



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

May 30, 2023

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

MAY 30, 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. ("KSV") was appointed monitor of the Applicant (in such capacity, the "Monitor"). A copy of the Initial Order is attached as Appendix "A".
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.

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. The Court set June 1, 2023 as the date for the comeback motion in these proceedings (the “Comeback Motion”). The Applicant is seeking the following orders at the Comeback Motion:
 - i. an Amended and Restated Initial Order (the “ARIO”), among other things:
 - extending the Stay Period from June 2, 2023 to July 28, 2023;
 - approving the engagement of Cardinal Advisory Services Inc. (“Cardinal Advisory”) as chief restructuring officer (“CRO”), as well as approving the CRO engagement letter dated May 12, 2023 (the “CRO Engagement Letter”);
 - approving an increase to the Administration Charge;
 - relieving Chalice, a reporting issuer listed on the Canadian Securities Exchange and OTCQX®, of certain reporting obligations under applicable securities law;
 - relieving the Applicant of any obligation to call and hold an annual general meeting of its shareholders (the “AGM”) until further Order of the Court; and
 - ii. an order approving a Court supervised sale and investment solicitation process (the “SISP” and the “CCAA Court SISP Approval Order”).
6. The principal purpose of this CCAA proceeding is to create a stabilized environment to ensure the corporate group can continue going-concern operations while Chalice and the CRO, working in coordination with the Monitor and the Oregon Receiver, conduct the SISP to facilitate a sale, or investment in the Chalice Group’s assets and/or business.

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 the Court with an update on the Applicant’s operations since the granting of the Initial Order;
 - b) provide the Court with an update on the Monitor’s activities since its appointment; and
 - c) provide the Monitor’s recommendations regarding the relief sought by the Applicant at the Comeback Motion.

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 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 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 herein have the meaning ascribed to them in the Pre-Filing Report.

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 Chalice Group has approximately 134 full-time employees and 37 part-time employees, all of whom work in the United States. Subsequent to the granting of the Initial Order, Chalice determined that it employs five individuals. All the remaining employees of the Chalice Group are employed by Greenpoint Workforce, Inc. (“GWI”).
3. 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”).
4. The First Secord Affidavit and the Pre-Filing Report dated May 23, 2023 (the “Pre-Filing Report”) prepared by KSV as Proposed Monitor, each set out detailed information with respect to the Chalice Group’s business and operations. In addition, Scott Secord has sworn two additional affidavits on May 26, 2023 in support of the Comeback Motion. The Monitor recommends that readers review these materials which are available on the Monitor’s website at the following link: <https://www.ksvadvisory.com/experience/case/chalice-brands-ltd>.

3.0 Update on Applicant’s Activities since the Initial Order

1. The Applicant’s activities since the granting of the Initial Order have included:
 - a) working with the Monitor, the CRO and the Oregon Receiver to stabilize the business and operations as part of this CCAA proceeding;
 - b) considering cost-saving initiatives;
 - c) contacting the Investment Industry Regulatory Organization of Canada (IIROC) to advise of the granting of the Initial Order;
 - d) disseminating a press release through *Globe Newswire* informing investors and other interested parties that the Applicant had obtained protection pursuant to the CCAA (the “CCAA Press Release”);
 - e) working with the Oregon Receiver and its counsel in connection with the Oregon Receivership;
 - f) developing a SISP;
 - g) corresponding with representatives of the Monitor in connection with all matters in this CCAA proceeding, including the proposed SISP; and
 - h) responding to employee and creditor inquiries regarding this CCAA proceeding.

4.0 Monitor’s Activities since the Initial Order

1. The Monitor’s activities since the granting of the Initial Order have included:
 - a) corresponding with the Applicant and the CRO, regarding various matters in this CCAA proceeding;

- b) drafting a notice to the Applicant's creditors, as required pursuant to the CCAA;
- c) filing of Form 1 with the Office of Superintendent of Bankruptcy;
- d) making arrangements to have the CCAA notice published in *The Globe and Mail* (National Edition) pursuant to the CCAA and in accordance with the Initial Order;
- e) monitoring the receipts and disbursements of the Chalice Group;
- f) corresponding with Cassels Brock & Blackwell LLP ("Cassels"), the Monitor's counsel, Osler, Hoskin & Harcourt LLP, restructuring counsel to the Applicant, ("Osler"), the Oregon Receiver and Lane Powell PC ("Lane Powell"), counsel to the Oregon Receiver, regarding various matters in this CCAA proceeding and the Oregon Receivership;
- g) corresponding with Management, Cassels, Osler, the Oregon Receiver and Lane Powell regarding the terms of the proposed SISP and coordination of related motion materials to be served in this Court and the Oregon Court;
- h) drafting SISP materials, including a teaser and a list of potential bidders, and assisting the Applicant with establishing a virtual data room; and
- i) preparing this Report.

5.0 Cash Flow Forecast

1. A copy of the Cash Flow Forecast prepared by the Applicant, with the assistance of the Monitor, was attached to the Pre-Filing Report. The Cash Flow Forecast reflects that Chalice will have sufficient liquidity to operate their business until August 18, 2023, provided a \$2,300,000 employee retention tax credit pursuant to the *Coronavirus Aid, Relief and Economic Security (CARES) Act* passed by U.S. Congress payment is received as projected in the Cash Flow Forecast.

6.0 SISP

1. Since the commencement of this CCAA proceeding, the Applicant has been working with the Monitor, the CRO, and the Oregon Receiver to design and implement the SISP. A copy of the proposed SISP is attached hereto as Appendix "B".
2. The Monitor has summarized the key aspects of the proposed SISP below; however, interested parties should review the SISP as well as the Applicant's materials filed in connection therewith. Capitalized terms in this section have the meaning provided to them in the SISP unless otherwise defined herein.

3. The purpose of the SISP is to solicit interest in and opportunities for a sale, or investment in, all or part of the Chalice Group’s, including the Oregon Receivership Entities’, property, assets and undertaking (the “Property”) and/or its business (the “Business”) (a “Transaction”).²
4. The SISP is intended to result in one or more of a restructuring, recapitalization or other form of reorganization of the business and affairs of the Applicant as a going concern, or a sale of all, substantially all, or one or more components of the Property and Business operations as a going concern or otherwise (the “Opportunity”). The SISP will be conducted by Chalice and the CRO with the oversight of the Monitor and in consultation with the Oregon Receiver.
5. A summary of the proposed SISP timeline is as follows:

Milestone	Key Dates
Commencement of the SISP	June 1, 2023
Delivery of Teaser/NDA to Known Potential Bidders	June 1, 2023
Bid Deadline	June 26, 2023
Successful Bid Selection Deadline	June 30, 2023
CCAA Sale Approval Motion Date	July 10, 2023
Oregon Court Sale Approval Motion Date	July 10, 2023
Deadline for completion of the transaction(s) (“Outside Date”)	July 20, 2023

6. The Oregon Receiver is contemporaneously seeking approval of the SISP in the Oregon Court (the “Oregon Court SISP Approval Order”, and together with the CCAA Court SISP Approval Order, the “SISP Approval Orders”). As the Monitor and the CRO are assisting the Applicant with carrying out the SISP, they require certain protections from this Court and the Oregon Court. In the event that the SISP is approved by this Court or the Oregon Court after June 1, 2023, the key dates set out above will be revised to reflect the commencement of the SISP being the date of the approval of the SISP by the Court or the Oregon Court, whichever is later, and the timeline shall be extended accordingly.

6.1 Solicitation of Interest

1. The Applicant, with the consent of the Monitor and the Oregon Receiver, will prepare a list of potential bidders (the “Known Potential Bidders”), including: (i) parties that have previously communicated to the Applicant, the CRO, the Monitor, or the Oregon Receiver an interest in the Opportunity, and (ii) strategic and financial parties in Canada, the U.S. or other jurisdictions that the Applicant, the CRO, the Monitor, or the Oregon Receiver reasonably determine may be interested in the Opportunity.
2. The Applicant will publish a notice of the SISP in the *Oregon Daily Journal of Commerce* and any other publication in Canada or the United States as the Applicant, with the consent of the Monitor and the Oregon Receiver, considers appropriate, if any.

² In respect to Fifth and Root Inc., the SISP shall contemplate the sale of the securities of Fifth and Root Inc. held by other members of the Chalice Group, and such securities are included in the definition of “Property”.

3. With the approval of the Monitor and the Oregon Receiver, the Applicant will send the Teaser Letter describing the Opportunity and a form of non-disclosure agreement (an “NDA”) to all Known Potential Bidders by no later than the first business day following the date on which the later of the SISP Approval Orders are granted.

6.2 Qualified Bidders

1. Any party who has delivered written confirmation of the identity of the Potential Bidder and an executed NDA will be deemed a “Qualified Bidder” if the Applicant, in consultation with the Monitor and the Oregon Receiver, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP.
2. All Qualified Bidders will be provided access to due diligence materials and information relating to the Property and Business. Due diligence access may include management presentations, access to any electronic data room and other information which a Qualified Bidder may reasonably request.

6.3 Qualified Bids

1. Qualified Bidders shall submit a Qualified Bid, which must:
 - a) be received by the Bid Deadline;
 - b) provide for Closing to occur no later than the Outside Date;
 - c) identifies the Qualified Bidder and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated Transaction;
 - d) be submitted in the form of an executed mark-up of the template asset purchase agreement (each, a “Modified APA”) reflecting such Qualified Bidder’s proposed changes to the template asset purchase agreement (together with a blackline of the Modified APA against the template asset purchase agreement), and a written and binding commitment to close on the terms and conditions set forth therein;
 - e) contain written evidence upon which Chalice, in consultation with the Monitor and the Oregon Receiver, may reasonably conclude that the Qualified Bidder has the necessary financial ability to close the contemplated Transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated Transaction;
 - f) be accompanied by a cash deposit, to be held by the Monitor in a non-interest bearing account in accordance with the terms of the SISP in an amount equal to at least ten percent (10%) of the purchase price or investment contemplated therein;

- g) not be conditional on obtaining financing or any board of directors or similar governing body or equity holder approval or on the outcome or review of due diligence;
 - h) include a letter stating the Qualified Bidder's offer is irrevocable and open for acceptance until the earlier of (a) the date that the Property has been sold pursuant to the closing of the Transaction approved by the CCAA Court and the Oregon Court and (b) the Outside Date; and
 - i) include the acknowledgements and representations of the Qualified Bidder that, in each case except as expressly set out in the definitive transaction agreement(s) signed by Chalice, (i) it has had an opportunity to conduct any and all due diligence and it has relied solely upon its own independent review, investigation and/or inspection of any documents, the Business and/or the Property in making its bid (ii) it is not relying upon any written or oral statements, representations, promises, warranties, conditions, or guaranties whatsoever, made by any person or party, including the Applicant, the Monitor and the Oregon Receiver, and their respective employees, officers, directors, agents, advisors and other representatives, regarding the proposed transactions, the SISP, or any information provided in connection therewith; and (iii) it is making its bid on an "as is, where is" basis and without surviving representations or warranties of any kind by the Applicant, the Monitor or the Oregon Receiver or any of their respective employees, officers, directors, agents, advisors and other representatives.
2. The Applicant, with the Monitor and the Oregon Receiver's consent, may waive one or more of the requirements specified above.

6.4 Evaluation of Qualified Bids and Selection of Successful Bid(s)

1. Qualified Bids will be valued based on various factors, including, but not limited to, items such as the following, as applicable:
- a) the purchase price or investment amount contemplated by the Qualified Bid and the net value provided by such bid;
 - b) the claims likely to be created by such bid in relation to other bids;
 - c) the identity, circumstances and ability of the Qualified Bidder to successfully complete such transaction(s);
 - d) the proposed transaction documents;
 - e) the effects of the bid on the stakeholders of the Chalice Group;
 - f) factors affecting the speed, certainty and value of the transaction (including any regulatory or legal approvals or third-party contractual arrangements required to close the transactions);
 - g) the assets included or excluded from the bid;

- h) any related restructuring costs; and
 - i) the likelihood and timing of consummating such transaction(s), each as determined by the Applicant, with the consent of the Monitor and the Oregon Receiver.
- 2. The Applicant, with the consent of the Monitor and the Oregon Receiver, will:
 - a) review and evaluate each Qualified Bid; and
 - b) identify the highest or otherwise best bid (the “Successful Bid”) for any particular Property or the Business in whole or part.
- 3. The determination of any Successful Bid shall be subject to approval by this Court and the Oregon Court.
- 4. The Applicant, in consultation with and with the approval of the Monitor, the CRO and the Oregon Receiver, shall notify each Qualified Bidder in writing as to whether its Qualified Bid has been selected as a Successful Bid no later than June 30, 2023.
- 5. The Applicant, with the Monitor and the Oregon Receiver’s consent, may aggregate separate non-overlapping bids from unaffiliated Qualified Bidders to create one Qualified Bid.
- 6. The Applicant, with the consent of the Monitor and the Oregon Receiver, reserve the right to reject any or all Qualified Bid(s).

6.5 Sale Approval Motion Hearing & Closing

- 1. The motion to approve any transaction with a Successful Bidder pursuant to the CCAA (the “CCAA Court Sale Approval Motion”) shall take place on the CCAA Court Sale Approval Motion Date.
- 2. The Applicant shall seek to coordinate the CCAA Court Sale Approval Motion with a similar or analogous motion before the Oregon Court in the Oregon Receivership proceedings (“Oregon Court Sale Approval Motion”) on the Oregon Court Sale Approval Motion Date.
- 3. The Applicant and the Successful Bidder shall take all reasonable steps to complete the transaction(s) as soon as possible after the Successful Bid is approved by this Court and the Oregon Court.
- 4. All bidders shall be deemed to have consented to the jurisdiction of this Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and Closing, as applicable.

6.6 Bidder Communication & Confidentiality

1. The Monitor will oversee, in all respects, the conduct of the SISP and, without limitation to that role, the Monitor and the Oregon Receiver will participate in the SISP in the manner set out in the SISP and in the SISP Approval Orders.
2. All discussions regarding any bid or Transaction contemplated pursuant to the SISP should be directed through the Monitor. For greater certainty, under no circumstances should Management or any creditor, customer, landlord, supplier or other stakeholder of the Applicant be contacted or communicated with directly without the prior consent of the Monitor; provided, however, that the CRO and the Oregon Receiver may be so contacted or communicated with.

6.7 SISP Recommendation

1. The Monitor recommends that this Court grant the proposed CCAA Court SISP Approval Order for the following reasons:
 - a) the SISP will test the market for the Business and the Property for the benefit of all stakeholders;
 - b) the duration of the SISP is sufficient to provide notice of the Opportunity to allow interested parties to perform diligence and submit Qualified Bids, considering the dire state of the Chalice Group's financial position and its inability to support a more traditional SISP process that would require continuing going concern operations for several months;
 - c) the SISP provides flexibility by inviting potential investors or purchasers to submit a Qualified Bid for all or some of the Chalice Group's Business and Property;
 - d) the SISP will be appropriately marketed and provides for the compilation of an extensive list of Known Potential Bidders who will receive a Teaser Letter and NDA;
 - e) the SISP will be carried out by the Applicant and the CRO with the oversight of the Monitor and in consultation with the Oregon Receiver, to ensure fairness and transparency; and
 - f) the Monitor has significant experience in conducting SISPs of this nature, including in the cannabis market.

7.0 Additional Relief Sought

7.1 Stay Extension

1. The Stay Period currently expires on June 2, 2023. The Applicant is requesting an extension to the Stay Period until July 28, 2023, as well as an extension of the benefit of the stay of proceedings to the Non-Filing Affiliates.

2. The Monitor supports the request for an extension to the Stay Period for the following reasons:
 - a) the Applicant is acting in good faith and with due diligence;
 - b) the Applicant will be permitted to continue to operate in the ordinary course, with the benefit of the stay of proceedings and with the oversight of the Monitor;
 - c) the Monitor does not believe that any creditor will be prejudiced if the extension is granted;
 - d) it will allow the Applicant and the CRO, with the assistance of the Monitor and the Oregon Receiver, time to conduct the SISP, which is expected to be completed prior to the end of the proposed Stay Period;
 - e) as of the date of this Report, neither the Applicant nor the Monitor is aware of any party opposed to the requested extension; and
 - f) the Cash Flow Forecast reflects that the Applicant will have sufficient liquidity to fund its business during the extended Stay Period.

7.2 Appointment of CRO

1. The CRO Engagement Letter was entered into between Chalice and Cardinal Advisory, pursuant to which Cardinal Advisory began acting as CRO of the Chalice Group through the services of Scott Secord . As noted in the First Secord Affidavit, Mr. Secord is familiar with the Chalice Group's businesses, day-to-day operations, financial affairs and financial situation. Capitalized terms not otherwise defined in this section of the Report have the meanings given to them in the CRO Engagement Letter.
2. A summary of the key terms of the CRO Engagement Letter is provided below:
 - a) **Effective Date:** May 12, 2023;
 - b) **Initial Term:** 9 months from the Effective Date;³
 - c) **Termination:** Chalice or Cardinal Advisory may terminate this engagement upon 30 days' advance written notice to the other party;
 - d) **Scope of Engagement:** among other things, reviewing the financial, liquidity and operational challenges of the Chalice Group, providing advice to the Board and management, engaging with the Monitor in connection with all matters in this CCAA proceeding and overseeing the conduct and implementation of the SISP;

³ Upon expiration of the Initial Term, the engagement automatically renews for successive three-month periods unless sooner terminated (the "Term").

- e) **Reporting:** the CRO shall report directly and receive instructions from the Board; and
 - f) **Compensation:** \$30,000 plus HST per month (the “Consulting Fees”), payable in quarterly installments in advance starting on the Effective Date. Also, a success fee of \$100,000 plus HST (the “Success Fee” and together with the Consulting Fees, the “CRO Fees”), which payment shall be triggered on the occurrence of a sale, transfer, or assumption, on a going concern basis, of all or substantially all of the Chalice Group’s operations and assets to any person, group of persons, partnership, corporation or other entity; provided, however, that a liquidation of the Chalice Group’s assets by auctioneers or other liquidators shall not be a triggering event. Chalice shall also reimburse Cardinal Advisory for all reasonable expenses and disbursements of Mr. Secord in connection with the engagement. The Monitor notes that the CRO has received a three-month retainer for his Consulting Fees.
3. The Monitor recommends that the Court approve the CRO Engagement Letter and the CRO fees and expenses contemplated therein for the following reasons:
- a) the proposed scope of services has been determined in consultation with the Monitor and the Monitor is of the view that Chalice would benefit from the stability and expertise provided by the CRO;
 - b) based on the Monitor’s experience, the proposed remuneration for the CRO is fair and reasonable in the circumstances; and
 - c) Mr. Secord has the experience to perform the mandate.

7.3 Administration Charge

- 1. The Initial Order granted a \$400,000 Administration Charge to secure the fees and expenses of the Monitor, its counsel and the Applicant’s counsel.
- 2. In connection with the engagement of the CRO and its fees and expenses, the Applicant seeks to increase the Administration Charge to \$500,000 to provide the CRO for protection of the Success Fee.
- 3. It is customary and appropriate for a CRO to receive a priority charge for its fees and expenses insofar as they are providing value to the Applicant and the restructuring process. The Monitor recommends that the Court approve the increase to the Administration Charge under the proposed ARIO.

7.4 Relief from Securities Filing Requirements and Holding an AGM

1. Chalice, as a reporting issuer, is seeking relief from, among other things, filings (including financial statements), disclosures, core or non-core documents, and press releases that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada or by the rules and regulations of a stock exchange, provided that any securities regulator or stock exchange shall not be prohibited from taking any action against the Applicant or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicant. Chalice is also any seeking relief from its obligation to call and hold its AGM.
2. Under the proposed ARIO, if issued, Chalice's executive management has advised the Monitor that it will be focused on its restructuring efforts. The work required to maintain its securities reporting and prepare for and hold an AGM would require significant expense as well as time and attention from management and would detract from these efforts. In addition, the CCAA is a public process which will provide shareholders and other stakeholders with information regarding Chalice.
3. Given the foregoing, Chalice is seeking an order relieving it of its obligation to call an AGM and forego such reporting obligations until further order of the Court. The Monitor views this request as reasonable and supports such relief.

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”



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

INITIAL ORDER

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

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

SERVICE

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

APPLICATION

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

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

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

NO PROCEEDINGS AGAINST THE NON-FILING AFFILIATES

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

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

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

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF ADMINISTRATION CHARGE

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

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

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

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

GENERAL

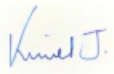
40. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of its powers and duties under this Order or in the interpretation or application of this Order.

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

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

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

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

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

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

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

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

Ontario
**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

INITIAL ORDER

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Appendix “B”

SALE AND INVESTMENT SOLICITATION PROCESS

Introduction

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

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

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

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

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

Opportunity

1. The SISP may result in one or more of a restructuring, recapitalization or other form of reorganization of the business and affairs of the Applicant as a going concern, or a sale of all, substantially all or one or more components of the Property and Business operations as a going concern or otherwise (the “**Opportunity**”).
2. Any sale of the Property or investment in the Business will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by the Applicant or any of its subsidiaries, the CRO, the Monitor, the Oregon Receiver or any

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

- 2 -

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

Key Dates

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

June 1, 2023	CCAA Court and Oregon Court approval and commencement of the SISP
--------------	---

June 1, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for Distribution of the Teaser Letter (as defined below)
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June 26, 2023 at 5:00 p.m. (prevailing Eastern Time)	Deadline for submission of Qualified Bids (as defined below)
--	--

(“Bid Deadline”)

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

(“Successful Bid Selection Deadline”)

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

(“CCAA Court Sale Approval Motion Date”)

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

July 20 2023, or such later date as may be agreed to by the Successful Bidder (as defined below) and the Applicant, with the consent of the Monitor and the Oregon Receiver (“Outside Date”)	Deadline for completion of the transaction(s) represented by the Successful Bid
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4. In the event that the SISP is approved by the CCAA Court or the Oregon Court after June 1, 2023, the key dates set out above will be revised to reflect the commencement of the

SISP being the date of the approval of the SISP by the CCAA Court or the Oregon Court, whichever is later, and the timeline shall be extended accordingly.

Solicitation of Interest

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

Qualified Bidders

6. Any party who wishes to participate in the SISP (a “**Potential Bidder**”) must deliver to the Monitor at the address specified in Appendix “A” (including by email):
 - (a) an executed NDA, which will enure to the benefit of any Successful Bidder at Closing (as defined below); and
 - (b) written confirmation of the identity of the Potential Bidder, the contact information for such Potential Bidder, and financial disclosure sufficient to allow the Applicant, with the approval of the Monitor and the Oregon Receiver, to make a reasonable determination as to the Potential Bidder’s financial and other capabilities to consummate a Transaction pursuant to a Qualified Bid.
7. A Potential Bidder that (i) has satisfied the requirements set out in paragraph 6, and (ii) the Applicant, with the consent of the Monitor and the Oregon Receiver, has determined is likely (based on the availability of financing, experience and other considerations) to be able to consummate a Transaction pursuant to a Qualified Bid offer, may be deemed to be a “**Qualified Bidder**”.

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

Due Diligence

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

Receipt of Qualified Bids

15. A Qualified Bidder that wishes to make a formal binding proposal to acquire all, substantially all, or a portion of the Property, or make an investment in, restructure, reorganize or refinance the Business/the Chalice Group, must deliver a binding bid to the Monitor at the address specified in Appendix “A” (including by email), so as to be received not later than the Bid Deadline.
16. Subject to paragraph 20, a bid so submitted will be considered a qualified Bid (a “**Qualified Bid**”) only if it complies with all of the following requirements:

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- (a) Identification of Qualified Bidder. The bid identifies the Qualified Bidder and the representatives thereof who are authorized to appear and act on their behalf for all purposes regarding the contemplated Transaction.
- (b) Written Submission of Modified APA and Commitment to Close. The bid is submitted in the form of an executed mark-up of the template asset purchase agreement (each a “**Modified APA**”) reflecting such Qualified Bidder’s proposed changes to the template asset purchase agreement (together with a blackline of the Modified APA against the template asset purchase agreement), and a written and binding commitment to close on the terms and conditions set forth therein.
- (c) Irrevocable. The bid includes a letter stating that the Qualified Bidder’s offer is irrevocable and open for acceptance until the earlier of (a) the date that the Property has been sold pursuant to the closing of the Transaction approved by the CCAA Court and the Oregon Court and (b) the Outside Date.
- (d) Contingencies. The bid is not conditional on obtaining financing or any board of directors or similar governing body or equityholder approval or on the outcome or review of due diligence.
- (e) Proof of Financial Ability to Perform. The bid contains written evidence upon which the Applicant, in consultation with the Monitor and the Oregon Receiver, may reasonably conclude that the Qualified Bidder has the necessary financial ability to close the contemplated Transaction and provide adequate assurance of future performance of all obligations to be assumed in such contemplated Transaction.
- (f) Deposit. The bid is accompanied by a cash deposit, to be held by the Monitor in a non-interest bearing account in accordance with the terms hereof in an amount equal to at least ten percent (10%) of the purchase price or investment contemplated therein.
- (g) Acknowledgments and Representations. The bid includes acknowledgements and representations of the Qualified Bidder that, in each case except as expressly stated in the definitive transaction agreement(s) signed by the Applicant, (i) it has had an opportunity to conduct any and all due diligence and it has relied solely upon its own independent review, investigation and/or inspection of any documents, the Business and/or the Property in making its bid (ii) it is not relying upon any written or oral statements, representations, promises, warranties, conditions, or guaranties whatsoever, made by any person or party, including the Applicant, the Monitor and the Oregon Receiver, and their respective employees, officers, directors, agents, advisors and other representatives, regarding the proposed transactions, this SISF, or any information provided in connection therewith; and (iii) it is making its bid on an “as is, where is” basis and without surviving representations or warranties of any kind by the Applicant, the Monitor or the Oregon Receiver or any of their respective employees, officers, directors, agents, advisors and other representatives.
- (h) Closing. The bid provides for Closing to occur no later than the Outside Date; and
- (i) Deadline. The bid is received by the Bid Deadline.

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

Evaluation of Competing Bids

19. Only Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become the Successful Bidder.
20. The Applicant, with the consent of the Monitor, and the Oregon Receiver, may waive strict compliance with any one or more of the requirements specified above and deem any such non-compliant bid to be a Qualified Bid.
21. A Qualified Bid will be valued based upon numerous factors, including, without limitation, items such as the following, as applicable: purchase price or investment amount contemplated by the Qualified Bid, the net value provided by such bid, the claims likely to be created by such bid in relation to other bids, the identity, circumstances and ability of the Qualified Bidder to successfully complete such transaction(s), the proposed transaction documents, the effects of the bid on the stakeholders of the Chalice Group, factors affecting the speed, certainty and value of the transaction (including any regulatory or legal approvals or third party contractual arrangements required to close the transactions), the assets included or excluded from the bid, any related restructuring costs, and the likelihood and timing of consummating such transactions, each as determined by the Applicant, with the consent of the Monitor and the Oregon Receiver.

Selection of Successful Bid

22. Prior to the Successful Bid Selection Deadline, the Applicant, with the consent of the Monitor and the Oregon Receiver, will: (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Applicant, with the consent of the Monitor and the Oregon Receiver, and the applicable Qualified Bidder, and may be amended, modified or varied to improve such Qualified Bid as a result of such negotiations; and (b) identify the highest or otherwise best bid (the “**Successful Bid**”, and the Qualified Bidder making such Successful Bid, the “**Successful Bidder**”) for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Applicant, with the consent of the Monitor and the Oregon Receiver, shall be subject to approval by the CCAA Court and the Oregon Court.
23. The Applicant shall have no obligation to enter into a Successful Bid, and reserves the right, with the consent of the Monitor and the Oregon Receiver, to reject any or all Qualified Bid(s).

Sale Approval Motion Hearing

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

Closing the Successful Bid

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

Confidentiality, Stakeholder/Bidder Communication and Access to Information

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

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

General

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

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39. The Applicant shall have the right to modify the SISP (including, without limitation, to extend the Bid Deadline or any other deadline) with the prior written approval of the Monitor and the Oregon Receiver if, in the Monitor's reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that, all Potential Bidders remaining in the SISP at the applicable time shall be advised of any substantive modification to the procedures set forth herein.
40. All bidders shall be deemed to have consented to the jurisdiction of the CCAA Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and Closing, as applicable.
41. For the avoidance of doubt, any approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the CCAA or the Oregon Court, or any other statute or as otherwise required at law in order to implement a Successful Bid.

* * * * *

APPENDIX "A"

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

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

FIRST REPORT OF THE MONITOR

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