell the Purchased Assets;
 - (iii) returned to the Purchaser (together with all interest accrued thereon, if any), less any applicable withholding tax, if the Closing does not occur by reason that this Agreement is terminated by the Purchaser pursuant to Section 11.1(g);
 - (iv) returned to the Purchaser (together with all interest accrued thereon, if any), less any applicable withholding tax, if the Closing does not occur by the Outside Date and the conditions in 3.1(c)(ii) are not met; and
 - (v) subject to 3.1(c)**Error! Reference source not found.**, returned to the Purchaser (together with all interest accrued thereon, if any), less any applicable withholding tax, if the Transaction Approval Orders have not been entered by October 1, 2023.

3.2 Allocation of Purchase Price

The Purchase Price shall be allocated among the Purchased Assets in accordance with Schedule G hereto (the "**Allocation Statement**"), and the parties shall ensure that all financial information and any tax returns, declarations, or elections filed are consistent with such allocations. If Schedule G is not completed on the date of execution of this Agreement, the Purchaser agrees to complete it prior to Closing. The Vendor and the Purchaser shall:

(a) report the purchase and sale of the Purchased Assets in any income tax returns relating to the Transaction contemplated in this Agreement in accordance with the Allocation Statement; and (b) act in accordance with the Allocation Statement in the preparation, filing and audit of any tax return (including filing any U.S. federal income tax return). The Receiver on one hand and Chalice and the non-Receiver U.S. Vendor entities on the other hand, agree that the Purchase Price shall be divided among them as follows:

(1) \$61,879.66 to Chalice on account of the brand/goodwill; and (2) the balance of the Purchase Price to the Receiver on account of the assets of the Receivership Entities.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE VENDOR

4.1 Representations and Warranties

The Vendor represents and warrants to the Purchaser as follows as of the date of this Agreement and again as on Closing and acknowledges that the Purchaser is relying on such representations and warranties in connection with its purchase of the Purchased Assets:

- (a) **Organization.** Chalice is a corporation duly amalgamated and organized and validly subsisting under the laws of Ontario pursuant to the Business Corporations Act (Ontario) and has the corporate power to enter into this Agreement and to perform its obligations hereunder and to consummate the Transaction.
- (b) **Execution, Delivery and Enforceability.** Each Vendor has all the necessary corporate power and authority to enter into this Agreement and all other documents contemplated herein to which it is or will be a party. This Agreement has been duly executed and delivered by each Vendor and, subject to the entry of the CCAA Court Approval and Vesting Order and the Oregon Court Sale Approval Order, this Agreement is a legal, valid and binding obligation of the Vendor, enforceable against the Vendor by the Purchaser in accordance with its terms.
- (c) **Title to Purchased Assets.** Vendor has good and valid title to, or a valid leasehold interest in, all of the Purchased Assets.
- (d) **No Other Sale.** The Vendor has not sold or entered into any other agreements for the sale of any of the Purchased Assets.
- (e) **No Proceedings.** There is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the best of the Vendor's actual knowledge, threatened against or relating to the Vendor or any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator which, in any case, might adversely affect the ability of the Vendor to enter into this Agreement or to consummate the Transaction, and the Vendor is not aware of any existing ground on which any such action, suit or proceeding may be commenced with any reasonable likelihood of success.
- (f) **Procedural Compliance.** All announcements and notices required by law or regulation or otherwise required in connection with this Transaction have been timely made, and each Person having any interest in any of the Purchased Assets or otherwise having any right to receive any such announcement or notice has received such announcements or notices and been given an opportunity to participate in or object to the Transaction contemplated by the Agreement.

- (g) Except if otherwise provided herein, (a) Vendor has not received any written notice from the OLCC or City regarding (i) any actual, alleged, or potential suspension, cancellation, or revocation of the OLCC Licenses or City Licenses, (ii) any actual, alleged, or potential failure by Vendor to comply with any Oregon marijuana laws, or (iii) any actual or potential imposition of any civil penalty by the OLCC or City on Vendor; and (b) neither the OLCC nor City has not imposed any civil penalty on Vendor. To the best of the Vendor's actual knowledge and except as otherwise provided, there are no existing facts that would be reasonably expected to materially impact (a) the validity of the OLCC Licenses or City Licenses or (b) the contemplated issuance of new OLCC Licenses or new City Licenses to Purchaser.

4.2 Representations and Warranties at Closing

The Vendor represents and warrants to the Purchaser that each and every representation and warranty of the Vendor made in this Article 4 shall be true and correct at and as of the Time of Closing with the same force and effect as if such representations and warranties had been made at and as of the Time of Closing.

ARTICLE 5 **REPRESENTATIONS AND WARRANTIES OF THE PURCHASER**

5.1 Representations and Warranties

The Purchaser represents and warrants to the Vendor as follows as of the date of this Agreement and again on Closing and acknowledges and confirms that the Vendor is relying on such representations and warranties in connection with its sale of the Purchased Assets:

- (a) **Organization.** The Purchaser is a corporation duly incorporated and organized and validly subsisting under the laws of Delaware and has the corporate power to enter into this Agreement and to perform its obligations hereunder and to consummate the Transaction.
- (b) **Execution, Delivery and Enforceability.** The execution and delivery of and performance by the Purchaser of this Agreement and all other documents contemplated herein to which it is or will be a party have been authorized by all necessary corporate action on the part of the Purchaser. This Agreement has been duly executed and delivered by the Purchaser and is a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser by the Vendor in accordance with its terms.
- (c) **Brokers' or Finders' Fees.** The Purchaser has not incurred any obligation or Liability, contingent or otherwise, for any broker's or finder's fees or commissions in respect of this Transaction for which the Vendor shall have any obligation or Liability to pay.
- (d) **Solvency.** The Purchaser has not committed an act of bankruptcy, is not insolvent, has not proposed a compromise or arrangement to its creditors generally, has not had any application for a bankruptcy order filed against it,

has not taken any proceeding and no proceeding has been taken to have a receiver appointed over any of its assets, has not had an encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or levied against any of its property.

- (e) **Approvals and Consents.** Except for (a) the issuance of the CCAA Court Approval and Vesting Order, (b) the issuance of the Oregon Court Sale Approval Order, (c) OLCC Approval of change in ownership applications for the OLCC Licenses; (d) City Approval of change in ownership applications for the City Licenses; (e) NCCB Approval of change in ownership applications for the NCCB Licenses; (f) the obtaining of an LUCS as to each of the OLCC Licenses or confirmation from the applicable local governments that the existing applicable LUCSs are still valid; and (g) any consent that may be required in connection with the assignment of a Purchased Asset, no authorization, consent or approval of, or filing with or notice to, any Governmental Entity, court or other Person is required in connection with the execution, delivery or performance of this Agreement by the Purchaser, and each of the agreements to be executed and delivered by the Purchaser hereunder or the purchase of any of the Purchased Assets hereunder, except for any authorizations, consents, approvals, filings or notices of any Governmental Entity, court or Person that would not have a material effect on or materially delay or impair the ability of the Purchaser to consummate the Transaction.
- (f) **No Proceedings.** There is no suit, action, litigation, arbitration proceeding or governmental proceeding, including appeals and applications for review, in progress, pending or, to the Purchaser's actual knowledge, threatened against or relating to the Purchaser or any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or arbitrator which, in any case, might adversely affect the ability of the Purchaser to enter into this Agreement or to consummate the Transaction, and the Purchaser is not aware of any existing ground on which any such action, suit or proceeding may be commenced with any reasonable likelihood of success.
- (g) **Tax Compliance.** Purchaser and its Affiliates are fully tax compliant under OLCC rules and regulations and are qualified to obtain a tax compliance certification demonstrating compliance with all Oregon state tax requirements.

5.2 Representations and Warranties at Closing

The Purchaser represents and warrants to the Vendor that each and every representation and warranty of the Purchaser made in this Article 5 shall be true and correct at and as of the Time of Closing with the same force and effect as if such representations and warranties had been made at and as of the Time of Closing.

ARTICLE 6
EMPLOYEE MATTERS

6.1 Employees

Purchaser may offer employment to certain current Employees in Purchaser's sole discretion. Purchaser will not be responsible for any obligations to or assume any Liabilities associated with Employees who Purchaser does not employ. To the extent Purchaser employs any Employees, Purchaser will not be responsible for any obligations to or assume any Liabilities associated with such Employees prior to the date of any such employment commences. Any offers by Purchaser to employ Employees will be conditional upon Closing.

ARTICLE 7
RISK

7.1 Notice of Untrue Representation or Warranty

Each of the parties shall promptly notify the other party upon any representation or warranty of such party contained in this Agreement becoming untrue or incorrect from the date of this Agreement until the Time of Closing.

7.2 Risk of Loss

Until the Time of Closing, the Purchased Assets shall remain at the risk of the Vendor. After Closing occurs, the Purchased Assets shall be at the sole risk of the Purchaser regardless of the location of the Purchased Assets.

ARTICLE 8
CONDITIONS OF CLOSING

8.1 Conditions for the Benefit of the Purchaser

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Purchaser:

- (a) The representations and warranties of the Vendor contained in Article 4 of this Agreement shall be true and correct in all material respects at the Time of the Closing with the same force and effect as if such representations and warranties were made at such time;
- (b) All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor at or before the Time of Closing shall have been complied with or performed in all material respects;
- (c) the Transaction Approval Orders shall have been entered and provide that all of Chalice and the Receivership Entities' rights, title, and interests in and to the Purchased Assets are sold to Purchaser free and clear of all Claims and Encumbrances, other than Permitted Encumbrances, and that the Purchaser is not a successor to any Vendor;

- (d) the Transaction Approval Orders shall have been entered and provide that Purchaser is acquiring the Purchased Assets in good faith;
- (e) the Transaction Approval Orders shall not have been reversed, stayed, varied, or vacated;
- (f) Purchaser shall have obtained any city, county, or state approval required to operate a cannabis-related business, which Vendor and Purchaser will use commercially reasonable measures to obtain on Purchaser's behalf;
- (g) Purchaser shall have obtained a new LUCS with respect to all OLCC Licenses;
- (h) Purchaser shall have received from the OLCC approval of a change in ownership of all OLCC Licenses, except the Excluded Licenses, currently held by any Vendor in favor of Purchaser and the OLCC shall have issued new OLCC licenses to Purchaser with respect to all OLCC Licenses currently held by any Vendor, except the Excluded Licenses; Vendor and Purchaser will use commercially reasonable measures to obtain the aforementioned change of ownership and new OLCC licenses on Purchaser's behalf;
- (i) Purchaser shall have received from the City approval for a change in ownership of all City Licenses, except the Excluded Licenses, currently held by any Vendor in favor of Purchaser and the City shall have issued new City licenses to Purchaser with respect to all City Licenses currently held by any Vendor, except the Excluded Licenses; Vendor and Purchaser will use commercially reasonable measures to obtain the aforementioned change of ownership and new City licenses on Purchaser's behalf;
- (j) Purchaser shall have sought approval from the NCCB approval of a change in ownership of all NCCB Licenses currently held by any Vendor in favor of Purchaser and the NCCB shall have issued new NCCB licenses to Purchaser with respect to all NCCB Licenses currently held by any Vendor; Vendor and Purchaser will use commercially reasonable measures to obtain the aforementioned change of ownership and new NCCB licenses on Purchaser's behalf. Notwithstanding the foregoing, NCCB approval is not a condition precedent to Closing.
- (k) intentionally deleted; and
- (l) intentionally deleted.

8.2 Conditions for the Benefit of the Vendor

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Vendor, to be performed or fulfilled at or prior to the Time of Closing:

- (a) **Representations and Warranties.** The representations and warranties of the Purchaser contained in Article 5 of this Agreement shall be true and correct in

all material respects at the Time of Closing with the same force and effect as if such representations and warranties were made at such time;

- (b) **Covenants.** All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser at or before the Time of Closing shall have been complied with or performed in all material respects; and
- (c) **Payment of Purchase Price.** The Purchaser shall have paid the Purchase Price in accordance with Section 3.1 of his Agreement

8.3 Conditions for the Mutual Benefit of the Vendor and Purchaser

The sale and purchase of the Purchased Assets is subject to the following terms and conditions for the mutual benefit of the Vendor and the Purchaser, to be performed or fulfilled at or prior to the Time of Closing:

- (a) the CCAA Court shall have entered and issued the CCAA Court Approval and Vesting Order conveying to the Purchaser upon Closing all of Chalice's right, title and interest in and to the Purchased Assets free and clear of all Claims and Encumbrances, other than Permitted Encumbrances, and the CCAA Court Approval and Vesting Order shall not have been reversed, stayed, varied or vacated;
- (b) the Oregon Court shall have entered and issued the Oregon Court Sale Approval Order conveying to the Purchaser upon Closing all of Receivership Entities' right, title and interest in and to the Purchased Assets free and clear of all Claims and Encumbrances, other than Permitted Encumbrances, and the Oregon Court Sale Approval Order shall not have been reversed, stayed, varied or vacated;
- (c) at the Time of Closing, no provision of any applicable law shall be in effect and/or no legal proceeding shall be pending which enjoins, restricts or prohibits the purchase and sale of the Purchased Assets contemplated hereby, including, without limitation, any order issued by any Governmental Entity against any of the parties or involving any of the Purchased Assets enjoining, preventing or restraining the completion of the Transaction;
- (d) all governmental and other regulatory approvals except as noted herein will have been obtained; and
- (e) no provision of any applicable law or regulation shall be in effect and no legal proceeding shall be pending which enjoins, restricts or prohibits the purchase and sale of the Purchased Assets contemplated herein, including, without limitation, any order issued by any Governmental Entity against any of the parties or involving any of the Purchased Assets enjoining, preventing or restraining the completion of the Transaction

ARTICLE 9

MAINTENANCE OF ASSETS

Subject to Article 10, during the interim period between execution of this Agreement and the Closing Date (the “**Interim Period**”), Vendor will:

- (a) use commercially reasonable efforts to maintain the Purchased Assets in a prudent and proper manner;
- (b) maintain inventory at the Minimum Inventory Level;
- (c) operate its businesses in the ordinary course;
- (d) keep open and operate all of its retail stores that are open and operating as of the date of this Agreement, except for the Excluded Locations;
- (e) keep active and valid all OLCC Licenses, City Licenses, and provide access to records and advisors regarding NCCB Licenses; and
- (f) pay all costs and expenses associated with the Purchased Assets and comply with all covenants and conditions in any agreements to which the Purchased Assets may be subject; to the extent the Receivership Entities defer payment of rent on Real Property Leases and payments on personal property leases, Purchaser shall not be responsible for such deferred payments.

ARTICLE 10

MASTER SERVICES AGREEMENT

Should Closing not occur by October 31, 2023, and provided that Purchaser has entered into new Real Property leases with the applicable landlords for all retail locations (other than Excluded Locations) where the Receivership Entities hold OLCC Licenses, then in such event, the parties will enter into a management services agreement that is compliant with all applicable state laws and administrative rules and in a form agreed to by the parties, acting reasonably, and approved by the Receiver and Monitor (the “**MSA**”).

The terms of the MSA will be agreed to by the parties, acting reasonably, and approved, to the extent necessary, by the Receiver, Monitor, OLCC, and Receivership Court, but must provide that:

- (a) the MSA shall terminate on the earlier of the Closing Date or the date on which this Agreement is terminated;
- (b) the Receiver and/or Monitor shall retain control over employment decisions regarding Vendor’s senior executives during the time in which the MSA is effective, however, Purchaser may request authorization for employment changes and Vendor’s approval of those changes shall not be unreasonably withheld;

- (c) Purchaser shall make Vendor's day-to-day business and operational decisions during the time in which the MSA is effective; and
- (d) Purchaser agrees to fund at its cost all expenses of the business of Vendor during the term of the MSA without any credit against the Purchase Price and Purchaser shall receive all of the profits from the business of Vendor during the term of the MSA.

ARTICLE 11 **TERMINATION**

11.1 Termination

This Agreement may be terminated at any time prior to Closing:

- (a) automatically and without any action or notice by either party, immediately upon the issuance of a final and non-appealable order, decree, or ruling or any other action by a Governmental Entity to restrain, enjoin or otherwise prohibit the Transaction;
- (b) by mutual written consent of the Vendor (with the consent of the Monitor and the Receiver) and the Purchaser, or on further order of the CCAA Court or Oregon Court;
- (c) by the Purchaser if the Closing has not occurred on or before the Outside Date, provided, however, that the Purchaser may not exercise such termination right if it is in material breach of its obligations under this Agreement;
- (d) by the Purchaser if Transaction Approval Orders have not been entered by October 1, 2023;
- (e) by the Vendor, if required under any order of a court of competent jurisdiction including the CCAA Court and the Oregon Court;
- (f) by the Vendor (with the consent of the Monitor and the Receiver), if the Purchaser fails to fulfill any condition set forth in Section 8.2 by the Outside Date or if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty, which would prevent the satisfaction of the conditions set forth in Sections 8.2 or 8.3, unless the Vendor is in material breach of its obligations under this Agreement, and such failure has not been waived by the Purchaser or cured by the Outside Date; or
- (g) by the Purchaser, if the Vendor fails to fulfill any condition set forth in Section 8.1 by the Outside Date or if there has been a material violation or breach by the Vendor of any covenant, representation or warranty, which would prevent the satisfaction of the conditions set forth in Sections 8.1 or 8.3, unless the Purchaser is in material breach of its obligations under this

Agreement, and such failure has not been waived by the Vendor or cured by the Outside Date.

The party desiring to terminate this Agreement pursuant to this Section 11.1 shall give written notice of such termination to the other party, specifying in reasonable detail the basis for such party's exercise of its termination rights.

11.2 Effects of Termination

If this Agreement is terminated pursuant to Section 11.1, all further rights and obligations of the parties under or pursuant to this Agreement shall terminate without further liability of any party to the other, other than this Section 11.2 and Sections 1.8, 3.1(c), 13.1, 13.4, 13.5, 13.6, 13.7, 13.9 shall survive, the confidentiality, non-use and non-disclosure obligations under the NDA shall survive in accordance with the terms of the NDA, and no termination of this Agreement shall relieve any party of any liability for any willful breach by it of this Agreement.

ARTICLE 12 CLOSING

12.1 Location and Time of the Closing

The Closing shall take place at the Time of Closing on the Closing Date at Tonkon Torp LLP, or at such other location as may be agreed upon by the parties. The Closing shall, unless otherwise agreed between the parties, be conducted virtually.

12.2 Parties' Deliveries at Closing

At Closing, the Vendor shall deliver to the Purchaser, and the Purchaser shall deliver to the Vendor, all documents required to be delivered by on or prior to the Closing Date pursuant to this Agreement or applicable law or as reasonably requested by the other party in good faith. The Purchaser shall take possession of the Purchased Assets *in situ* wherever located at Closing, and the Vendor shall have no obligation to deliver physical possession of the Purchased Assets to the Purchaser.

12.3 Cooperation

The parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date. Without limiting the forgoing, the parties shall assist with submissions, share information and make any other efforts reasonably required to obtain any approval from any Governmental Entity necessary to effect the Closing.

12.4 Confirmation of Satisfaction of Conditions

On the Closing Date, subject to satisfaction or waiver by each relevant party of the conditions of Closing in its favor, which are for the benefit of such party, each party shall confirm to the Monitor and the Receiver, in writing in accordance with the provisions of Section 13.1 herein, the satisfaction or waiver of all such conditions to Closing. Each of the

parties shall promptly make or cause to be made all filings and submissions, as applicable, required under any applicable law to effect Closing.

12.5 Monitor's Certificate

The parties hereby acknowledge and agree that the Monitor shall be entitled to file the Monitor's Certificate with the CCAA Court without independent investigation upon receiving written confirmation from each relevant party (or the applicable party's counsel) in form and substance satisfactory to the Monitor that all conditions of Closing in favor of such party have been satisfied or waived, and the Monitor shall have no liability to the parties or any other person as a result of filing the Monitor's Certificate. For greater clarity, the Monitor is not a party to this Agreement. The Monitor shall deliver the Monitor's Certificate upon the parties having delivered to the Monitor in writing the confirmation set out in Section 12.4 of this Agreement.

ARTICLE 13 **GENERAL MATTERS**

13.1 Notices

- (a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by electronic mail or sent by registered mail, charges prepaid, addressed as follows:

- (i) if to the Vendor:

Cardinal Advisory Services Inc.
120 Adelaide Street West, Suite 2210
Toronto, ON M5T 1H1

Attention: Scott Secord
Email: scottlsecord@gmail.com

with a copy to:

Osler, Hoskin & Harcourt LLP
1 First Canadian Place, Suite 6200
100 King Street West
Toronto, ON M5X 1B8

Attention: Marc Wasserman / Kathryn Esaw
Email: mwasserman@osler.com / kesaw@osler.com

(ii) if to the Purchaser:

APCO LLC
PO Box 510
Lawai, HI 96765
Attention: William Simpson
E-mail: william@ws3consulting.com

with a copy to:

Tonkon Torp LLP
888 SW Fifth Ave.
Suite 1600
Portland, OR 97204
Attention: Ava Schoen/Jessica Morgan
E-mail: ava.schoen@tonkon.com/jessica.morgan@tonkon.com

(iii) if to the Monitor:

KSV Restructuring Inc.
220 Bay Street
Suite 1300, PO Box 20
Toronto ON M5J 2W4
Attention: Noah Goldstein / Eli Brenner
E-mail: NGoldstein@ksvadvisory.com / EBrenner@ksvadvisory.com

with a copy to:

Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto ON M5H 3C2
Attention: Ryan Jacobs / Jeremy Bornstein
E-mail: RJacobs@cassels.com / JBornstein@cassels.com

(iv) if to the Receiver:

Kenneth S. Eiler, P.C.
515 NW Saltzman Rd.
PMB 810
Portland, OR 97229
Attention: Kenneth Eiler
E-mail: Kenneth.Eiler7@gmail.com

with a copy to:

Lane Powell PC
601 S.W. Second Avenue
Suite 2100
Portland, OR 97204

Attention: David Criswell
E-mail: CriswellD@lanepowell.com

- (b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a Business Day, on the next following Business Day) or, if mailed, on the third Business Day following the date of mailing; provided, however, that if at the time of mailing or within three Business Days thereafter there is or occurs a labor dispute or other event that might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by means or recorded electronic communication as aforesaid.
- (c) Either party may at any time change its address for service from time to time by giving notice to the other party in accordance with this Section 13.1.

13.2 Release; Acknowledgements; Indemnity

- (a) Except as otherwise contained herein, effective as of the Closing, the Purchaser hereby releases and forever discharges the Vendor, the CRO, the Monitor and the Receiver and their respective Affiliates, and their respective successors and assigns, and all officers, directors, partners, members, shareholders, employees and agents of each of them, as applicable, from any and all actual or potential Claims which Purchaser had, has or may have in the future to the extent relating to the Purchased Assets and the Assumed Liabilities.
- (b) The Purchaser shall use its best efforts to assist the Vendor and shall co-operate with the Vendor, as reasonably requested, to obtain from third parties, effective as of the Time of Closing, a full release of the Vendor's obligations under the Permitted Encumbrances, and shall provide such financial and other information and enter into such assumption agreements as such third parties may reasonably require, in form and substance acceptable to each of the parties thereto acting reasonably and without delay.
- (c) The Purchaser hereby agrees to indemnify the Vendor, the Monitor, the CRO, the Receiver, and their respective Affiliates and their respective present or former trustees, officers, directors, employees, agents and shareholders, and saves each of them fully harmless from and against, and will reimburse or compensate each of them on demand for, all losses and Claims arising from, in connection with or

related in any manner whatsoever to the Purchaser's failure to pay when due, and perform and discharge, the Assumed Liabilities, if any.

- (d) The Vendor and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of Chalice, shall have no liability in its personal capacity or otherwise, in connection with this Agreement.
- (e) The Vendor and the Purchaser acknowledge and agree that the Receiver, acting in his capacity as Receiver of the Receivership Entities, shall have no liability in his personal capacity or otherwise, in connection with this Agreement.

13.3 Non-Waiver

No waiver of any condition or other provision, in whole or in part, shall constitute a waiver of any other condition or provision (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided in writing.

13.4 Confidentiality

The Vendor undertakes and agrees (and agrees to cause its agents, employees and representatives) to keep the existence and terms of this Agreement in strict confidence, except (i) for the purpose of obtaining the CCAA Court Approval and Vesting Order and the Oregon Court Sale Approval Order; (ii) as may be required by law; or (iii) otherwise mutually agreed upon in writing by the Vendor (with the consent of the Monitor and the Receiver) and the Purchaser.

13.5 Injunctive Relief

- (a) The parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to seek specific performance, injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, and to enforce compliance with the terms of this Agreement, without any requirement for the securing or posting of any bond in connection with the obtaining of any such specific performance, injunctive or other equitable relief, this being in addition to any other remedy to which the parties may be entitled at law or in equity.
- (b) Each party hereby agrees not to raise any objections to the availability of the equitable remedies provided for herein and the parties further agree that by seeking the remedies provided for in this Section 13.5, a party shall not in any respect waive its right to seek any other form of relief that may be available to a party under this Agreement.
- (c) Notwithstanding anything herein to the contrary herein, under no circumstances shall a party be permitted or entitled to receive both monetary damages and specific performance and election to pursue one shall be deemed to be an irrevocable waiver of the other.

13.6 Expenses

Each of the parties hereto shall pay their respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant hereto and any other costs and expenses whatsoever and howsoever incurred.

13.7 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, securityholder, Affiliate, agent, lawyer or representative of the respective parties, in such capacity, shall have any liability for any obligations or liabilities of the Purchaser or the Vendor, as applicable, under this Agreement, or for any Claim based on, in respect of or by reason of the Transaction.

13.8 Further Assurances

Each party to this Agreement covenants and agrees that it will at all times promptly execute and deliver all such documents including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as the other party, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or any Transaction Document or any of the respective obligations intended to be created hereby or thereby.

13.9 Assignment

Neither the Purchaser nor the Vendor may assign this Agreement or any rights or obligations hereunder in whole or in part without the prior written consent of the other counterparty, the Monitor and the Receiver, in each case which consent is not to be unreasonably withheld, provided that the Purchaser shall be entitled to assign this Agreement to an Affiliate of the Purchaser without the consent of the Vendor, the Monitor and the Receiver, provided further that the Purchaser may designate one or more nominees to take title in and to the Purchased Assets, or any part thereof, by giving the Vendor written notice of such assignment prior to the date of the hearing for the CCAA Court Approval and Vesting Order and Oregon Court Sale Approval Order.

13.10 Survival

The representation and warranties of the parties contained in this Agreement shall merge on Closing and the covenants of the parties contained herein to be performed after Closing shall survive Closing and remain in full force and effect.

13.11 Counterpart or Electronic Signatures

This Agreement may be executed by electronic signature, in counterparts, each of which shall constitute an original and all of which taken together shall constitute one and the

same instrument. Execution of this Agreement may be made by electronic mail which, for all purposes, shall be deemed to be an original signature.

[signature page immediately follows]

Signature Page to Asset Purchase Agreement

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

CHALICE BRANDS LTD.

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord
Name: Scott Secord
Title: CRO

GREENPOINT OREGON, INC.

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord
Name: Scott Secord
Title: CRO

GREENPOINT EQUIPMENT LEASING, LLC

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord
Name: Scott Secord
Title: CRO

CFA RETAIL LLC

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord

Name: Scott Secord
Title: CRO

SMS VENTURES LLC

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord
Name: Scott Secord
Title: CRO

CF BLISS LLC

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord
Name: Scott Secord
Title: CRO

GREENPOINT NEVADA INC.

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

By: Scott Secord
Name: Scott Secord
Title: CRO

Signature Page to Asset Purchase Agreement

**KENNETH S. EILER, in his capacity as
Receiver over the Receivership Entities
and not in its personal capacity**

By: Ken Eiler
Name: Ken Eiler
Title: Receiver

APCO LLC

By: Gary Zipfel
Name: Gary Zipfel
Title: Member

By: William Simpson
Name: William Simpson
Title: Member

**Schedule A
Other Vendors**

1. Greenpoint Nevada Inc.
2. Greenpoint Oregon, Inc.
3. Greenpoint Equipment Leasing, LLC
4. CFA Retail LLC
5. SMS Ventures LLC
6. CF Bliss LLC

Schedule B Purchased Assets

As to each Vendor, all of the Vendor's right, title and interest in, to and under, or relating to, the assets, property and undertaking owned or used or held for use by the Vendor in connection with the business carried on by the Vendor, including without limitation the following properties, assets and rights:

1. *Accounts Receivable* – the accounts receivable of the Vendor;
2. *Prepaid Expenses* – all prepaid expenses of the Vendor, and all deposits of each Vendor with any supplier, public utility, lessor under any personal property lease, or Governmental Entity;
3. *Inventory* – all items that are owned by the Vendor for sale, license, rental, lease or other distribution in the ordinary course of business, or are being produced for sale, or are to be consumed, directly or indirectly, in the production of goods or services to be available for sale, of every kind and nature and wheresoever situated, including inventories of raw materials, spare parts, work in progress, finished goods and by-products, operating supplies and packaging and labeling materials and similar products related to the sales of inventory;
4. *Fixed Assets and Equipment* – all machinery, equipment (including all extraction and production equipment), furnishings, furniture, parts, dyes, molds, tooling, tools, computer hardware, supplies, accessories, office equipment and other tangible personal and moveable property (other than inventory) owned by the Vendor, whether located on the Vendor's premises or elsewhere, and all rights of the Vendor under warranties, indemnities, licenses, and all similar rights of the Vendor against third Persons with respect to the equipment, fixed assets and tangible assets referenced herein, including without limitation all point of sale equipment, furniture, displays, shelving, refrigeration units, safes, coffee makers, water dispensers, cleaning supplies, including vacuums, printers, packaging materials, and signage;
5. *Vehicles* – all motor vehicles owned by the Vendor, including all trucks, vans, cars and forklifts owned by the Vendor and all rights of the Vendor under warranties, indemnities, licenses, and all similar rights of the Vendor against third Persons with respect to the motor vehicles referenced herein;
6. *Tozmoz Assets* – any and all assets, including cannabis-related licenses, previously owned by Tozmoz LLC and now owned by any Vendor;
7. *Intellectual Property* – all intellectual property and rights in intellectual property owned by the Vendor and that is used or held for use in or otherwise relate to the businesses carried on by the Vendor, including:
 - a. all trade-marks, trade names, business names, websites and domain names, certification marks, service marks, and other source indicators, and the goodwill

of any business symbolized thereby, patents, copyrights, code, applications, systems, databases, data, website content, know-how, formulae, processes, inventions, technical expertise, research data, trade secrets, industrial designs and other similar property or proprietary rights;

- b. all registrations and applications for registration thereof;
 - c. the right to obtain renewals, extensions, substitutions, continuations, continuations-in-part, divisions, re-issues, re-examinations or similar legal protections related thereto; and
 - d. the right to bring an action at law or equity for the infringement of the foregoing before the Time of Closing, including the right to receive all proceeds and damages therefrom;
8. *Information Technology Systems* – all software (including source code and object code form), computer hardware, licenses, and documentation therefor and rights therein owned by the Vendor, and any other information technology systems owned by the Vendor, including all electronic data processing systems, program specifications, source codes, object code, input data, report layouts, formats, algorithms, record file layouts, diagrams, functional specifications, narrative descriptions, flow charts, operating manuals, training manuals and other related material;
9. *Goodwill* – the goodwill of each Vendor’s business relating to the Purchased Assets, and information and documents of each Vendor relevant thereto, including lists of customers and suppliers, credit information, telephone and facsimile numbers, research materials, research and development files, Confidential Information (as defined in the non-disclosure agreement executed by the Purchaser pursuant to the SISP);
10. *Employee Records* – personnel and employment records relating to the Employees who provided services to Vendor directly or indirectly;
11. *Business Records* – all business and financial records and files of the businesses carried on by the Vendor, including the general ledger and accounting records, marketing materials, market research, all customer lists and lists of suppliers, information relating to any tax imposed on the Purchased Assets, all operating manuals, plans and specifications and all of the right, interest and benefit, if any, thereunder and to and in the domain names, telephone numbers, e-mail addresses and facsimile numbers used in the businesses carried on by the Vendor, and the tax records and returns, and books and records of or pertaining to the Vendor; provided, however, that the Vendor may retain copies of all books and records included in the Purchased Assets to the extent necessary or useful for the administration of the CCAA Proceeding or any insolvency proceedings in respect of any Vendor or the filing of any tax return or compliance with any applicable law or the terms of this Agreement or related to the Excluded Assets;
12. *Permits* – the Governmental Authorizations of the Vendor, or any of them, required for the Purchased Assets from any Governmental Entity, to the extent transferable to the Purchaser or its permitted assignees (collectively, the “**Transferred Permits**”); and

13. *Actions, etc.* – any claims, refunds, causes of action, rights of recovery, rights of set-off, subrogation and rights of recoupment of the Vendor related to the business carried on by the Vendor or the Purchased Assets or any of the Assumed Liabilities, and the interest of the Vendor in any litigation and in the proceeds of any judgment, order or decree issued or made in respect thereof in respect of occurrences, events, accidents or losses suffered prior to the Time of Closing (but excluding any of the foregoing in respect of any of the Excluded Assets or Excluded Liabilities); and excluding any actions owned or held by the Receiver.

Schedule C
Assumed Liabilities

None.

Schedule D
CCAA Court Approval and Vesting Order

[TO BE INSERTED]

Schedule E
Oregon Court Sale Approval Order

[TO BE INSERTED]

**Schedule F
Permitted Encumbrances**

None.

Schedule G
Purchase Price Allocation

Total Consideration	\$3,000,000.00
Licenses and Leases	\$650,000.00
Inventory	\$1,704,185.17
Fixtures and Equipment	\$583,935.17
Intangibles (e.g., brand and goodwill)	\$61,879.66

**Schedule H
Licenses**

OLCC LICENSES

License # 020-10087170927

License # 030-1003213EDB2

License # 030-100384161D7

License # 060-1003227DB77

License # 060-10046405D93

License # 030-1017201A3A9

License # 050-1007988A80E

License # 050-1007989F581

License # 050-10079902125

License # 050-10079919CD9

License # 050-10079928B63

License # 050-10025185011

License # 050-1016993F313

License # 050-1016995D03E

License # 050-10169922BD5

License # 050-1016990CA13

License # 050-10184368093

License # 050-10184402F3F

License # 050-10184449F91

CITY LICENSES

License # MRL828

License # MRL959

License # MRL434

License # MRL682

License # MRL683

License # MRL681

License # MRL205

License # MRL22372

POSSIBLE NCCB LICENSES

License # 30641754921357655197

License # 49664395053675917070

License # 30014095193109877690

License # 03595374519108477279

Appendix “C”



**Second Report of
KSV Restructuring Inc.
as CCAA Monitor of
Chalice Brands Ltd.**

July 25, 2023

Contents		Page
1.0	Introduction.....	1
	1.1 Purposes of this Report.....	3
	1.2 Restrictions	3
	1.3 Currency	3
2.0	Background	3
3.0	Update on Oregon Receivership Proceedings	4
	3.1 Business Operations	4
	3.2 Motion commenced by Homegrown Lenders	4
	3.3 Interim Financing to Oregon Receivership Entities	5
4.0	SISP Update.....	7
5.0	Cash Flow Forecast.....	7
6.0	Stay Extension.....	8
7.0	Monitor’s Activities	8
8.0	Conclusion and Recommendation	9

Appendices

Appendix	Tab
Cash Flow and Company's Report on Cash Flow	A
Monitor’s Report on Cash Flow	B



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.

SECOND REPORT OF
KSV RESTRUCTURING INC., IN ITS CAPACITY AS MONITOR

JULY 25, 2023

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “Court”) made on May 23, 2023 (the “Initial Order”), Chalice Brands Ltd. (“Chalice” or the “Applicant”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) and KSV Restructuring Inc. was appointed monitor of the Applicant (in such capacity, the “Monitor”).
2. Substantially all of Chalice’s value is derived through its equity interests in its direct and indirect subsidiaries in the United States (“U.S.”) (together with Chalice, the “Chalice Group”).
3. As a cannabis company with operations in the U.S., the Chalice Group’s ability to access the protections of the federal U.S. Bankruptcy Code, including relief under Chapter 15 of the U.S. Bankruptcy Code, is untested. As a result, on May 22, 2023, Chalice filed a complaint in the State of Oregon against the following subsidiaries: Greenpoint Oregon, Inc., CFA Retail LLC, Greenpoint Equipment Leasing, LLC, SMS Ventures LLC, and CF Bliss LLC (together, the “Oregon Receivership Entities”) in order to commence the process of having the Oregon Receivership Entities placed into receivership. On May 23, 2023, the Circuit Court of the State of Oregon (the “Oregon Court”) signed an order appointing Kenneth S. Eiler as state receiver (the “Oregon Receiver”) over the Oregon Receivership Entities (the “Oregon Receivership Proceedings”).

4. Pursuant to the terms of the Initial Order, among other things, the Court:
 - a) granted a stay of proceedings in favour of the Applicant to and including June 2, 2023 (the “Stay Period”) and extended that stay and other benefits and protections of the Initial Order to the Non-Filing Affiliates¹; and
 - b) granted a charge in the amount of \$400,000 on the Applicant’s current and future assets, property and undertaking to secure the fees and disbursements of the Applicant’s legal counsel, as well as the fees and disbursements of the Monitor and its independent counsel (the “Administration Charge”).
5. At a motion heard on June 1, 2023 (the “Comeback Motion”), the Court issued an Amended and Restated Initial Order which, among other things:
 - a) extended the Stay Period to July 28, 2023;
 - b) increased the Administration Charge to \$500,000;
 - c) approved the agreement between the Applicant and Cardinal Advisory Services Inc. (“Cardinal Advisory”), pursuant to which Cardinal Advisory through the services of Scott Secord acts as the Chief Restructuring Officer (“CRO”) of the Chalice Group; and
 - d) Chalice was relieved from certain securities disclosure and shareholder meeting requirements.
6. At the Comeback Motion, the Court also issued an order (the “CCAA SISF Approval Order”) approving an expedited sale and investment solicitation process (the “SISF”) for the purpose of soliciting interest in, and opportunities for the acquisition of, or investment in, the assets and business operations of the Chalice Group.
7. On June 2, 2023, the Oregon Court granted an order authorizing the implementation of the SISF in the Oregon Receivership Proceedings (together with the CCAA SISF Approval Order, the “SISF Approval Orders”).
8. The principal purpose of this CCAA proceeding is to create a stabilized environment to ensure the Chalice Group can continue going-concern operations while Chalice and the CRO, working in coordination with the Monitor and the Oregon Receiver, conduct the SISF to facilitate a sale of, or investment in, the Chalice Group’s assets and/or business operations.

¹ The Non-Filing Affiliates are 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 and CF Bliss LLC.

1.1 Purposes of this Report

1. The purposes of this report (the “Report”) are to:
 - a) provide a general update on this proceeding and the Oregon Receivership Proceedings since the granting of the Amended and Restated Initial Order and the CCAA SISP Approval Order;
 - b) provide an update on the SISP;
 - c) report on the Applicant’s cash flow projection for the period July 22, 2023 to and including August 31, 2023 (the “Updated Cash Flow Forecast”);
 - d) discuss the reasons to extend the Stay Period from July 28, 2023 to August 31, 2023; and
 - e) recommend that the Court issue an order extending the Stay Period to August 31, 2023.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the unaudited financial information and books and records of the Chalice Group, discussions with its management (“Management”), discussions with its counsel, discussions with the CRO and discussions with the Oregon Receiver and its counsel.
2. The Monitor has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Updated Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicant’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Updated Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in U.S. dollars.

2.0 Background

1. Chalice is the ultimate parent company of the Chalice Group, which is a vertically integrated cannabis company that grows, processes, distributes and sells cannabis and cannabis products, operating within the Oregon adult-use regulated market.

2. The corporate chart for the Chalice Group is provided in Exhibit “A” of the Affidavit of Scott Secord, sworn May 22, 2023 in support of the initial CCAA application (the “First Secord Affidavit”).
3. Scott Secord swore two additional affidavits on May 26, 2023 in support of the Comeback Motion (the “May 26th Affidavits”) and one affidavit on July 21, 2023 in support of the relief sought in this Report (the “Fourth Secord Affidavit”, and together with the First Secord Affidavit and May 26th Affidavits, the “Secord Affidavits”). The Monitor recommends that readers review the Fourth Secord Affidavit for a detailed update on the Oregon Receivership Proceedings.
4. To date, the Monitor has filed with this Court the following reports in this proceeding: (i) the Pre-Filing Report dated May 23, 2023, and (ii) the First Report dated May 30, 2023 (collectively, the “Prior Reports”). The Prior Reports and Secord Affidavits are available on the Monitor’s website at the following link: <https://www.ksvadvisory.com/experience/case/chalice-brands-ltd>.

3.0 Update on Oregon Receivership Proceedings

3.1 Business Operations

1. Since the commencement of this CCAA proceeding and the Oregon Receivership Proceedings, the Applicant and the CRO, with the assistance of the Monitor, have worked closely with the Oregon Receiver to stabilize the business and operations of the Chalice Group. In that respect, the Monitor and its counsel have attended weekly telephone calls with the CRO, the Applicant and the Oregon Receiver and its counsel to discuss, among other things, urgent business issues, the liquidity of the Chalice Group and the status of the SISP.
2. On June 1, 2023, Jeff Yapp, the former CEO of the Applicant, and Kala Bernhardt, the former CFO of the Applicant, resigned. Meghan Miller, the then Chief Operating Officer of the Chalice Group, replaced Mr. Yapp and Byron Henson, the then Director of Accounting, replaced Ms. Bernhardt. As a result, there has been no material interruption or interference with this proceeding, the Oregon Receivership Proceedings, or the daily operations of the Chalice Group.

3.2 Motion commenced by Homegrown Lenders

1. On May 19, 2021, Golden Leaf Holdings Ltd. (predecessor to Chalice) and Greenpoint Holdings Delaware Inc. (“Greenpoint Holdings”) entered into an agreement (the “Homegrown Acquisition”) to acquire 100% ownership in SMS Ventures LLC (“SMS”), a chain of five retail dispensaries located in Portland, Salem and Albany, Oregon.
2. 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 (the “Homegrown Note”) pursuant to which Alicia Smith, Jillian Smith, and Marcena Sorrels (the “Homegrown Lenders”), are lenders.
3. As of May 1, 2023, \$1,896,411 is outstanding on the Homegrown Note.

4. On June 30, 2023, the Homegrown Lenders filed a motion in the Oregon Receivership Proceedings in the Oregon Court (the “Lift Stay Motion”) seeking:
 - a) an Order to lift the stay of proceedings and authorizing the Homegrown Lenders to foreclose on what they allege to be their collateral under a security agreement with Chalice and Greenpoint Holdings, which includes five OLCC licensed retail marijuana dispensaries; or
 - b) an Order declaring that SMS holds title to what the Homegrown Lenders allege to be their collateral, and that the Homegrown Lenders have a perfected first prior security interest in the alleged collateral.
5. On July 6, 2023, the Homegrown Lenders filed a further motion in the Oregon Court seeking expedited consideration and requesting that the Oregon Court hear the Lift Stay Motion on or before July 17, 2023.
6. The Monitor understands there is significant uncertainty regarding the validity and enforceability of the Homegrown Lenders’ security.
7. On July 14, 2023, the Oregon Receiver filed an objection to the Homegrown Lenders’ motions.
8. On July 14, 2023, the Lift Stay Motion (and the related motion seeking expedited consideration thereof) was denied by the Oregon Court and the SISF was permitted to proceed.

3.3 Interim Financing to Oregon Receivership Entities²

1. In early July 2023, the Oregon Receiver requested that the Applicant fund it with \$150,000 for professional fees to continue and complete the receivership (the “Interim Financing”). Such financing has been requested because the Oregon Receivership Entities’ cash receipts during the pendency of the Oregon Receivership Proceedings were less than forecasted and as a result of trust claims asserted by the State of Oregon that were previously unknown to the Chalice Group.
2. The Applicant, in consultation with the Monitor, considered the request for Interim Financing and advised the Monitor that without the Interim Financing, there would not be sufficient funds for the Oregon Receivership Entities to pay the fees and expenses of the Oregon Receiver to execute and close a transaction for the assets of the Chalice Group. As such, the Applicant determined that it was in the best interests of the Chalice Group for the Applicant to advance the Interim Financing to the Oregon Receiver (in accordance with the terms of the Oregon Order Appointing Receiver and the Amended and Restated Initial Order, as described below).
3. The Monitor is of the view that any material delay in payment of the fees and expenses of the Oregon Receiver could result in significant uncertainty regarding the Applicant’s ability to execute and close a transaction for the assets of the Chalice Group in the Oregon Receivership Proceedings and this CCAA proceeding, which would not be in the interests of the Applicant and its stakeholders.

² Capitalized terms in this Section are as defined in the Fourth Secord Affidavit.

4. The Amended and Restated Initial Order provides, among other things, that “except as 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 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”.
5. The Oregon receivership order contemplates that, as necessary to satisfy the costs and expenses of the Oregon Receivership Proceedings, Chalice may advance funds to the Oregon Receiver on a first-priority basis (the “Financing Lien”), subject to a lien in favour of the Oregon Receiver and its professionals (the “Receiver’s Lien”).
6. The Applicant has also entered into security agreements with the Oregon Receivership Entities and has registered its security against each of the Oregon Receivership Entities via UCC filings, which serve to protect the Applicant’s assets in addition to the protection provided by the Financing Lien.
7. A Consent and Acknowledgement was entered into between the Applicant, the Oregon Receiver and the Monitor on July 17, 2023 in respect of the Interim Financing (the “Consent and Acknowledgement”). The terms of the Consent and Acknowledgement include, among other things, the following:
 - a) the Interim Financing shall be advanced as a non-interest-bearing loan by the Applicant to the Oregon Receiver and shall be repaid by the Oregon Receiver to the Applicant as and when the Oregon Receiver receives payment of its approved fees and expenses in accordance with the terms of the Oregon Order Appointing Receiver or as otherwise ordered by the Oregon Court;
 - b) the Applicant has a right of subrogation in respect of the Receiver’s Lien and may claim the benefit of the lien as security for the Interim Financing; and
 - c) the Oregon Receiver shall use its best efforts to obtain approval and payment of its fees and expenses and to repay the Interim Financing.
8. The Monitor understands that in light of the Applicant’s right of subrogation under the terms of the Consent and Acknowledgement, there are no claims in respect of the Oregon Receivership Entities that are in priority to the Financing Lien. The Monitor also understands that provided that the Oregon Receivership Entities’ assets can be monetized, the proceeds are anticipated to be sufficient to repay the Interim Financing. Those assets, which are collateral for the Interim Financing, include, among other things, cannabis licenses and cannabis growing, processing and retail operations and related assets.
9. Based on discussions with the Applicant, the Monitor is of the view that the primary risks to the Oregon Receivership Entities failing to repay the Interim Financing is if the proceeds of their assets are not sufficient to allow for approval of the proposed sale by the Oregon Court and the applicable regulatory agencies.
10. Considering all of the forgoing, the Monitor has consented to and supports the Applicant providing the Interim Financing in order to facilitate the monetization of the Chalice Group’s assets for the benefit of the Applicant’s stakeholders.
11. The funds under the Interim Financing were advanced by the Applicant to the Oregon Receiver on July 24, 2023.

4.0 SISP Update

1. As noted above, both this Court and the Oregon Court approved the SISP pursuant to the SISP Approval Orders.
2. The Applicant has conducted the SISP, with the assistance of the Monitor and the Oregon Receiver, in accordance with the terms of the SISP Approval Orders.
3. Pursuant to the SISP Approval Orders, the bid deadline was June 30, 2023 (the “Bid Deadline”). Four bids were received by the Bid Deadline. In accordance with the terms of the SISP, the Applicant, with the consent of the Monitor and the Oregon Receiver, elected to extend the deadlines in the SISP to continue to negotiate the bids. The Monitor has since advised each of the parties who submitted bids that the Chalice Group requires additional time to negotiate the offers and that the Applicant intends to select a successful bidder by July 27, 2023.
4. As of the date of this Report, the Applicant, in consultation with the Monitor and the Oregon Receiver, remains in advanced discussions with a bidder with a view to entering into a purchase agreement. To ensure the integrity of the SISP process, the nature of these discussions, the terms of the bid, and the identity of the bidder, remain confidential at this time.
5. The Applicant anticipates being back before this Court in the coming weeks to seek approval of a sale transaction. The Oregon Receiver will also seek approval of such sale from the Oregon Court. At the Lift Stay Motion, the Oregon Court advised the Oregon Receiver that the Court was not available to hear a sale approval motion until mid-August. The Monitor anticipates that the sale approval motion in the Oregon Receivership Proceedings will be heard before the sale approval motion in this CCAA proceeding since most of the Chalice Group’s valuable assets are owned by the Oregon Receivership Entities.

5.0 Cash Flow Forecast

1. The Applicant prepared the Updated Cash Flow Forecast to and including August 31, 2023. The Updated Cash Flow Forecast and the Applicant’s statutory report on the cash flow prepared pursuant to Section 10(2)(b) of the CCAA are attached as Appendix “A”.
2. As of the date of this Report, the Applicant had approximately \$835,000 in cash on hand. The Updated Cash Flow Forecast reflects that Chalice will have sufficient liquidity to pay all expenses until August 31, 2023. As of this time, the Applicant does not expect to make any further advances to the Oregon Receiver.
3. Based on the Monitor’s review of the Updated Cash Flow Forecast, the assumptions appear reasonable. The Monitor’s statutory report on the Updated Cash Flow Forecast is attached as Appendix “B”.

6.0 Stay Extension

1. The Stay Period currently expires on July 28, 2023. The Applicant is requesting an extension to the Stay Period until August 31, 2023.
2. The Monitor is supportive of this request for the following reasons:
 - a) in the Monitor's view, the Applicant is acting in good faith and with due diligence;
 - b) it will allow the Chalice Group to continue the SISP, including further negotiations with potential bidders and hopefully close a prospective sale transaction;
 - c) the Updated Cash Flow Forecast reflects that the Applicant has sufficient liquidity to fund this CCAA proceeding through the extended Stay Period; and
 - d) no creditor will be materially prejudiced if the extension is granted.

7.0 Monitor's Activities

1. The Monitor's activities since its last report to Court have included:
 - a) working with the CRO and the Oregon Receiver to stabilize the business and operations as part of the CCAA proceeding;
 - b) monitoring the receipts and disbursements of the Chalice Group;
 - c) corresponding with Cassels Brock & Blackwell LLP, the Monitor's counsel, Osler, Hoskin & Harcourt LLP, restructuring counsel to the Applicant, the Oregon Receiver and Lane Powell PC, counsel to the Oregon Receiver, regarding various matters in this CCAA proceeding and the Oregon Receivership Proceedings;
 - d) working with the Oregon Receiver and its counsel in connection with the Oregon Receivership Proceedings and the SISP;
 - e) reviewing and consenting to the Oregon Receiver's request for Interim Financing;
 - f) overseeing the SISP;
 - g) reviewing Oregon Court materials in respect of the motion commenced by the Homegrown Lenders; and
 - h) preparing this Report, and, with the assistance of its counsel, related Court materials.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(e) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR OF
CHALICE BRANDS LTD.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

Chalice Brands Ltd. (the "Company")
Projected Statement of Cash Flow
For the Period Ending August 31, 2023
(Unaudited; \$USD)

<i>Week Ending Date</i>	Notes	28-Jul-23	4-Aug-23	11-Aug-23	18-Aug-23	25-Aug-23	31-Aug-23	Total
<i>Disbursements</i>								
Professional fees	2	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)	(600,000)
Sundry expenses		(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	(60,000)
<i>Total Disbursements</i>		(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(660,000)
Net Cash Flow		(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(660,000)
Opening Cash Balance		834,670	724,670	614,670	504,670	394,670	284,670	834,670
Net Cash Flow		(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(110,000)	(660,000)
Closing Cash Balance		724,670	614,670	504,670	394,670	284,670	174,670	174,670

Notes to Projected Statement of Cash Flows

For the Period Ending August 31, 2023

(Unaudited; \$USD)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Company for the period July 22, 2023 to August 31, 2023 (the "Period") in respect of the proceedings under the Companies' Creditors Arrangement Act ("CCAA").

The cash flow projection has been prepared based on most probable assumptions.

Most Probable

2. Represents fees and disbursements of the Company's legal counsel, the Monitor and the Monitor's legal counsel and the CRO.

**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.**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Chalice Brands Ltd. (the "Applicant") has developed the assumptions and prepared the attached statement of projected cash flow as of the 25th day of July, 2023 for the period July 22, 2023 to August 31, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 25th day of July, 2023.

CHALICE BRANDS LTD.



Per: Scott Secord, Chief Restructuring Officer

Appendix “B”

**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.**

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of Chalice Brands Ltd. (the "Applicant"), as of the 24th day July, 2023, consisting of a weekly projected cash flow statement for the period July 22, 2023 to August 31, 2023 ("Cash Flow") has been prepared by the management of the Applicant for the purpose described in Note 1, using the probable assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicant. We have reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow; or
- b) the Cash Flow does not reflect the probable assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 25th day of July, 2023.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
CHALICE BRANDS LTD.
AND NOT IN ITS PERSONAL CAPACITY**

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CHALICE BRANDS LTD.

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

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

SECOND REPORT OF THE MONITOR

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*Lawyers for KSV Restructuring Inc.
as Monitor of Chalice Brands Ltd.*

Appendix “D”

Chalice Brands Ltd. (the "Company")
Projected Statement of Cash Flow
For the Period Ending October 31, 2023
(Unaudited; \$USD)

<i>Week Ending Date</i>	<i>Note</i>	1-Sep-23	8-Sep-23	15-Sep-23	22-Sep-23	29-Sep-23	6-Oct-23	13-Oct-23	20-Oct-23	27-Oct-23	31-Oct-23	Total
<i>Disbursements</i>												
Professional fees	2	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(20,000)	(200,000)
Sundry expenses		(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(1,000)	(10,000)
<i>Total Disbursements</i>		(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(210,000)
Net Cash Flow		(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(210,000)
Opening Cash Balance		238,850	217,850	196,850	175,850	154,850	133,850	112,850	91,850	70,850	49,850	238,850
Net Cash Flow		(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(21,000)	(210,000)
Closing Cash Balance		217,850	196,850	175,850	154,850	133,850	112,850	91,850	70,850	49,850	28,850	28,850

Notes to Projected Statement of Cash Flows

For the Period Ending October 31, 2023

(Unaudited; \$USD)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Company for the period August 26, 2023 to October 31, 2023 (the "Period") in respect of the proceedings under the Companies' Creditors Arrangement Act ("CCAA").

The cash flow projection has been prepared based on most probable assumptions.

Most Probable

2. Represents fees and disbursements of the Company's legal counsel, the Monitor and the Monitor's legal counsel and the CRO.

**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.**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management of Chalice Brands Ltd. (the "Applicant") has developed the assumptions and prepared the attached statement of projected cash flow as of the 28th day of August, 2023 for the period August 26, 2023 to October 31, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

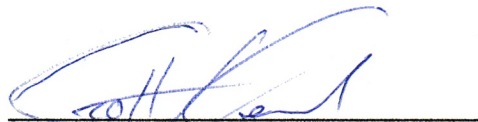
The probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 28th day of August, 2023.

CHALICE BRANDS LTD.



Per: Scott Secord, Chief Restructuring Officer

Appendix “E”

**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.**

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of Chalice Brands Ltd. (the "Applicant"), as of the 28th day August, 2023, consisting of a weekly projected cash flow statement for the period August 26, 2023 to October 31, 2023 ("Cash Flow") has been prepared by the management of the Applicant for the purpose described in Note 1, using the probable assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicant. We have reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow; or
- b) the Cash Flow does not reflect the probable assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 28th day of August, 2023.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
CHALICE BRANDS LTD.
AND NOT IN ITS PERSONAL CAPACITY**