

**Court No.: 31-2691184  
Estate No.: 31-2691184**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC., OF THE CITY  
OF TORONTO, IN THE PROVINCE OF ONTARIO**

**MOTION RECORD**

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**TO: THE SERVICE LIST**

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**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC., OF THE CITY**  
**OF TORONTO, IN THE PROVINCE OF ONTARIO**

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# TAB 1

**Court No.: 31-2691184**  
**Estate No.: 31-2691184**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC., OF THE CITY**  
**OF TORONTO, IN THE PROVINCE OF ONTARIO**

**NOTICE OF MOTION**

**KSV RESTRUCTURING INC.**, in its capacity as the trustee (the “**Proposal Trustee**”) in the Proposal of Nabis Holdings Inc. (“**Nabis**” or the “**Company**”), will make a motion to a Judge of the Commercial List on Monday, December 21, 2020 at 10:00 a.m., or as soon after that time as the motion can be heard, via Zoom videoconference due to the COVID-19 Pandemic.

**PROPOSED METHOD OF HEARING:** The motion is to be heard by videoconference due to the COVID-19 Pandemic, the details of which can be found at **Schedule “A”** hereto.

**THE MOTION IS FOR:**

1. an order substantially in the form attached hereto as **Schedule “B”**, *inter alia*:
  - (a) if necessary, abridging the time for service of the Notice of Motion of the Proposal Trustee and other materials relied upon for this motion, and validating service thereof;

- (b) approving the Amended Proposal<sup>1</sup> filed with the Official Receiver and unanimously accepted by the creditors of the Company at a meeting held on December 14, 2020; and
- 2. such other relief as this Honourable Court deems just.

### **THE GROUNDS FOR THE MOTION ARE:**

#### **Background**

1. The Company was formed by amalgamation under the *Canada Business Corporations Act* on October 31, 2002. It was continued into the province of British Columbia under the *Business Corporations Act* (British Columbia) effective May 29, 2019. The Company's shares are listed on the Canadian Stock Exchange under the symbol "CNSX:NAB" and the *OTCQX* under the symbol "OTC:NABIF".
2. The Company's primary focus has been raising capital in the public markets to finance its subsidiaries. The Company, through its subsidiaries, has invested over \$30 million in the cannabis sector, including licensed cannabis retail and production operations in Canada, the United States and elsewhere.
3. The Company's head office is located in Toronto, Ontario.
4. The Company's most significant asset is its indirect interest in Perpetual Healthcare Inc. ("**Perpetual**"). Perpetual is a not-for-profit entity licensed to operate the Emerald Medical Marijuana Dispensary (d/b/a Emerald Phoenix) ("**Emerald**"), a medical

<sup>1</sup> All capitalized terms not defined herein have the meanings ascribed to them in the Proposal Trustee's First Report to Court dated December 14, 2020 (the "**Trustee's Report**") or the Amended Proposal, as the case may be.

cannabis dispensary located in Phoenix, Arizona. A subsidiary of the Company, Nabis AZ, LLC, was appointed the manager of Perpetual and is entitled to a management fee based on the services it performs, including the development, administration, operation and management of Emerald, pursuant to a Management Services Agreement.

5. Due to its ongoing losses and liquidity constraints, the Company has sold its interests in its subsidiaries where possible. The equity value of the other remaining subsidiaries is expected to be nil.
6. The Company has incurred losses and generated negative cash flow from operations since inception. It has been funded primarily through financing activities.
7. The Company has generated operating losses of \$17.3 million since January 1, 2018 and net losses of \$37.3 million over the same period.
8. The Company's losses have been funded primarily through debt and equity offerings, including the Convertible Debentures and private placements.
9. Pursuant to an indenture between the Company and Odyssey Trust Company dated March 26, 2019, the Company owes approximately \$36.5 million to the Debentureholders. The Convertible Debentures bear interest at 8% per annum and have a maturity date of March 26, 2022. The Company failed to make interest payments under the Convertible Debentureholders on June 30, 2020 and was noted in default by the Debenture Trustee. A special committee formed by the Board and the Debentureholders engaged in discussions to address the defaults under the Convertible Debentures and to restructure the Company.



10. The Company also owes approximately \$112,000 to its non-Debentureholder unsecured creditors.

### **The Proposal**

11. The Company filed the Proposal with the Official Receiver on November 23, 2020 and the Amended Proposal on December 8, 2020. The Amended Proposal contemplates a restructuring of the Company's financial affairs by completing and implementing the recapitalization transactions contemplated therein so the Company can continue to operate as a going concern.
12. The Amended Proposal contemplates a restructuring of the Company's share capital principally on the basis that:
  - (a) the existing Convertible Debentures, the Debenture Indenture, and any and all other Debenture Documents would be cancelled, provided that the Debenture Indenture shall remain in effect solely to allow the Debenture Trustee to make the distributions set forth in the Proposal;
  - (b) the Existing Equity would be cancelled for no consideration; and
  - (c) New Senior Unsecured Notes and New Common Shares would be issued to each Affected Creditor (other than a Convenience Creditor), based on such Affected Creditor's Affected Creditor Pro Rata Share.
13. The Proposal Trustee believes that there is greater value to the Company's creditors in the Amended Proposal versus a bankruptcy for the following reasons:

- (a) Nabis AZ is the Company's only operating subsidiary. As a result of the recent regulatory changes in Arizona which legalized the recreational use of cannabis, Nabis AZ may have considerable value that is best realized through a continuation of the business and operations of Nabis AZ. If creditors were to vote against the Amended Proposal or if the Court does not approve the Amended Proposal, the Company would immediately be deemed to have made an assignment in bankruptcy and a Licensed Insolvency Trustee (“**Trustee**”) would be appointed;
- (b) In the event of a bankruptcy, the equity interest in Nabis AZ is likely to be monetized by the Trustee. A sale by the Trustee is likely to be on an expedited basis as directed by the inspectors appointed in the bankruptcy estate. A bankruptcy would remove control of the business from the Company’s management, whereas acceptance of the Amended Proposal will allow the Company to undertake value maximization initiatives on an orderly basis under the control of the Board of Directors to be appointed pursuant to the terms of the Proposal and the Support Agreement;
- (c) In addition to the likely forced sale of the equity interest in Nabis AZ in a bankruptcy, a bankruptcy would eliminate the value of the Tax Losses, which could otherwise be used to shelter any future income or capital gains earned by the Company (to the extent permissible), and may also be an asset which is attractive to a purchaser of the Company. Additionally, the Company would lose the ability to use the Company’s public listing to raise any further capital that the Company may require to grow or fund its business, as well as the public listing itself, which may have considerable value;

- (d) Approval of the Amended Proposal will result in new management and a new Board of Directors being appointed. These individuals will have the opportunity to consider the best options to maximize the value of the Company's business, including the Nabis AZ business. The opportunity to consider multiple realization avenues for the benefit of the Company's creditors only exists in a proposal. In a bankruptcy, those opportunities are lost and liquidation of the Nabis AZ interest is likely; and
  - (e) A liquidation of the Company in a bankruptcy is the floor for recoveries in this proceeding, and the identical value could be realized if the Company is restructured through the proposal process. However, approval of the Amended Proposal provides creditors with significant upside, including the benefit to grow and/or realize on the assets of the Company on an orderly basis over time, plus the opportunity to take advantage of the Tax Losses and the public listing.
14. A meeting to consider and vote on the Amended Proposal was held on December 14, 2020. The Amended Proposal was unanimously accepted by the 67 creditors who voted on the Amended Proposal.

#### **Other Grounds**

15. The terms of the Amended Proposal are reasonable and are calculated to benefit the general body of creditors.
16. Sections 58 and 59 of the BIA.
17. Such further and other grounds as counsel may submit.

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

1. The First Report to Court of the Proposal Trustee and the appendices thereto.
2. Such further and other material as counsel may advise and this Honourable Court permits.

Dated: December 14, 2020

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Lawyers for KSV Restructuring Inc., the  
Proposal Trustee

**TO: THE SERVICE LIST**

# TAB A

## Schedule “A”

Join Zoom Meeting

<https://us02web.zoom.us/j/3044204379?pwd=ZzJiN2lsY1IrU3Z4VHgyOTJlVGxzZz09>

Meeting ID: 304 420 4379

Passcode: 24340182

One tap mobile

+13462487799,,3044204379#,,,,,0#,,24340182# US (Houston)

+16699006833,,3044204379#,,,,,0#,,24340182# US (San Jose)

Dial by your location

+1 346 248 7799 US (Houston)

+1 669 900 6833 US (San Jose)

+1 929 436 2866 US (New York)

+1 253 215 8782 US (Tacoma)

+1 301 715 8592 US (Washington D.C)

+1 312 626 6799 US (Chicago)

Meeting ID: 304 420 4379

Passcode: 24340182

Find your local number: <https://us02web.zoom.us/u/kcsuoE8Xr>

**TAB B**

**Court No.: 31-2691184**  
**Estate No.: 31-2691184**

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE MADAM	)	MONDAY, THE 21 <sup>ST</sup>
	)	
JUSTICE CONWAY	)	DAY OF DECEMBER, 2020

**IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC., OF THE CITY  
OF TORONTO, IN THE PROVINCE OF ONTARIO**

**ORDER**

**THIS MOTION**, made by KSV Restructuring Inc., in its capacity as the trustee (the “**Proposal Trustee**”) in the Proposal of Nabis Holdings Inc. (“**Nabis**” or the “**Company**”), for an Order (*inter alia*):

- (a) abridging the time for service of the Notice of Motion of the Proposal Trustee and other materials relied upon for this motion, and validating service thereof;
- (b) approving the Amended Proposal filed with the Official Receiver on December 8, 2020, which proposal was accepted by the requisite majority of creditors of the Company at a meeting on December 14, 2020, in the form attached hereto as **Schedule “A”** (the “**Proposal**”);
- (c) declaring that the terms and conditions of the exchange of securities under the Proposal are fair to those to whom securities will be issued; and



- (d) such further and other relief as counsel may request and this Honourable Court may deem just;

was heard this day by videoconference due to the COVID-19 Pandemic.

**ON READING** the Notice of Motion and the report of the Proposal Trustee, filed, and on hearing the submissions of counsel for the Company, for the Proposal Trustee and for the Indenture Trustee and Ad Hoc Committee of Debentureholders,

### **SERVICE**

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

### **DEFINITIONS**

2. **THIS COURT ORDERS** that all capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in the Proposal.

### **APPROVAL OF THE PROPOSAL**

3. **THIS COURT ORDERS** that the Proposal be and is hereby approved.
4. **THIS COURT ORDERS** that, as of the Proposal Implementation Date at the time or times and in the manner set forth in the Proposal: (i) the Proposal and all associated steps, compromises, settlements, satisfactions, releases, discharges, transactions and arrangements effected thereby are approved, binding, and effective in accordance with the provisions of the

Proposal and the *Bankruptcy and Insolvency Act*, R.S.C. 1985. c. B-3, as amended (the “**BIA**”); and (ii) the treatment of Affected Creditor Claims under the Proposal shall be final and binding for all purposes on the Company, the Affected Creditors, and all Persons affected by the Proposal and their respective heirs, executors, administrators and other legal representatives, successors and enure to the benefit of the Company.

### **IMPLEMENTATION OF THE PROPOSAL**

5. **THIS COURT ORDERS** that the Proposal Trustee be and is hereby authorized, directed and empowered to perform its functions and to fulfill its obligations under the Proposal to facilitate the Implementation of the Proposal and to facilitate the issuance and distribution of the New Common Shares and New Senior Unsecured Notes to Affected Creditors in the manner contemplated therein.

6. **THIS COURT ORDERS** that the Company, the Proposal Trustee, the New Senior Unsecured Notes Trustee, CDS, or the Intermediaries, and any other Person required to make distributions, deliveries or allocations or take any steps or actions related thereto pursuant to the Proposal, are hereby authorized and directed to complete such distributions, deliveries or allocations and to take any such related steps or actions, as the case may be, in accordance with the terms of the Proposal, and such distributions, deliveries and allocations, and steps and actions related thereto, are hereby approved.

7. **THIS COURT ORDERS** that, effective upon the Implementation of the Proposal, the Existing Equity, the Convertible Debentures, the Debenture Indenture and any and all other

Debenture Documents be and are hereby cancelled without a return of capital or any other consideration.

8. **THIS COURT ORDERS** that the Company is authorized and directed to take all actions necessary or appropriate to enter into, adopt, execute, deliver, implement, and consummate all matters contemplated under the Proposal and all agreements, transactions, and documents contemplated by the Proposal, including, without limitation, the Debentureholder Support Agreement, which is a condition precedent to Implementation.

9. **THIS COURT ORDERS** that any issuance of any securities or other consideration pursuant to the Proposal will be free and clear of any charge, mortgage, lien, pledge, claim, restriction, hypothec, adverse interest, security interest or other encumbrance whether created or arising by agreement, statute or otherwise at law, attaching to property, interest and rights.

#### **U.S. SECURITIES ACT EXEMPTION**

10. **THIS COURT ORDERS** that: (i) the hearing in respect of this Order was open to all of the Affected Creditors and all other Persons with an interest in the Company and that such Affected Creditors and all such Persons were permitted to be heard at the hearing in respect of this Order; and (ii) prior to the hearing, all of the Affected Creditors and all such other Persons on the service list in this proceeding were given notice thereof.

11. **THIS COURT ORDERS** that the terms and conditions of the exchange of securities under the Proposal are fair to those to whom securities will be issued in that there is no basis for a finding that the terms of the Proposal are not reasonable or are not calculated to benefit the general body of creditors.

## **ADDITIONAL PROVISIONS**

12. **THIS COURT ORDERS** that, upon Implementation, Bruce Langstaff, Jennifer Law, Scott Kelly and Jared Carroll shall be appointed as directors of the Company, without any further action by the Company or by the Company's shareholders.

13. **THIS COURT ORDERS** that any alteration to the notice of articles of the Company resulting from implementation of the Proposal be and is hereby approved in accordance with Section 257(2)(b) of the Business Corporations Act (British Columbia), SBC 2002, c. 57.

14. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada and as against all Persons against whom it may otherwise be enforced.

15. **THIS COURT ORDERS** that the Proposal Trustee may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

16. **THE COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any foreign jurisdiction, to give effect to this Order and to assist the parties 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 parties and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to grant representative status to the Proposal Trustee in any foreign proceeding.

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IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF  
ONTARIO

Court File No. 31-2691184

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
**(IN BANKRUPTCY AND INSOLVENCY)**  
Proceedings Commenced at TORONTO

**O R D E R**

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**Lawyers for KSV Restructuring Inc.,  
The Proposal Trustee**

# TAB 2



**First Report to Court of  
KSV Restructuring Inc. as Proposal  
Trustee of Nabis Holdings Inc.**

**December 14, 2020**

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COURT FILE NO.: 31-2691184

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC., OF THE CITY OF TORONTO,  
IN THE PROVINCE OF ONTARIO

FIRST REPORT TO COURT OF  
KSV RESTRUCTURING INC. AS PROPOSAL TRUSTEE

DECEMBER 14, 2020

## 1.0 Introduction

1. This report ("Report") has been prepared by KSV Restructuring Inc. ("KSV") in its capacity as proposal trustee (the "Proposal Trustee") in connection with a proposal (the "Proposal") filed by Nabis Holdings Inc. (the "Company") with the Official Receiver on November 23, 2020 in accordance with Section 62(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"). The Certificate of Filing a Proposal (the "Certificate") issued by the Office of the Superintendent of Bankruptcy (Canada) ("OSB") on November 23, 2020 is provided in Appendix "A".
2. The Company filed an amended proposal on December 8, 2020 (the "Amended Proposal"). A copy of the Amended Proposal is provided in Appendix "B".
3. The principal purpose of this proceeding is to restructure the Company's financial affairs by completing and implementing the recapitalization transactions contemplated by the Amended Proposal so that the Company can continue to operate on a going concern basis.

## 1.1 Purposes of this Report

1. The purposes of this Report are to:
  - a) provide background information about the Company;
  - b) summarize the results of the meeting of creditors held on December 14, 2020 to consider and vote on the Amended Proposal (the "Meeting");

- c) provide the statutory disclosure required under Sections 58(d) and 59(1) of the BIA; and
- d) provide the Proposal Trustee's recommendation to the Court with respect to the approval of the Amended Proposal.

## 1.2 Currency

1. All currency references in this Report are to Canadian dollars.

## 1.3 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the books and records of the Company and discussions with representatives of the Company. The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own due diligence and any reliance placed by any party on the financial information presented herein shall not be considered sufficient for any purpose whatsoever. The Proposal Trustee accepts no responsibility for any reliance placed by any party based on the financial information in this Report.
3. Consumer, supply chain, governmental and other macro-economic factors related to Covid-19 may have a material affect on the Company's business and the businesses of its subsidiaries. The full impact of Covid-19 on the Company's business and operations is unknown and cannot be determined at this time.

## 2.0 Background

### 2.1 Overview

1. The Company was formed by amalgamation under the *Canada Business Corporations Act* on October 31, 2002. It was continued into the province of British Columbia under the *Business Corporations Act* (British Columbia) effective May 29, 2019. The Company's shares are listed on the *Canadian Securities Exchange* under the symbol "CNSX:NAB" and the *OTCQX* under the symbol "OTC:NABIF".
2. The Company's primary focus has been raising capital in the public markets to finance its subsidiaries, a list of which is provided in Appendix "C" (collectively, the "Subsidiaries"). The Company, through the Subsidiaries, has invested over \$30 million in the cannabis sector, including licensed cannabis retail and production operations in Canada, the United States and elsewhere.

3. The Company's head office is located in Toronto, Ontario. Pursuant to a Notice of Disclaimer of Lease dated December 11, 2020, the lease was disclaimed, effective 30 days from the date of the notice (being January 10, 2021). The Company has advised that it plans to operate remotely.
4. As of the date of this Report, the Company has three full-time employees.
5. The Company's most significant asset is its indirect interest in Perpetual Healthcare Inc. ("Perpetual"). Perpetual is a not-for-profit entity licensed to operate the Emerald Medical Marijuana Dispensary (d/b/a Emerald Phoenix) ("Emerald"), a medical cannabis dispensary located in Phoenix, Arizona. Pursuant to a Management Services Agreement dated September 2019 between Perpetual and Nabis AZ, LLC ("Nabis AZ"), a subsidiary of the Company, Nabis AZ was appointed the manager of Perpetual and is entitled to a management fee based on the services it performs, including the development, administration, operation and management of Emerald.
6. Other than Perpetual, none of the Company's other Subsidiaries are operating. The Company's only other investment that may have some nominal value is its wholly-owned subsidiary based in Port Townsend, Washington, Nabis Holdings Washington, LLC.
7. The Proposal Trustee understands the equity value of the other Subsidiaries is expected to be immaterial and possibly nil.
8. Additional information related to the Company, including its historical operating results, its interest in Perpetual and the recent resolution of certain litigation is included in the Proposal Trustee's Report to Creditors dated December 1, 2020 (the "Report to Creditors"). A copy of the Report to Creditors (without appendices) is provided in Appendix "D".

### 3.0 Creditors

1. A summary of the Company's creditors is provided below<sup>1</sup>. A list of known creditors is attached as Appendix "E".

Creditor	Amount (\$000)
Odyssey Trust Company	36,944
Greenvision, LLC	806
Zaffran Laurent	152
Greenspoon Marder LLP	57
Seach Medical Group Limited	27
Other	49
	<u>38,035</u>

<sup>1</sup> Represents amounts filed in proofs of claim, where applicable. The claims remain subject to review and determination by the Proposal Trustee.

2. On November 23, 2020 the Proposal Trustee posted on its website a:
  - a) copy of the Proposal;
  - b) proxy and voting form for beneficial holders of the Company's unsecured convertible debentures (the "Convertible Debentures") in the principal amount of approximately \$35 million (each a "Debentureholder" and collectively the "Debentureholders");
  - c) proof of claim and voting form for all non-Debentureholder creditors of the Company; and
  - d) Convenience Creditor Election Form (as defined in the Proposal).
3. On November 23, 2020, the Company issued a press release advising of the filing of the Proposal.
4. On December 1, 2020, the Proposal Trustee posted the Report to Creditors on its website.
5. On December 8, 2020, the Proposal Trustee posted a copy of the Amended Proposal on its website.

## 4.0 The Proposal<sup>2</sup>

1. The terms of the Proposal were summarized in the Report to Creditors and are not repeated herein.
2. The overall purpose of the Proposal is to restructure the Company's share capital principally on the basis that:
  - a) the existing Convertible Debentures, the Indenture, and any and all other Debenture Documents will be cancelled, provided that the Indenture shall remain in effect solely to allow the Debenture Trustee to make the distributions set forth in the Proposal;
  - b) the Existing Equity will be cancelled for no consideration; and
  - c) New Secured Notes and New Common Shares will be issued to each Affected Creditor (other than a Convenience Creditor) based on such Affected Creditor's Affected Creditor Pro Rata Share. As discussed below in Section 4.3, the Amended Proposal results in the following changes to the Proposal:
    - i. The term "New Secured Notes" in the Proposal was replaced with the term "New Senior Unsecured Notes"; and
    - ii. The "New Senior Unsecured Notes" do not provide for a security interest in the business and assets of the Company or the Guarantors.

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<sup>2</sup> Unless otherwise defined, capitalized terms used in this section of the Report have the meanings provided to them in the Proposal.

3. The following table summarizes the proposed recapitalization based on the creditor balances summarized in Section 3 of this Report.

	Claims (\$000's)	Recapitalized Amounts	
		New Senior Unsecured Notes (\$000s) <sup>3</sup>	New Common Shares (000s)
Debentureholders	36,944	22,340	3,594
Other creditors	1,091	660	106
<b>Total</b>	<b>38,035</b>	<b>23,000</b>	<b>3,700</b>

4. As reflected in the table above, Affected Creditors with Proven Claims will receive a pro-rata distribution based on the value of their claims with New Senior Unsecured Notes totaling \$23 million and 3,700,000 New Common Shares.
5. The table above excludes Convenience Creditors, representing Affected Creditors with a Convenience Creditor Claim, being:
- any Proven Claims of an Affected Creditor in an amount less than or equal to \$500; and
  - any Proven Claim of an Affected Creditor in an amount greater than \$500 if the relevant Creditor submitted a valid Convenience Creditor Election Form prior to 5:00 p.m. (Toronto time) on December 11, 2020.
6. A Convenience Creditor is deemed to have voted the full amount of its Proven Claim in favour of the approval of the Proposal without a requirement to file a proxy to vote in favour of the Proposal. The Proposal provides for payments on a pro rata basis of Convenience Creditor Claims up to a maximum aggregate amount of \$25,000. As at the date of this Report, no Convenience Creditor claims have been filed.

#### 4.1 Support Agreement<sup>4</sup>

- Pursuant to a support agreement dated November 17, 2020 between the Company and certain of the Debentureholders (the "Support Agreement"), the Consenting Debentureholders, being the Convertible Debentureholders that executed and remain subject to the Support Agreement, agreed to vote all of their Relevant Debt in favour of the approval, consent, ratification and adoption of the Proposal, subject to the terms of the Support Agreement. A redacted copy of the Support Agreement was attached as Appendix "K" of the Report to Creditors.

<sup>3</sup> Before payment of the Superintendent's Levy.

<sup>4</sup> Defined terms in this section of the Report have the meanings provided to them in the Support Agreement.

2. The Support Agreement is subject to several milestones which may be waived by the Company and the Majority Initial Consenting Debentureholders, including the following:
  - i. filing the Proposal by no later than November 24, 2020;<sup>5</sup>
  - ii. obtaining approval of the Proposal by creditors entitled to vote on the Proposal by no later than December 15, 2020;
  - iii. the Proposal shall have been approved by the Court by no later than December 23, 2020, subject to the availability of the Court; and
  - iv. subject to completion of (iii) above, the Proposal shall have been implemented on or prior to the Outside Date, being December 31, 2020.

## 4.2 Statutory Disclosure

1. On December 1, 2020, the Proposal Trustee provided a Notice of Proposal to Creditors ("Notice") by regular mail to the Company, the OSB and to every known creditor affected by the Proposal. The Proposal Trustee also posted the Notice (with all attachments) on its website.
2. In order to attend the Meeting and/or vote on the Amended Proposal, a Debentureholder was required to submit a proxy and voting form, and creditors (other than a Debentureholder) were required to submit a proof of claim to the Proposal Trustee. An individual Debentureholder was not required to submit a proof of claim as an omnibus proof of claim was submitted by the Debenture Trustee on behalf of all Debentureholders.

## 4.3 Amended Proposal

1. As discussed above, the Proposal was amended on December 8, 2020 following discussions between the Company and the Consenting Debentureholders. The Proposal Trustee understands that the amendments were considered necessary given the costs and time required to register security against the Company and its Subsidiaries. As many of the Subsidiaries have little or nil value, the Consenting Debentureholders will control the Company's Board of Directors following implementation of the Proposal, and the Company's existing claims will be compromised, the Consenting Debentureholders have advised that they are of the view that having security at this time adds no incremental value.
2. On December 8, 2020, the Amended Proposal was filed with the Official Receiver and posted on the Proposal Trustee's website. A notice ("Notice of Amended Proposal") was also sent on December 8, 2020 by email to certain of the Company's known non-Debentureholder creditors and on December 9, 2020 through a bulletin issued by The Canadian Depository for Securities Ltd. to the Participant Holders on behalf of the Debentureholders.

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<sup>5</sup> The Proposal was filed on November 23, 2020.

3. The Proposal Trustee is advised that the Company issued a press release on December 10, 2020 advising of the filing of the Amended Proposal.
4. A copy of the Notice of Amendment is provided in Appendix "F".

#### 4.4 The Meeting

1. The Meeting was convened virtually on December 14, 2020 and was chaired by the Proposal Trustee.
2. 67 creditors voted on the Amended Proposal. The Amended Proposal was unanimously accepted by the creditors who voted. A copy of the voting register is attached as Appendix "G".
3. A copy of the minutes of the Meeting is attached as Appendix "H".

#### 5.0 Conclusion and Recommendation

1. In the Report to Creditors, the Proposal Trustee advised of its view that the Proposal provides creditors with a better outcome than a bankruptcy and therefore recommended that the creditors vote in favour of the Proposal. The Proposal Trustee's rationale and recommendation in the Report to Creditors continue to apply in respect of the Amended Proposal.
2. The Proposal Trustee recommends that the Court issue an order approving the Amended Proposal for the following reasons:
  - a) it was unanimously accepted by creditors at the Meeting; and
  - b) acceptance and implementation of the Amended Proposal is likely to result in a superior result for creditors than a bankruptcy of the Company, as detailed in the Report to Creditors.
3. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court make an order granting the relief requested in the Notice of Motion of the Proposal Trustee.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF  
NABIS HOLDINGS INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## Appendix “A”





Industry Canada  
Office of the Superintendent  
of Bankruptcy Canada

Industrie Canada  
Bureau du surintendant  
des faillites Canada

District of            Ontario  
Division No.        09 - Toronto  
Court No.            31-2691184  
Estate No.          31-2691184

In the Matter of the Proposal of:

**Nabis Holdings Inc.**  
Debtor

**KSV RESTRUCTURING INC.**  
Licensed Insolvency Trustee

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Date of Proposal:	November 23, 2020	Security:	\$
Meeting of Creditors:	December 14, 2020, 10:00 Meeting to be held by teleconference <a href="https://us02web.zoom.us/j/82452022771?pw">https://us02web.zoom.us/j/82452022771?pw</a> Passcode: 028122, Ontario Canada,		
Chair:	Trustee		

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CERTIFICATE OF FILING OF A PROPOSAL - Section 62

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that:

- a proposal in respect of the aforementioned debtor was filed under section 62 of the *Bankruptcy and Insolvency Act*.

The aforementioned trustee is required:

- to provide to me, without delay, security in the aforementioned amount; and
- to send to all creditors, at least ten days prior to the meeting, a notice of a meeting of creditors, which will be held at the aforementioned time and place.

Date: November 23, 2020, 16:18

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

## **Appendix “B”**

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

**IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC.  
PURSUANT TO THE *BANKRUPTCY AND INSOLVENCY ACT***

**AMENDED PROPOSAL**

**WHEREAS**, upon delivery hereof, Nabis Holdings Inc. ("**Nabis**" or the "**Company**") has initiated proceedings under the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, B-3 as amended (the "**BIA**"), pursuant to Section 50(1) thereof;

**NOW THEREFORE** the Company hereby submits the following amended proposal under the BIA to its creditors (the "**Proposal**").

**ARTICLE I  
DEFINITIONS**

**1.01 Definitions**

In this Proposal:

"**Administrative Fees and Expenses**" means the fees, expenses and disbursements incurred by or on behalf of the Proposal Trustee, the solicitors for the Proposal Trustee, the solicitors of the Company and the solicitors to the special committee of the board of the Company both before and after the filing by the Company of the Proposal, relating to this Proposal;

"**Affected Creditor Claim**" means a Proven Claim, other than an Unaffected Claim;

"**Affected Creditor Pro Rata Share**" means, in respect of an Affected Creditor, (i) the face value of the Affected Creditor Claim held by that Affected Creditor as at the Record Date, divided by (ii) the aggregate principal amount of all Affected Creditor Claims as at the Record Date;

"**Affected Creditors**" means all Persons having Affected Creditor Claims, but only with respect to and to the extent of such Affected Creditor Claims;

"**Affected Creditors Class**" means the class consisting of the Affected Creditors established under and for the purposes of this Proposal, including voting in respect thereof;

"**Approval Order**" means an order of the Court approving this Proposal;

"**BIA**" has the meaning ascribed to it in the recitals;

"**BIA Proceeding**" means the proceeding commenced by the Company under the BIA;

- 2 -

**"Business Day"** means a day, other than a Saturday or Sunday, on which banks are generally open for business in Toronto, Ontario;

**"CDS"** means CDS Clearing and Depository Services Inc. and its successors and assigns;

**"Claim"** means any right or claim of any Person against the Company in connection with any indebtedness, liability, or obligation of any kind whatsoever in existence on the Filing Date (or which has arisen after the Filing Date as a result of the termination or repudiation by the Company on or after the Filing Date of any lease or executory contract), and any interest accrued thereon to and including the Filing Date and costs payable in respect thereof, including by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not such indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any right or ability of any Person to advance a claim for contribution or indemnity or otherwise against the Company with respect to any matter, cause or chose in action, but subject to any counterclaim, set-off or right of compensation in favour of the Company which may exist, whether existing at present or commenced in the future, which indebtedness, liability or obligation (A) is based in whole or in part on facts that existed prior to the Filing Date, (B) relates to a period of time prior to the Filing Date, or (C) is a right or claim of any kind that would be a claim provable in bankruptcy within the meaning of the BIA;

**"Common Shares"** means common shares in the capital of Nabis;

**"Company"** has the meaning ascribed to it in the recitals;

**"Conditions Precedent"** shall have the meaning given to such term in section 6.02 hereof;

**"Consenting Debentureholder"** means the Debentureholders party to the Debentureholder Support Agreement at the applicable time;

**"Consenting Debentureholder Advisor"** means Bennett Jones LLP, in its capacity as legal counsel to the Consenting Debentureholders;

**"Convenience Creditor"** means an Affected Creditor with a Convenience Creditor Claim, provided that a Debentureholder may not be a Convenience Creditor;

**"Convenience Creditor Claim"** means (a) any Proven Claims of an Affected Creditor in an amount less than or equal to \$500.00, and (b) any Proven Claim of an Affected Creditor in an amount greater than \$500.00 if the relevant Creditor has made a valid election for the purposes of this Proposal in accordance with this Proposal prior to the Convenience Creditor Election Deadline;

**"Convenience Creditor Consideration"** has the meaning ascribed to it in section 3.04 hereof;

**"Convenience Creditor Election Deadline"** means 5:00 p.m. (Toronto time) on December 11, 2020;

**"Convenience Creditor Election Form"** means the form, substantially in the form attached hereto as Schedule "B", pursuant to which an Affected Creditor that is not a Convenience Creditor may elect to be treated as a Convenience Creditor, in accordance with Section 3.04 herein;

**"Convertible Debentures"** means the 8.00% convertible debentures due 2022 issued by Nabis pursuant to the Debenture Indenture;

**"Court"** means the Ontario Superior Court of Justice (Commercial List);

**"Court Approval Date"** means the date upon which the Court makes the Approval Order;

**"Creditors' Meeting"** means the meeting of the Affected Creditors called for the purpose of considering and voting upon the Proposal;

**"Creditors' Meeting Date"** means such date and time for the Creditors' Meeting as may be called by the Proposal Trustee, but in any event shall be no later than twenty-one (21) days following the filing of this Proposal with the Official Receiver;

**"Debentureholder"** means a holder of the Convertible Debentures as of the Record Date;

**"Debentureholder Claim"** means all outstanding liabilities, duties and obligations, including without limitation principal and interest, any make whole payment, any prepayment, redemption or similar premiums, reimbursement obligations, fees, penalties, damages, guarantees, indemnities, costs, expenses or otherwise, and any other liabilities, duties or obligations, whether direct or indirect, absolute or contingent, known or unknown, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, the Debenture Documents, owing by any Person (whether as issuer, guarantor or otherwise) as at the Plan Implementation Date;

**"Debenture Documents"** means (i) the Debenture Indenture, (ii) the Convertible Debentures, and (iii) all documentation relating to the foregoing.

**"Debenture Indenture"** means indenture dated as of March 26, 2019 among Nabis, as issuer, and the Debenture Trustee, pursuant to which the Convertible Debentures are governed, as amended, modified or supplemented from time to time;

**"Debenture Trustee"** means Odyssey Trust Company, in its capacity as trustee in respect of the Convertible Debentures;

**"Debentureholder Support Agreement"** means the support agreement (including all schedules thereto) among Nabis and the Debentureholders party thereto dated as of November 23, 2020, as it may be amended, modified and/or supplemented from time to time;

- 4 -

**"Disputed Claim"** means any Affected Creditor Claim which has not been finally resolved as a Proven Claim in accordance with the BIA as at the Proposal Implementation Date;

**"Distributions"** means the distributions to Affected Creditors contemplated by Section 2.02;

**"Effective Time"** means 12:00 p.m. (Toronto time) on the Proposal Implementation Date;

**"Equity Claim"** has the meaning ascribed to it in Section 2 of the BIA;

**"Existing Equity"** means the Common Shares, preferred shares, warrants (including the Warrants), stock options and any other similar equity-type securities in the capital of the Company;

**"Existing Equityholders"** means the holders of the Existing Equity immediately prior to the Effective Time;

**"Filing Date"** means November 23, 2020, being the date upon which this Proposal was filed by the Company with the Official Receiver;

**"Governmental Authority"** means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

**"Guarantors"** means, collectively, Nabis (CAN) Holdings Corp., Nabis Technologies Corp., and all other present and future direct and indirect subsidiaries of Nabis;

**"Implementation"** means the completion and implementation of the transactions contemplated by this Proposal;

**"Implementation Certificate"** has the meaning ascribed to it in Section 6.02(k);

**"Intermediary"** means a broker, custodian, investment dealer, nominee, bank, trust company or other intermediary;

**"Nabis"** has the meaning ascribed thereto in the recitals;

**"New Common Shares"** means 3,700,000 of newly-issued Common Shares issued on the Proposal Implementation Date pursuant to this Proposal, which will represent 100% of the aggregate Common Shares issued and outstanding immediately following the implementation of this Proposal;

**"New Directors"** means such individuals to be appointed to the board of directors of Nabis on the Proposal Implementation Date as determined by the Consenting Debentureholders;

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**"New Senior Unsecured Notes"** means new senior unsecured notes in aggregate amount of \$23,000,000 due 2022 to be issued by Nabis on the Proposal Implementation Date substantially on the terms set out in Schedule A hereto, including (i) a maturity date of two years from the date of issuance, (ii) quarterly interest payments on February 15, May 15, August 15 and November 15 at an annual interest rate of 5.3%, and (iii) such other terms and conditions as agreed to by Nabis and the Consenting Debentureholders, each acting reasonably;

**"New Senior Unsecured Notes Indenture"** means the indenture to be entered into among Nabis, as issuer, and the New Senior Unsecured Notes Trustee, substantially on the terms set out in Schedule A hereto (or such other terms and conditions as agreed to by Nabis and the Consenting Debentureholders, each acting reasonably), pursuant to which the New Senior Unsecured Notes will be governed;

**"New Senior Unsecured Notes Trustee"** means Odyssey Trust Company, or such indenture trustee as may be appointed in respect of the New Senior Unsecured Notes with the consent of the Consenting Debentureholders;

**"Official Receiver"** shall have the meaning ascribed thereto in the BIA;

**"Other Debentureholder Advisors"** means, collectively, Groia & Company LLP, Dickinson Wright LLP, Conant Law Firm, PLC, Langstaff & Company Ltd., Torkin Manes LLP and such other advisors as were engaged by Caravel Capital Investments Inc. in connection with the Debentures;

**"Participant Holder"** has the meaning ascribed to it in Section 3.04 herein;

**"Person"** means any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, Governmental Authority and a natural person in such person's capacity as trustee, executor, administrator or other legal representative;

**"Preferred Claim"** means a Claim enumerated in Section 136(1) of the BIA;

**"Preferred Creditor"** means the Person holding a Preferred Claim, with respect to and to the extent of such Preferred Claim;

**"Proposal"** means this Proposal of the Company, and any amendments, modifications and/or supplements hereto made in accordance with the terms hereof;

**"Proposal Implementation Date"** means the date on which Implementation occurs;

**"Proposal Resolution"** means the resolution to be considered at the Creditors' Meeting authorizing, adopting and approving, with or without variation, the Proposal;

**"Proposal Trustee"** means KSV Restructuring Inc. in its capacity as trustee in respect of this Proposal, or its duly appointed successor;

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**"Proposal Trustee's Website"** means the following website: [www.ksvadvisory.com/insolvency-cases/case/nabis-holdings](http://www.ksvadvisory.com/insolvency-cases/case/nabis-holdings);

**"Proven Claim"** means in respect of a creditor, the amount of a Claim as finally determined in accordance with the provisions of the BIA;

**"Record Date"** means 5:00 p.m. on the date that is five (5) Business Days prior to the Proposal Implementation Date;

**"Released Claims"** means, collectively, the matters that are subject to release and discharge pursuant to Section 5.01;

**"Released Parties"** means, collectively, (i) the Company, (ii) each affiliate or subsidiary of the Company; (iii) the Consenting Debentureholders, (iv) the Proposal Trustee, and (v) each of the foregoing Persons' respective former and current officers, directors, principals, members, affiliates, limited partners, general partners, managed accounts or funds, fund advisors, employees, financial and other advisors, legal counsel, including legal counsel to the special committee of the Company's board and agents, each in their capacity as such;

**"Required Majority"** means an affirmative vote of a majority in number and two-thirds in value of all Proven Claims in the Affected Creditors Class entitled to vote, who are present and voting at the Creditors' Meeting (whether online, in-person, by proxy or by voting letter) in accordance with the voting procedures established by this Proposal and the BIA;

**"Superintendent's Levy"** means the levy payable to the Superintendent of Bankruptcy pursuant to sections 60(4) and 147 of the BIA;

**"Unaffected Claim"** means:

- (a) the Administrative Fees and Expenses; and
- (b) such other Claims as the Company and Consenting Debentureholders may agree with the consent of the Proposal Trustee;

**"Unaffected Creditor"** means a creditor holding an Unaffected Claim, with respect to and to the extent of such Unaffected Claim;

**"Undeliverable Distributions"** means distributions to Proven Creditors that are returned as undeliverable;

**"Warrants"** means warrants to acquire common shares of the Company issued pursuant to a warrant indenture dated March 26, 2019.

## **1.02 Date for Any Action**

In the event that any date on which any action is required to be taken under this Proposal by any of the parties is not a Business Day, such action will be required to be taken on the next succeeding day which is a Business Day.



### **1.03 Time**

All times expressed in this Proposal are local time in Toronto, Ontario, Canada unless otherwise stipulated. Time is of the essence in this Proposal.

### **1.04 Statutory References**

Except as otherwise provided herein, any reference in this Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

### **1.05 Successors and Assigns**

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors, and assigns of any Person named or referred to in the Proposal.

### **1.06 Currency**

Unless otherwise stated herein, all references to currency and to "\$" in the Proposal are to lawful money of Canada.

### **1.07 Articles of Reference**

The terms "hereof", "hereunder", "herein" and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

### **1.08 Interpretation Not Affected by Headings**

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of a table of contents and headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

### **1.09 Numbers**

In this Proposal, where the context requires, a word importing the singular number will include the plural and *vice versa* and a word or words importing gender will include all genders.

**ARTICLE II**  
**CLASSIFICATION AND TREATMENT OF AFFECTED PARTIES**

**2.01 Classes of Creditors**

For the purposes of voting on the Proposal, there will only be one class of creditors, being the Affected Creditors Class. For the purposes of voting on the Proposal, each Convenience Creditor shall be deemed to be in and shall be deemed to vote in and as part of, the Affected Creditors Class.

**2.02 Treatment of Affected Creditors**

- (a) On the Proposal Implementation Date, and in accordance with the times, steps and in the sequence set forth in Section 4.03, each Affected Creditor shall receive either:  
(i) its Affected Creditor Pro Rata Share of the New Senior Unsecured Notes and the New Common Shares or (ii) its Convenience Creditor Consideration, as applicable.
- (b) On the Proposal Implementation Date, each Affected Creditor Claim shall, and shall be deemed to have been irrevocably and finally extinguished, discharged and released, and each Affected Creditor shall have no further right, title or interest in or to its Affected Creditor Claim. For greater certainty, the Convertible Debentures shall be cancelled and terminated pursuant to this Proposal.

**2.03 Existing Equityholders and Holders of Equity Claims**

Existing Equityholders and holders of Equity Claims shall not be entitled to vote in respect of their Existing Equity and/or Equity Claims at the Creditors Meeting and shall not receive any distribution under this Proposal on account of their Existing Equity or Equity Claims. All Existing Equity and Equity Claims shall be fully, finally and irrevocably and forever compromised, released, discharged, cancelled, extinguished and barred for no consideration on the Proposal Implementation Date in accordance with Section 4.03(b)(iii) and (iv).

**2.04 Superintendent's Levy**

All New Senior Unsecured Notes and New Common Shares to be distributed under this Proposal shall be delivered by the Company to the Proposal Trustee for distribution by the Proposal Trustee in accordance with this Proposal and, notwithstanding any other provisions hereunder, any distributions made pursuant to the terms hereof shall be made net of the Superintendent's Levy required to be made pursuant to the BIA, such Superintendent's Levy to be paid in New Senior Unsecured Notes and New Common Shares.

**2.05 Delivery of New Common Shares**

After the Proposal Implementation Date, each Affected Creditor shall be entitled to receive direct registration statement advices evidencing the New Common Shares, or certificated New Common Shares which have been issued to such Affected Creditor, in the amounts provided for in Section 2.02.

**2.06 Application of Proposal Distributions**

All amounts paid or payable hereunder on account of the Affected Creditor Claims (including, for greater certainty, any securities received hereunder) shall be applied as follows: (i) first, in respect of the principal amount of the Affected Creditor Claim, and (ii) second, in respect of the accrued but unpaid interest on the Affected Creditor Claim.

**2.07 No Liability in respect of Deliveries**

- (a) None of the Company, nor its directors or officers, shall have any liability or obligation in respect of any deliveries, directly or indirectly, from, as applicable, (i) the Proposal Trustee, (ii) the New Senior Unsecured Notes Trustee, (iii) CDS, or (iv) the Intermediaries, in each case to the ultimate beneficial recipients of any consideration payable or deliverable by the Company pursuant to this Proposal.
- (b) The Proposal Trustee shall not incur, and is hereby released from, any liability as a result of carrying out any provisions of this Proposal and any actions related or incidental thereto, save and except for any gross negligence or willful misconduct on its part (as determined by a final, non-appealable judgment of the Court).
- (c) On the Proposal Implementation Date, after the completion of the transactions set forth in Section 4.03, all duties and responsibilities of the Debenture Trustee arising under or related to the Convertible Debentures shall be discharged except to the extent required in order to effectuate distributions under this Proposal.

**2.08 Full Satisfaction of All Affected Creditor Claims**

All Affected Creditors shall accept the consideration set out in Section 2.02 hereof in full and complete satisfaction of their Affected Creditor Claims, and all liens, certificates of pending litigation, executions, or other similar charges or actions or proceedings in respect of such Affected Creditor Claims will have no effect in law or in equity against the property, assets and undertaking of the Company. Upon the implementation of the Proposal, any and all such registered liens, certificates of pending litigation, executions or other similar charges or actions brought, made or claimed by Affected Creditors will be and will be deemed to have been discharged, dismissed or vacated without cost to the Company and the Company will be released from any and all Affected Creditor Claims of Affected Creditors, subject only to the right of Affected Creditors to receive Distributions as and when made pursuant to this Proposal.

**2.09 Undeliverable Distributions**

Undeliverable Distributions shall be dealt with and treated in the manner provided for the in the BIA and the directives promulgated pursuant thereto.

### **ARTICLE III**

#### **MEETING OF AFFECTED CREDITORS**

##### **3.01 Meeting of Affected Creditors**

On the Creditors' Meeting Date, the Company shall hold the Creditors' Meeting in order for the Affected Creditors to consider and vote upon the Proposal Resolution.

##### **3.02 Time and Means of Creditors' Meeting**

The Creditors' Meeting shall take place at 10 a.m. (Toronto time) on December 14, 2020. Due to COVID-19, the Creditors' Meeting shall be held online at the following website: <https://us02web.zoom.us/j/82452022771?pwd=UUFPaUFqV1o1a0sxc0thWVl4SVNtZz09>.

##### **3.03 Quorum and Conduct of Creditors' Meeting**

A quorum shall be constituted for the Creditors' Meeting or any adjournment thereof if there is one Affected Creditor, entitled to vote, present in person (virtually) or by proxy, or if one Affected Creditor, entitled to vote, has submitted a voting letter in accordance with the provisions of the BIA and this Proposal. If the requisite quorum is not present at the Creditors' Meeting or if the Creditors' Meeting has to be postponed for any reason, then the Creditors' Meeting shall be adjourned by the Proposal Trustee to such date, time and place or online meeting platform as determined by the Proposal Trustee. For greater certainty, the Creditors' Meeting may be adjourned one or more times.

##### **3.04 Voting at the Meeting**

In order to vote on the Proposal, each beneficial Debentureholder will be required to submit a completed proxy and voting letter which must be received by the Proposal Trustee by no later than 5:00 p.m. (Toronto time) on the day that is one Business Day prior to the Creditors' Meeting.

Holders or custodians ("**Participant Holders**") of Convertible Debentures on behalf of beneficial Debentureholders will be provided with Proposal materials for distribution to their corresponding beneficial Debentureholders. The Proposal Trustee will require that Participant Holders complete and sign the applicable part of the voting and proxy letter for Debentureholders and to transmit it along with the other Proposal materials to each applicable beneficial Debentureholder. The beneficial Debentureholder will be responsible to complete the balance of the proxy and voting letter and submit it directly to the Proposal Trustee. Each beneficial Debentureholder will be entitled to a single vote at the Creditors' Meeting in the full amount of its Debentureholder Claim.

Each Affected Creditor other than a Debentureholder in respect of its Debentureholder Claim will be required to submit a proof of claim to the Proposal Trustee. Each Affected Creditor other than a Debentureholder in respect of its Debentureholder Claim shall be entitled to a single vote valued in the full amount of its Proven Claim. In order to vote at the Creditors' Meeting, the proof of claim must be submitted to the Proposal Trustee no later than 5:00 p.m. (Toronto time) on the day that is one (1) Business Day prior to the commencement of the Creditors' Meeting.

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The only Persons entitled to attend and speak at the Creditors' Meeting are representatives of the Company and the Consenting Debentureholders and their respective legal counsel and advisors, the Proposal Trustee and its legal counsel and advisors, and all other Persons entitled to vote at the Creditors' Meeting and their respective legal counsel and advisors. Any other Person may be admitted to the Creditors' Meeting on invitation of the Proposal Trustee.

The provisions of section 135 of the BIA will apply to all Proofs of Claim submitted by Affected Creditors, including in respect of Disputed Claims. In the event that a duly submitted Proof of Claim has been disallowed by the Proposal Trustee, and such disallowance has been disputed by the applicable Affected Creditor in accordance with Section 135(4) of the BIA, then the dollar value for voting purposes at the Creditors' Meeting shall be the dollar amount of such disputed claim set out in the Proof of Claim submitted by such Affected Creditor, without prejudice to the determination of the dollar value of such Affected Creditor's disputed claim for distribution purposes.

Notwithstanding the foregoing, each Convenience Creditor with a Proven Claim of \$500.00 or less is irrevocably deemed to have voted the full amount of its Proven Claims in favour of the approval of the Proposal without requirement for such Convenience Creditor to file a proxy to vote in favour of the Proposal, in consideration for the Proposal providing for the full payment of their Proven Claim. An Affected Creditor with a Proven Claim in excess of \$500.00 that wishes to be treated as a Convenience Creditor under the Proposal must deliver a duly completed and executed Convenience Creditor Election Form to the Proposal Trustee by no later than the Convenience Creditor Election Deadline, and upon doing so such Affected Creditor: (i) is irrevocably deemed to have voted the full amount of its Proven Claim in favour of the Proposal as a member of the Affected Creditors Class; and (ii) shall be treated as a Convenience Creditor for all purposes and shall receive the lesser of (x) \$500.00, and (y) the amount of its Proven Claim, up to a maximum aggregate amount of \$25,000.00 (either (x) or (y), being the applicable “**Convenience Creditor Consideration**”).

### **3.05 Approval by Affected Creditors**

In order to be approved, this Proposal must receive the affirmative votes of the Required Majority.

### **3.06 Modification to Proposal**

Subject to the consent of the Proposal Trustee and the terms of the Debentureholder Support Agreement, the Company reserves the right at any time prior to the Creditors' Meeting to file any modification of, amendment or supplement to the Proposal by way of supplementary proposal. Any such amended or supplementary proposal shall forthwith be posted on the Proposal Trustee's Website and filed with the Official Receiver as soon as practicable, in which case any such amended or supplementary proposal or proposals shall, for all purposes, be and be deemed to be a part of and incorporated in to this Proposal. At the Creditors' Meeting, the Company and/or the Proposal Trustee shall provide all Affected Creditors in attendance with details of any modifications or amendments prior to the vote being taken to approve the Proposal. Subject to the provisions of the BIA, after the Creditors' Meeting (and both prior to and subsequent to the Approval Order) and subject to the consent of the Proposal Trustee and the terms of the

Debentureholder Support Agreement, the Company may at any time and from time to time vary, amend, modify or supplement the Proposal.

## **ARTICLE IV**

### **IMPLEMENTATION**

#### **4.01 Corporate Authorizations**

The adoption, execution, delivery, implementation and consummation of all matters contemplated under this Proposal involving corporate action of the Company will occur and be effective as of the Proposal Implementation Date (or such other date as may be expressly set forth in this Proposal or as the Company and the Consenting Debentureholders may agree, each acting reasonably), and will be authorized and approved under this Proposal and by the Court, where appropriate, as part of the Approval Order, in all respects and for all purposes without any requirement of further action by shareholders, directors or officers of the Company. All necessary approvals to take actions shall be deemed to have been obtained from the directors or the shareholders of the Company, as applicable.

#### **4.02 Fractional Interests**

- (a) No fractional New Common Shares shall be issued under this Proposal, and fractional share interests shall not entitle the owner thereof to any rights of a holder of New Common Shares. Any legal, equitable, contractual or any other rights or claims (whether actual or contingent, and whether or not previously asserted) of any Person with respect to fractional New Common Shares pursuant to this Proposal shall be rounded down to the nearest whole number of Common Shares without compensation therefor.
- (b) The New Senior Unsecured Notes issued pursuant to this Proposal shall each be issued in minimum increments of \$1.00, and the amount of New Senior Unsecured Notes that each Affected Creditor shall be entitled to under this Proposal shall in each case be rounded down to the nearest multiple of \$1.00 without compensation therefor.

#### **4.03 Proposal Implementation Date Transactions**

Commencing at the Effective Time, the following events or transactions will occur, or be deemed to have occurred and be taken and effected, in the following order in five minute increments (unless otherwise indicated) and at the times and in the order set out in this Section 4.03 (or in such other manner or order or at such other time or times as the Company and the Consenting Debentureholders may agree, each acting reasonably), without any further act or formality required on the part of any Person, except as may be expressly provided herein:

- (a) The following shall occur concurrently:
  - (i) Nabis and the New Senior Unsecured Notes Trustee shall enter into the New Senior Unsecured Notes Indenture together with all related documentation

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(including applicable security documentation) as agreed by the Company and the Consenting Debentureholders, each acting reasonably;

- (ii) in full and final settlement of all Affected Creditor Claims:
  - (A) Nabis shall issue and pay to each Affected Creditor (other than Convenience Creditors) such Affected Creditor's Affected Creditor Pro Rata Share of the New Common Shares;
  - (B) Nabis shall issue and pay to each Affected Creditor (other than Convenience Creditors) such Affected Creditor's Affected Creditor Pro Rata Share of the New Senior Unsecured Notes;
  - (C) Nabis shall pay by cheque to each Convenience Creditor such Convenience Creditor's applicable entitlement in respect of its Proven Claim in accordance with Section 3.04;
- (b) Concurrently with the transactions contemplated by Section 4.03(a):
  - (i) all Affected Creditor Claims (including without limitation all Debentureholder Claims and Convenience Creditor Claims) shall, and shall be deemed to be, irrevocably and finally extinguished and the Affected Creditors shall have no further right, title or interest in and to their respective Affected Creditor Claims;
  - (ii) the Convertible Debentures, the Debenture Indenture, and any and all other Debenture Documents shall be cancelled, provided that the Debenture Indenture shall remain in effect solely to allow the Debenture Trustee to make the distributions set forth in this Proposal;
  - (iii) all Existing Equity shall be cancelled for no consideration; and
  - (iv) all Equity Claims shall, and shall be deemed to be, irrevocably and finally extinguished and all Existing Equityholders shall have no further right, title or interest in and to their respective Equity Claims.

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- (c) The releases referred to in Section 5.01 shall become effective.
- (d) Each of the directors of the Company immediately before the Effective Time shall be deemed to have resigned and the New Directors shall be deemed to have been appointed.

## **ARTICLE V** **RELEASES**

### **5.01 Release of Released Parties**

At the applicable time pursuant to Section 4.03, each of the Released Parties shall be released and discharged from all present and future actions, causes of action, damages, judgments, executions, obligations, liabilities and Claims of any kind or nature whatsoever arising on or prior to the Proposal Implementation Date, including without limitation in connection with the Convertible Debentures, the Debenture Indenture, the Debenture Documents, this Proposal and any proceedings commenced with respect to or in connection with this Proposal, the transactions contemplated hereunder, and any other actions or matters related directly or indirectly to the foregoing, provided that nothing in this paragraph shall release or discharge (i) any of the Released Parties from or in respect of their respective obligations under this Proposal, the New Senior Unsecured Notes or any order or document ancillary to any of the foregoing, or (ii) any Released Party from liabilities or claims which cannot be released pursuant to s. 50(14) of the BIA, as determined by the final, non-appealable judgment of the Court. The foregoing release shall not be construed to prohibit a party in interest from seeking to enforce the terms of this Proposal or any contract or agreement entered into pursuant to, in connection with or contemplated by this Proposal.

### **5.02 Injunctions**

All Persons are permanently and forever barred, estopped, stayed and enjoined, on and after the Proposal Implementation Date, with respect to any and all Released Claims, from (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever of any Person against the Released Parties, as applicable; (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, guarantee, decree or order against the Released Parties; (iii) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind against the Released Parties or their property; or (iv) taking any actions to interfere with the implementation or consummation of this Proposal or the transactions contemplated hereunder; provided, however, that the foregoing shall not apply to the enforcement of any obligations under this Proposal or any document, instrument or agreement executed to implement this Proposal.



**ARTICLE VI**  
**CONDITIONS PRECEDENT**

**6.01 Confirmation of Proposal**

Provided that the Proposal is approved by the Required Majority, the Proposal Trustee shall apply for the Approval Order no later than five (5) days following the Creditors' Meeting.

**6.02 Conditions Precedent**

This Proposal will take effect on the Proposal Implementation Date. The Implementation of this Proposal on the Proposal Implementation Date is subject to the satisfaction of the following conditions precedent (collectively, the “**Conditions Precedent**”):

- (a) the Proposal is approved by the Required Majority;
- (b) the Approval Order, in form and substance satisfactory to the Consenting Debentureholders, has been issued, has not been stayed and no appeal therefrom is outstanding;
- (c) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Authority, no application shall have been made to any Governmental Authority, and no action or investigation shall have been announced, threatened or commenced by any Governmental Authority, in consequence or in connection with the Proposal that restrains, impedes or prohibits (or if granted could reasonably be expected to restrain, impede or inhibit), the Proposal or any part thereof or requires or purports to require a variation of the Proposal;
- (d) the Proposal Implementation Date shall occur on or before December 31, 2020 or such later date as may be agreed to by the Consenting Debentureholders;
- (e) payment in full of all reasonable documented fees and expenses of the Debenture Trustee;
- (f) any required resolutions authorizing Nabis to file this Proposal will have been approved by the board of directors of the Company;
- (g) Nabis shall continue to be listed on a Canadian securities exchange acceptable to the Consenting Debentureholders, acting reasonably;
- (h) Nabis shall have used its best efforts to pay all reasonable documented fees and expenses of the Consenting Debentureholder Advisor in full in cash, provided that the Consenting Debentureholder Advisor shall have provided Nabis with invoices for all such fees and expenses at least five (5) Business Days prior to the Proposal Implementation Date, and further provided that Nabis will have a cash balance of at least Cdn. \$350,000 following such payment;

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- (i) provided that the payment contemplated by Section 6.02(h) is made in full, the Company shall have used its best efforts to pay the reasonable documented fees and expenses of the Other Debentureholder Advisors in full in cash, up to Cdn. \$400,000 in the aggregate (the “**Other Advisor Closing Cap**”), provided that such Other Debentureholder Advisors shall have provided the Company with invoices for all such fees and expenses at least five (5) Business Day prior to the Proposal Implementation Date, and further provided that Nabis will have a cash balance of at least Cdn. \$350,000 following such payment;
- (j) the Debenture Support Agreement shall not have been terminated by the Consenting Debentureholders; and
- (k) the Company shall have delivered a certificate to the Proposal Trustee that the conditions precedent to the Implementation of the Proposal have been satisfied or waived (the “**Implementation Certificate**”).

Upon written confirmation of receipt from the Proposal Trustee of the Implementation Certificate, the Implementation of the Proposal shall have been deemed to have occurred and all actions deemed to occur upon Implementation of the Proposal shall occur without the delivery or execution of any further documentation, agreement or instrument.

## **ARTICLE VII**

### **EFFECT OF PROPOSAL**

#### **7.01 Binding Effect of Proposal**

After the issuance of the Approval Order by the Court, subject to satisfaction of the Conditions Precedent, the Proposal shall be implemented by the Company and shall be fully effective and binding on the Company and all Persons affected by the Proposal. Without limitation, the treatment of Affected Creditor Claims under the Proposal shall be final and binding on the Company, the Affected Creditors, and all Persons affected by the Proposal and their respective heirs, executors, administrators, legal representatives, successors, and assigns. For greater certainty, this Proposal shall have no effect upon Unaffected Creditors.

#### **7.02 Amendments to Agreements and Paramountcy of Proposal**

Notwithstanding the terms and conditions of all agreements or other arrangements with Affected Creditors entered into before the Filing Date, for so long as an event of default under this Proposal has not occurred, all such agreements or other arrangements will be deemed to be amended to the extent necessary to give effect to all the terms and conditions of this Proposal. In the event of any conflict or inconsistency between the terms of such agreements or arrangements and the terms of this Proposal, the terms of this Proposal will govern and be paramount.

#### **7.03 Deemed Consents and Authorizations of Affected Creditors**

At the Effective Time each Affected Creditor shall be deemed to have:

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- (a) executed and delivered to the Company all consents, releases, assignments, and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) waived any default by the Company in any provision, express or implied, in any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Company that has occurred on or prior to the Proposal Implementation Date; and
- (c) agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Company as at the date and time of Court approval of the Proposal (other than those entered into by the Company on, or with effect from, such date and time) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly.

#### **7.04 Continuing Obligation to Pay**

- (a) To the extent Nabis does not pay any or all of the amounts contemplated by Sections 6.02(h) or 6.02(i) because it does not have sufficient cash to do so, any amounts not paid, together with any reasonable documented fees and expenses of the Other Debentureholder Advisors in excess of the Other Advisor Closing Cap, shall continue to be an obligation of Nabis following the Effective Time.
- (b) Amounts payable pursuant to Section 60(1.1) of the BIA, if any, shall continue to be an obligation of Nabis following the Effective Time.

### **ARTICLE VIII ADMINISTRATIVE FEES AND EXPENSES**

#### **8.01 Administrative Fees and Expenses**

Administrative Fees and Expenses will be paid in cash by the Company on the Proposal Implementation Date.

### **ARTICLE IX INDEMNIFICATION**

#### **9.01 Indemnification of Proposal Trustee**

The Proposal Trustee shall be indemnified in full by the Company for all personal liability arising from fulfilling any duties or exercising any powers or duties conferred upon it by this Proposal or under the BIA, except for any willful misconduct or gross negligence.

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**ARTICLE X**  
**POST FILING GOODS AND SERVICES**

**10.01 Payment of Payroll Deductions and Post Filing Claims**

The following shall continue to be paid in the ordinary course by the Company prior to and after the Court Approval Date and shall not constitute Distributions or dividends under this Proposal:

- (a) all Persons, who may advance monies, or provide goods or services to the Company after the Filing Date shall be paid by the Company in the ordinary course of business;
- (b) current source deductions and other amounts payable pursuant to Section 60(1.2) of the BIA, if applicable, shall be paid to Her Majesty in Right of Canada in full by the Company as and when due; and
- (c) current goods and services tax (GST), and all amounts owing on account of provincial sales taxes, if applicable, shall be paid in full by the Company as and when due.

**ARTICLE XI**  
**TRUSTEE, CERTIFICATE OF COMPLETION, AND DISCHARGE OF TRUSTEE**

**11.01 Proposal Trustee**

KSV Restructuring Inc. shall be the Proposal Trustee pursuant to this Proposal and upon the making of the Distributions and the payment of any other amounts provided for in this Proposal, the Proposal Trustee will be entitled to be discharged from its obligations under the terms of this Proposal. The Proposal Trustee is acting in its capacity as Proposal Trustee under this Proposal, and not in its personal capacity and shall not incur any liabilities or obligations in connection with this Proposal or in respect of the business, liabilities or obligations of the Company, whether existing as at the Filing Date or incurred subsequent thereto.

**11.02 Certificate of Completion and Discharge of Proposal Trustee**

Upon the Proposal Trustee receiving confirmation in writing from the Company that the transactions contemplated in Section 4.03 have been completed in the order and manner contemplated therein, the terms of the Proposal shall be deemed to be fully performed and the Proposal Trustee shall provide a certificate to the Company and to the Official Receiver pursuant to Section 65.3 of the BIA and the Proposal Trustee shall be entitled to be discharged.

**ARTICLE XII**  
**GENERAL**

**12.01 Valuation**


For purposes of proofs of claim for voting and Distributions, all Claims shall be valued as at the Filing Date.

**12.02 Governing Law**

The Proposal shall be governed by and construed in accordance with the laws of Ontario and the federal laws of Canada applicable therein. Any disputes as to the interpretation or application of the Proposal and all proceedings taken in connection with the Proposal shall be subject to the exclusive jurisdiction of the Court.

Dated at Toronto, this 8<sup>th</sup> day of December, 2020.

**NABIS HOLDINGS INC.**

Per:   
\_\_\_\_\_  
Name: Emmanuel Paul  
Title: Chair of the Board  
*I have the authority to bind the Corporation.*

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**Schedule A**

<b>New Senior Unsecured Notes Terms</b>	
<b>Issuer:</b>	Nabis Holdings Inc.
<b>Guarantors:</b>	Nabis (CAN) Holdings Corp., Nabis Technologies Corp. and all other present and future direct and indirect subsidiaries of Nabis.
<b>Principal Amount:</b>	CAD\$23 million.
<b>Interest Rate:</b>	5.3%, payable quarterly in arrears.
<b>Maturity:</b>	2 years from the date of issuance.
<b>Change of Control</b>	Company required to make an offer to purchase at 105% of the principal amount plus accrued and unpaid interest.
<b>Collateral:</b>	Unsecured
<b>Restrictive Covenants:</b>	<p>Customary restrictive covenants for senior unsecured debt, including:</p> <p>(a) the Nabis Entities may not commit or make any commitment to acquire any shares or material assets unless otherwise agreed by holders of 66.7% of the principal amount of the New Senior Unsecured Notes; and</p> <p>(b) Nabis may not, in a single transaction or series of transactions, issue equity securities or rights, options or other entitlements to acquire equity securities that in the aggregate would exceed (assuming the exercise or conversion of any convertible securities so issued) more than 20% of the outstanding equity securities of Nabis without the consent holders of 66.7% of the principal amount of the New Senior Unsecured Notes.</p>
<b>Mandatory Prepayments:</b>	Customary mandatory prepayment provisions for senior unsecured debt, including 100% of the cash proceeds of any sale or disposition of assets (above a threshold to be agreed).
<b>Other Terms:</b>	No payments of principal or interest or otherwise shall be made under the New Senior Unsecured Notes until all payments contemplated by Section 6.02 (h) and (i) have been paid in full.

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	Customary provisions for senior unsecured debt to be agreed to by Nabis and the Required Consenting Debentureholders.
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## Schedule B

### CONVENIENCE CREDITOR ELECTION FORM

**TO: KSV RESTRUCTURING INC., in its capacity as Proposal Trustee of Nabis Holdings Inc. ("Nabis")**

In connection with the Proposal of Nabis pursuant to the *Bankruptcy and Insolvency Act* (Canada) dated November 23, 2020 (as amended, restated, modified and/or supplemented from time to time, the "**Proposal**"), the undersigned hereby irrevocably elects to be treated for all purposes under the Proposal as a Convenience Creditor and thereby to receive the lesser of (i) \$500.00, and (ii) the amount of its Proven Claim, provided that the maximum amount available for all Convenience Class Creditors is \$25,000.00 in full and final satisfaction of the Proven Claim(s) of the undersigned, and hereby acknowledges that the undersigned shall be deemed to vote the full amount of its Proven Claim(s) in favour of the Proposal at the Creditors' Meeting.

For the purposes of this election, capitalized terms not defined herein shall have the meanings ascribed thereto in the Proposal.

**DATED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

**AFFECTED CREDITOR'S SIGNATURE:**

\_\_\_\_\_  
(Print Legal Name of Affected Creditor)

\_\_\_\_\_  
(Print Legal Name of Assignee, if applicable)

\_\_\_\_\_  
(Signature of the Affected Creditor/Assignee or an  
Authorized Signing Officer of the Affected  
Creditor/Assignee)

\_\_\_\_\_  
(Print Name and Title of Authorized Signing Officer of  
the Affected Creditor/Assignee, if applicable)

\_\_\_\_\_  
(Mailing Address of the Affected Creditor/Assignee)

\_\_\_\_\_  
(Telephone Number and E-mail of the Affected  
Creditor/Assignee or Authorized Signing Officer of the  
Affected Creditor/Assignee)



## Appendix “C”

**Nabis Holdings Inc. – List of subsidiaries<sup>1</sup>**

Subsidiary	Ownership	Location
Nabis Holdings Inc.	100%	Canada
Nabis Technologies Corp.	100%	Canada
Be In Synergy Inc.	100%	Canada
Abis Biopharma Corporation	100%	Canada
Nabis (CAN) Holdings Corp	100%	USA
Nabis (US) Corp.	100%	USA
Nabis AZ, LLC	100%	USA
Nabis Arizona Property, LLC	100%	USA
Perpetual Healthcare, Inc.	100%	USA
Nabis Joint Ventures (AZ), LLC	100%	USA
Nabis Hemp Holdings, LLC	100%	USA
Nabis Holdings California Inc.	100%	USA
Nabis Holdings California, LLC	100%	USA
Nabis Holdings, LLC	100%	USA
Nabis Holdings Michigan, LLC.	100%	USA
1904 Peck Street Ventures, LLC	100%	USA
1904 Peck Street, Inc.	100%	USA
1904 Peck, LLC	100%	USA
50680 28 <sup>th</sup> Avenue, LLC	100%	USA
190 Wash & 140 Locust, LLC	100%	USA
190 N Washington, LLC	100%	USA
135 W. Monroe, LLC	100%	USA
Fifty Knapp Drive, LLC	100%	USA
1230 E. Michigan Avenue, LLC	100%	USA
50 Knapp, LLC	100%	USA
1230 Michigan Inc.	100%	USA
1639 S. Huron, LLC	100%	USA
1639 Huron Inc.	100%	USA
Nabis NM LLC	100%	USA
Nabis Holdings Oklahoma Inc.	100%	USA
Nabis Oklahoma Patient Care Inc.	100%	USA
Nabis Holdings Washington, LLC	100%	USA

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<sup>1</sup> As reflected in the financial statements for the year ended December 31, 2019.

## Appendix “D”



**Report to Creditors of  
Nabis Holdings Inc. by  
KSV Restructuring Inc. as Proposal  
Trustee**

**December 1, 2020**

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COURT FILE NO.: 31-2691184

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)  
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC., OF THE CITY OF TORONTO,  
IN THE PROVINCE OF ONTARIO

PROPOSAL TRUSTEE'S PRELIMINARY REPORT TO CREDITORS

DECEMBER 1, 2020

## 1.0 Introduction

1. This report ("Report") has been prepared by KSV Restructuring Inc. ("KSV") in its capacity as proposal trustee (the "Proposal Trustee") in connection with a proposal (the "Proposal") filed with the Official Receiver on November 23, 2020 in accordance with Section 62(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), by Nabis Holdings Inc. (the "Company"). A Certificate of Filing a Proposal ("Certificate") was issued on that date by the Office of the Superintendent of Bankruptcy (Canada) (the "OSB"). Copies of the Proposal and the Certificate are attached as Appendices "A" and "B", respectively.
2. The principal purpose of this proceeding is to restructure the Company's financial affairs by completing and implementing the recapitalization transactions contemplated by the Proposal so that the Company can continue to operate as a going concern.

## 1.1 Meeting to Consider the Proposal

1. The details of the creditors' meeting to consider and vote on the Proposal to be held pursuant to Section 51(1) of the BIA (the "Meeting") are as follows:

Date: December 14, 2020

Time: 10:00 a.m. (EST)

Location: to be convened virtually via Zoom due to the Covid-19 pandemic:  
<https://us02web.zoom.us/j/82452022771?pwd=UUFPaUFqV1o1a0sxc0thWVl4SVNtZz09>

2. Creditors can vote at the Meeting by attending in person (virtually) or by submitting proofs of claim and voting letters to the Proposal Trustee by no later than 5:00 p.m. (Toronto time) on December 11, 2020, being one business day prior to the Meeting, as follows:
  - a) beneficial holders of the Company's unsecured convertible debentures (the "Convertible Debentures") in the principal amount of approximately \$35 million (each a "Debentureholder" and collectively the "Debentureholders") are required to submit the proxy and voting forms provided in Appendix "C". Debentureholders are not required to submit a proof of claim as that will be submitted by the Debenture Trustee (as defined below); and
  - b) all creditors of the Company (other than a Debentureholder) are required to submit the proof of claim and voting forms provided in Appendix "D".
3. Creditors can also vote by way of proxy and can appoint the Proposal Trustee or any other person as their proxy.
4. Creditors are strongly encouraged to read the instruction letters included with the forms referenced above to understand the voting procedures and the procedure to register claims with the Proposal Trustee.
5. The Proposal Trustee's Notice of Proposal to Creditors, a summary of the Company's Statement of Affairs and a list of creditors are attached as Appendices "E", "F" and "G", respectively.

## 1.2 Purposes of this Report

1. The purposes of this Report are to:
  - a) provide background information about the Company, including the Company's financial situation and the causes of its financial difficulties;
  - b) summarize the key terms of the Proposal;
  - c) summarize the key terms of a support agreement dated November 17, 2020 between the Company and certain of the Debentureholders (the "Support Agreement");
  - d) discuss the Company's ability to execute the terms of the Proposal;
  - e) summarize the result of the Proposal Trustee's review for preferences and transactions at undervalue pursuant to sections 95 to 101 of the BIA;
  - f) provide a comparison of the result for creditors under the Proposal to the result if the Proposal is not accepted and the Company is deemed to have made an assignment in bankruptcy; and
  - g) provide the Proposal Trustee's recommendation on the Proposal.

### 1.3 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

### 1.4 Restrictions

1. In preparing this Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company's representatives, the books and records of the Company and discussions with representatives of the Company. The Proposal Trustee has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook*.
2. The Proposal Trustee expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Proposal Trustee in preparing this Report. Any party wishing to place reliance on the Company's financial information should perform its own due diligence and any reliance placed by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever. The Proposal Trustee accepts no responsibility for any reliance placed by any party based on the information in this Report.
3. Consumer, supply chain, governmental and other macro-economic factors related to Covid-19 may have a material affect on the Company's business and the businesses of its subsidiaries. The full impact of Covid-19 is unknown and cannot be determined at this time.

## 2.0 Background

### 2.1 Overview

1. The Company was formed by amalgamation under the *Canada Business Corporations Act* on October 31, 2002. It was continued into the province of British Columbia under the *Business Corporations Act* (British Columbia) effective May 29, 2019. The Company's shares are listed on the *Canadian Securities Exchange* under the symbol "CNSX:NAB" and the *OTCQX* under the symbol "OTC:NABIF".
2. The Company's primary focus has been raising capital in the public markets to finance its subsidiaries, a list of which is provided in Appendix "H" (collectively, the "Subsidiaries"). The Company, through the Subsidiaries, has invested over \$30 million in the cannabis sector, including licensed cannabis retail and production operations in Canada, the United States and elsewhere.
3. The Company's head office is located in Toronto, Ontario. The Company presently has three full-time employees.



4. The Company's most significant asset is its indirect interest in Perpetual Healthcare Inc. ("Perpetual"). Perpetual is a not-for-profit entity licensed to operate Emerald Medical Marijuana Dispensary (d/b/a Emerald Phoenix) ("Emerald"), a medical cannabis dispensary located in Phoenix, Arizona. Pursuant to a Management Services Agreement dated September 2019 between Perpetual and Nabis AZ, LLC ("Nabis AZ"), a subsidiary of the Company, Nabis AZ was appointed the manager of Perpetual and is entitled to a management fee based on the services it performs, including the development, administration, operation and management of Emerald (the "Perpetual Management Agreement"). Perpetual is discussed further in Section 2.3 below.
5. Other than Perpetual, none of the Company's other Subsidiaries are operating. The Company's only other investment that may have some nominal value is its wholly-owned subsidiary based in Port Townsend, Washington, Nabis Holdings Washington, LLC ("Washington"). Washington's primary assets are its cannabis extraction and production equipment (the "Washington Assets"). The Company has advised that it expects to complete a sale of the Washington Assets in the first quarter of 2021. The proceeds are not expected to be material.
6. The Proposal Trustee understands the equity value of the other Subsidiaries is expected to be immaterial and possibly nil.

## 2.2 Historical Operating Results

1. The Company has incurred losses and generated negative cash flow from operations since inception<sup>1</sup>.
2. The Company's consolidated financial results for the six-month period ending June 30, 2020, the year ended October 31, 2018 and the year ended December 31, 2019<sup>2</sup> are summarized in the table below:

	(6 Months) June 30, 2020 (unaudited)	Year Ended Dec. 31, 2019 (audited)	Year Ended Oct. 31, 2018 (audited)
(\$000s)			
Revenue	6,295	2,232	-
Gross profit	2,819	821	-
Operating costs			
Selling, general and administrative	3,680	12,765	1,259
Share-based compensation	154	1,844	-
Depreciation and amortization	774	468	1
Loss from operations	(1,789)	(14,256)	(1,260)
Net other income/(costs)	(4,103)	(12,035)	(3,894)
Income tax expense	-	-	-
Net income/(loss) for the period	(5,892)	(26,291)	(5,154)

<sup>1</sup> Per the Company's Management Discussion & Analysis for the six-month period ended June 30, 2020.

<sup>2</sup> Year-ended December 31, 2019 financial results are for a 14-month period due to a change in the Company's year-end from October 31 to December 31 effective in 2019.

3. As presented above, on a consolidated basis the Company has generated:
  - a) operating losses of \$17.3 million since January 1, 2018; and
  - b) net losses of \$37.3 million over the same period.
4. The Company's losses have been funded primarily through debt and equity offerings, including the Convertible Debentures and other private placements. The losses have resulted in the Company generating accumulated non-capital loss carry-forwards of approximately \$22 million<sup>3</sup> as of June 30, 2020 (the "Tax Losses").

## 2.3 Perpetual

1. On October 10, 2019, the Company acquired its indirect interest in Perpetual through Nabis AZ, which holds the exclusive rights to operate the Emerald dispensary. Emerald is a licensed medical cannabis dispensary in Phoenix, Arizona, with more than 12,000 registered patients. Perpetual also owns Infusion Edibles, a cannabis infused snack and beverage brand.
2. Pursuant to the Perpetual Management Agreement, Nabis AZ is responsible for, among other things, the development, administration, operation and management of all aspects of Emerald (the "Management Services"). As compensation for providing the Management Services, Nabis AZ is entitled to a management fee.
3. The interest in Perpetual, including the Perpetual Management Agreement, was acquired by Nabis AZ for US \$15 million, of which US \$7 million was paid in cash up-front, and US \$8 million was in the form of a note payable to PNTM Management Services, LLC, the vendor in the transaction (the "Vendor"). The note was payable to the Vendor 12-months after closing (October 2020) and bears interest at 5% per annum (the "Vendor Note").
4. All of the Company's revenues for the six months ended June 30, 2020 were generated from the Perpetual Management Agreement.
5. On October 28, 2020, the Company reported that Nabis AZ had failed to make the payment due on October 25, 2020 under the Vendor Note. Pursuant to the terms of the Vendor Note, a default on the Vendor Note would result in the following:
  - a) a representative of the Vendor being appointed to the board of directors of Perpetual; and

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<sup>3</sup> The tax losses would be reduced by the debt forgiven as part of the Proposal.

- b) an amended and restated operating agreement in respect of Nabis AZ would become effective, providing representatives of the Vendor with an aggregate 75% membership interest in Nabis AZ with limited governance rights, whereby such persons would be entitled to a monthly pro rata preferred distribution in respect of their 75% aggregate membership interest until obligations under the Vendor Note are fully satisfied. The remaining 25% would be paid to the Company in respect of the amount it funded to Nabis AZ (the US \$7 million referenced in paragraph 3 above) and any other balances due from Nabis AZ to the Company. The representative of the Vendor was added to Perpetual's Board effective November 19, 2020.
- 6. On November 3, 2020, Arizona voted to become the 13<sup>th</sup> state in the U.S. to legalize personal recreational use of cannabis products for adults 21 years of age and older. As a result, the Company is of the view that the value of its interest in Perpetual has increased.
- 7. The Company's management has advised that Perpetual generates sufficient cash flow to continue to operate without the need for further capitalization.

## 2.4 Resolution of Legal Actions

- 1. On October 16, 2020 and November 5, 2020, the Company issued press releases related to civil proceedings it commenced in the Arizona Superior Court and the Ontario Superior Court of Justice against Mark Krytiuk, the Company's former President and Chief Operating Officer, and one of its former Directors<sup>4</sup> (collectively, the "Legal Actions").
- 2. The Legal Actions sought injunctive relief against Mr. Krytiuk in respect of, among other things, his failure to transition control of material assets of the Company following his resignation announced on October 7, 2020. The Company alleged that Mr. Krytiuk, as the sole director of Perpetual, refused to transfer the directorship of Perpetual as instructed by the Company, and failed to return other Company property following his resignation. In addition, there was a dispute between the Company and Mr. Krytiuk regarding Mr. Krytiuk's employment entitlements following his resignation.
- 3. On November 23, 2020, the Company issued a press release ("November 23<sup>rd</sup> Press Release") regarding, among other things, its settlement of the Legal Actions, whereby Mr. Krytiuk agreed to an orderly transition of his directorship of Perpetual and other interests and positions in Perpetual to a nominee of the Company. As part of the settlement, on November 23, 2020, Mr. Krytiuk received \$267,000, before tax deductions, from the Company. The settlement resolved all matters between the Company and Mr. Krytiuk, including his employment entitlements. A copy of the November 23<sup>rd</sup> Press Release is provided in Appendix "I".

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<sup>4</sup> Mr. Krytiuk was also the sole Director of Perpetual.

4. The Proposal Trustee understands that subsequent to the settlement, the Company learned of certain payments made by Perpetual to Mr. Krytiuk which the Company is reviewing.

## 3.0 Creditors

### 3.1 Convertible Debentures

1. Pursuant to an indenture between the Company and Odyssey Trust Company (the “Debenture Trustee”) dated March 26, 2019 (the “Indenture”), the Company owes approximately \$36.5 million (inclusive of interest, but excluding costs) to the Debentureholders. The Convertible Debentures bear interest at 8% per annum and have a maturity date of March 26, 2022.
2. On June 29, 2020, the Company announced that it would not be making the quarterly interest payment due under the Convertible Debentures on June 30, 2020. The Company took the position that the non-payment was excusable under Section 13.19 of the Indenture (the force majeure provision of the Indenture).
3. On July 13, 2020, the Company received notice from the Debenture Trustee of its position that the missed interest payment constituted an event of default under the Indenture. As a result, the Debenture Trustee declared all outstanding principal and accrued interest due and payable on July 23, 2020. The Debenture Trustee then brought an application seeking declaratory relief in respect of the defaults.
4. The Company also failed to make the interest payment due in September 2020.
5. On August 17, 2020, the board of directors of the Company (the “Board”) formed a special committee (the “Special Committee”) to deal with, *inter alia*, the Company’s liquidity constraints. On September 20, 2020, the Special Committee was given an expanded mandate which included, among other things, reviewing and overseeing the Company’s engagement with the Debentureholders and other strategic alternatives available to the Company.
6. The Proposal Trustee understands that the Special Committee and representatives of the Debentureholders have been engaged in ongoing discussions to address the defaults under the Convertible Debentures and to restructure the Company. These discussions ultimately led to the Proposal and the Support Agreement, as discussed further below.

### 3.2 Other Creditors

1. Pursuant to the Company’s creditor listing provided in Appendix “G”, the Company’s non-Debentureholder unsecured claims total approximately \$112,000. These claims primarily represent vendor claims and amounts due to professional advisors.

## 4.0 The Proposal

1. **This section provides an overview of the terms of the Proposal. Review of this section is not a substitute for reading the Proposal. Creditors are strongly encouraged to read the Proposal in its entirety prior to voting on the Proposal. Creditors are encouraged to discuss the terms of the Proposal with their legal counsel. A copy of the Proposal is provided in Appendix “A”.**
2. Capitalized terms used in this section of the Report have the meanings provided to them in the Proposal.

## 4.1 Reorganization

1. The purpose of the Proposal is to restructure the Company's share capital principally on the basis that:
  - a) the existing Convertible Debentures, the Indenture, and any and all other Debenture Documents would be cancelled, provided that the Indenture shall remain in effect solely to allow the Debenture Trustee to make the distributions set forth in the Proposal;
  - b) the Existing Equity would be cancelled for no consideration; and
  - c) New Secured Notes and New Common Shares would be issued to each Affected Creditor (other than a Convenience Creditor), based on such Affected Creditor's Affected Creditor Pro Rata Share.

## 4.2 Classes of Creditors

1. There will be one class of creditors, namely the Affected Creditors, for the purposes of considering and voting on the Proposal comprised of all creditors with a Proven Claim, being the amount of a Claim as finally determined in accordance with the provisions of the BIA.

## 4.3 Treatment of Affected Creditors

1. The Proposal is only being made to Affected Creditors, being creditors with a Proven Claim. Unaffected Creditors include claims of:
  - a) the Proposal Trustee, counsel for the Proposal Trustee, counsel to the Company, and counsel to the Special Committee for Administrative Fees and Expenses; and
  - b) such other Claims as the Company and the Consenting Debentureholders may agree with the consent of the Proposal Trustee.

2. On the Proposal Implementation Date,<sup>5</sup> in exchange for the release of each Released Claim (other than Unaffected Claims), each Affected Creditor (other than a Convenience Creditor) shall receive its Affected Creditor Pro Rata Share of:
  - a) New Secured Notes: being new first lien secured notes in the aggregate amount of \$23 million on the terms set out in Schedule "A" of the Proposal. These terms include, among others: (i) a maturity date of two years from the date of issuance; (ii) quarterly interest payments based on an annual interest rate of 5.3%; and (iii) a first-ranking security interest in all assets of the Company and the Guarantors, being all present and future direct and indirect subsidiaries of the Company. As reflected in Schedule "A" of the Proposal, no payments of principal or interest or otherwise shall be made under the New Senior Secured Notes until all payments contemplated by Section 6.02 (h) and (i) have been paid in full<sup>6</sup> (as discussed further in Section 4.5 of this Report); and
  - b) New Common Shares: being 3.7 million newly-issued Common Shares, which will represent 100% of the aggregate Common Shares issued and outstanding immediately following the implementation of the Proposal.
3. The following table summarizes the recapitalization based on the creditor balances summarized in Section 3 of this Report. This assumes that none of the "Other Creditors" elect to become Convenience Creditors.

	Claims (\$000s)	Recapitalized Amounts	
		New Secured Notes (\$000s) <sup>7</sup>	New Common Shares (000s)
Debentureholders	36,506	22,930	3,689
Other Creditors	112	70	11
Total	36,617	23,000	3,700

4. As reflected in the table above, Affected Creditors with Proven Claims totaling approximately \$36.6 million would be repaid with New Secured Notes totaling \$23 million and 3,700,000 New Common Shares.

#### 4.4 Convenience Creditor

1. A Convenience Creditor is an Affected Creditor with a Convenience Creditor Claim, being:
  - a) any Proven Claims of an Affected Creditor in an amount less than or equal to \$500; and

<sup>5</sup> This assumes that the statutory majority of Affected Creditors votes to accept the Proposal and it is approved by the Court.

<sup>6</sup> These relate to the fees of the Consenting Debentureholder Advisor and the Other Debentureholder Advisors.

<sup>7</sup> Before payment of the Superintendent's Levy.

- b) any Proven Claim of an Affected Creditor in an amount greater than \$500 if the relevant Creditor has submitted a valid Convenience Creditor Election Form prior to 5:00 p.m. (Toronto time) on December 11, 2020 (the Convenience Creditor Election Deadline). A copy of the Convenience Creditor Election Form is provided in Appendix “J”.
- 2. A Convenience Creditor is deemed to have voted the full amount of its Proven Claim in favour of the approval of the Proposal without a requirement to file a proxy to vote in favour of the Proposal. The Proposal provides for payments on a pro rata basis of Convenience Creditor Claims up to a maximum aggregate amount of \$25,000.
- 3. On the Proposal Implementation Date, in exchange for the release of each Released Claim, a Convenience Creditor shall receive its Convenience Creditor Consideration.

## 4.5 Proposal Conditions

- 1. The Proposal is conditional upon, among other things:
  - a) approval of the Proposal by the statutory majority of the creditors as required under the BIA (described in Section 4.7 below);
  - b) the Approval Order being issued in a form and substance satisfactory to the Company and the Majority Initial Consenting Debentureholders;
  - c) the Proposal Implementation Date occurring on or before December 31, 2020, or such later date as may be agreed to by the Majority Initial Consenting Debentureholders;
  - d) payment in full of all reasonable documented fees and expenses of the Debenture Trustee;
  - e) subject to the maintenance of a minimum cash balance, the Company shall have used its best efforts to pay the fees and expenses of the Consenting Debentureholder Advisor<sup>8</sup> and the Other Debentureholder Advisors in full in cash, on the terms set out in Section 6.02 (h) and (i) of the Proposal;
  - f) the Company’s shares shall continue to be listed on a Canadian securities exchange acceptable to the Majority Initial Consenting Debentureholders;
  - g) the Support Agreement shall not have been terminated by the Majority Initial Consenting Debentureholders; and
  - h) the Company shall have delivered a certificate to the Proposal Trustee that the conditions precedent to the Implementation of the Proposal have been satisfied or waived (the “Implementation Certificate”).

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<sup>8</sup> Being Bennett Jones LLP, in its capacity as legal counsel to the Consenting Debentureholders.



2. Upon written confirmation of receipt by the Proposal Trustee of the Implementation Certificate, the Implementation of the Proposal shall have been deemed to have occurred.
3. Should any of the above conditions not be met and/or be waived, the Proposal will not be implemented by the Company.
4. If the Proposal is not accepted by the creditors at the Creditors' Meeting, the Company would be deemed to have made an assignment in bankruptcy in accordance with the provisions of the BIA.

#### 4.6 Other Proposal Terms

1. Upon Implementation, the Affected Creditors will be deemed to have released and discharged all claims that arose prior to the Proposal Implementation Date against the Released Parties, being the Company, each affiliate and subsidiary, the Consenting Debentureholders, the Proposal Trustee, and each of their former and current officers, directors, principals, members, affiliates, limited partners, general partners, managed accounts or funds, fund advisors, employees, financial and other advisors, legal counsel, including legal counsel to the Special Committee and agents, each in their capacity as such.
2. Pursuant to Section 147 of the BIA, distributions of New Secured Notes, New Common Shares and other payments under the Proposal are subject to a levy payable to the Superintendent of Bankruptcy (the "Levy")<sup>9</sup>.
3. All Administrative Fees and Expenses will be paid in cash by the Company on the Proposal Implementation Date.
4. Upon Implementation, all Equity Claims shall, and shall be deemed to be, irrevocably and finally extinguished and all Existing Equityholders shall have no further right, title or interest in and to their respective Equity Claims.
5. The Proposal Trustee shall be entitled to apply for its discharge upon the Company making the Distributions and paying any other amounts provided for in the Proposal.
6. The Company shall continue to pay in the ordinary course of business the following amounts prior to and after the Court Approval Date:
  - a) all Persons who advance monies, or provide goods and services to the Company after the Filing Date;
  - b) any outstanding or current source deductions, and other amounts payable pursuant to Section 60(1.2) of the BIA; and

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<sup>9</sup> The rate of the Levy is 5% of the first \$1 million of distributions and 1.25% of the second \$1 million. No Levy is payable on amounts in excess of \$2 million. The Levy is paid in the same form of consideration as distributions under the Proposal.



- c) any outstanding or current goods and services tax, and all amounts owing on account of provincial sales tax.

#### 4.7 Acceptance and Approval of the Proposal

1. In order for the Proposal to be accepted, two-thirds in dollar value and over 50% in number of the Affected Creditors present and voting, in person or by proxy, must vote in favour of the Proposal.
2. Rejection of the Proposal by the creditors would result in the Company being deemed to have made an assignment in bankruptcy.
3. Upon being accepted by creditors, the Proposal must be approved by the Court. If the Court fails to approve the Proposal, the Company is deemed to have made an assignment in bankruptcy.

### 5.0 Support Agreement<sup>10</sup>

1. Pursuant to the Support Agreement, the Consenting Debentureholders, being the Convertible Debentureholders that executed and remain subject to the Support Agreement or Debentureholders who have executed the Joinder Agreement (thereby becoming a party to the Support Agreement) agreed to vote all of their Relevant Debt in favour of the approval, consent, ratification and adoption of the Proposal. A copy of the Support Agreement is provided in Appendix "K".
2. The Support Agreement was made following diligence performed by the Consenting Debentureholders and in reliance on numerous representations and warranties made by the Company as detailed in Section 3 of the Support Agreement, including in respect of its historical financial statements, tax information and Material Contracts.
3. As of the date of this Report, the Consenting Debentureholders represent approximately \$15.9 million in value or approximately 45% of the total Convertible Debentures.
4. The Support Agreement is subject to several milestones which may be waived by the Company and the Majority Initial Consenting Debentureholders, including the following:
  - i. filing the Proposal by no later than November 24, 2020;<sup>11</sup>
  - ii. obtaining approval of the Proposal by creditors entitled to vote on the Proposal by no later than December 15, 2020;
  - iii. subject to Court availability, the Proposal shall have been approved by the Court by no later than December 23, 2020; and
  - iv. subject to completion of (iii) above, the Proposal shall have been implemented on or prior to the Outside Date, being December 31, 2020.

<sup>10</sup> Defined terms in this section of the Report have the meanings provided to them in the Support Agreement.

<sup>11</sup> The Proposal was filed on November 23, 2020.

## 6.0 Preferences and Transfers at Undervalue

1. As part of its statutory duties under the BIA, the Proposal Trustee conducted a review of the Company's bank statements and cancelled cheques for the twelve-month period (the "Review Period") immediately preceding the commencement of the Proposal proceeding to identify transactions that could be considered preferences or transfers at undervalue. The focus of the Review Period was transactions above \$25,000.
2. The Proposal Trustee's review did not identify any transaction that could be considered a preference or transfer at undervalue.
3. As discussed in Section 4.6 above, the Proposal provides for releases against the Released Parties. The implications of this provision are that to the extent that there are potentially reversible or reviewable transactions as defined by bankruptcy legislation, such transactions could not be pursued against the Released Parties (as defined in the Proposal) to the extent that they were party to such transactions. As no such transactions were identified as a result of the Proposal Trustee's review, there is no prejudice to creditors in providing the release as it relates to these transactions.
4. The Proposal Trustee is not aware of any other causes of actions against the Released Parties. Accordingly, the Proposal Trustee is not aware of any prejudice to creditors resulting from the releases.

## 7.0 Estimated Distribution in the Event of a Bankruptcy

1. A summary of the book value<sup>12</sup> and estimated realizable value of the Company's assets in a bankruptcy is included in the table below:

(\$000s)		As at November 22, 2020	
Assets		Book Value	Estimated Realizable Value
	1		
Cash		832	832
HST refund		56	56
Intercompany receivables	2	16,911	10,667
Prepays and deposits	3	310	Nil
<b>Total current assets</b>		<b>18,109</b>	<b>11,555</b>
<b>Fixed assets</b>			
Trade fixtures	4	62	Nil
Furniture	4	30	Nil
Computers and office equipment	4	12	Nil
Storage containers	5	587	350
		691	350
<b>Total Assets before costs of realization</b>		<b>18,800</b>	<b>11,905</b>
<b>Creditor claims</b>			<b>36,617</b>
<b>Estimated recovery</b>			<b>33¢</b>

<sup>12</sup> The book value of the assets is based on the values in the Statement of Affairs sworn on November 22, 2020 by a representative of the Company.

## Notes

**1** – Unless otherwise noted, the book value is assumed to equal the estimated realizable value.

**2** – The Company's primary asset is its intercompany receivables which have a book value of approximately \$16.9 million. The receivables are comprised of the following:

- Perpetual (\$1 million), representing direct advances from the Company to Perpetual for working capital purposes. The Company estimates this amount is fully recoverable;
- Nabis AZ (\$9.4 million), representing advances by the Company to fund the transaction resulting in the Perpetual Management Agreement. The Company estimates this amount is fully recoverable; however, this recovery would follow repayment of the Vendor Note;
- Nabis Washington (\$425,000), representing advances by the Company to fund the purchase of the Washington Assets. The Company estimates that approximately \$164,000 is recoverable based on a transaction presently being negotiated; and
- Other Subsidiaries (\$5.8 million, in aggregate). As the Subsidiaries (other than Nabis AZ) have no assets and are not operating, the recovery from them is assumed to be nil.

**3** – Represents retainers paid to the Company's legal and financial advisors as well as prepaid rent and a sundry deposit. For the purposes of this analysis, it is assumed that the professionals will have applied unpaid fees against these retainers and accordingly, no amounts will be collectible from these parties.

**4** – Represents leasehold improvements at the Company's head office located in Toronto, as well as office furniture and equipment. These are assumed to have no value.

**5** – Represents seven storage containers that the Company purchased and subsequently converted for the purpose of growing and storing cannabis. The Company estimates that the realizable value of each storage container is \$50,000.

2. As reflected in the table above, the estimated gross realizable value of the assets in a bankruptcy is approximately \$11.9 million, before costs of realization (selling and other professional costs). This represents an estimated recovery of up to 33¢ on the dollar, before attributing any residual value, if any, in the Company's equity interest in Nabis AZ and costs of realization, including professional fees.

## 7.1 Reasons to Support the Proposal

1. It is the Proposal Trustee's view that there is greater value to the Company's creditors in the Proposal versus a bankruptcy for the following reasons:
  - a) Nabis AZ is the Company's only operating Subsidiary. As a result of the recent regulatory changes in Arizona which legalized the recreational use of cannabis, Nabis AZ may have considerable value that is best realized through a continuation of the business and operations of Nabis AZ. If creditors vote against the Proposal or if the Court does not approve it, the Company will immediately be deemed to have made an assignment in bankruptcy and a Licensed Insolvency Trustee ("Trustee") will be appointed.
  - b) In the event of a bankruptcy, the equity interest in Nabis AZ is likely to be monetized in short order by the Trustee. A sale by the Trustee is likely to be on an expedited basis as directed by the inspectors appointed in the bankruptcy estate (a Trustee is statutorily obligated to take instructions from these parties). A bankruptcy would remove control of the business from the Company's management, whereas acceptance of the Proposal will allow the Company to undertake value maximization initiatives on an orderly basis under the control of the board of directors to be appointed pursuant to the terms of the Proposal and the Support Agreement.
  - c) In addition to the likely forced sale of the equity interest in Nabis AZ in a bankruptcy, a bankruptcy would eliminate the value of the Tax Losses, which could otherwise be used to shelter any future income or capital gains earned by the Company (to the extent permissible), and may also be an asset which is attractive to a purchaser of the Company. Additionally, the Company would lose the ability to use the Company's public listing to raise any further capital that the Company may require to grow or fund its business, as well as the public listing itself, which may have considerable value.
  - d) Approval of the Proposal will result in new management and a new Board of Directors being appointed. These individuals will have the opportunity to consider the best options to maximize the value of the Company's business, including the Nabis AZ business. The opportunity to consider multiple realization avenues for the benefit of the Company's creditors only exists in a Proposal. In a bankruptcy, those opportunities are lost and liquidation of the Nabis AZ interest is likely.
  - e) A liquidation of the Company in a bankruptcy is the floor for recoveries in this proceeding, and the identical value could be realized if the Company is restructured through the Proposal process. However, approval of the Proposal provides creditors with significant upside, including the opportunity to grow and/or realize on the assets of the Company on an orderly basis over time, plus the opportunity to take advantage of the Tax Losses and the public listing.

## 8.0 Conclusion and Recommendation

1. For the reasons noted in Section 7 above, the Company and the Special Committee recommend that creditors vote in favour of the Proposal. The Proposal Trustee is also strongly of the view that approval of the Proposal is likely to result in a superior result for creditors than a bankruptcy of the Company and that creditors should vote to accept the Proposal.
2. If the Proposal is accepted by the Affected Creditors at the Meeting, the Proposal Trustee will seek the Court's approval at 10:00 a.m. on December 21, 2020.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS PROPOSAL TRUSTEE OF  
NABIS HOLDINGS INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## Appendix “E”

**IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC.**

**List of creditors as at December 14, 2020**

<b>Creditor</b>	<b>Amount due (CDN\$)*</b>
Bell Canada	25.93
Bell Canada	754.51
Canada Revenue Agency	1.00
Great West Life GWL	1.00
Greenspoon Marder LLP	57,078.51
Greenvision, LLC	805,851.20
Intrado Digital Media Canada, Inc.	11,300.00
Jonathan Yashurov	1,305.56
Lyn Herbal Lifestyles LLC	2,070.44
McCarthy Tetrault LLP	11,558.40
Ministry of Finance - Employer Health Tax	6,903.64
Odyssey Trust Company**	36,943,621.86
Seach Medical Group Limited	27,053.58
Zaffran Laurent	152,137.00
Zohar Soholisky	14,923.29
	<u>38,034,585.91</u>

\*US Dollar amounts were converted to CDN\$ at 1.3082

\*\*Odyssey Trust Company, the Indenture Trustee, filed an omnibus claim on behalf of all debentureholders.

## Appendix “F”





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**Estate File No. 31-2691184**

**IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC.,  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**NOTICE TO CREDITORS (AMENDED PROPOSAL)  
December 8, 2020**

**To: Creditors of Nabis Holdings Inc. (the “Company”)**

On November 23, 2020, the Company filed a proposal (“Proposal”) with the Office of the Superintendent of Bankruptcy (Canada). KSV Restructuring Inc. is the Proposal Trustee (“Proposal Trustee”) of the Company.

On December 1, 2020, the Proposal Trustee sent a notice to all known creditors or potential creditors enclosing its Report to Creditors on the Proposal (“Report”) and other documents related to the Proposal, and providing information on how creditors can vote at the creditors’ meeting which is scheduled to be held at 10 a.m. (Toronto time) on December 14, 2020.

Please note that the Company has filed an Amended Proposal on this date. A copy of the Amended Proposal can be accessed at <https://www.ksvadvisory.com/insolvency-cases/case/nabis-holdings>. The Amended Proposal provides for the following amendments to the Proposal:

- The term “New Secured Notes” in the Proposal has been replaced with the term “New Senior Unsecured Notes”.
- The “New Senior Unsecured Notes” will not provide for any security interest in the assets of the Company or the Guarantors (as that term is defined in the Amended Proposal).

Creditors are strongly encouraged to read the Amended Proposal in its entirety prior to voting on the Amended Proposal. Creditors are encouraged to discuss the terms of the Amended Proposal with their legal counsel.

Creditors are reminded that the voting deadline for Affected Creditors voting by proxy is 5:00 pm (Toronto time) on December 11, 2020. Voting forms and instructions are available on the Proposal Trustee’s website.

Should you have any questions, please contact the undersigned.

A handwritten signature in blue ink that reads "KSV Restructuring Inc.".

**KSV RESTRUCTURING INC.  
SOLELY IN ITS CAPACITY AS PROPOSAL TRUSTEE OF  
NABIS HOLDINGS INC.  
AND NOT IN ITS PERSONAL CAPACITY**

## Appendix “G”

**Voting Summary**  
**In the matter of the Proposal of Nabis Holdings Inc.**  
**of the City of Toronto, in the Province of Ontario**

Estate Number: 31-2691184

Results of Voting									
Total Number of Votes			Dollar Value of Claims		Percentage by Votes		Percentage by Value		Result
Votes	Yes	No	Yes	No	Yes	No	Yes	No	By Votes      By Value
67	67	0	25,652,905	0	100	0	100	0	Approved      Approved

List of Creditors				
Creditor Name	\$ Admitted for Voting	Voted By	Vote	
0896323 BC Ltd	100,000	Letter	Approval	
1376218 Ontario Inc.	213,000	Letter	Approval	
2244826 Ontario Inc.	100,000	Letter	Approval	
2357649 Ontario Inc.	50,000	Letter	Approval	
2462862 Ontario Limited	50,000	Letter	Approval	
AGTO Ltd.	50,000	Letter	Approval	
Allesandro Rechichi	25,000	Letter	Approval	
Alyson Craig	50,000	Letter	Approval	
Andrew Easdale	40,000	Letter	Approval	
Anna Bong	20,000	Letter	Approval	
Ashley Leone	50,000	Letter	Approval	
Bedford Park Opportunities Fund	500,000	Letter	Approval	
Black Leonard	25,000	Letter	Approval	
Brendan Cox	25,000	Letter	Approval	
Caravel CAD Fund Ltd.	12,823,000	Letter	Approval	
Carrera Capital Management	175,000	Letter	Approval	
Corinne Chodzicki	25,000	Letter	Approval	
Daniel Zicherman	10,000	Letter	Approval	
David Dumo	70,000	Letter	Approval	
Diego Lattanzio	30,000	Letter	Approval	
Dr. Roman Elinson Inc.	25,000	Letter	Approval	
Eugene Gomes	32,000	Letter	Approval	
George and Helen Zicherman	200,000	Letter	Approval	
Greenvision, LLC	805,851	Letter	Approval	
Greg Woynarski	200,000	Letter	Approval	
Hollyoak Consulting Inc.	100,000	Letter	Approval	
Ian Cranna	100,000	Letter	Approval	
James Leone	50,000	Letter	Approval	
Jan Van Leeuwen	50,000	Letter	Approval	
Jennifer Lubey	25,000	Letter	Approval	
John Greg Sutton	100,000	Letter	Approval	
Laszlo Fur	70,000	Letter	Approval	
Laszlo Fur & Sally Fur	40,000	Letter	Approval	
Logan Craig and/or Mary Sloan-Craig	30,000	Letter	Approval	
Lori Gomes	68,000	Letter	Approval	
Loy Chunpontong	150,000	Letter	Approval	
Matco Cannabis Investment Fund	1,200,000	Letter	Approval	
Mathews Daniel	75,000	Letter	Approval	
Matt Barr	50,000	Letter	Approval	
Michael Doner	100,000	Letter	Approval	
Michael Labanovich	25,000	Letter	Approval	
Michael Labanovich Holdings Ltd.	75,000	Letter	Approval	
Newgen Alternative Income Fund	1,001,000	Letter	Approval	
Palos Management Inc.	500,000	Letter	Approval	
Paulo Broccolini	60,000	Letter	Approval	
Quarin Joseph	150,000	Letter	Approval	
RJS Capital Inc.	20,000	Letter	Approval	
Robert J. Herman	20,000	Letter	Approval	
Robert Zicherman	538,000	Letter	Approval	
RS Brown Holdings Ltd.	500,000	Letter	Approval	
Sally Fur	40,000	Letter	Approval	
Scott Lynch	35,000	Letter	Approval	
Seach Medical Group Ltd.	27,054	Letter	Approval	
Sean Black	200,000	Letter	Approval	
Shawn Duckman	30,000	Letter	Approval	
Steve Groves	25,000	Letter	Approval	
Tara Lattanzio	20,000	Letter	Approval	
Tamdeep Athwal Professional Corp.	30,000	Letter	Approval	
Terry Alexander	50,000	Letter	Approval	
The K2 Principal Fund L.P.	3,100,000	Letter	Approval	
The Rupert 2019 Settlement	500,000	Letter	Approval	
Tiercap Holdings Inc.	50,000	Letter	Approval	
Troy Yung	50,000	Letter	Approval	
Vanguard Marketing Solutions	20,000	Letter	Approval	
Verition Multi-Strategy Master Fund Ltd.	650,000	Letter	Approval	
Vilma Fur	25,000	Letter	Approval	
Zelos Capital Ltd.	10,000	Letter	Approval	
<b>Total \$ Admitted for Voting</b>	<b>25,652,905</b>			

## Appendix “H”

**Estate File No.: 31-2691184**

**IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC.,  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**MINUTES OF GENERAL MEETING OF CREDITORS**

1. The following are the minutes of the General Meeting of Creditors in the Proposal Proceedings of Nabis Holdings Inc. (the "Company") held via telephone/video conference on the 14<sup>th</sup> day of December, 2020 at 10:00 a.m. (the "Meeting").
2. An attendance list of those present is attached as Appendix "A".
3. Mitch Vininsky of KSV Restructuring Inc. ("KSV"), the Proposal Trustee, called the Meeting to order at 10:00 a.m., announced the presence of a quorum and that the meeting was duly constituted.
4. Mr. Vininsky informed the Meeting that he would act as Chair pursuant to Section 51(3) of the *Bankruptcy and Insolvency Act* ("BIA") and Murtaza Tallat of KSV would act as the Recording Secretary. Mr. Vininsky introduced the other representatives of the Proposal Trustee, the Proposal Trustee's counsel, the Company, the Company's counsel, and representatives of the Debentureholders' counsel.
5. The Chair advised that the Recording Secretary would make available the following documents should any creditors wish to review them:
  - Trustee's Report to Creditors ("Report");
  - Notice of Hearing of Application for Court Approval of Proposal;
  - Proofs of Claim, as filed;
  - Amended Proposal ("Amended Proposal"); and
  - the Affidavit of Service relating to the Proposal.

**Review of Report and Proposal**

6. The Chair reviewed the Report, highlighting the Company's financial position and the causes of its financial difficulties.

7. The Chair provided background on the proposal, noting that the purpose of the proposal is to restructure the Company's financial affairs by completing and implementing the recapitalization transactions contemplated by the Amended Proposal so that the Company can continue to operate on a going concern basis. The effect of the recapitalization transactions is that:
  - a) the existing Convertible Debentures, the Indenture, and any and all other Debenture Documents will be cancelled, provided that the Indenture shall remain in effect solely to allow the Debenture Trustee to make the distributions set forth in the Proposal;
  - b) the Existing Equity will be cancelled for no consideration; and
  - c) New Senior Unsecured Notes and New Common Shares will be issued to each Affected Creditor (other than a Convenience Creditor) based on such Affected Creditor's Affected Creditor Pro Rata Share.
8. The Chair also noted the changes resulting from amendments to the Proposal and their rationale, being to reduce the costs and time associated with registering security against the subsidiaries, which would require registrations in Arizona, Washington and other jurisdictions. The Chair also noted that many of the subsidiaries have little or no value. Upon implementation, the Consenting Debentureholders will control the Company's Board of Directors and the Company's existing claims will be compromised. Accordingly, having security at this time adds no incremental value.
9. The Chair noted that the Proposal Trustee provided its views in Section 5.1 of the Report as to why the proposal is better than bankruptcy and recommended that creditors vote to accept the Proposal. The Proposal Trustee advised that the rationale for its recommendation in the Report to Creditors continues to apply in respect of the Amended Proposal.
10. The Chair requested questions from the floor. No questions were asked.
11. The Chair reported that it had received 67 voting letters representing claims of \$25,652,905. The Chair reported that the claim of one of the voting creditors, Greenvision LLC, is being allowed for voting purposes but is being reviewed for distribution purposes. The Chair repeated that no Convenience Creditor Election Forms had been submitted.
12. The Chair advised Laurent Zaffran, one of the attendees, that the Proposal Trustee had not received a proof of claim from him. Mr. Zaffran responded that he would file a claim following the Meeting.

### **Vote to Accept the Proposal**

13. The Chair requested a motion be tabled to accept the Amended Proposal. Sean Zweig of Bennett Jones LLP tabled a motion to accept the Amended Proposal as filed on the 8th day of December, 2020. The motion was unanimously carried.
14. The Chair announced the voting results. The Amended Proposal was unanimously accepted by the creditors voting on the Amended Proposal. Accordingly, the Chair declared that the vote on the Amended Proposal had been carried.
15. The Chair advised that the motion for Court approval of the Amended Proposal is scheduled to be heard on the 21<sup>st</sup> day of December, 2020 at 10:00 a.m. The Chair also advised that implementation is to take place no later than December 31, 2020 and that updates can be found at the Proposal Trustee's website at <https://www.ksvadvisory.com/insolvency-cases/case/nabis-holdings>.
16. There being no further business, the meeting was terminated at 10:20 a.m.

Dated at Toronto, Ontario this 14<sup>th</sup> day of December, 2020.



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Mitch Vininsky, Chair



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Murtaza Tallat, Recording Secretary



## Appendix “A”

**IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC.,  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**FIRST MEETING OF CREDITORS**

**ATTENDANCE REGISTER**

**Date:** December 14, 2020 at 10:00 am  
**Estate File No:** 31-2691184

<b>No.</b>	<b>Name (Print)</b>	<b>Representing</b>	<b>Amount of Claim</b>	<b>Remarks</b>
1	Mitch Vininsky	KSV Restructuring Inc., Proposal Trustee	N/A	
2	Murtaza Tallat	KSV Restructuring Inc., Proposal Trustee	N/A	
3	Robert Kofman	KSV Restructuring Inc., Proposal Trustee	N/A	
4	George Benchetrit	Chaitons LLP, counsel to KSV Restructuring Inc., Proposal Trustee	N/A	
5	Sean Zweig	Bennett Jones LLP, legal counsel to the Consenting Debentureholders  Proxy to the Debentureholders that submitted a voting letter	\$24,820,000	The amount of claim represents the total of the debentureholder voting forms received prior to voting deadline, for which Mr. Zweig is the proxy.
6	Jesse Mighton	Bennett Jones LLP, legal counsel to the Consenting Debentureholders	N/A	
7	Sruli Weinreb	KW Capital Partners Limited	Not submitted	

**IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC.,  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**FIRST MEETING OF CREDITORS**

**ATTENDANCE REGISTER**

**Date:** December 14, 2020 at 10:00 am  
**Estate File No:** 31-2691184

<b>No.</b>	<b>Name (Print)</b>	<b>Representing</b>	<b>Amount of Claim</b>	<b>Remarks</b>
8	Bruce Langstaff	Langstaff & Company Ltd., advisor to certain Debentureholders	n/a	
9	Brett Harrison	McMillan LLP, counsel to Nabis Holdings Inc.	n/a	
10	Tushara Weerasooriya	McMillan LLP, counsel to Nabis Holdings Inc.	n/a	
11	James Tworek	Director of Nabis Holdings Inc.	n/a	
12	Baron Lee	Matco Cannabis Investment Fund	\$1,200,000	
13	Laurent Zaffran	Laurent Zaffran	\$152,137	Proof of Claim form received after the Meeting
14	Jordan Zinberg	Bedford Park Capital	\$500,000	
15	Todd Zeligman	Bedford Park Capital	\$500,000	
16	Nicole Rusaw	Nabis Holdings Inc.	n/a	

**IN THE MATTER OF THE PROPOSAL OF  
NABIS HOLDINGS INC.,  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**FIRST MEETING OF CREDITORS**

**ATTENDANCE REGISTER**

**Date:** December 14, 2020 at 10:00 am  
**Estate File No:** 31-2691184

<b>No.</b>	<b>Name (Print)</b>	<b>Representing</b>	<b>Amount of Claim</b>	<b>Remarks</b>
17	Emmanuel Paul	Director of Nabis Holdings Inc.	n/a	
18	Robert Seager	Voorheis & Co. LLP, counsel to the Special Committee of Nabis Holdings Inc.	n/a	

IN THE MATTER OF THE PROPOSAL OF NABIS HOLDINGS INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF  
ONTARIO

Court File No. 31-2691184

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(IN BANKRUPTCY AND INSOLVENCY)  
Proceedings Commenced at TORONTO**

**MOTION RECORD**

**CHAITONS LLP**

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**Lawyers for KSV Restructuring Inc.,  
the Proposal Trustee**