Court File No.: CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.** (the "**Applicant**")

MOTION RECORD
(Returnable July 16, 2024 at 12:30 p.m.)

July 10, 2024

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

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4	Draft Order re Stay Extension, Fee Approval and CCAA Termination

TAB 1

Court File No.: CV-24-00719639-00CL

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.** (the "**Applicant**")

NOTICE OF MOTION

CANNMART LABS INC. ("**CannMart Labs**" or the "**Applicant**") will make a motion to Justice Osborne presiding over the Commercial List on Tuesday, July 16, 2024, at 12:30 p.m. (Eastern), or as soon after that time as the motion can be heard via Zoom videoconference, at the courthouse 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard by video conference. Video conference sign-in details will be made available on Case Center prior to the hearing.

THIS MOTION IS FOR:

1. An Order (the "**Approval and Reverse Vesting Order**") substantially in the form attached at Tab 3 of the motion record of the Applicant dated July 10, 2024 (the "**Motion Record**") that, among other things:

(a) approves the share purchase agreement between the Applicant and 1615527 Canada Inc. (the "**Purchaser**") dated June 28, 2024 (the "**Share Purchase Agreement**") and the transaction contemplated therein (the "**Transaction**");

(b) vests all right, title and interest in and to the common shares to be issued to the Purchaser ("**New Common Shares**") free and clear of all other claims or encumbrances;

(c) cancels and terminates, without consideration, any and all equity interests in the Applicant (except for the New Common Shares);

(d) grants certain protections in favour of msi Spergel Inc. (the "**Monitor**");

(e) grants releases in favour of the Applicant, the Monitor and certain of their representatives;

(f) upon the Monitor's delivery of a certificate substantially in the form appended to the Approval and Reverse Vesting Order, deems CannMart Labs to cease being an Applicant in this *Companies' Creditors Arrangement Act* ("**CCAA**") proceeding;

(g) directs Adastra Labs Inc. to immediately return the Applicant's inventory;

(h) sealing a copy of the unredacted Share Purchase Agreement until the Transaction is closed or further Order of the Court; and

(i) provides the Monitor with enhanced powers.

2. An order (the "**Stay Extension and Termination Order**") substantially in the form of the draft order included at Tab 4 of the Motion Record that, among other things:

(i) extends the stay of proceedings in favour of the Applicant and its directors and officers ("**D&Os**") up to and including July 31, 2025;

(ii) upon the filing of a certificate of the Monitor (the "**Termination Certificate**"), terminates these CCAA proceedings and discharges the Monitor (the "**CCAA Termination Time**");

(iii) terminates the Court-ordered charges approved in this CCAA proceeding effective as at the CCAA Termination Time; and

(iv) approves the Second Report of the Monitor, to be filed (the "**Second Report**"), the activities of the Monitor and the Monitor's legal counsel, Reconstruct LLP ("**Reconstruct**") set out therein, and approves the fees and disbursements of the Monitor and Reconstruct as set out in the fee affidavits appended to the Second Report.

3. Such further and other relief as this Honourable Court may deem just and equitable.

THE GROUNDS FOR THE MOTION ARE:

4. Capitalized terms not defined herein have the same meaning ascribed to them in the Affidavit of Daniel Stern sworn July 10, 2024.

Background

5. CannMart Labs is a licenced producer under the *Cannabis Act*, S.C. 2018, c. 16 (the "**Act**") and the Regulations, that is in the business of developing butane has oil extracts. These extracts are used to create topical treatments, liquids in vaping, edibles, and other cannabis-related products (collectively, the "**Cannabis Products**").

6. The intense regulatory nature of the Canadian cannabis industry, including the high tax and regulatory fees imposed on licensed producers, contributed to CannMart Labs' financial issues. Approximately half of CannMart Labs' revenue was used towards its tax obligations.

7. CannMart Labs historically received funding from its parent company, Lifeist Wellness Inc. ("**Lifeist**"). This continued funding jeopardized its own financial stability and Lifeist would no longer continue to fund CannMart Labs.

8. Following a failed transaction early in 2024, CannMart Labs suspended operations in an effort to reduce its monthly cash expenditures.

9. On April 3, 2024, CannMart Labs filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"). msi Spergel Inc. was appointed as the proposal trustee in the NOI proceeding.

10. On April 26, 2024, CannMart Labs and Lifeist entered into a DIP Term Sheet to provide CannMart Labs with interim financing in the principal amount of $400,000 to cover the restructuring costs while CannMart Labs pursued its restructuring options.

11. On May 2, 2024, the Applicant brought a motion to convert the NOI proceeding to a proceeding under the CCAA, and was granted protection under the CCAA pursuant to the Initial Order of Justice Penny dated May 2, 2024 (the "**Initial Order**").

12. On the same date, the Court granted the SISP Order that, among other things, approved the sale and investment solicitation process (the "**SISP**").

13. Since the Initial Order was granted, the Applicant has been focused on maximizing value through the SISP.

The Sales Process

14. The SISP consisted of a one phase process whereby any interested party that met certain threshold requirements would be provided with access to a data room established by the Monitor, with the assistance of CannMart Labs. The bid deadline under the SISP was initially set for June 17, 2024.

15. After several interested parties requested an extension to the bid deadline, the Applicant agreed to extend the bid deadline to June 24, 2024, which extension was communicated to the interested parties by the Monitor.

16. On June 24, 2024, the Monitor received three bids within the SISP. Following a review of the bids and further negotiation, on June 28, the Monitor, with approval from CannMart Labs, declared the Purchaser as the successful bidder in the SISP.

Share Purchase Agreement & The Transaction

17. The salient features of the Share Purchase Agreement include:

    (a) the Purchaser will own 100% of the shares of CannMart Labs;

    (b) the Purchaser has agreed to pay a cash deposit in addition to a secured promissory note and proceeds from the sale of current inventory owned by CannMart Labs;

    (c) the Transaction is completed on an as is, where is basis;

    (d) the Purchaser will hire certain employees of CannMart Inc. that are required to maintain the Cannabis License;

    (e) the key conditions to closing include the following:

(i) delivery of a general security agreement and the secured promissory note;

(ii) a bringdown certificate; and

(iii) approval of the change in control by Health Canada.

18. The anticipated closing date of the Transaction is July 31, 2024.

19. The Monitor supports the Transaction as the best one in the circumstances. The execution of the Share Purchase Agreement represents the culmination of extensive solicitation efforts by the Monitor, in consultation with CannMart Labs and its advisors.

Reverse Vesting Structure

20. The Transaction contemplated in the Share Purchase Agreement is structured as a "reverse vesting" transaction.

21. The Transaction is structured this way because the Purchaser requires the Cannabis License to be in good standing upon closing. Due to restrictions regarding the transfer or assignment of the Cannabis License, a reverse vesting transaction is required to permit the Purchaser to acquire the shares of CannMart Labs free and clear of any claims and encumbrances associated with CannMart Labs.

22. A traditional asset sale would require the Purchaser to apply for a new Cannabis License, considerably extending the time required to close the Transaction and increase overall closing risk.

23. This structure does not result in any material prejudice or impairment of any of CannMart Labs' creditors' rights that they would otherwise have under an asset sale transaction under any other alternative available to the CannMart Labs.

Approving the Releases

24. The Applicant seeks the approval of the releases in favour of itself and certain third parties that are critical to the consummation of the Transaction.

25. The proposed releasees have contributed to the restructuring by supporting the SISP being overseen by the Monitor and attempting to identify interested parties. Without the involvement of the current directors, officers and employees, it is less likely that the SISP would have been successful.

26. The purpose of the releases is to achieve finality for the releasees and the orderly conclusion of the CCAA proceeding in the most efficient manner possible in the circumstances, all with a view to maximizing value.

Sealing Provision

27. In the Approval and Reverse Vesting Order, CannMart Labs has requested a copy of the unredacted Share Purchase Agreement be sealed and not form part of the public record.

28. The disclosure of the purchase price in the Share Purchase Agreement is commercially sensitive information that, if disclosed, could harm the stakeholders of CannMart Labs in the event that the Transaction does not close.

Proposed Extension of the Stay & Termination of CCAA Proceeding

Stay Extension

29. CannMart Labs seeks the extension of the stay of proceedings up to and including July 31, 2025. This provides CannMart Labs with ample time to close the Transaction and reflects the one-year term of the secured promissory note and the sale of inventory under the Share Purchase Agreement.

30. The proposed extension of the Stay Period will not materially prejudice any of CannMart Labs' stakeholders. The Monitor and the DIP Lender are both supportive of the proposed extension of the Stay Period.

31. The Applicant has acted and continues to act in good faith.

Termination of Proceedings

32. The Stay Extension and Termination Order allows for the termination of this CCAA proceeding upon the filing of the Termination Certificate. After the Transaction is closed, other than the sale proceeds from the Transaction, ResidualCo is not expected to have any material assets that can be realized for the benefit of its creditors.

33. Accordingly, at this juncture, it is appropriate for CannMart Labs to seek the termination of this CCAA proceeding.

34. At the completion of the CCAA proceeding, msi Spergel Inc. will be released and discharged as the Monitor.

Statutory Regime Relied On

35. The provisions of the CCAA, including without limitation, sections 11.02(2), 36 and the statutory, inherent and equitable jurisdiction of this Honourable Court;

36. Section 8(1) of the *Cannabis Regulations*, SOR/2018-144;

37. Section 106 and 137(2) of the *Courts of Justice Act*, R.S.O. 1990, c. C.43;

38. Rules 1.04, 2.03, 3.02, 16.04 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

39. Such further and other grounds as counsel may advise.

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

(a) the Affidavit of Daniel Stern sworn July 10, 2024, and the Exhibits thereto;

(b) the Second Report of the Monitor, to be filed;

(c) the Applicant's factum, to be filed; and

(d) such further and other evidence as counsel may advise and this Honourable Court may permit.

July 10, 2024

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Lawyers for the Applicant

TO: **THIS HONOURABLE COURT**

AND TO: **THE ATTACHED SERVICE LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
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ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceedings commenced at Toronto

NOTICE OF MOTION

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TAB 2

Court File No.: CV-24-00719639-00CL

ONTARIO
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(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.** (the "**Applicant**")

AFFIDAVIT OF DANIEL STERN
(sworn July 10, 2024)

I, **DANIEL STERN**, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS**:

I. INTRODUCTION

1. I am the Chief Executive Officer ("**CEO**") of CannMart Labs Inc. ("**CannMart Labs**" or "**Applicant**") and have been in this position since March 2018. Prior to the Applicant suspending its operations, I was responsible for the overall operational strategy of CannMart Labs and the execution of same. Since operations were suspended, I have been focused on advancing the restructuring and consummating a successful sale of the business.

2. As a result of my position, I am familiar with CannMart Labs' operations, business and financial affairs, the books and records of CannMart Labs, and I have personal knowledge of the matters deposed to in this affidavit. Where I have relied on information received from others, I have stated the source of such information, and I believe it to be true. In preparing this affidavit, I have consulted with other members of CannMart Labs' senior leadership, legal counsel, and other advisors.

3. This affidavit is sworn in support of a motion returnable before the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on July 16, 2024, for:

(a) an order (the "**Approval and Reverse Vesting Order**") in the form of the draft order included at Tab 3 of the motion record of the Applicant dated July 10, 2024 (the "**Motion Record**") that, among other things:

(i) approves the share purchase agreement between the Applicant and 1615527 Canada Inc. (the "**Purchaser**") dated June 28, 2024 (the "**Share Purchase Agreement**") and the transaction contemplated therein (the "**Transaction**");

(ii) vests all right, title and interest in and to the common shares to be issued to the Purchaser ("**New Common Shares**") free and clear of all other claims or encumbrances;

(iii) cancels and terminates, without consideration, any and all equity interests of the Applicant;

(iv) grants certain protections in favour of msi Spergel Inc. (in its capacity as Court-appointed monitor, the "**Monitor**");

(v) upon the Monitor's delivery of a certificate substantially in the form appended to the Approval and Reverse Vesting Order, deems CannMart Labs to cease being an Applicant in this *Companies' Creditors Arrangement Act* ("**CCAA**") proceeding;

(vi) provides the Monitor with enhanced powers in respect of 16197507 Canada Inc. ("**ResidualCo**"); and

(b) An order (the "**Stay Extension and Termination Order**") in the form of the draft order included at Tab 4 of the Motion Record that, among other things:

(i) extends the stay of proceedings in favour of the Applicant and its directors and officers ("**D&Os**") up to and including July 31, 2025;

(ii) upon the filing of a certificate of the Monitor substantially in the form appended to the proposed Stay Extension and Termination Order (the "**Termination Certificate**"), terminates this CCAA proceeding and discharges the Monitor (the "**CCAA Termination Time**");

(iii) terminates the Court-ordered charges approved in this CCAA proceeding effective as at the CCAA Termination Time; and

(iv) approves the Second Report of the Monitor, to be filed (the "**Second Report**"), the activities of the Monitor and the Monitor's legal counsel, Reconstruct LLP ("**Reconstruct**") as set out in the Second Report, and approves the fees and disbursements of the Monitor and Reconstruct as set out in the fee affidavits appended to the Second Report.

II. OVERVIEW OF CANNMART LABS' ACTIVITIES

A. Background

4. My initial affidavit sworn April 26, 2024 (the "**Initial Affidavit**") described, among other things, the events leading up to the CannMart Labs' insolvency and its need for relief under the CCAA. Below is a summary of certain facts in respect of same. Attached as **Exhibit "A"** is my Initial Affidavit, without exhibits.

5. CannMart Labs is a licenced producer of cannabis in accordance with the *Cannabis Act*, S.C. 2018, c. 16 (the "**Cannabis Act**") and the Regulations that produces cannabis products and is in the business of developing BHO extracts. BHO extracts are a concentrated extraction of cannabis that is used to create topical treatments, liquids in vaping, edibles, and other cannabis-related products (collectively the "**Cannabis Products**"). BHO extracts may be sold as a stand-alone product or can be used to increase potency in other cannabis products. CannMart Labs and a cannabis license issued by Health Canada that permits CannMart Labs to undertake the following activities (i) possess cannabis; (ii) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by production, other than by cultivating, propagating or harvesting it; and (iii) sell cannabis in accordance with subsection 17(5) of the Regulations (the "**Cannabis Licence**").

6. CannMart Labs' financial issues arose from the intense regulatory nature of the Canadian cannabis industry and the high tax and regulatory fees imposed on licensed cannabis producers under the regulatory and taxation regimes. Approximately half of CannMart Labs' revenue was used to pay for these obligations.

7. Historically, CannMart Labs was funded either directly or indirectly by its parent company, Lifeist Wellness Inc. ("**Lifeist**"). Lifeist could not continue to fund CannMart Labs as it was jeopardizing its own financial stability. However, Lifeist agreed to provide debtor-in-possession financing to finance CannMart Labs' restructuring.

8. Following a failed transaction earlier this year, the Applicant ceased operations to reduce the monthly cash expenditures.

9. On April 3, 2024, CannMart Labs filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"). msi Spergel Inc. was appointed as the proposal trustee in the NOI proceeding (in such capacity, the "**Proposal Trustee**").

10. On April 26, 2024, CannMart Labs entered into a DIP Term Sheet with Lifeist, who agreed to provide interim financing to CannMart Labs (the "**DIP Facility**") in the principal amount of $400,000. The DIP Facility is intended to ensure that CannMart Labs has enough liquidity to cover restructuring costs while pursuing a sales process to sell the assets or business of the Applicant.

B. Initial Order and Applicant's Activities since the Initial Order

11. On May 2, 2024, the Applicant brought a motion to convert the NOI proceeding to a proceeding under the CCAA and, on the same date, was granted protection under the CCAA pursuant to an initial order of this Court (the "**Initial Order**"). A copy of the Initial Order is attached as **Exhibit "B".**

12. The Initial Order, among other things:

(a) converted the NOI proceeding to a CCAA proceeding;

(b) appointed the Monitor;

(c) granted a stay of proceedings in favour of the Applicant up to and including July 17, 2024 (the "**Stay of Proceedings**");

(d) granted a charge (the "**Administration Charge**") over all of the Applicant's property, to secure the fees and disbursements of the Applicant's counsel, msi

Spergel Inc. and its legal counsel, incurred both before and after the commencement of the NOI proceeding, up to a maximum amount of $300,000;

(e) approved the execution of the DIP Facility and granted a charge in favour of the DIP Lender ("**DIP Charge**"); and

(f) granted a charge in favour of the directors and officers on the Applicant's property in the maximum amount of $75,000 (the "**Directors' Charge**").

13. Since the Initial Order was granted, the Applicant has been focused on maximizing value through a sale and investment solicitation process (the "**SISP"**).

14. Since the Initial Order was granted, the Applicant, with the assistance of its counsel, has been involved in the following activities:

(a) corresponded with the Canada Revenue Agency ("**CRA**") during the CCAA proceeding with respect to the extension of its excise license under the *Excise Act, 2001* (Canada), which cannabis producers are required to maintain while in possession of cannabis products;

(b) corresponded with the Bank of Montreal ("**BMO**") with respect to a request by Trisura Guarantee Insurance Company ("**Trisura**"), the surety of the Applicant, to draw on a letter of credit issued by BMO in the amount of $187,500;

(c) responded to a demand letter from Trisura in respect of an Indemnity Agreement dated June 27, 2022. A copy of the demand letter and the responding letter are attached hereto as **Exhibits "C"** and **"D"**;

(d) corresponded with Adastra Labs Inc. ("**Adastra**") with respect to inventory in the possession of Adastra that is owned by the Applicant; and

(e) assisted the Monitor with the preparation of a list of potential interested parties and a data room for the SISP.

III. SALES PROCESS

15. On May 2, 2024, the Court granted an order (the "**SISP Order**") approving the SISP. The purpose of the SISP was to identify one or more financiers, purchasers and/or investors in CannMart Labs, the business and/or assets to make a binding offer (each a "**Binding Bid**"), and to complete the transaction contemplated by any such offer.

16. CannMart Labs developed the SISP procedures ("**SISP Procedures**") governing the SISP with the Monitor and designed it to ensure that the marketing process was fair and reasonable and that interested parties had sufficient time to conduct diligence on the Applicant to make a Binding Bid.

17. The SISP consisted of a one phase process whereby any interested party that met the participant requirements would be provided with access to the necessary information to prepare and submit a Binding Bid on or before June 17, 2024 (the "**Bid Deadline**").

18. The key dates of the SISP were as follows:

(a) Commencement of SISP: May 2, 2024;

(b) Bid Deadline: June 17, 2024 (extended to June 24, 2024);

(c) Selection of successful bid(s): June 21, 2024 (extended to June 28, 2024); and

(d) Closing date deadline: a maximum of 4 weeks after CannMart Labs brings a motion to the Court to approve the best or highest bid pursuant to the SISP (a "**Successful Bid(s)**"), but no later than the outside date of July 31, 2024.

19. The principal elements of the SISP were:

(a) the Monitor, with the assistance of CannMart Labs, prepared a list of potential bidders ("**Potential Bidders**") and a process summary describing the opportunity and notified prospective purchasers of the existence of the SISP and invited them to express their interest in making an offer ("**Teaser Letter**");

(b) the Monitor, with the assistance of CannMart Labs, published a notice of the SISP to the public in *The Globe and Mail* (National Edition) and *Insolvency Insider*;

(c) Potential Bidders included parties that had approached CannMart Labs or the Monitor indicating an interest in the opportunity as well as strategic parties whom CannMart Labs and/or the Monitor believed may be interested in purchasing all or part of the business and assets, or investing in CannMart Labs pursuant to the SISP;

(d) Potential Bidders who wished to commence due diligence were required to execute a confidentiality agreement;

(e) CannMart Labs and the Monitor would review and evaluate each Binding Bid and identify the Successful Bid; and

(f) after determination of the Successful Bid, CannMart Labs would bring a motion seeking approval of the Successful Bid.

A. Solicitation of Interest

20. I am advised by the Monitor that it solicited Potential Bidders on May 13, 2024. By May 21, 2024, the Monitor contacted a total of 49 Potential Bidders and provided each Potential Bidder with a Teaser Letter.

21. Among other things, the Teaser Letter described the opportunity, outlined the SISP Procedures, and invited recipients of the Teaser Letter to express their interest pursuant to the SISP.

B. Bid Requirements

22. The SISP required any interested parties to submit a qualified bid. To be considered a qualified bid, an interested party had to provide the following to the Monitor (a "**Qualified Bid**"):

(a) an executed copy of a confidentiality agreement and acknowledgement of the SISP;

(b) a cover letter stating that the bid was irrevocable;

(c) evidence that the bid was an unconditional bid;

(d) proof of the interested party's financial ability to close the transaction;

(e) an acknowledgment from the interested party that it:

(i) had relied solely upon its own independent review, investigation and/or inspection of any documents regarding CannMart Labs, the business and/or the assets to be acquired, or liabilities to be assumed in making its Binding Bid;

(ii) did not rely upon any written or oral statements, representations, promises, warranties conditions or guaranties whatsoever, whether express or implied

(by operation of law or otherwise) by CannMart Labs, the Monitor or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding CannMart Labs, the business, or the assets to be acquired, the liabilities to be assumed, or the completeness of any information provided in connection therewith, except as expressly provided in any definitive transaction documents; and

(iii) promptly, at its own expense, commenced any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities, including those regulating in the cannabis sector;

(f) obtained authorization and approval from their board of directors;

(g) outlined full details regarding what will happen to CannMart Labs' employees; and

(h) a binding purchase agreement and a blackline comparing the binding purchase agreement submitted to the template share purchase agreement posted in the data room.

23. The SISP provided the Monitor, in consultation with CannMart Labs, with the right to agree to any amendments to the Bid Deadline or other dates set out in this SISP that did not constitute a material modification, provided that any extensions to the Bid Deadline were not longer than seven calendar days.

24. On June 13, 2024, the Monitor advised CannMart Labs that there were several interested parties who requested an extension to the Bid Deadline. To encourage the maximum number of interested parties submitting bids, the Applicant and the Monitor agreed to

extend the Bid Deadline by seven days. The Monitor communicated this to all interested parties.

C. Selection of Successful Bid

25. On June 24, 2024, CannMart Labs received three bids.

26. One unsuccessful bidder submitted an asset purchase agreement that, among other things, required the assignment of the Cannabis Licence. I am advised by TGF that the Cannabis Act and its Regulations do not permit the assignment or transfer of the Cannabis Licence.

27. The other unsuccessful bidder submitted a share purchase agreement. Among other things, the Applicant was concerned with the financial terms proposed by the prospective bidder.

28. On June 24, 2024, following the Bid Deadline, the Applicant, in consultation with the Monitor, reviewed the proposed share purchase agreement from the Purchaser. Following discussions among the Applicant, TGF and the Monitor, the Applicant negotiated the final terms of the share purchase agreement with the Purchaser.

29. After further discussions between the Applicant and the Purchaser, on June 28, 2024, CannMart Labs and the Purchaser entered into the Share Purchase Agreement, and the Monitor declared the Purchaser as the successful bidder. A copy of the redacted Share Purchase Agreement is attached as **Exhibit "E".** A copy of the unredacted Share Purchase Agreement is attached as Confidential **Exhibit "1".**

30. I am advised that the Monitor has prepared an extensive Second Report detailing the SISP.

IV. SUMMARY OF THE TRANSACTION

A. Share Purchase Agreement & the Transaction

31. The salient terms of the Share Purchase Agreement include (capitalized terms used below and not otherwise defined herein have the meaning given to them in the Share Purchase Agreement):

Key Terms	**Share Purchase**
Seller	CannMart Labs Inc.
Purchaser	1615527 Canada Inc.
Transaction Structure	Share purchase and reverse vesting structure
Purchased Shares	100% of New Common Shares
Purchase Price and payment	The amount of the Purchase Price is subject to the sealing order sought on this motion. The Purchase Price shall be paid by way of cash deposit in addition to a secured promissory note and proceeds from the inventory.
As is, Where is	The Purchaser agrees that the New Common Shares shall be sold and delivered to the Purchaser on an "*as is, where is"* basis, subject only to the limited representations and warranties contained in the Share Purchase Agreement.
Employees	Certain employees of CannMart Inc. that are required to maintain the Cannabis Licence.
Key Conditions to Closing	The Parties will conduct a review of the inventory and complete a list identifying saleable and not saleable inventory. The Company shall prepare all required materials to seek an Approval and Reverse Vesting Order and transfer certain liabilities in accordance with the terms of the Share Purchase Agreement.

	The Health Canada License, meaning all authorizations related to cannabis and issued by Health Canada, must be in good standing at Closing and shall remain in such way immediately following and notwithstanding Closing.
Closing Date	The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date (July 31, 2024).

32. The Transaction contemplated in the Share Purchase Agreement is commercially reasonable in the circumstances and is the by-product of a court-supervised SISP and negotiations between CannMart Labs and the Purchaser, two sophisticated arm's length parties, at both the business and advisor level. The directors of CannMart Labs, in their business judgment, are unanimously of the view that the Transaction is in the best interests of CannMart Labs and its stakeholders generally.

33. The Transaction does not include any material conditions and is capable of implementation in a timely manner. In addition, the transaction will minimize the go-forward professional fees, as CannMart Labs and the Monitor will not be required to take certain costly and time-consuming procedural steps required to approve a plan of compromise or arrangement.

34. At this time, it is uncertain whether the proceeds from the Transaction will be sufficient to satisfy the professional fees associated with the restructuring and the indebtedness outstanding under the DIP Facility. Accordingly, it is anticipated that most of the proceeds will go to the DIP Lender, and there may not be any recoveries for the secured or unsecured creditors. Nevertheless, the Transaction still represents the best possible outcome for CannMart Labs and other stakeholders in the circumstances.

35. CannMart Labs is of the view that, given the current market conditions in the cannabis industry, the SISP was commercially reasonable and appropriate in the circumstances. CannMart Labs does not have financing to engage in a further, extended solicitation process and there is no guarantee that a longer process would yield a materially higher bid given, among other things, the prevailing economic conditions and the results of the solicitation processes run by other licensed producers of cannabis in other CCAA proceeding.

36. The Monitor supports the Transaction as the best one in the circumstances.

37. The execution of the Share Purchase Agreement represents the culmination of extensive solicitation efforts by the Monitor, in consultation with CannMart Labs and its advisors.

38. I believe that the SISP identified as many interested parties as possible in the circumstances. In light of the challenging conditions in the capital markets and the general decline in the cannabis industry in Canada, there is no indication that further canvassing the market will yield a better result.

39. CannMart Labs is of the view that the Transaction is in the best interests of their stakeholders generally and will maximize value for creditors in the circumstances.

B. Reverse Vesting Structure

40. The Transaction contemplated in the Share Purchase Agreement has been structured as a "reverse vesting" transaction. In particular, the Transaction provides for a share transaction whereby:

    (a) the Applicant will issue and the Purchaser will purchase the New Common Shares in the share capital of the Applicant;

(b) all Excluded Contracts, Excluded Assets, and Excluded Liabilities (each as defined in the Share Purchase Agreement) with respect to the Applicant will be transferred and "vested out" to ResidualCo, pursuant to the Approval and Reverse Vesting Order, so as to allow the Purchaser to indirectly acquire the Applicant's business and assets on a "free and clear" basis; and

(c) all shares in the share capital of CannMart Labs that are issued and outstanding immediately prior to the Closing Time (the "**Existing Shares**") will be converted to common shares and consolidated with the New Common Shares in accordance with a consolidation ratio to be determined by the Purchaser in consultation with the Applicant and the Monitor; and

(d) all equity interests that remain issued and outstanding immediately following the aforementioned consolidation shall be cancelled and extinguished without any compensation or liability (collectively, the "**Consolidation and Cancellation**"), with the exception of 1,000 common shares in the share capital of the Applicant, which shall (i) represent 100% of the issued and outstanding common shares of the Applicant after the Consolidation and Cancellation, and (ii) be solely owned and controlled by the Purchaser.

41. CannMart Labs is a licensed cannabis producer in accordance with the Cannabis Act. In accordance with the Cannabis Act, CannMart Labs renewed its Cannabis License, which is valid until February 12, 2026. If the Transaction was structured as a traditional asset sale, the Purchaser must apply for a new cannabis licence before it could begin operating, considerably extending the time required to close the Transaction and increase closing risk.

CannMart Labs does not have the requisite cash to continue operations while waiting for the Transaction to close.

42. I do not believe that completing the Transactions under a reverse vesting structure will result in any material prejudice or impairment of any of CannMart Labs' creditors' rights that they would otherwise have under an asset sale transaction or under any other alternative available to CannMart Labs. The Share Purchase Agreement maintains the rights that creditors would otherwise have in an asset sale transaction.

43. Further, and as already described, it is uncertain at this juncture whether there will any recoveries for either the secured or unsecured creditors of the Applicant.

C. Approving the Releases

44. The Applicant seeks the approval of releases in certain releases (collectively, the "**Releases**") favour of certain third parties, including, among others, the Applicant's current directors, officers, employees, legal counsel, and the Monitor and its legal counsel (collectively, the "**Releasees**").

45. The releases are critical to the consummation of the Transaction and the orderly wind-down of this CCAA proceeding.

46. The Releasees have made significant contributions to the Applicant's restructuring and the negotiation of the Transaction, and are integral to achieving the best possible outcome for the Applicant and its stakeholders. It is a testament to the hard work and dedication of the current board of directors (the "**Current Board**") and management of the Applicant that they were able to secure three competing bids for a cannabis company given the prevailing market conditions.

47. Further, certain members of the Current Board have the requisite security clearance required by Health Canada to preserve the Cannabis License. The Releases are required to ensure that members of the Current Board do not resign until the Transaction is closed. If the Cannabis License is withdrawn before the closing due to resignations of key personnel, significant value for the stakeholders will be lost.

48. The Releases will prevent the further depletion of ResidualCo's assets that would occur if certain Releasees were forced to incur costs to defend against certain claims, which costs may be secured by the Directors' Charge.

49. The purpose of the Releases is to achieve finality for the Releasees and the conclusion of the CCAA proceeding in the most efficient manner possible in the circumstances, all with a view to preserving as much value as possible for the Applicant's creditors.

50. I am advised that the Monitor supports the Releases as part of the approval of the Transaction.

D. Return of Inventory being held at Adastra

51. Following the commencement of the NOI proceeding and prior to the conversion to the CCAA, CannMart Labs advised the Proposal Trustee that certain inventory owned by CannMart Labs that was in the possession of Adastra. Adastra processes unfinished cannabis goods produced by CannMart Labs, and then returns them to CannMart Labs to permit CannMart Labs to distribute the finished goods to CannMart Inc. for ultimate sale to consumers.

52. On April 22, 2024, the Proposal Trustee sent a letter to Adastra notifying it of the NOI proceeding, and requested that all inventory owned by CannMart Labs be returned to

CannMart Labs because it formed part of the assets being offered for sale as part of the SISP. Attached as **Exhibit "F"** is a copy of the letter from the Proposal Trustee to Adastra.

53. On the same date, the chief financial officer of Adastra advised that some of the inventory in possession of Adastra was no longer owned by CannMart Labs. This is inconsistent with the terms of the relationship because Adastra processes the inventory and does not purchase the inventory.

54. On March 8, 2024, Adastra issued a purchase order ("**P.O.**") in respect of approximately $100,000 of 'live resin'. The P.O. provides that it will be for setting off historical accounts receivable owed by CannMart Labs and no payment will be made by Adastra. CannMart Labs disputes this purported right of set-off and never agreed to these terms. This P.O. was the only P.O. ever issued in the years that CannMart Labs and Adastra have conducted business together. Adastra did not provide any explanation why the P.O. was issued, and CannMart never accepted the validity of the P.O. Attached as **Exhibit "G"** is a copy of the P.O.

55. On April 25, 2024, the Proposal Trustee requested that Adastra return all inventory belonging to CannMart Labs. Adastra returned some packaging materials and empty cartridges, but the inventory listed at Exhibit "I" remains in Adastra's possession and Adastra has not made any effort to return same. Attached as **Exhibit "H"** is the email exchange between the Proposal Trustee and Adastra. Attached as **Exhibit "I"** is a list of the inventory that is held by Adastra and owned by CannMart Labs, which represents a cost value of $173,742.88 to CannMart Labs.

56. As part of the Purchase Price under the Share Purchase Agreement, the Purchaser has agreed to provide some of the proceeds from the sale of inventory to ResidualCo. Accordingly, if the inventory is not returned to CannMart Labs, the Purchaser cannot sell that inventory, which will reduce the potential proceeds that can be made available to stakeholders of the Applicant, including the DIP Lender.

E. Sealing Order

57. CannMart Labs seeks to have a copy of the unredacted Share Purchase Agreement be sealed and not form part of the public record. This is to prevent the disclosure of confidential and sensitive information such as the Purchase Price. The Purchase Price is commercially sensitive information. If it was publicly disclosed and the Transaction did not close for any reason, it would be difficult to remarket the assets of the Applicant without the Purchase Price acting as a cap on the amount an interested party is willing to pay. Accordingly, it is in the best interest of the stakeholders to have this information sealed from the public record.

V. PROPOSED EXTENSION OF THE STAY PERIOD

A. Extension of the Stay Period

58. CannMart Labs seeks the extension of the Stay Period at this time to minimize the costs associated with an additional hearing. Extending the Stay Period to July 31, 2025 should provide ample time for CannMart Labs and the Purchaser, with the assistance of the Monitor, to close the Transaction.

59. Further, the stay period requested is for a period of one year, which reflects the terms of the Transaction because the secured promissory note is due in one year and the Purchaser has one year to sell certain inventory, the proceeds of which are to the benefit of the

Applicant. In order to ensure that payment is received by the end of the one-year period, the Applicant requires that the stay of proceedings continue as against the ResidualCo.

60. I do not believe that the proposed extension of the stay of proceedings will materially prejudice any of CannMart Labs' stakeholders. The Monitor is supportive of the proposed extension of the stay of proceedings.

61. Since the granting of the Initial Order, CannMart Labs has acted in good faith and with due diligence to, among other things, stabilize the business, prepare and implement the SISP, and negotiate and consummate the Transaction.

B. Termination of the CCAA Proceeding

62. Having completed the SISP and the anticipated closing of the Transaction, CannMart Labs also seeks the proposed Stay Extension and Termination Order to effect the orderly and efficient completion of this CCAA proceeding, including the option to assign ResidualCo into bankruptcy, if necessary. Following completion of the Transaction, other than the sale proceeds from the Transaction, ResidualCo is not expected to have any material assets that can be realized for the benefit of its creditors.

63. The proposed Stay Extension and Termination Order provides that this CCAA proceeding will be terminated upon service by the Monitor of the Termination Certificate on the Service List in this CCAA proceeding certifying that, to the best knowledge and belief of the Monitor, all matters to be attended to in connection with the CCAA proceeding have been completed.

64. At such time, msi Spergel Inc. will be released and discharged as the Monitor.

65. If it is necessary to facilitate the orderly and efficient wind-up of ResidualCo's estate, the proposed Stay Extension and Termination Order authorizes the Monitor to cause ResidualCo to make an assignment into bankruptcy pursuant to the BIA prior to the CCAA Termination Time.

66. In accordance with the proposed Stay Extension and Termination Order, msi Spergel Inc. is authorized and empowered, but not obligated, to act as trustee in bankruptcy in respect of ResidualCo.

VI. CONCLUSION

67. For the reasons set out above, I believe that it is in the interests of CannMart Labs that this Court grant the relief requested in accordance with the terms of the proposed Approval and Reverse Vesting Order and the proposed Stay Extension and Termination Order.

68. This affidavit is sworn in support of CannMart Labs' motion for the Approval and Reverse Vesting Order and the Stay Extension and Termination Order and for no other or improper purpose.

SWORN before me via videoconference by DANIEL STERN, stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 10th day of July, 2024, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely.*

Commissioner for Taking Affidavits

DANIEL STERN

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT,* R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.**

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF DANIEL STERN
(sworn July 10, 2024)

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This is Exhibit “A” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.

A Commissioner for taking affidavits

INES FERREIRA

Court File No.: BK-24-03063478-0031
Estate File No.: 31-3063478

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF CANNMART LABS INC., OF THE CITY OF TORONTO IN THE PROVINCE OF ONTARIO

AFFIDAVIT OF DANIEL STERN
(sworn April 26, 2024)

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I, Daniel Stern, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS**:

I. INTRODUCTION

1. I am the Chief Executive Officer ("**CEO**") of CannMart Labs Inc. ("**CannMart Labs**") and have been in this position since March 2018. As CEO, I am responsible for the day-to-day overall operational strategy of CannMart Labs and the execution of same.

2. As a result of my position, I am familiar with CannMart Labs' day-to-day operations, business and financial affairs, the books and records of CannMart Labs, and I have personal knowledge of the matters deposed to in this affidavit. Where I have relied on information received from others, I have stated the source of such information, and I believe it to be true. In preparing this affidavit, I have consulted with other members of CannMart Labs' senior leadership, legal counsel, and other advisors.

3. On April 3, 2024 (the "**NOI Filing Date**"), CannMart Labs filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"). Msi Spergel Inc. ("**Spergel**"), was appointed as the proposal trustee (in such capacity, the "**Proposal Trustee**") in the NOI proceeding. Attached hereto as **Exhibit "A"** is a copy of the Certificate of Filing of a Notice of Intention to Make a Proposal that was filed with the Office of the Superintendent of Bankruptcy.

4. This affidavit is sworn in support of a motion for an Order (the "**Initial Order**"), among other things:

   (a) abridging the time for service of the Motion Record and dispensing with service on any other person other than those served;

(b) converting the proceeding initiated by way of the NOI to a proceeding under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**");

(c) appointing Spergel as the court-appointed monitor of CannMart Labs (in such capacity, the "**Monitor**") in the CCAA proceeding;

(d) providing for a stay of proceedings in respect of CannMart Labs up to and including July 17, 2024 (the "**Stay Period**");

(e) establishing the Administration Charge (defined below);

(f) approving the DIP Term Sheet and granting the DIP Charge (each as defined below); and

(g) approving an indemnity by CannMart Labs in favour of its directors and officers for any liability that may be incurred after the commencement of this proceeding, and granting the Directors' Charge (defined below) as security for such indemnity.

5. This affidavit is also sworn in support of an order (the "**SISP Order**") that, among other things, approves a sale and investment solicitation process (the "**SISP**") to identify one or more purchasers, financiers, and/or investors of CannMart Labs, the Business and/or the Assets (each as defined in the SISP).

6. The purpose of the CCAA proceeding is to provide CannMart Labs with stability and access to additional liquidity through the proposed debtor-in-possession financing ("**DIP Financing**") while CannMart Labs attempts to identify a purchaser of all, or substantially all of its assets, or an investor in CannMart Labs' business through the proposed SISP. The relief requested is integral to achieving this goal, and absent the approval of the DIP

Financing, CannMart Labs will be required to liquidate its assets through a forced liquidation, which is not in the best interests of CannMart Labs' stakeholders.

7. All monetary amounts referred to in this Affidavit are in Canadian dollars, unless otherwise noted.

II. FINANCIAL DIFFICULTIES OF CANNMART LABS

8. CannMart Labs is one of the few licensed cannabis producers that produces butane hash oil ("**BHO**") extracts in Canada. It operates from a production facility located in Etobicoke, Ontario. CannMart Labs primarily sells the BHO extracts it produces to its indirect affiliate, CannMart Inc.

9. CannMart Labs' financial issues arise from the intense regulatory nature of the Canadian cannabis industry and the disproportionately high tax and regulatory fees imposed on licensed cannabis producers under the regulatory and taxation regimes. Approximately half of CannMart Labs' revenue is used to pay for these obligations. This financial burden limits CannMart Labs' operational flexibility, and hampers its ability to invest in growth initiatives, further compounding CannMart Labs' financial difficulties.

10. The Cash Flow Forecast (defined below) projects that CannMart Labs' ordinary course monthly disbursements will exceeds its monthly receipts by approximately $25,000 before payment of the professional fees associated with the restructuring. CannMart Labs does not have sufficient cash to continue to sustain losses.

11. Historically, CannMart Labs was funded either directly or indirectly by its parent company, Lifeist Wellness Inc. ("**Lifeist**"). However, Lifeist has reached a juncture where continuing to fund CannMart Labs will jeopardize its own financial stability. Lifeist has decided that

it will only continue to provide financial assistance in the context of CannMart Labs' proposed restructuring. Furthermore, CannMart Labs has no realistic prospect of securing capital from alternative sources due to the challenging conditions prevailing in the capital markets and the general decline in the cannabis industry in Canada.

12. Due to CannMart Labs' liquidity issues, it has temporarily ceased operations to focus on this restructuring. Without approval of the proposed DIP Financing, CannMart Labs does not have the requisite liquidity to restructure and would be required to immediately liquidate, causing a loss in value associated with its cannabis licenses and the institutional knowledge associated with the BHO extraction process.

13. The CCAA provides the most appropriate forum for CannMart Labs to restructure its affairs. CannMart Labs requires the protections afforded under the CCAA to maintain the *status quo* and obtain the breathing room required to implement its restructuring strategy. With the benefit of the protections afforded by the CCAA, CannMart Labs will be able to maintain its going concern value and preserve its cannabis licenses to maximize value for the benefit of CannMart Labs' stakeholders.

14. The CCAA provides additional flexibility that is not available in the NOI Proceeding under the BIA. For example, I am advised by Mitch Grossell of Thornton Grout Finnigan LLP that if certain statutory timelines are not met in the NOI Proceeding or if a proposal under the BIA is rejected by CannMart Labs' creditors, the debtor company is automatically deemed bankrupt pursuant to the BIA. In the normal course, this would result in CannMart Labs' assets vesting in Spergel as the *de facto* bankruptcy trustee. However, given the

nature of CannMart Labs' business as a licensed producer of cannabis products, this creates an unworkable issue.

15. I am advised by Mr. Grossell that Spergel is not permitted by law to take possession of cannabis products because Spergel is not licensed to do so under the *Cannabis Act*, S.C. 2018, c. 16 (the "**Act**") or the *Cannabis Regulations*, SOR/2018-144 (the "**Regulations**"). As a result, if there is a deemed bankruptcy in the NOI proceeding, Spergel has advised that it will not take possession of, or secure any of, the cannabis products because that would directly contravene the Act and the Regulations. The cannabis products comprise a significant portion of CannMart Labs' operating assets and such a result would not be in the best interests of CannMart Labs or its stakeholders since significant value would be lost.

III. OVERVIEW OF CANNMART LABS

A. Background & Corporate Structure

13. CannMart Labs is a private corporation incorporated pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**") on March 7, 2018, and is a wholly-owned subsidiary of Lifeist. Lifeist is a publicly traded and widely held company listed on the TSX Venture Exchange under the ticker symbol LFST. CannMart Labs' registered head office is located at 18 Canso Road, Etobicoke, Ontario. Attached hereto as **Exhibit "B"** is a copy of CannMart Labs' corporate profile report, and a copy of CannMart Labs' organizational chart is attached hereto as **Exhibit "C"**.

14. The board of directors is comprised of one director, Meni Morim. In addition, CannMart Labs has two officers: myself as CEO and Mr. Morim as President.

B. The Business

15. CannMart Labs is a licensed cannabis producer in accordance with the Act and the Regulations that is in the business of developing BHO extracts. BHO extracts are a concentrated extraction of cannabis that is used to create topical treatments, liquids in vaping, edibles, and other cannabis-related products (collectively the "**Cannabis Products**"). BHO extracts may be sold as a stand-alone product, or can also be used to increase potency in other cannabis products.

16. CannMart Labs sources cannabis biomass from other licensed producers, and extracts the biomass to produce the BHO extracts. In BHO extraction, the type of biomass used significantly influences the extraction process and the quality of the final product. The primary function of the biomass is to purify and refine the BHO produced during the extraction process.

C. CannMart Brands

17. The BHO extracts produced by CannMart Labs are packaged under the brand names "Roilty" and "Zest Cannabis". The Cannabis Products packaged under these brands are sold by CannMart Inc. to the various provincial entities across Canada who are largely responsible for the distribution of cannabis products to retailers. CannMart Inc. is not a party to these proceedings.

D. Cannabis Licensing & Regulations

i. Cannabis License

18. In accordance with the Act and Regulations, CannMart Labs renewed its cannabis license (the "**License**") from Health Canada on December 19, 2023. The License is valid until February 12, 2026 (the "**Expiry Date**"). The License is for the possession, production, and

sale of cannabis at CannMart Labs' facility at 7 Canso Road, Etobicoke, Ontario (the "**Facility**") A copy of the License is attached hereto as **Exhibit** "**D**".

19. The License permits CannMart Labs to undertake the following activities (collectively, the "**Licensed Activities**") at the Facility:

(a) possess cannabis;

(b) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by production, other than by cultivating, propagating or harvesting it; and

(c) sell cannabis in accordance with subsection 17(5) of the Regulations;

20. The License is subject to the following conditions:

(a) CannMart Labs must satisfy the requirements set out in Health Canada's directive entitled "Mandatory cannabis testing for pesticide active ingredients – Requirements";

(b) CannMart Labs may only sell or distribute to holders of a license for sale and persons that are authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, the following products: (i) cannabis plants; (ii) cannabis plant seeds; (iii) dried cannabis; and (iv) fresh cannabis; and

(c) CannMart Labs may only send or deliver to a purchaser, at the request of holders of a license for sale and persons that are authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, the following products: (i) cannabis plants; (ii) cannabis plant seeds; (iii) dried cannabis; and (iv) fresh cannabis.

21. As of today's date, the License remains in good standing and Health Canada has not expressed any material issues or concerns with respect to CannMart Labs' compliance with the Act, the Regulations or conditions under the License.

ii. Excise Cannabis License

22. CannMart Labs obtained its cannabis license under the *Excise Act, 2001* (Canada) on March 18, 2021 (the "**Excise License**"). A copy of the Excise License is attached as **Exhibit** "**E**". The Excise License expires on May 17, 2024. A copy of the Excise License renewal letter from the CRA is attached as **Exhibit** "**F**".

23. As part of the application process to obtain the Excise License, CannMart Labs was required to post security with Canada Revenue Agency ("**CRA**") in the amount of $250,000. CannMart Labs obtained a Surety Bond for Cannabis (the "**Security Bond**") from Trisura Guarantee Insurance Company ("**Trisura**") on July 1, 2022. The Security Bond was renewed by a Continuation Certificate from Trisura dated July 11, 2023 (the "**Continuation Certificate**"), for a one-year period, expiring July 1, 2024. A copy of the Continuation Certificate is attached hereto as **Exhibit** "**G**".

24. On April 4, 2024, Trisura delivered a letter (the "**Cancellation Letter**") to the CRA advising that it wished to be relieved of its obligations under the Security Bond and provided 60 days' written notice of Trisura's intention to cancel the Security Bond. Attached here as **Exhibit "H"** is a copy of the Cancellation Letter.

25. I am advised by Josh Hone, controller of Lifeist, that on or around April 22, 2024, that, due to the expiration of the Excise License, the CRA intends to audit CannMart Labs at the Facility in or around early May 2024. CannMart Labs has not received formal written

notice of an audit or any other actions that CRA may take. However, I understand that the CRA advised it may be required to destroy cannabis inventory that already has excise stamps on it due to the expiration of the Excise License. CannMart Labs is evaluating its options at this time, but the destruction of any cannabis inventory may destroy value in the proposed sales process and may potentially compromise the viability of this restructuring.

E. Employees

26. As of today, CannMart Labs has no employees. At the peak of its operations, CannMart Labs had 40 employees. After it temporarily ceased operations because of its liquidity issues, CannMart Labs transferred its employees to CannMart Inc.

F. Material Contracts

i. Facility Lease

27. CannMart Labs operates from a 6,000 sq ft Facility that is located 7 Canso Road, Etobicoke, Ontario. CannMart Labs leases the Facility from Stellar Construction Enterprises Limited pursuant to a Lease Extension and Amending Agreement dated April 28, 2023 (the "**Lease**"). A copy of the Lease is attached hereto as **Exhibit "I"**. CannMart Labs pays approximately $6,000 of rent each month, with annual increases. The term of the Lease expires in April 2028.

IV. FINANCIAL SITUATION AND CASH FLOW FORECAST

A. Financial Statements

28. CannMart Labs' fiscal year-end is November 30. A copy of CannMart Labs' most recent internal Profit and Loss statements for the period from December 1, 2022 to November 30, 2023, are attached hereto as **Exhibit** "**J**". The most recent internal interim balance sheet and Profit and Loss Statement of CannMart Labs as of February 29, 2024 is also attached hereto as **Exhibit** "**K**".

B. Assets

29. As at February 29, 2024, CannMart Labs had assets with a book value of approximately $25.9 million. The salient assets on the balance sheet include:

(a) Cash ($23,408);

(b) Security collateral ($187,500);

(c) Cannabis inventory and packaging ($540,600);

(d) Sales tax receivable ($568,446);

(e) Intercompany receivables $23,031,577);[1] and

(f) Plant, property and equipment ($1,411,558).

C. Liabilities

30. As at February 29, 2024 CannMart Labs recorded liabilities in the aggregate amount of approximately $46.2 million. The salient liabilities on the balance sheet include:

(a) Accounts payable ($1,687,463);

(b) Accrued liabilities ($3,359,666); and

(c) Intercompany liabilities ($40,433,981).[2]

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[1] This includes a receivable from Lifeist in the amount of $873,475.70 and two receivables from CannMart Inc. in the aggregate amount of $22,158,101.33.

[2] The intercompany liabilities include: (a) Lifeist in the amount of $11,279,551.84, (b) NamasteMD in the amount of $65,155.43, (c) CannMart Inc. in the amount of $29,084,984.64, and (d) CannMart Marketplace in the amount of $4,289.37.

D. Cash Flow Forecast

31. Attached hereto as **Exhibit** "**L**" is a statement of CannMart Labs' projected 13-week cash flow forecast (the "**Cash Flow Forecast**") for the period of the week beginning April 27, 2024, to the week ending July 20, 2024. The Cash Flow Forecast was prepared by CannMart Labs, with the assistance of the proposed Monitor.

32. The Cash Flow Forecast demonstrates that, subject to the approval of the proposed DIP Financing, CannMart Labs will have sufficient liquidity to meet its obligations during the requested stay period up to July 17, 2024.

V. CREDITORS OF CANNMART

33. Attached hereto as **Exhibit "M"** is a copy of the creditor list included in the NOI.

A. PPSA Registrations

34. Based on a search conducted in the Personal Property Security Registration System, the following entities have security interest registrations in respect of CannMart Lab:

Secured Parties	Debtors	Registration Date	Collateral	Security Agreement
Namaste Technologies (now operating as Lifeist Wellness Inc.)	CannMart Labs Inc.	December 14, 2020	I, E, A, O, MV	General Security Agreement
Bank of Montreal ("**BMO**")	CannMart Labs Inc.	September 20, 2023	A, O	Cash Collateral

35. A copy of a certified search of the Personal Property Security Registration System (the "**PPSA Registry**") as at April 21, 2024, with respect to CannMart Labs is attached hereto as **Exhibit** "**N**".

B. BMO Term Sheet

36. On July 27, 2022, CannMart Labs and BMO entered into a term sheet (the "**BMO Term Sheet**"). Pursuant to the BMO Term Sheet, BMO provided CannMart Labs with a letter of

credit facility in the principal amount of $187,500 (the "**BMO Facility**"). A copy of the BMO Term Sheet is attached hereto as **Exhibit** "**O**".

37. The BMO Facility matures and is payable within one year from the date of issuance. As security in respect of the BMO Facility, pursuant to a Cash Collateral Pledge, CannMart Labs has provided cash collateral in the principal amount to BMO. A copy of the BMO Pledge is attached hereto as **Exhibit** "**P**".

38. On July 7, 2023, BMO renewed the BMO Facility pursuant to its autorenewal clause in the BMO Term Sheet until August 3, 2024. A copy of the BMO renewal letter is attached hereto as **Exhibit** "**Q**".

C. Intercompany Transactions

i. Lifeist

39. As previously described, Lifeist directly and indirectly funded CannMart Labs' operations. Pursuant to a Promissory Note dated November 17, 2020 (the "**Promissory Note**") between Namaste Technologies Inc. (now Lifeist) and CannMart Labs, CannMart Labs was authorized to borrow amounts from Lifeist. As of today's date, CannMart Labs has been unable to locate a copy of the Promissory Note.

40. The Promissory Note is secured by a General Security Agreement dated November 17, 2020 (the "**GSA**"). Pursuant to the GSA CannMart Labs granted a security interest over all of its assets to Lifeist.

41. As at February 29, 2024, CannMart Labs owes Lifeist approximately $10.4 million.

ii. CannMart Inc.

42. From time to time, CannMart Inc. provided funding to CannMart Labs instead of directly from Lifeist. There is no loan agreement between CannMart Labs and CannMart Inc.

43. As of February 29, 2024, CannMart Labs owes CannMart Inc. approximately $6.9 million. This represents the difference between the funding received from CannMart Inc. (approximately $29.1 million) less the amounts owed to CannMart Labs (approximately $22.2 million) due to the Cannabis Products supplied by CannMart Labs to CannMart Inc.

44. Since February 29, 2024, CannMart Inc. has continued to fund CannMart Labs. This has resulted in a further increase to the net amount owed to CannMart Inc. from approximately $6.9 million to approximately $8.7 million.

VI. INSOLVENCY

45. While CannMart Labs was still operating, its disbursements exceeded its receipts by approximately $600,000 each month. As at April 3, 2024, CannMart Labs has approximately $38,000 in its bank account. As previously described, CannMart Labs has temporarily ceased operations to reduce its monthly cash burn.

46. In light of the foregoing, CannMart Labs cannot meet its obligations generally as they become due and is therefore insolvent.

VII. OBJECTIVE OF THE RESTRUCTURING

47. As described above, CannMart Labs is insolvent and facing a severe liquidity crisis. CannMart Labs requires the protections afforded under the CCAA to maintain the *status quo*, and obtain the breathing room required to pursue and implement its restructuring strategy.

48. As part of its restructuring strategy, CannMart Labs intends to, among other things:

(a) initiate the proposed SISP to sell CannMart Labs for the maximum achievable value for the benefit of all stakeholders; and

(b) if there remains value for unsecured creditors, conduct a claims procedure to accurately identify all potential unsecured claims against CannMart Labs.

49. Addressing these claims effectively will allow CannMart Labs to resolve its historical obligations and continue its operations in the ordinary course, cleansed of past liabilities and positioned for future stability and growth.

VIII. CONTINUATION OF PROCEEDING UNDER CCAA

50. CannMart Labs seeks to continue the NOI proceeding under the CCAA pursuant to section 11.6 of the CCAA. Due to the nature of CannMart Labs' assets, the CCAA is the best forum for these insolvency proceedings and presents the best possible chance of maximizing value for all stakeholders of CannMart Labs.

51. As described previously, an untenable situation would arise if CannMart Labs was deemed bankrupt as a result of the NOI proceeding. Given the complicated factual and legal issues currently facing CannMart Labs, I believe that the CCAA is a better forum to restructure CannMart Labs due to its flexible nature.

52. I am advised by Mukul Manchanda of Spergel that the proposed Monitor supports CannMart Labs' motion to continue the NOI proceeding under the CCAA and consents to its appointment as Monitor.

IX. DIP TERM SHEET

53. In connection with the SISP and given CannMart Labs' liquidity constraints, CannMart Labs and Lifeist (the "**DIP Lender**") engaged in discussions with respect to the proposed DIP Financing provided by the DIP Lender for working capital purposes and to finance the restructuring.

54. As reflected in the Cash Flow Forecast, CannMart Labs requires immediate financing to fund its ongoing operations. On April 26, 2024 CannMart Labs and the DIP Lender executed a DIP Term Sheet (the "**DIP Term Sheet**") pursuant to which the DIP Lender agreed to provide interim financing up to a maximum amount of $400,000 (the "**DIP Facility**"), subject to the satisfaction of certain conditions. A copy of the DIP Term Sheet is attached hereto as **Exhibit "R".**

55. Among other conditions, the DIP Lender is prepared to provide the DIP Facility to CannMart Labs provided that the Court approves the DIP Facility and the DIP Lender obtains a charge (the "**DIP Charge**") securing all amounts advanced and obligations incurred pursuant to the DIP Term Sheet that ranks in priority to all other encumbrances save and except for the Administration Charge (defined below). The proposed DIP Charge provides a security interest in favour of the DIP Lender over all present and future assets of CannMart Labs.

56. The execution of the DIP Term Sheet by CannMart Labs is subject to approval of the Court. The salient terms of the DIP Term Sheet include:

(a) the amount of the DIP Facility is $400,000;

(b) advances under the DIP Facility shall consist of minimum advances of $100,000. Each advance shall be requested by CannMart Labs in writing;

(c) interest accrues on amounts advanced at a rate of 10% per annum;

(d) CannMart Labs shall pay the DIP Lender's expenses arising in connection with the DIP Term Sheet;

(e) as security for the obligations of CannMart Labs under the DIP Facility, the DIP Lender will obtain the benefit of the proposed DIP Charge; and

(f) CannMart Labs shall pay to the DIP Lender a commitment fee equal to two percent of the amount of the DIP Facility. The commitment fee is non-refundable and fully earned and payable as of the date of the first advance.

57. The primary purpose of the DIP Facility is to fund capital requirements of CannMart Labs, including the payment of professional fees incurred during the CCAA proceeding, while CannMart Labs conducts the proposed SISP to maximize recoveries for the benefit of its stakeholders, subject to approval of the Court.

58. I believe the DIP Term Sheet is in the best interests of CannMart Labs in the circumstances and will allow it to solicit and pursue a transaction with the intention of maximizing value for its stakeholders.

X. THE SISP

59. The proposed SISP provides for the marketing of CannMart Labs' business and assets. Attached hereto and marked as **Exhibit "S"** is a copy of the proposed SISP.

60. Prior to the development of the SISP and the commencement of the NOI proceeding, CannMart Labs spent time and resources in marketing the company. CannMart Labs commenced a sales process in January 2023. Lifeist has been trying to sell CannMart Labs for two years. As part of these efforts, Lifeist engaged Kronos Capital Partners, a transactional advisory firm with expertise in the cannabis industry.

61. Lifeist engaged with dozens of cannabis companies and held exploratory discussions with four parties who were interested in acquiring CannMart Labs. However, none of the offers were acceptable and CannMart Labs did not enter into a transaction. Lifeist continued to entertain discussions several interested parties who remained interested in CannMart Labs.

62. On February 1, 2024, Lifeist and several of its subsidiaries, including CannMart Labs, entered into a share purchase agreement ("**SPA**") with 1463663 B.C. Ltd. The consideration payable under the transaction was approximately $5 million, consisting of a cash payment of $500,000, and a vendor takeback promissory note in the amount of $4.5 million. Attached hereto and marked as **Exhibit "T"** is a copy of the SPA.

63. This transaction required approval from the shareholders of Lifeist. Unfortunately, Lifeist's shareholders rejected the transaction, leading to the termination of the SPA. Attached hereto and marked as **Exhibit "U"** is a copy of the Lifeist press release relating to the termination of the SPA.

64. The proposed SISP contemplates a one phase bidding process over a 45-day period. CannMart Labs has worked with the proposed Monitor to develop the SISP timelines. The timelines were determined based on the amount of the DIP Facility and estimated cash burn during the proposed SISP. In consultation with the proposed Monitor, CannMart Labs will

identify as many strategic and financial parties to adequately canvass the market for possible bids that are superior to the proposed transaction in the SISP while keeping in mind the precarious financial situation of CannMart Labs.

65. The single-phase bidding process aims to quickly attract binding bids for CannMart Labs' assets and business by encouraging potential purchasers or investors to promptly submit offers. The SISP also allows sufficient time for potential purchasers to begin and complete their due diligence before finalizing their binding offers.

66. During the bidding process, bidders will receive access to a confidential data room to permit interested parties to evaluate the opportunity and determine if they are interested in submitting a binding bid. The deadline for submission of binding bids under the SISP is proposed to be 5:00 p.m. (Eastern Time) on June 17, 2024.

67. The proposed SISP will be initiated by distribution of a teaser letter (the "**Teaser Letter**") to potentially interested parties that describes the opportunity and invites those parties to consider a transaction with CannMart Labs by gaining access to a confidential data room upon execution of a confidentiality agreement.

68. The Teaser Letter will be distributed to known potential bidders, including: (a) parties that have approached CannMart Labs or the proposed Monitor indicating an interest in the opportunity; and (b) strategic parties whom CannMart Labs or the proposed Monitor believe may be interested in purchasing all or part of the Business and Assets, or investing in CannMart Labs, pursuant to the SISP.

69. The proposed SISP contemplates that, in the case of a qualified bid considered by the Monitor, in consultation with CannMart Labs, the following requirements must be met:

(a) a cover letter stating that the Binding Bid is irrevocable until Court approval of the Successful Bid(s):

(i) in the case of a Sale Proposal, a duly authorized and executed definitive purchase agreement, together with all completed schedules thereto substantially in the form of the Form Purchase Agreement, together with a blackline comparing the purchase agreement submitted to the Form Purchase Agreement; and

(ii) in the case of an Investment Proposal, a duly authorized and executed binding term sheet;

(b) evidence that the bid is unconditional;

(c) written proof of the potential purchaser's financial wherewithal;

(d) a statement from the bidder that it has relied solely on its independent review of the information about CannMart Labs, the Business, and/or the Assets;

(e) satisfactory proof of authorization and approval from the bidder's board of directors or comparable governing body for the submission, execution, delivery, and closure of the transaction;

(f) details regarding the number of employees who will be retained by the bidder; and

(g) Any additional information that may be reasonably requested by CannMart Labs or the proposed Monitor.

70. The SISP is designed to be flexible and allows interested parties to submit a binding offer for some or all of CannMart Labs' assets, to make an investment in CannMart Labs, or acquire the business as a going concern. The SISP also gives CannMart Labs and the proposed Monitor the right to extend or amend the SISP to better promote a robust sale process, subject to the Court's approval.

71. The outside date for closing a transaction under the proposed SISP is anticipated to be a maximum of four weeks after the Sale Approval Hearing (as defined in the SISP).

XI. RELIEF SOUGHT UNDER INITIAL ORDER

A. The Monitor

72. Spergel has consented to act as the Court-appointed Monitor of CannMart Labs, subject to its consent to any form of order of appointment that may be approved by the Court. A copy of Spergel's consent attached at **Tab "7"** of the Motion Record. I am advised by counsel that Spergel is a "trustee" within the meaning of section 2 of the BIA and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

B. Administration Charge

73. CannMart Labs seeks a super-priority charge (the "**Administration Charge**") on the Property (as defined in the draft Initial Order) up to the maximum amount of $300,000 to secure the fees and disbursements incurred in connection with services rendered to CannMart Labs both before and after the commencement of the CCAA proceedings by counsel to CannMart Labs, the proposed Monitor, and counsel to the proposed Monitor.

74. It is contemplated that each of the aforementioned parties: (a) will have extensive involvement during the CCAA proceedings; (b) have contributed and will continue to

contribute to the restructuring of CannMart Labs; and (c) will ensure that there is no unnecessary duplication of work.

75. I understand that the proposed Monitor has reviewed the proposed quantum of the Administration Charge and is of the view that it is reasonable and appropriate in the circumstances given the contemplated work required to be completed during the pendency of the CCAA proceedings and the services provided and to be provided by the beneficiaries of the Administration Charge.

D. Directors' Charge

76. To ensure the ongoing stability of CannMart Labs' business during the CCAA proceeding, CannMart Labs requires the continued participation of its directors and officers who are responsible for managing the business and commercial activities of CannMart Labs. Those directors and officers include Mr. Morim and myself (the "**D&Os**"). The D&Os have considerable institutional knowledge, valuable expertise and experience and are required for the ongoing restructuring.

77. CannMart Labs' director and officer liability insurance policy (the "**D&O Policy**") with Berkley Canada expires on April 26, 2024. A copy of the D&O Policy is attached hereto as **Exhibit** "Consent of msi Spergel inc. to act as Court-appointed Monitor". The D&O Policy provides coverage up to $7,500,000 for insured claims. CannMart Labs is currently in the processing of renewing the D&O Policy on substantially similar terms, other than reducing the coverage to $5,000,000 which saves approximately $250,000 in annual premiums.

78. I am advised by Mr. Grossell that that in certain circumstances directors and officers can be held personally liable for certain obligations and liabilities that they may incur as a director or officer after the commencement of the CCAA proceeding.

79. As a result, to ensure that the D&Os avoid liability in cases where the D&O Policy does not provide coverage, the D&Os require an indemnity for actions taken after the commencement of the CCAA proceedings and for such indemnity to be supported by an appropriate super-priority charge (the "**Directors' Charge**"). This will allow the D&Os to be protected while they continue their efforts in the sales process and restructure the business.

80. The Directors' Charge is intended to limit any personal liability that the D&Os may face after the commencement of the CCAA proceeding that is not covered by D&O Policy.

81. The proposed Initial Order contemplates that the Directors' Charge will be in the amount of $75,000. The Applicant worked with the proposed Monitor in determining the proposed quantum of the Directors' Charge and believes that the Directors' Charge is reasonable and appropriate in the circumstances. The Directors' Charge is proposed to rank behind the Administration Charge and the DIP Charge. The proposed Monitor supports the granting of the Directors' Charge and will expand on such support for the Directors' Charge in its report to the Court.

F. Ranking of Court-Ordered Charges

82. The proposed ranking of the Administration Charge, DIP Charge and the Directors' Charge (collectively, the "**CCAA Charges**") is as follows:

(a) first, the Administration Charge (up to a maximum amount of $300,000);

(b) second, the DIP Charge; and

(c) third, the Directors' Charge (up to a maximum amount of $75,000);

83. The CCAA Charges are proposed to rank ahead of any other secured creditor of the Applicant, save and except for any valid and existing purchase money security interests.

XII. FORM OF ORDER AND CONCLUSION

84. CannMart Labs seeks an Initial Order substantially in the form of the Model Initial Order adopted for proceedings commenced in Toronto, subject to certain changes reflected to address the specific circumstances of CannMart Labs, substantially in the form appended at **Tab "4"** of the Motion Record.

85. CannMart Labs also seeks a SISP Order substantially in the form attached at **Tab "6"** of the Motion Record.

86. This affidavit is sworn in support of CannMart Labs' motion for an Initial Order and the SISP Order and for no other or improper purpose.

SWORN before me via videoconference by DANIEL STERN, stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 26th day of April, 2024, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely.*

Commissioner for Taking Affidavits

DANIEL STERN

This is Exhibit “B” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.

A Commissioner for taking affidavits

INES FERREIRA

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	THURSDAY, THE 2nd
	)	
JUSTICE PENNY	)	DAY OF MAY, 2024

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANNMART LABS INC. (the "**Applicant**")

INITIAL ORDER
(Continuation Under CCAA)

THIS MOTION, made by the Applicant, CannMart Labs Inc. (the "**Applicant**"), to continue the proceedings commenced by the Applicant by the filing of a notice of intention to make a proposal under Part III of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**") bearing estate and court file number 31-3063478 (the "**NOI Proceeding**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day by video conference at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Daniel Stern sworn April 26, 2024 and the Exhibits thereto (the "**Stern Affidavit**"), and the Applicant's Notice of Intention to Make a Proposal ("**NOI Proceeding**") pursuant to section 50.4(1) of the BIA dated April 3, 2024, and on being advised that msi Spergel Inc. ("**Spergel**") was appointed as the proposal trustee (in such capacity, the "**Proposal Trustee**") in the NOI Proceeding, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on

hearing the submissions of counsel for the Applicant, counsel for the proposed monitor, Spergel (the "**Proposed Monitor**"), and on reading the First Report of the Proposed Monitor filed, and on reading those parties listed in the Participant Information form, and on reading the consent of the Proposed Monitor to act as the monitor (the "**Monitor**");

DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms used herein that are not otherwise defined shall have the meaning ascribed to them in the Stern Affidavit.

SERVICE

2. **THIS COURT ORDERS** that the time for service of the Notice of Motion, Notice of Application and the Motion Record dated April 26, 2024 is hereby abridged and validated so that the Motion is properly returnable today and hereby dispenses with further service thereof.

CONTINUANCE UNDER THE CCAA

3. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies, and the Applicant shall enjoy the benefits of the protection and authorizations provided to the Applicant by this Order.

4. **THIS COURT ORDERS AND DECLARES** that effective May 2, 2024, the NOI Proceeding is hereby taken up and continued under the CCAA and that, as of such date, the provisions of the BIA shall have no further application to the Applicant, save that any and all steps, agreements and procedures validly taken, done or entered into by the Applicant shall remain valid and binding, notwithstanding the commencement of these CCAA proceedings.

5. **THIS COURT ORDERS** that the Monitor shall have the benefit of all rights and protections granted to the Proposal Trustee under the BIA.

6. **THIS COURT ORDERS AND DIRECTS** the Proposal Trustee to take all necessary steps in furtherance of its discharge as Proposal Trustee in the NOI Proceeding, including the taxation of its fees and disbursements and those of its counsel.

PLAN OF ARRANGEMENT

7. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

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

9. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize the central cash management system currently in place as described in the Stern Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**"), and that any present or future financial institution providing the Cash Management System (a) shall not be under any obligation to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, (b) shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and (c) shall be, solely in its capacity as provider of the Cash Management System, an unaffected creditor under any Plan filed by the Applicant under the CCAA with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System on or after the date of this Order.

10. **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

(a) all outstanding and future wages, salaries, employee benefits (including, without limitation, employee medical, dental, vision, insurance and similar benefit plans or arrangements), reasonable amounts owing under corporate credit cards issued to management and employees of the Applicant, vacation pay and reasonable employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing practices, compensation policies and arrangements; and

(b) the fees and disbursements of any Assistants retained or employed by the Applicant prior to or after the commencement of these proceedings, at their standard rates and charges.

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

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

(b) payment for goods or services actually supplied to the Applicant following the date of this Order.

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

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) and income taxes;

(b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

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

13. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, in accordance with the terms of the applicable lease agreement.

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

RESTRUCTURING

15. **THIS COURT ORDERS** that the Applicant shall, subject to any requirements imposed by the CCAA, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding $50,000 in any one transaction or $250,000 in the aggregate;

(b) terminate the employment of any of its employees or temporarily lay off any of its employees as the Applicant deems appropriate; and

(c) pursue all restructuring options for the Applicant including, without limitation, all avenues of refinancing its Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "**Restructuring**").

16. **THIS COURT ORDERS** that the Applicant shall provide each relevant landlord with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) calendar days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

17. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord

may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

18. **THIS COURT ORDERS** that until and including July 17, 2024, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

19. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall:

(a) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on,

(b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA,

(c) prevent the filing of any registration to preserve or perfect a security interest, or

(d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

NO PRE-FILING VS POST-FILING SET OFF

23. **THIS COURT ORDERS** that no Person shall be entitled to set off any amounts that: (i) are or may become due to the Applicants in respect of obligations arising prior to the date hereof with any amounts that are or may become due from the Applicant in respect of obligations arising on or after the date of this Order; or (ii) are or may become due from the Applicant in respect of obligations arising prior to the date hereof with any amounts that are or may become due to the Applicant in respect of obligations arising on or after the date of this Order, each without the consent of the Applicant and the Monitor or further Order of this Court.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

26. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of $75,000, as security for the indemnity provided in paragraph **25** of this Order. The Directors' Charge shall have the priority set out in paragraphs **43** and **45** hereof.

27. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph **26** of this Order.

APPOINTMENT OF MONITOR

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

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

The DIP Lender

(a) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender (defined below) and its counsel on a timely basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;

(b) advise the Applicant in its preparation of the Applicant’s cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, or as otherwise agreed to by the DIP Lender;

General

(c) advise the Applicant in its development of the Plan and amendments to the Plan;

(d) monitor the Applicant's receipts and disbursements;

(e) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and any other matters relevant to the proceedings herein;

(f) assist the Applicant, to the extent required by the Applicant, in the administration of the SISP;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant, to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(i) perform such other duties as are required by this Order or by this Court from time to time.

30. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of the Property, or any assets, properties or undertakings of the Applicant, or the direct or indirect subsidiaries or affiliates of the Applicant, including but not limited to any activities for which a permit or license is issued or required pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing, retail sale and distributing of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22, the

Ontario Cannabis Control Act, 2017 S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017 S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation, and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

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

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

33. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any other applicable legislation.

34. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant on a bi-weekly basis after May 2, 2024.

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

36. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Applicant's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $300,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs **43** and **45** hereof.

DIP FINANCING

37. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from Lifeist Wellness Inc. (the "**DIP Lender**") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed $400,000 (the "**DIP Facility**") unless permitted by further Order of this Court.

38. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of April 26, 2024 (the "**DIP Term Sheet**"), filed.

39. **THIS COURT ORDERS** that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property, which DIP Lender's Charge shall not secure any obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs **43** and **45** hereof.

41. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order,

(a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;

(b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon five (5) business days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to

this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and

(c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicant or the Property.

42. **THIS COURT ORDERS** that the DIP Lender shall be treated as unaffected in any Plan filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the BIA, with respect to any advances made under the DIP Facility.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

43. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "**Charges**"), as among them, shall be as follows:

(a) first, the Administration Charge (up to a maximum amount of $300,000);

(b) second, the DIP Charge; and

(c) third, the Directors' Charge (up to a maximum amount of $75,000);

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

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

46. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of Charges, unless the Applicant also obtains the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

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

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the Definitive Documents shall create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

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

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

SERVICE AND NOTICE

49. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe & Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than $1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

50. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the "**Guide**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: https://www.ontariocourts.ca/scj/practice/regional-practice-directions/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* and paragraph 7 of the Guide, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL: https://www.spergelcorporate.ca/engagements.

51. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the Applicant's creditors or other interested parties at their respective addresses or email addresses as last shown on the records of the Applicant and that any such service or distribution by courier, personal delivery or electronic transmission shall be

deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

52. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the case website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor shall have no liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

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

GENERAL

54. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

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

56. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to

assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

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

58. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided, however, that the Chargees shall be entitled to rely on this Order as granted and on the Charges and priorities set forth in paragraphs 43 and 45 hereof with respect to any fees, expenses and disbursements (including amounts loaned to the Applicant pursuant to the DIP Facility) incurred as applicable, until the date this Order may be amended, varied or stayed.

59. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF CANNMART LABS INC. (the "**Applicant**")

Court File No.: CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

INITIAL ORDER
(Continuation Under CCAA)

Thornton Grout Finnigan LLP
Toronto-Dominion Centre
100 Wellington Street West, Suite 3200
Toronto, ON M5K 1K7

Leanne M. Williams (LSO# 41877E)
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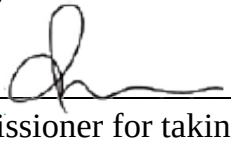
Tel: 416-304-1616
Fax: 416-304-1313

Lawyers for the Applicant

This is Exhibit “C” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

INES FERREIRA

Trisura Guarantee Insurance Company
Bay Adelaide Centre
333 Bay Street, Suite 1610, Box 22
Toronto, Ontario, M5H 2R2
Phone: (416) 214-2555
Fax: (416) 214-9597

PERSONAL AND CONFIDENTIAL

May 31, 2024

VIA MAIL and REGISTERED MAIL

LIFEIST WELLNESS INC.
666 Burrard St #2500
Vancouver, B.C.

Attention: Josh Hone, Controller

AND VIA E-MAIL to: (josh.h@lifeist.com)

Attention: Lifeist Wellness Inc. ("Lifeist" and the "Indemnitor")

Re: Letter to the Indemnitor regarding obligations under the Indemnity Agreement

Principal:	CannMart Labs Inc. (the "Principal" and/or "CannMart")
Obligee:	Her Majesty in right of Canada, her heirs and successors as represented by the Minister of National Revenue of Canada (the "Obligee" and/or "CRA")
Surety:	Trisura Guarantee Insurance Company ("Trisura" and/or the "Surety")
Bond Type:	Surety Bond for Cannabis
Bond No.:	TMS 903 12944 (the "Bond")
Bond Amount:	$250,000.00

Trisura Guarantee Insurance Company ("Trisura") writes to you, as Indemnitor further to the execution of the Indemnity Agreement dated June 27, 2022, in favour of Trisura, as Surety (a copy of which is enclosed and hereinafter referenced as the "Indemnity Agreement").

On April 3, 2024, msi Spergel Inc. ("Spergel") was appointed as Trustee in connection with a Notice of Intention to Make A Proposal filed by the Principal, CannMart. Subsequently, CannMart brought a CCAA application and obtained an Initial Order on May 2, 2024 in which Spergel was appointed as Monitor over CannMart. On the Monitor's site, CannMart it has provided a List of Creditors as of May 2, 2024, in which the list of unsecured creditors amounts to $13,892,951.22.

As you are aware, Trisura issued at the request of CannMart the abovementioned Bond. Trisura has exposure for the full amount of the Bond, being $250,000.00. Trisura is named as Beneficiary to an Irrevocable Letter of Credit in the amount of $187,500.00 and intends to draw down on the full amount to offset its exposure under the Bond. This leaves a remaining bonded exposure of $62,500.00. This letter will serve as a formal demand that Trisura will look to the Indemnitors for any and all loss, cost, and expense in relation to monitoring, assessing, and performing obligations in relation to that bonded exposure, if called on.

The insolvency of the CannMart is deemed to be an Event of Default pursuant to paragraph 1(f) of the Indemnity Agreement based on:

(i) Any breach or alleged breach of any of the covenants and agreements herein contained, or of any term or condition of any Bonding Facility;

(ii) Any change or threat of change in the character, identity, control, management, beneficial ownership or existence of an Indemnitor; or

(iii) Any other occurrence, condition or circumstance (whether or not similar to any of the foregoing) which in the sole opinion of the Surety may exposure the Surety to loss, cost or expense.

Pursuant to paragraph 2 of the Indemnity Agreement, the Indemnitors shall indemnify and keep indemnified the Surety against any and all losses, charges, expenses, costs, claims, demands, liabilities of whatsoever kind or nature (including, but not limited to, the fees and disbursements of adjusters, consultants and counsel) and the establishment of or increase of a reserve which Trisura may sustain or incur:

a) By reason of having executed or procured the execution of any Bond; or

b) By reason of the failure of the Indemnitors to perform or comply with the Indemnity Agreement or any bonding facility; or

c) In enforcing the covenants and conditions of the Indemnity Agreement.

The right of the Surety to demand to be placed in funds by the Indemnitors, is set out under paragraph 7 of the Indemnity Agreement. Pursuant to paragraph 7(b), if for any reason the Surety deems it necessary to make a demand, as a result of an Event of Default, the Indemnitors shall deposit with the Surety immediately upon demand cash or collateral satisfactory to the Surety in relation to the bonded exposure.

Trisura has also registered the Indemnity Agreement and the security interests granted in favour of Trisura therein against the Indemnitor in the Personal Property Registry (British Columbia).

Trisura hereby demands that Lifeist, as Indemnitor place us in funds in the amount of $62,500.00 as required by the Indemnity Agreement. Please arrange for payment of **$62,500.00** to be delivered to Trisura's Toronto office via certified cheque or Electronic Payment (pursuant to our enclosed EFT banking information) within **fifteen (15) business days** of the date of this letter.

Trisura is continuing to review and assess our bonded exposure. Trisura will advise in writing if and as we incur additional costs and expenses, as well as whether any further funds or security may be required from the Indemnitors to cover our bonded exposure.

Please note that nothing herein shall be deemed to be a waiver or modification of any of the Surety's rights, and all of the Principal's and Indemnitors' obligations under the Indemnity Agreement remain in full force and effect. The Surety hereby reserves all of its rights and defences under any Indemnity Agreement, contracts, other agreements, bonds, or applicable laws.

Yours truly,

Trisura Guarantee Insurance Company

Nancy E. Herrmann-Hills
Assistant Vice President, Surety Claims

Direct: 647-466-0536
E-Mail: Nancy.Herrmann-Hills@Trisura.com

Encl. Indemnity Agreement
EFT Form

cc: Andrew Neilans, *Trisura Guarantee Insurance Company*
David Ng, *Trisura Guarantee Insurance Company*

This is Exhibit “D” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.

A Commissioner for taking affidavits

INES FERREIRA

Thornton Grout Finnigan LLP
RESTRUCTURING + LITIGATION

Toronto-Dominion Centre
100 Wellington Street West
Suite 3200, P.O. Box 329
Toronto, ON Canada M5K 1K7
T 416.304.1616 F 416.304.1313

Mitchell W. Grossell
T: 416-304-7978
E: mgrossell@tgf.ca
File No. 2285-001

June 19, 2024

VIA EMAIL: Nancy.Herrmann-Hills@Trisura.com

Trisura Guarantee Insurance Company
333 Bay Street, Suite 1610
Toronto, ON
M5H2R2

Attention: Ms. Nancy E. Herrmann-Hills

Dear Ms. Herrmann-Hills:

Re: In the Matter of the *Companies' Creditors Agreement Act* and In the Matter of a Plan of Compromise or Arrangement of CannMart Labs Inc. ("CannMart Labs"), Court File No.: CV-00719639-00CL (the "CCAA Proceeding") – Trisura Guarantee Insurance Company Cannabis Bond (Bond No: TMS 903 12944) (the "Surety Bond")

We are counsel to CannMart Labs in connection with the CCAA Proceeding. We have been provided with a copy of your letter dated May 31, 2024 (the "**May 31 Letter**"), demanding payment in respect of the Indemnity Agreement dated June 27, 2022 (the "**Indemnity Agreement**") between Trisura Guarantee Insurance Company ("**Trisura**"), CannMart Labs, and Lifeist Wellness Inc. ("**Lifeist**") related to the Surety Bond for the benefit of the Canada Revenue Agency (the "**CRA**").

Pursuant to the Surety Bond, no liability arises until receipt of a written demand from the CRA that contains documentation substantiating the CRA's claim. The May 31 Letter did not include a written demand from the CRA or any other documentation demonstrating that the DRA has made a demand for payment under the Surety Bond.

The May 31 Letter purports to demand payment from Lifeist in respect of the Indemnity Agreement. As described above, CannMart Labs is not aware of any liability under the Surety Bond being triggered.

Further, Lifeist disagrees with Trisura's interpretation of the Indemnity Agreement and that Lifeist is subject to any liability under the Surety Bond. The indemnity provision in the Indemnity Agreement narrowly limits the situations that give rise to any liability by Lifeist. Lifeist reserves all of its rights and defences to deny liability under the Indemnity Agreement. Should Trisura continue to take steps against Lifeist, Lifeist will seek costs against Trisura.

Do not hesitate to contact the undersigned if you have any questions.

Yours truly,

Thornton Grout Finnigan LLP

Mitchell W. Grossell

cc: *Caitlin Fell, Reconstruct LLP, counsel to the Court-appointed Monitor*
Mukul Manchanda and Frank Kisluk, msi Spergel Inc., the Court-appointed Monitor.

MWG/DF

This is Exhibit “E” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.

A Commissioner for taking affidavits

INES FERREIRA

SHARE PURCHASE AGREEMENT

This Agreement is made as of the 28th day of June, 2024, between:

CANNMART LABS INC.
(the "**Company**")

– and –

16155227 CANADA INC.
(the "**Purchaser**")

WHEREAS on April 3, 2024, the Company filed a Notice of Intention to make a Proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") with the Office of the Superintendent of Bankruptcy (the "**NOI Proceeding**"). msi Spergel Inc. consented to act as the proposal trustee (the "**Proposal Trustee**") of the Company;

AND WHEREAS on May 2, 2024, pursuant to the Order (as may be amended, restated or otherwise modified from time to time, the "**Initial Order**") granted by the Honourable Mr. Justice Penny of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") among other things, the Company converted the NOI Proceeding into proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. c. C.16, as amended (the "**CCAA**") (the "**CCAA Proceeding**");

AND WHEREAS pursuant to the Initial Order, msi Spergel Inc. was appointed as Monitor of the Company (in such capacity, the "**Monitor**");

AND WHEREAS pursuant to the Initial Order, the Court granted an order (the "**SISP Order**") approving the sale and investment solicitation process (the "**SISP**"). Pursuant to the SISP Order, the SISP procedures govern the SISP and any transactions consummated as a result thereof (the "**Transaction**");

AND WHEREAS on June 28, 2024, the Monitor, in consultation with the Company, declared the Purchaser as the Successful Bidder (as defined in the SISP) pursuant to the SISP;

AND WHEREAS the Parties wish to enter into this Agreement to formalize the terms and conditions to be implemented and approved pursuant to an Approval and Vesting Order (defined below) granted by the Court in the CCAA Proceedings;

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
INTERPRETATION

1.1 Definitions

In this Agreement:

(a) "**Accounting Standards**" means the accounting principles set out in the *CPA Canada Handbook – Accounting* for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

(b) "**Administration Charge**" has the meaning given to it in the Initial Order.

(c) "**Affiliate**" means, with respect to any specified Person, any other Person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified Person.

(d) "**Agreement**" means this share purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, and "Article" and "Section" mean and refer to the specified article, section and subsection of this Agreement.

(e) "**Applicable Law**" means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law, ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, in each case, having the force of law, that applies in whole or in part to such Person, property, transaction or event.

(f) "**Approval and Vesting Order**" means an order, substantially in the form of the draft order attached hereto as **Schedule "E",** issued by the Court which, among other things, approves this Agreement and the Transaction.

(g) "**Assumed Liabilities**" means all Liabilities other than the Excluded Liabilities, which (i) relate to the Business under any Contracts, Permits and Licenses (in each case, to the extent forming part of the Retained Assets) arising out of events or circumstances that occur after the Closing or are to be performed after the Closing.

(h) "**Back-up Bid**" has the meaning given to such term in the SISP.

(i) "**Bid Deadline**" means June 24, 2024.

(j) "**Books and Records**" means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, used or intended for use by, and in the possession of the Company, in connection with the ownership of the Company, or operation of the Business, including the Contracts, customer lists, customer information and account records, sales records, computer files, data

processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Business.

(k) "**Business**" means the business carried on by the Company, which consists primarily of the production of cannabis 2.0 products including the development of butane hash oil extracts which is the concentrated extraction of cannabis that is used to create topical treatments, liquids in vaping, edibles, and other cannabis-related products.

(l) "**Business Day**" means any day, other than a Saturday or Sunday, on which the principal commercial banks in Toronto, Ontario are open for commercial banking business during normal banking hours.

(m) "**CCAA**" has the meaning set out in the recitals hereto.

(n) "**CCAA Proceeding**" has the meaning set out in the recitals hereto.

(o) "**Claims**" means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, chose in or cause of action, suit, default, assessment, litigation, third party action, arbitral proceeding or proceeding by or before any Person.

(p) "**Closing**" means the closing and consummation of the Transaction.

(q) "**Closing Date**" means the date that is the date that the conditions to closing as set forth in the Agreement have been met or waived, or such other earlier or later date as may be agreed by the Parties.

(r) "**Closing Documents**" means all contracts, agreements, certificates, and instruments required by this Agreement to be delivered at or before the Closing Time.

(s) "**Closing Time**" means 10:00 a.m. (Toronto time) on the Closing Date.

(t) "**COGS**" means, collectively, all costs arising out of or related to the production of Inventory as of the Closing Date, including the cost of procurement of the packaging and/or hardware required to produce such Inventory and, if applicable, any cannabis or product procured from a third party to produce such Inventory.

(u) "**Consolidation and Cancellation**" means the consolidation of all New Common Shares and Existing Shares in accordance with the Consolidation Ratio, and the cancellation of all fractional New Common Shares and Existing Shares in accordance with Article II.

(v) "**Consolidation Ratio**" means the ratio by which all New Common Shares and Existing Shares shall be consolidated, as determined by the Purchaser, acting

reasonably and in consultation with the Company and the Monitor, given the intended effect of the Transaction.

(w) "**Contracts**" means all written contracts, agreements, leases, understandings and arrangements that are related to the Business to which the Company is a party or by which the Company is bound or in which the Company has any rights, including any Contracts in respect of Employees, but excluding the Excluded Contracts.

(x) "**Court**" has the meaning set out in the recitals hereto.

(y) "**Directors Charge**" has the meaning given to it in the Initial Order.

(z) "**Discharged**" means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property.

(aa) "**Employee**" means an individual who is employed by the Company, whether on a full-time or part-time basis.

(bb) "**Encumbrance**" means any security interest (whether contractual, statutory or otherwise), lien, prior Claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage, trust (including any statutory, deemed or constructive trust), option or adverse Claim or encumbrance of any nature or kind.

(cc) "**Equity Interests**" means any capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or nonvoting, whether preferred, common or otherwise, and including share appreciation, contingent interest or similar rights) of a Person.

(dd) "**ETA**" means the *Excise Tax Act* (Canada).

(ee) "**Excluded Assets**" means those assets of the Company listed on **Schedule "A".**

(ff) "**Excluded Contracts**" means those contracts of the Company listed on **Schedule "B"**.

(gg) "**Excluded Leases**" means those leases of the Company described in **Schedule "B"**.

(hh) "**Excluded Liabilities**" has the meaning ascribed in Section 2.3.

(ii) "**Existing Shares**" means all of the common shares of the Company that are issued and outstanding immediately prior to the Closing Time, which, for greater certainty, does not include the New Common Shares or the Post-Consolidation Shares.

(jj) **"Filing Date"** has the meaning set out in the recitals hereto.

(kk) "**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, municipality, 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, taxing regulatory authority or power.

(ll) "**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the ETA.

(mm) "**Health Canada License**" means all authorizations related to cannabis and issued by Health Canada to the Company, including authorizations to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation the license attached hereto as **Schedule "D".**

(nn) **"Initial Order"** has the meaning set out in the recitals hereto.

(oo) "**Interim Period**" means the period between the date that this Agreement is entered into by the Parties and the Closing Time.

(pp) **"Inventory"** means all inventory of the Business permitted to be purchased and sold under this Agreement pursuant to Applicable Law pursuant to the Health Canada License in accordance with the terms and conditions of the Contracts.

(qq) **"Key Employees"** has the meaning given to such term in Section 7.1.

(rr) "**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

(ss) **"Lien"** means any lien, mortgage, charge, hypothec, pledge, security interest, prior assignment, option, warrant, lease, sublease, right to possession, encumbrance, claim, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any particular property.

(tt) **"Monitor"** has the meaning set out in Recitals herein.

(uu) "**Monitor's Certificate**" means the certificate delivered to the Purchaser and the Company and filed with the Court by the Monitor in accordance with the Approval and Vesting Order certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor from the Company and Purchaser

that all conditions to Closing have been satisfied or waived by the applicable Parties and the Transactions contemplated by this Agreement have been completed.

(vv) **"New Common Shares"** means the common shares of the Company to be issued to the Purchaser as part of Closing in exchange for the Purchase Price.

(ww) "**NOI Proceeding**" has the meaning set out in Recitals herein.

(xx) "**Order**" means any order of the Court made in the CCAA Proceedings, or any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

(yy) "**Outside Date**" means July 31, 2024.

(zz) "**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

(aaa) "**Party**" means a party to this Agreement and any reference to a Party includes its successors and permitted assigns and "Parties" means more than one of them.

(bbb) "**Permits and Licenses**" means save and except for any license granted under the *Excise Act, 2001*, the permits, licenses, authorizations, approvals or other evidence of authority related to the Business, including (i) the permits, licenses, authorizations, approvals or other evidence of authority related to the Business and issued to, granted to, conferred upon, or otherwise created for, the Company, and (ii) the Health Canada Licenses.

(ccc) "**Person**" includes an individual, partnership, firm, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, entity, corporation, unincorporated association, or organization, syndicate, committee, court appointed representative, Governmental Authority, the government of a country or any political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality, or department of such government or political subdivision, or any other entity, howsoever designated or constituted, including the trustees, executors, administrators, or other legal representatives of an individual.

(ddd) "**Post-Consolidation Shares**" means the 1,000 common shares of the Company that will remain after the Consolidation and Cancellation, which shall: (i) represent 100% of the issued and outstanding common shares of the Company after the Consolidation and Cancellation; and (ii) be solely owned and controlled by the Purchaser.

(eee) "**Post-Filing**" means the period of time after and including the Filing Date.

(fff) "**Post-Filing Tax Obligations**" has the meaning set out in Section 6.6.

(ggg) "**Pre-Closing Reorganization"** means the transactions, acts or events described in Exhibit "A", which are to occur immediately prior to the Closing Time.

(hhh) "**Pre-Filing**" means the period of time prior to the Filing Date.

(iii) "**Premises Lease**" means a lease, an agreement to lease, a sublease, a license agreement and an occupancy or other agreement under which the Company has the right, or has granted another Person the right, to use or occupy the leased premise.

(jjj) **"Promissory Note"** has the meaning given to such term in Section 3.2.

(kkk) "**Purchase Price**" has the meaning given to such term in Section 3.1.

(lll) "**Purchaser**" has the meaning given to such term in the preamble.

(mmm) "**Released Claims**" means all Claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including "claims" (as defined in the CCAA) and including fees and disbursements of legal counsel on a full indemnity basis, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

(nnn) **"Representative"** when used with respect to a Party means each director, officer, employee, agent, consultant, adviser and other representative of that Party who is involved in the Transaction contemplated by this Agreement.

(ooo) "**ResidualCo**" means a corporation to be incorporated to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

(ppp) **"Retained Assets**" has the meaning set out in Section 4.1.

(qqq) **"SISP"** has the meaning set out in the recitals hereto.

(rrr) **"SISP Order"** has the meaning set out in the recitals hereto.

(sss) **"SISP Procedures**" has the meaning given to such term in the SISP.

(ttt) "**Successful Bid(s)**" has the meaning given to such term in the SISP.

(uuu) "**Successful Bidder(s)**" has the meaning given to such term in the SISP.

(vvv) "**Tax**" and "**Taxes**" means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever (including withholding on amounts

paid to or by any Person) imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, GST/HST, use, value-added, excise, stamp, withholding, business, franchising, escheat, property, development, occupancy, employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and Canada, Ontario, and other government pension plan premiums or contributions.

(www) "**Tax Direction**" has the meaning set out in Section 6.6.

(xxx) "**Transaction**" has the meaning set out in the recitals hereto.

(yyy) "**Transaction Regulatory Approvals**" means any material licenses, permits or approvals required from any Governmental Authority or under any Applicable Laws relating to the business and operations of the Company that would be required to be obtained in order to permit the Company and Purchaser to complete the Transactions contemplated by this Agreement.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other person other than the Company or the Purchaser, or any affiliates thereof.

1.5 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent

jurisdiction shall not affect the validity or enforceability of any other provision hereof so long as the economic or legal substance of the Transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon: (a) such a determination of invalidity or unenforceability, or (b) any change in Applicable Law or other action by any Governmental Authority that materially detracts from the legal or economic rights or benefits, or materially increases the obligations, of any Party or any of its Affiliates under this Agreement, the Parties shall negotiate in good faith to amend this Agreement so as to give effect to the original intent of the Parties as closely as possible in an acceptable manner so that the Transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

1.6 Currency

All references in this Agreement to dollars, monetary amounts, or to $, are expressed in Canadian currency unless otherwise specifically indicated.

1.7 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.8 Schedules

The following exhibits and schedules attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit “A” - Pre-Closing Steps

SCHEDULES

Schedule “A” - Excluded Assets

Schedule “B” - Excluded Contracts

Schedule “C” - Excluded Liabilities

Schedule “D” - Health Canada Licenses

Schedule “E” - Draft Approval and Vesting Order

Schedule “F” - Assumed Liabilities

Schedule “G” - Contracts

Schedule “H” – Promissory Note

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and the interpretation provisions set out in this Agreement will apply to the Exhibits. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE II
PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Issuance of New Common Shares and Treatment of Existing Shares

At the Closing Time, the Company shall take the following steps:

(a) Payment of Purchase Price: The Purchaser shall deliver the Promissory Note and the entire Purchase Price shall be dealt with in accordance with this Closing Sequence.

(b) Reverse Vesting: The Company shall be deemed to transfer to ResidualCo the Excluded Assets, Excluded Contracts, and Excluded Liabilities, in accordance with the Approval and Vesting Order.

(c) Share Issuance: The Company shall issue the New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Monitor, having regard to the intended effect of the Transaction, free and clear of all Liens, in exchange for the payment of the Purchase Price.

(d) Share Consolidation: The Company's Articles shall be amended to, among other things: (i) convert all issued and outstanding shares of the Company into common shares; (ii) consolidate the New Common Shares and the Existing Shares (as converted to common shares) on the basis of the Consolidation Ratio; and (iii) provide for such additional changes to the rights and conditions attached to the New Common Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion.

(e) Share Cancellation: Any fractional New Common Shares and fractional Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.

(f) Equity Interests Extinguished: Any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof

(g) Distribution of the Deposit: The Deposit shall be released from escrow in accordance with Section 3.2.

2.2 Post-Consolidation Shares

Subject to the terms and conditions of this Agreement, effective immediately after the Closing Time and following the Consolidation and Cancellation, the Purchaser shall be the sole owner of the Post-Consolidation Shares, which shall represent 100% of the Company's issued and outstanding equity.

2.3 Excluded Liabilities of the Company

Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Liens, Claims, indebtedness, Contracts, leases, agreements, undertakings, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or relating to any Excluded Assets or Excluded Contracts as at the Closing Time, including, *inter alia*, the non-exhaustive list of Liabilities set forth in **Schedule "C"**, any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time, all Liabilities relating to or under the Excluded Contracts and Excluded Assets on or before Closing (collectively, the "**Excluded Liabilities**") shall be excluded and will no longer be binding on the Company following the Closing Time.

Pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be channeled to and assumed in full by ResidualCo in accordance with and as further described in Article 4, and the Company and its assets, undertakings, Business and properties shall be discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

ARTICLE III
PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the New Common Shares shall be [redacted] plus all proceeds from the sale of Inventory in accordance with Section 3.2 (c) (collectively, the "**Purchase Price**"). The Purchase Price shall be paid to the Monitor, for the benefit of ResidualCo, and any Claim against the Company shall continue to exist as against ResidualCo after Closing.

3.2 Satisfaction of Purchase Price

The Purchaser shall pay the Purchase Price in accordance with the following:

(a) a cash deposit in the amount of [redacted] (the "**Deposit**") provided by the Purchaser to the Monitor in accordance with the SISP, which shall be applied to the Purchase

Price. If the Closing does not occur and the Agreement is terminated, the Deposit will be forthwith refunded in full to the Purchaser, including any accrued interest, except if the Agreement is terminated by the Company in accordance with Section 10.1 or if the Agreement is terminated by the Purchaser but the Purchaser is otherwise in breach of its obligations under this Agreement, in which case the Deposit shall not be refunded to the Purchaser. The Deposit shall be applied against the Purchase Price on Closing;

(b) a secured promissory note in the amount of [redacted] to be consistent with the terms set forth in Schedule "H" (the "**Promissory Note**"), secured against all of the assets of the Company;

(c) any proceeds after the Closing Date from the sale of Inventory that is to be sold by the Purchaser on a commercially reasonable basis, acting in good faith, payable to the Monitor (on behalf of ResidualCo) within 5 Business Days of receipt of funds from the applicable customer. The proceeds payable shall be in an amount equal to:

(i) for any Inventory sold prior to the twelve (12) month anniversary of the Closing Date, as determined on a "first in, first out" basis:

1. if the Inventory is sold at or above COGS, the COGS of the applicable sold Inventory;

2. if the Inventory is sold for less than COGS, [redacted] provided further that any such sale shall be subject to agreement between the Purchaser and the Monitor (on behalf of ResidualCo) prior to being sold; and

(ii) [redacted]

For the purposes of the Agreement, the Purchaser is required to sell only saleable Inventory. Inventory shall not be considered saleable if it is out of spec, expired or defective, as determined by the Purchaser acting reasonably and in good faith, and in consultation with the Monitor.

(d)

ARTICLE IV
TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo

On the Closing Date, the Company shall retain all of the assets owned by it on the date of this Agreement and any assets acquired by it up to and including Closing, including its Contracts, Permits and Licences and Books and Records (the "**Retained Assets**"), save and except for: (a) cash and cash equivalents in the bank accounts of the Company, (b) the Excluded Assets, and (c) Excluded Contracts, which the Company shall transfer to ResidualCo on or before the Closing Time or shall be vested in ResidualCo pursuant to the Approval and Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

At or before the Closing Time, the Excluded Liabilities shall have been channeled to and assumed by ResidualCo, in accordance with the Pre-Closing Reorganization and pursuant to the Approval and Vesting Order. Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Company shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Company and its assets, undertakings, Business and properties from and after the Closing Time.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Company

Subject to the issuance of the Approval and Vesting Order, the Company hereby represents and warrants to and in favour of the Purchaser, and acknowledges that, as of the Closing Time, the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Company is a corporation incorporated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and performance by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.

(c) No Conflict. The execution, delivery and performance by the Company of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Company.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

(e) Authorized and Issued Capital and Title to New Common Shares. Immediately following the Closing Time and the Consolidation and Cancellation, the Post-Consolidation Shares will constitute all of the issued and outstanding shares in the capital of the Company and the Purchaser will be the sole registered and beneficial owner of the Post-Consolidation Shares, with good and valid title thereto, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Vesting Order. Immediately following the Closing Time and the Consolidation and Cancellation, the Post-Consolidation Shares will be: (i) duly authorized and validly issued as fully paid and non-assessable, (ii) issued by the Company in compliance

with all Applicable Law and (iii) there will be no issued and outstanding common shares or other securities of the Company other than the Post-Consolidation Shares nor will there be any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person, and which are convertible into or exchangeable for common shares or any other securities of the Company.

(f) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Company of any New Common Shares, Post-Consolidation Shares, or any Retained Assets.

(g) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened, with respect to, or in any manner affecting, title to the New Common Shares, the Post-Consolidation Shares or the Retained Assets or which would reasonably be expected to enjoin, delay, restrict or prohibit the issuance and transfer of all or any part of the New Common Shares, the Post-Consolidation Shares, or the Retained Assets or the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Company from fulfilling any of its obligations set forth in this Agreement.

(h) Health Canada Licenses. The Health Canada Licenses are in full force and effect. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or the creation of any Encumbrance in respect of, the Health Canada Licenses.

5.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Company, and acknowledges that, as of the Closing Time, the Company is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Canada Business Corporations Act* is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.

(c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

(d) Financial Position. Purchaser has or will have the sufficient funds to complete the Transaction as of the Closing Date.

(e) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

(f) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

(g) HST Registrant: The Purchaser is, or will be on the Closing Date, an HST registrant.

5.3 As is, Where is

The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the New Common Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever, including with respect to the New Common Shares, the Post-Consolidation Shares, and the Retained Assets.

ARTICLE VI
COVENANTS

6.1 Closing Date

The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

6.2 Motion for Approval and Vesting Order

As soon as practicable after the execution of this Agreement, the Company shall bring a motion for the Approval and Vesting Order seeking relief that will (i) vest all of the Liabilities of the Company in ResidualCo, (ii) authorize the Company to take all necessary actions and steps to: (A) issue the New Common Shares and vest the New Common Shares in the Purchaser, (B) consolidate the Existing Shares and the New Common Shares and (C) cancel any fractional Existing Shares and New Common Shares existing after consolidation, and (iii) release the officers and directors of the Company, its advisors, the Monitor and the Monitor's counsel. The Company shall diligently use its commercially reasonable efforts to seek the issuance and entry of the Approval and Vesting

Order and the Purchaser shall cooperate with the Company in its efforts to obtain the issuance and entry of the Approval and Vesting Order, including for greater certainty, supporting the approval of the releases of the directors and officers of the Company, its advisors, the Monitor and the Monitor's counsel sought in the Approval and Vesting Order.

6.3 Interim Period

During the Interim Period, except as contemplated or permitted by this Agreement (including the Approval and Vesting Order and the Pre-Closing Reorganization) the Company shall continue to maintain its business and operations in substantially the same manner as conducted on the date of this Agreement.

6.4 Access During Interim Period

During the Interim Period, the Company shall give, or cause to be given, to the Purchaser and its Representatives reasonable access during normal business hours to the Business and the property and assets of the Company, including the Books and Records, the Contracts and the Premises Lease to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Company as the Purchaser deems necessary or desirable to familiarize itself with such properties, assets and other matters. Without limiting the generality of the foregoing, the Purchaser shall be permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement and to the Employees. Such investigations, inspections, surveys and tests shall be carried out during normal business hours and without undue interference with the operations of the Company and the Business and the Company shall cooperate reasonably in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser. The Company shall execute and deliver any authorizations required to permit such investigations, inspections, surveys and tests.

6.5 Transaction Regulatory Approvals

The Parties shall use commercially reasonable efforts to obtain, at or prior to the Closing Time, all Transaction Regulatory Approvals.

6.6 Tax Matters

The Company shall pay any and all Post-Filing Taxes owed or owing or accrued due by the Company prior to the Closing Time (the "**Post-Filing Tax Obligations**"). All taxes owed or owing or accrued by the Company prior to the Filing Date (the "**Pre-Filing Tax Obligations**") shall be transferred to, assumed by, and vested in ResidualCo as Excluded Liabilities. For greater certainty, any audits or reassessments by the Canada Revenue Agency or any other Governmental Authority with respect to Taxes that relate to a time period occurring, or facts arising, prior to the Filing Date shall be a Pre-Filing Tax Obligation, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits and reassessments shall be transferred to and assumed by ResidualCo as Excluded Liabilities.

Prior to Closing, the Company shall provide evidence in form and substance satisfactory to the Purchaser that all such Post-Filing Tax Obligations have been paid in full. All Taxes owed or owing or accrued due by the Company prior to the Filing Date shall be transferred to and vest in ResidualCo. To the extent that any Post-Filing Tax Obligations remain outstanding at Closing, the Company shall provide an irrevocable direction to the Purchaser (the "**Tax Direction**") authorizing and directing the Purchaser to pay a portion of the Cash Purchase Price to the relevant Tax authorities to satisfy such outstanding amounts. For certainty, the Post-Filing Tax Obligations include, but are not limited to, any and all withholding taxes, property taxes, and excise taxes.

6.7 ResidualCo

On the Closing Date, the Company shall convey the ResidualCo Shares to Thornton Grout Finnigan LLP ("**TGF**") to hold the ResidualCo shares as agent and bare trustee on behalf of the common shareholders of the Company immediately prior to the Consolidation and Cancellation as their interests may be agreed or as they may be determined by the Court in the CCAA Proceeding. For greater certainty, TGF shall not have any obligation or duties to take any actions, steps or otherwise in respect of the ResidualCo shares, subject to direction from the Monitor, or Order of the Court in the CCAA Proceeding.

ARTICLE VII
CLOSING ARRANGEMENTS

7.1 Employee Matters

(a) The Purchaser intends to assume certain CannMart Inc. as determined by the Purchaser as "**Key Employees**". The Purchaser may in as many separate instances as it may require, acting reasonably, interview any employee, contractor, or consultant beforehand. The Purchaser shall notify the Company of its intention, and upon receipt of a request thereof, the Company will use reasonable efforts to facilitate such interviews as soon as practicable.

(b) The Purchaser may, but is not obligated to, make conditional (upon Closing) continued or new (as applicable) offers of employment on such terms that are equal or better than the terms of employment that the Key Employees have with CannMart Inc.

(c) The Purchaser shall make commercially reasonable efforts to make such offers in writing on or prior to the date that is ten (10) calendar days prior to the anticipated Closing Date, provided that such offers shall be made no later than five (5) calendar days prior to the anticipated Closing Date, and leave such offers open for acceptance up to and including one (1) calendar day prior to the Closing Date.

ARTICLE VIII
CLOSING ARRANGEMENTS

8.1 Closing

Closing shall take place electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

8.2 Pre-Closing Reorganization

(a) Subject to the other terms of this Agreement, the Company shall effect the Pre-Closing Reorganization.

(b) The Purchaser and the Company shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

8.3 Company's Closing Deliveries

At or before the Closing Time, the Company shall deliver or cause to be delivered to the Purchaser the following:

(a) a true copy of the Approval and Vesting Order as issued and entered by the Court, each of which shall be a final order which shall not have been appealed, set aside, varied or stayed within the applicable appeal period, or if the Approval and Vesting Order has been appealed within the applicable appeal period or if any motion has been commenced to set aside, vary or stay the Approval and Vesting Order, all such appeals and motions shall have been finally dismissed;

(b) share certificates representing the New Common Shares;

(c) an executed copy of the Tax Direction, if applicable;

(d) an executed copy of the Monitor's Certificate;

(e) a detailed list and description of all Inventory and the corresponding COGS for such Inventory;

(f) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Company contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Company has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(g) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

8.4 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Company (or to the Monitor, as applicable), the following:

(a) the Promissory Note;

(b) a general security agreement from the Company granting ResidualCo with a security interest in all of the present and future assets of the Company;

(c) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(d) such other agreements, documents and instruments as may be reasonably required by the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE IX
CONDITIONS OF CLOSING

9.1 Conditions Precedent in favour of the Parties

The respective obligations of the Purchaser and the Company to consummate the transactions contemplated by this Agreement are subject to the satisfaction of, or compliance with, at or prior to the Closing Time, each of the following conditions:

(a) Inventory Review: The Parties will attend the Premises to conduct a complete count and review of the Inventory and complete a detailed list identifying the saleable and not saleable Inventory, if any, which is to be agreed to by the Parties acting reasonably and in good faith;

(b) No Law: No provision of any Applicable Law and no judgment, injunction or Order preventing or otherwise frustrating the consummation of the purchase of the New Common Shares or any of the other transactions pursuant to this Agreement shall be in effect;

(c) Approval and Vesting Order: The Court shall have granted the Approval and Vesting Order in form and substance satisfactory to each of the Purchaser and the Company, in their sole discretion, substantially in the form attached hereto as **Schedule "E"** *provided*, however, that it shall not be a condition to closing that the Court grant the releases in the form of Approval and Vesting Order.

(d) Transaction Regulatory Approvals: The Company shall have received all required Transaction Regulatory Approvals, and all required Transaction Regulatory Approvals shall be in full force and effect, except for Transaction Regulatory Approvals that need not be in full force and effect prior to Closing.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of the Company and the Purchaser. Any condition in this Section 9.1 may be waived by the Company and the Purchaser, in whole or in part, without prejudice to any of their respective rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver will be binding on the Company or the Purchaser, as applicable, only if made in writing.

9.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

(a) Performance of Covenants: The covenants contained in this Agreement to be performed or complied with by the Company at or prior to the Closing Time shall have been performed or complied with in all material respects as at the Closing Time;

(b) Company's Deliverables. The Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 8.3.

(c) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 5.1 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

(d) ResidualCo. Pursuant to the Approval and Vesting Order, (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price, and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.

(e) CCAA Proceeding. Upon Closing, the CCAA Proceeding shall have been terminated in respect of the Company, its Business and property, as set out in the Approval and Vesting Order, but, for greater certainty, shall continue in respect of ResidualCo.

(f) Taxes. The Company shall have delivered evidence satisfactory to the Purchaser that the Post-Filing Tax Obligations have been paid or Discharged against the

Company and the Purchaser and their respective assets and undertakings pursuant to the Approval and Vesting Order.

(g) Disclaim Contracts. The Company shall have sent notices of disclaimer for such Contracts and other agreements that are listed on **Schedule "B"** as Excluded Contracts, and such Contracts shall form part of the Excluded Assets.

(h) Cannabis Licenses. The Health Canada License shall be in good standing at the Closing Time and shall remain in good standing immediately following and notwithstanding Closing.

9.3 Conditions Precedent in favour of the Company

The obligation of the Company to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

(a) Performance of Covenants: The covenants contained in this Agreement to be performed by the Purchaser at or prior to the Closing Time shall have been performed in all material respects as at the Closing Time.

(b) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.

(c) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 5.2 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

(d) Monitor's Certificate. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Company.

ARTICLE X
TERMINATION

10.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

(a) By the mutual written agreement of the Company and the Purchaser.

(b) by either Party upon written notice to the other Party:

(i) if Closing has not occurred on or before the Outside Date, provided that the terminating Party is not in breach of any representation, warranty, or covenant in this Agreement that would prevent the satisfaction of the conditions in Article IX on or before the Outside Date;

(ii) if at any time after the date hereof any of the conditions in Article IX is not capable of being satisfied by the applicable dates required in Section 1.1 of this Agreement or if not otherwise required, by the Outside Date;

(iii) upon the termination, dismissal or conversion of the CCAA Proceedings;

(iv) upon dismissal of the motion for the Approval and Vesting Order (or if any such order is stayed, vacated or varied without the consent of Purchaser); or

(v) if a court of competent jurisdiction, including the Court or a Governmental Authority has issued an Order or taken any other action to restrain, enjoin or otherwise prohibit the consummation of closing of the Transactions and such Order or action has become a final Order;

(c) by the Company upon written notice to the Purchaser, if there has been a material violation or breach by Purchaser of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Article IX, as applicable, by the Outside Date, and such violation or breach has not been waived by the Company or cured within ten (10) Business Days after written notice thereof from the Company, unless the Company is in material breach of their obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Article IX, as applicable, by the Outside Date;

10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder.

ARTICLE XI
GENERAL

11.1 Access to Books and Records

For a period of five years from the Closing Date or for such longer period as may be reasonably required for ResidualCo (or any trustee in bankruptcy of the estate of ResidualCo) to comply with Applicable Law, the Purchaser shall cause the Company to retain all original Books and Records. So long as any such Books and Records are retained by the Company pursuant to this Agreement, ResidualCo (and any representative, agent, former director or officer of the Company or trustee in bankruptcy of the estate of ResidualCo, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Company.

11.2 Notice

Any notice or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally,

(ii) sent by prepaid courier service, or (iii) sent by email or other similar means of electronic communication, in each case to the applicable address set out below:

(a) in the case of the Purchaser, as follows:

16155227 Canada Inc.
20 Gatineau Drive
Unit 1801
Thornhill, ON L4J 0L3

Attention: David Vinokurov
Email: david@snipercapitalcorp.com

with a copy to:

McCarthy Tétrault LLP
Suite 5300, TD Bank Tower
Box 48, Wellington Street West
Toronto, ON M5K 1E6

Attention: Ranjeev Dhillon
Email: rdhillon@mccarthy.ca

(b) in the case of the Company, as follows:

CannMart Labs Inc.
18 Canso Road,
Etobicoke, ON M9W 4L8

Attention: Daniel Stern
Email: daniel@cannmart.com

with a copy to:

Thornton Grout Finnigan LLP
100 Wellington Street West, Suite 3200
Toronto, ON M5K 1K7

Attention: Mitchell Grossell | Ines Ferreira
Email: mgrossell@tgf.ca | iferreira@tgf.ca

(c) in each case, with a further copy to the Monitor or ResidualCo as follows:

msi Spergel Inc.
200 Yorkland Blvd., Suite 1100
Toronto, Ontario M2J 5C1Attention:

Attention: Frank Kisluk | Mukul Manchanda
Email: fkisluk@spergel.ca | mmanchanda@spergel.ca

with a copy to:

Reconstruct LLP
200 Bay Street Suite 2305
Toronto, Ontario M5J 2J3

Attention: Caitlin Fell | Jared Rosenbaum
Email: cfell@reconllp.com | jrosenbaum@reconllp.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

11.3 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Company and the Purchaser.

11.4 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo.

11.5 Entire Agreement

This Agreement, including the attached Schedules hereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by all of the Parties.

11.6 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

11.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

11.8 Assignment by Purchaser

This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, without the prior written consent of the Company or the Monitor, provided that: (a) such assignee is a related party or subsidiary of the Purchaser, (b) the Purchaser shall provide prior notice of such assignment to the Company, (c) such assignee shall agree to be bound by the terms of this Agreement to the extent of the assignment, and (d) the Purchaser shall continue to be responsible for all obligations of the Purchaser hereunder notwithstanding such assignment.

11.9 Further Assurances

Each of the Parties shall take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

11.10 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

11.11 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

11.12 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, an executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received. Upon such confirmation being given, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

11.13 Monitor's Capacity

In addition to all of the protections granted to the Monitor under the CCAA or any Order of the Court in this CCAA Proceeding, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

[*Signature Page Follows*]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

16155227 CANADA INC.

Per: David Vinokurov
Name: David Vinokurov
Title: Director and Officer

I have the authority to bind the Corporation.

CANNMART LABS INC.

Per: _____ c/s
Name: Daniel Stern
Title: Chief Executive Officer

I have the authority to bind the Corporation.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

16155227 CANADA INC.

Per: _____
Name: David Vinokurov
Title: Director and Officer

I have the authority to bind the Corporation.

CANNMART LABS INC.

Per: _____ c/s
Name: Daniel Stern
Title: Chief Executive Officer

I have the authority to bind the Corporation.

EXHIBIT "A"
PRE-CLOSING AND CLOSING REORGANIZATION STEPS

Pre-Closing

1. ResidualCo shall be incorporated by the Company with nominal consideration for common shares and shall be added to the CCAA Proceeding as an Applicant, but taking no other steps or actions in respect thereof.

Upon Closing

The following steps shall be deemed to happen concurrently:

2. Share Issuance, Consolidation, Cancellation:

   (a) the Company shall issue, assign and transfer the New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Monitor, having regard to the intended effect of the Transaction, free and clear of all Encumbrances, in exchange for the payment of the Purchase Price.

   (b) the Company's Articles shall be amended to, among other things (i) consolidate the New Common Shares and the Existing Shares on the basis of the Consolidation Ratio, and (ii) provide for such additional changes to the rights and conditions attached to the New Common Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion.

   (c) any fractional New Common Shares and Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.

   (d) any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all Equity Claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof.

3. The Excluded Assets and Excluded Liabilities shall vest in ResidualCo pursuant to the Approval and Vesting Order.

4. The Company shall convey the ResidualCo Shares to TGF as agent and bare trustee for the holders of the Existing Shares.

SCHEDULE "A"
EXCLUDED ASSETS

- Inventory sold in the ordinary course of Business in the Interim Period.
- Cash and cash equivalents of the Company as at the Closing Date.
- All Contracts of the business other than the lease for the facility in which the Business operates, located at 7 Canso Rd, Etobicoke, ON M9W 4L8

SCHEDULE "B"
EXCLUDED CONTRACTS

The following is a comprehensive list of the Excluded Contracts:

- All Contracts of the Business other than the lease for the facility in which the Business operates, located at 7 Canso Rd, Etobicoke, ON M9W 4L8

SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time;

2. All Liabilities relating to or under the Excluded Contracts and Excluded Assets;

3. All amounts owing to the Canada Revenue Agency prior to the commencement of the NOI Proceeding, including pursuant to the cannabis license under the *Excise Act, 2001*;

4. Any and all Liabilities that are not Assumed Liabilities; and

5. Any other Liabilities of the Business reasonably determined by the Purchaser prior to Closing.

SCHEDULE "D"
HEALTH CANADA LICENSES

[To be attached]

SCHEDULE "E"
DRAFT APPROVAL AND VESTING ORDER

[To be attached]

SCHEDULE "F"
ASSUMED LIABILITIES

- The lease for the facility in which the Business operates, located at 7 Canso Rd, Etobicoke, ON M9W 4L8;
- All Inventory of the Business; and
- All office furniture, equipment, chattels and assets located at the facility noted about to operate the Business as if it was a fully functioning business.

SCHEDULE "G"
CONTRACTS

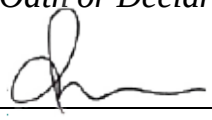
- The lease for the facility in which the Business operates, located at 7 Canso Rd, Etobicoke, ON M9W 4L8

SCHEDULE "H"
PROMISSORY NOTE

Basic Terms of Promissory Note:

- [redacted]
- [redacted]
- Prepayable without penalty;
- Secured against all assets of the Company

This is Exhibit “F” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

INES FERREIRA

msi Spergel inc., Licensed Insolvency Trustees
Head Office: 200 Yorkland Blvd., Suite 1100
Toronto, ON M2J 5C1
T: 416 497 1660 ● F: 416 494 7199
www.spergelcorporate.ca

April 22, 2024

Adastra Labs Inc
5451 – 275 St.
Langley, BC V4W 3X8

RE: In the Matter of the Notice of Intention to Make a Proposal of CannMart Labs Inc. ("CannMart Labs" or the "Company")

Dear Sirs,

Please be advised that on April 3, 2024 CannMart Labs filed a Notice of Intention to Make a Proposal ("**NOI**") and msi Spergel inc. was appointed as the Licensed Insolvency Trustee (the "**Proposal Trustee**"). Copies of the certificate of filing and the NOI creditor package are attached to this letter for your convenience.

The Company has advised that Adastra Labs Inc. ("**Adastra**") has on its premises, inventory belonging to CannMart Labs. Particularly the items listed in Adastra's regular weekly reporting provided to CannMart Labs, including the additional inventory adjustment as provided by CannMart L:abs. Copies of Adastra's March 2024 report and the related adjustment are included herein.

The Company is in the process of developing a Sales and Investment Solicitation Process ("**SISP**") within which all assets of the Company are anticipated to be included for sale including but not limited to the inventory and any other assets of the Company located at Adastra's premises.

Accordingly, the Company and the Proposal Trustee are requesting that Adastra confirms that it is holding the inventory belonging to the Company as reported in Adastra's monthly reports and the above-mentioned adjustment.. Please note that this inventory along with other assets of the Company will be offered for sale in accordance with SISP. If retaining the inventory during this period would cause Adastra any difficulties, the Company can make arrangements to have it

relocated to another location. If Adastra is agreeable to storing the inventory in the interim the Company is willing to work out a reasonable monthly storage fees with Adastra.

The Proposal Trustee understands that Adastra has had a very long business relationship with CannMart Labs and CannMart Labs appreciates your assistance in this matter.

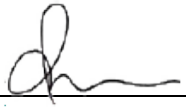
Thank you in advance for your cooperation and your immediate attention to this matter.

msi Spergel inc.
solely in its capacity as the Licenced Insolvency Trustee
under the Notice of Intention to Make a Proposal of the Company
and not in its personal or corporate capacities.

Per:

Frank S. Kisluk, BA, CA, CPA, LIT

This is Exhibit “G” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

INES FERREIRA

Adastra Labs Inc.
5451 275 St
Langley BC V4W 3X8
+1 7787155011
accounts@adastralabs.ca
www.adastralabs.ca
Receiver General Registration No.:
745380113RT0001

Purchase Order

SUPPLIER
CannMart
365 Bloor Street East
Toronto Ontario M4W 3L4

SHIP TO
Adastra Labs Inc.
5451 275 St
Langley BC V4W 3X8

P.O. NO. 2701
DATE 2024-03-08

REQUESTED BY	ESTIMATE NUMBER	EXPECTED DELIVERY DATE
Vicky	Email	2024-03-08

DESCRIPTION	QTY	RATE	AMOUNT
Watermelon Skittlez (Live Resin) 230379LF	2,900	4.00	11,600.00
Grandaddy Bruce (Live Resin) 240025LP	1,900	4.00	7,600.00
Grandaddy Bruce (Live Resin) 240016LP	3,500	4.00	14,000.00
Priest's Punch (Live Resin) 230217LF	7,700	4.00	30,800.00
King's Kush (Live Resin) 230350LF	2,500	4.00	10,000.00
Watermelon Skittlez (Live Resin) 240059LF	6,100	4.00	24,400.00

This PO will be for setting off Historical AR owed by cannmart Labs.
No Payment will be made by ALI for this PO.

SUBTOTAL	98,400.00
SALES TAX TOTAL	12,792.00
TOTAL	CAD 111,192.00

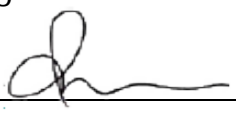
Approved By

Signer ID: DNSIIIFFVH...
Lachlan McLeod

Signer ID: KDTF9QJN3O...
Vicky Lau

Date 03/08/2024 PST

This is Exhibit “H” referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of
Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

INES FERREIRA

Dannallyn Salita

From: Frank Kisluk <fkisluk@spergel.ca>
Sent: Monday, July 8, 2024 5:31 PM
To: Mitch Grossell
Subject: [EXTERNAL]FW: CannMart Labs Inc Inventory

This is the only correspondence I've had related to the inventory.

Frank Kisluk, BA, CPA, CA, LIT
Corporate Restructuring & Insolvency
msi Spergel inc. | Licensed Insolvency Trustees
200 Yorkland Blvd., Suite 1100, Toronto, ON., M2J 5C1
T: 647-288-7636 | F: 647-288-7636
fkisluk@spergel.ca | www.spergelcorporate.ca
Insolvency ● Restructuring ● Consulting

From: Frank Kisluk <fkisluk@spergel.ca>
Sent: Thursday, April 25, 2024 4:27 PM
To: Lachlan McLeod <Lachlan@adastraholdings.ca>
Cc: Daniel Stern <daniel@cannmart.com>; Meni Morim <meni.m@lifeist.com>; Mukul Manchanda <mmanchanda@spergel.ca>
Subject: RE: CannMart Labs Inc Inventory

Hello Lachlan. I have now had an opportunity to review the inventory issues with CannMart Labs and advise that they wish to have their inventory immediately removed to another location. By this email I am asking that Daniel contact you and make the necessary arrangements.

As for the comments that you provided below, I will only observe that to me, based on discussions with CannMart Labs, this issuance of a purchase order for the resin appears to be a very unusual transaction and might be subject to our review as Trustee under the filed Notice of Intention to Make a Proposal.

Aside from that, I thank you for your cooperation.

Frank

Frank Kisluk, BA, CPA, CA, LIT
Corporate Restructuring & Insolvency
msi Spergel inc. | Licensed Insolvency Trustees
200 Yorkland Blvd., Suite 1100, Toronto, ON., M2J 5C1
T: 647-288-7636 | F: 647-288-7636
fkisluk@spergel.ca | www.spergelcorporate.ca
Insolvency ● Restructuring ● Consulting

From: Lachlan McLeod <Lachlan@adastraholdings.ca>
Sent: Monday, April 22, 2024 3:29 PM
To: Frank Kisluk <fkisluk@spergel.ca>
Cc: Daniel Stern <daniel@cannmart.com>; Meni Morim <meni.m@lifeist.com>; Mukul Manchanda <mmanchanda@spergel.ca>; Vicky Lau <vicky@adastraholdings.ca>
Subject: RE: CannMart Labs Inc Inventory

Hi Frank,

This has been received.

There seems to be two inaccurate items on your listings:

1) For the "CannMart Inventory 03_2024", the bulk extracts tab is Adastra owned inventory that has been allocated to the production of CannMart goods. This is not owned by cannmart and was never invoiced to CannMart. We would use our procured biomass and mix in a small amount of CannMart terpenes to create these bulk extracts. This would be 95% our inputs and 5% CannMart terpenes. I would not consider this to be owned by Cannmart as they were never invoiced or paid for the blending work.
2) For the "Resin Transfer to Adastra", this was live resin we submitted a purchase order to CannMart and they sold to us. Therefore, this is owned by Adastra and not owned by CannMart.

I would like to be compensated for the storage of CannMart inventory or they can pickup much of the inventory from our warehouse. Also, please note that they are still asking us to complete production for them so the inventory has changed since these listings. Please let me know if you would like us to pause all production and freeze inventory related to CannMart.

I am available to discuss if you would like.

Thank you,
Lachlan

Lachlan McLeod, CPA

Interim Chief Executive Officer
Chief Financial Officer
Corporate Secretary

Adastra Holdings Ltd.

c. (778) 870-5224
a. 5451 275 Street, Langley, BC, Canada
e. lachlan@adastraholdings.ca
w. www.adastraholdings.ca

CSE: XTRX | FRANKFURT: D2EP

From: Frank Kisluk <fkisluk@spergel.ca>
Sent: Monday, April 22, 2024 9:34 AM
To: Lachlan McLeod <Lachlan@adastraholdings.ca>
Cc: Daniel Stern <daniel@cannmart.com>; Meni Morim <meni.m@lifeist.com>; Mukul Manchanda <mmanchanda@spergel.ca>
Subject: CannMart Labs Inc Inventory

Frank Kisluk, BA, CPA, CA, LIT
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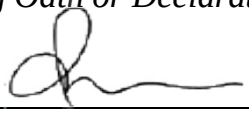
T: 647-288-7636 | F: 647-288-7636
fkisluk@spergel.ca | www.spergelcorporate.ca
Insolvency ● Restructuring ● Consulting

This is Exhibit "I" referred to in the
Affidavit of Daniel Stern sworn by Daniel Stern at the City of Toronto, in the Province of Ontario, before me
this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

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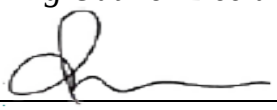
All SKU's						
SKU	Lot	Note	Qty		Book Price / g	Total amount
Priest's Punch	230217LF		7015	g	$ 5.62	$ 39,424.30
King's Kush	230350LF		2500	g	$ 4.32	$ 10,800.00
Watermelon Skittlez	230379LF		2891	g	$ 5.31	$ 15,351.21
Grandaddy Bruce	240025LP		1883	g	$ 4.32	$ 8,134.56
Grandaddy Bruce	240016LP		2821	g	$ 5.86	$ 16,531.06
Watermelon Skittlez	240055LF		6084	g	$ 4.89	$ 29,750.76
Live resin -Blueberry Muffin - 230518SW02 - 885g	230518SW02		885	g	$ 5.10	$ 4,513.50
Shatter - LA Kush cake/Kush Cookies - 230007LF - 516.2g	230007LF		516.2	g	$ 1.77	$ 913.67
Shatter - Kush Cookie Shatter - 220093LF - 1064g	220093LF		1064	g	$ 1.20	$ 1,276.80
Live resin - Watermelon Zkittlez - 230308LF - 570g	230308LF		570	g	$ 5.17	$ 2,946.90
Shatter - Kush Cookies - 230108LF - 769g	230108LF		769	g	$ 1.27	$ 976.63
Shatter - LA Kush Cake - 230119LF - 1000g	230119LF		1000	g	$ 2.63	$ 2,630.00
BMAC Live Resin	230109SW01		2978	g	$ 4.15	$ 12,358.70
Mint (Canmart custom)	TERP220401		69	g	$ 3.25	$ 224.25
Mint (Canmart custom)	TERP220406		491	g	$ 3.25	$ 1,595.75
Mint (Canmart custom)	TERP220406		500	g	$ 3.25	$ 1,625.00
Mint (Canmart custom)	TERP220406		500	g	$ 3.25	$ 1,625.00
Mint (Canmart custom)	TERP220406		500	g	$ 3.25	$ 1,625.00
Blueberry Lychee (Canmart custom)	TERP230104		870.8	g	$ 3.20	$ 2,786.56
Blueberry Lychee (Canmart custom)	TERP221103		165	g	$ 3.20	$ 528.00
Strawberry Melon (Canmart custom)	TERP230101		610	g	$ 3.20	$ 1,952.00
Custom Strawberry Melon	CM2-230608		617.4	g	$ 3.20	$ 1,975.68
Pre-roll Cones Yellow Tip 84/15/900	n/a		315	g	$ 0.07	$ 22.05
Pre-roll Cones Orange Tip 84/15/900	n/a		261	g	$ 0.07	$ 18.27
Pre-roll Cones White Tip 84/15/900	n/a		319	g	$ 0.07	$ 22.33
Pre-roll Cones Red Tip 84/15/900	n/a		450	g	$ 0.07	$ 31.50
Calyx Jar	n/a		673	g	$ 1.00	$ 673.00
Calyx Jar	n/a		600	g	$ 1.00	$ 600.00

[Roilty] Zico Bottom Fill 0.5ml Vape Cart	n/a		7776	g	$	1.35	$ 10,497.60
[Roilty] Zico Bottom Fill 0.5ml Vape Cart	n/a		1728	g	$	1.35	$ 2,332.80
					Total		**$ 173,742.88**

This is Confidential Exhibit "1" referred to in the Affidavit of Daniel Stern sworn by Daniel Stern at the City of Toronto, in the Province of Ontario, before me this 10th day of July, 2024 in accordance with *O. Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

INES FERREIRA

Confidential Exhibit “1”

to the Motion Record (returnable July 16, 2024, at 12:30 p.m.) of the Applicants, CannMart Labs Inc.

Unredacted copy of the Share Purchase Agreement dated June 28, 2024

(*to be sealed from public record)*

TAB 3

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	**)**	TUESDAY, THE 16TH
	)	
JUSTICE OSBORNE	**)**	DAY OF JULY, 2024

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.** (the "**Applicant**")

ORDER
(Approval and Reverse Vesting Order)

THIS MOTION, made by the Applicant pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, (the "**CCAA**") for an order, among other things: (i) approving the share purchase agreement between the Applicant and 16155227 Canada Inc. (the "**Purchaser**") dated June 28, 2024 (the "**Share Purchase Agreement**") and the transactions contemplated therein (the "**Transaction**"), (ii) transferring and vesting all of the Applicant's right, title and interest in and to the Excluded Assets, Excluded Contracts, Excluded Leases and Excluded Liabilities (each as defined in the Share Purchase Agreement) to and in ResidualCo; (iii) vesting all of the right, title and interest in and to the New Common Shares (as defined in the Share Purchase Agreement) in the Purchaser free and clear of all Claims and Encumbrances (each as defined below); (v) releasing and discharging all Claims and Encumbrances (each as defined below) from the Applicant's Property (as defined below); (vi) canceling and terminating, without consideration, all Equity Interests (as defined in the Share Purchase Agreement) of the Applicant other than the Post-Consolidation Shares, and (vii) adding 16197507 Canada Inc. ("**ResidualCo**") as an applicant to this CCAA Proceeding; was heard this day by Zoom video conference.

ON READING the Motion Record of the Applicant dated July 10, 2024 (the "**Motion Record**"), the Second Report of msi Spergel Inc., in its capacity as Monitor (in such capacity, the "**Monitor**") to be filed (the "**Second Report**"), and on hearing the submissions of counsel for the Applicant, counsel for the Monitor, and those other parties listed on the Participant Information Form, no one else appearing although duly served as appears from the affidavit of service of Ines Ferreira, to be filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion of the Applicant dated July 10, 2024 (the "**Notice of Motion**") and the Motion Record is validated such that this Motion is properly returnable today, and further service of the Notice of Motion and the Motion Record is hereby dispensed with.

2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them in the Share Purchase Agreement.

APPROVAL AND VESTING

3. **THIS COURT ORDERS** that the Share Purchase Agreement and the Transaction be and are hereby approved, and that the execution of the Share Purchase Agreement by the Applicant is hereby authorized, approved and ratified, with such minor amendments as the parties thereto may deem necessary, with the consent of the Monitor. The Applicant is hereby authorized and directed to perform its obligations under the Share Purchase Agreement and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction, including the filing of the Articles of Amendment and the conveyance of the New Common Shares to the Purchaser.

4. **THIS COURT ORDERS** that this Order shall constitute the only authorization required by the Applicant to proceed with the Transaction and that no shareholder or other approval shall be required in connection therewith.

5. **THIS COURT ORDERS** that upon the delivery of a certificate substantially in the form attached hereto as Schedule "A" (the "**Monitor's Certificate**") to the Purchaser (the "**Effective**

Time"), the following shall occur and shall be deemed to have occurred immediately prior to the Effective Time in the following sequence:

(a) first, all of the Applicant's right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo, with all applicable Claims and Encumbrances (each as defined below) continuing to attach to the Excluded Assets and to the Proceeds (as defined below) in accordance with paragraph 8 of this Order, in either case with the same nature and priority as they had immediately prior to the transfer;

(b) second, all Excluded Contracts, Excluded Leases, and Excluded Liabilities shall be channeled to, assumed by and vested absolutely and exclusively in ResidualCo, such that the Excluded Contracts, Excluded Leases and Excluded Liabilities shall become the obligations of ResidualCo, and shall no longer be obligations of the Applicant and the Applicant and all of its assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate (collectively, the "**Applicant's Property**"), shall be and is hereby forever released and discharged from such Excluded Contracts, Excluded Leases and Excluded Liabilities, and all related Claims and all Encumbrances affecting or relating to the Applicant's Property shall be deemed expunged and discharged as against the Applicant's Property;

(c) third, all right, title and interest in and to the New Common Shares shall vest absolutely in the Purchaser, free and clear of and from any and all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise, including any and all encumbrances, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed, and whether

secured, unsecured or otherwise (collectively, the "**Claims**"), including without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Initial Order dated May 2, 2024 (the "**Initial Order**") or any other Order of the Court in the CCAA Proceeding; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry systems (collectively, the "**Encumbrances**") and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the New Common Shares are hereby expunged and discharged as against the New Common Shares;

(d) fourth, the Articles of Amendment in respect of the Applicant shall be filed or deemed to have been filed which, among other things, will: (i) consolidate the New Common Shares and the Existing Shares on the basis of the Consolidation Ratio; (ii) provide for such additional changes to the rights and conditions attached to the New Common Shares as may be requested by the Purchaser; and (iii) if necessary, provide for the cancellation of any fractional New Common Shares or Existing Shares immediately following the consolidation referred to in (i) above;

(e) fifth, all Equity Interests of the Applicant outstanding prior to the issuance of the New Common Shares, including all options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (defined below) that are convertible or exchangeable for any securities of the Applicant or which require the issuance, sale or transfer by the Applicant, of any shares or other securities of the Applicant and/or the share capital of the Applicant, or otherwise relating thereto, shall be deemed terminated and cancelled without consideration, and the only Equity Interests of the Applicant that shall remain shall be the Post-Consolidation Shares, which shall represent 100% of the Applicant' issued and outstanding equity; and

(f) sixth, the Applicant shall be deemed to cease being an Applicant in this CCAA Proceeding, and the Applicant shall be deemed to be released from the purview of

the Initial Order and all other Orders of this Court granted in respect of this CCAA Proceeding, save and except for this Order, the provisions of which (as they relate to the Applicant) shall continue to apply in all respects.

6. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof in connection with the Transaction.

7. **THIS COURT ORDERS** that the Monitor may rely on written notice from the Applicant and the Purchaser regarding the satisfaction or waiver of conditions to closing under the Share Purchase Agreement, and shall have no liability with respect to delivery of the Monitor's Certificate.

8. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the New Common Shares (the "**Proceeds**") shall stand in the place and stead of the Applicant's Property, and that from and after the delivery of the Monitor's Certificate, all Claims and Encumbrances shall attach to the Proceeds and the Excluded Assets with the same priority as they had with respect to the Applicant's Property immediately prior to the Transaction.

9. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended, the Applicant is authorized, permitted and directed to, at the Effective Time, disclose to the Purchaser all human resources and payroll information in the Applicant's records pertaining to past and current employees of the Applicant. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner that is in all material respects identical to the prior use of such information by the Applicant.

10. **THIS COURT ORDERS** that, at the Effective Time and without limiting the provisions of paragraph 5 hereof, the Purchaser, the Applicant and the Monitor shall be deemed released from any and all claims, liabilities (direct, indirect, absolute or contingent), or obligations with respect to any Taxes (including penalties and interest thereon) of, collectible by, or that relate to, the Applicant, including without limiting the generality of the foregoing, all Taxes that could be assessed against the Purchaser or the Applicant (including its affiliates and any predecessor

corporations) pursuant to section 325 of the *Excise Tax Act*, R.S.C. 1985 c. E-15, section 160 and 160.01 of the *Income Tax Act*, R.S.C. 1985 c. 1 (5th Supp.), or any provincial equivalent, in connection with the Applicant or that relate to the transfer of any property or services by the Applicant pursuant to this Order, provided that, as it relates to the Applicant, such release shall not apply to Taxes in respect of the business and operations conducted by the Applicant after the Effective Time. For greater certainty, nothing in this paragraph shall release or discharge any Claims with respect to Taxes that are transferred to ResidualCo.

11. **THIS COURT ORDERS** that except to the extent expressly contemplated by the Share Purchase Agreement, all pending and executory contracts, agreements, leases and arrangements (whether oral or written) by the Applicant or any of its property or assets is bound or under which the Applicant has rights (each, a "**Contract**") wherein the Applicant is a party at the time of delivery of the Monitor's Certificate will be and remain in full force and effect upon and following delivery of the Monitor's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:

(a) any event that occurred on or prior to the delivery of the Monitor's Certificate and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of the Applicant);

(b) the insolvency of the Applicant or the fact that the Applicant sought or obtained relief under the CCAA;

(c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the Share Purchase Agreement, the Transaction or the provisions of this Order, or any other Order of the Court in these proceedings; or

(d) any transfer or assignment, or any change of control of the Applicant arising from the implementation of the Share Purchase Agreement, the Transaction or the provisions of this Order.

12. **THIS COURT ORDERS**, for greater certainty, that (a) nothing in paragraph 11 hereof shall waive, compromise or discharge any obligations of the Applicant in respect of any Assumed Liabilities, and (b) the designation of any Claim as an Assumed Liability is without prejudice to the Applicant's right to dispute the existence, validity or quantum of any such Assumed Liability, and (c) nothing in this Order or the Share Purchase Agreement shall affect or waive the Applicant's rights and defences, both legal and equitable, with respect to any Assumed Liability, including, but not limited to, all rights with respect to entitlements to set offs or recoupments against such Assumed Liability.

13. **THIS COURT ORDERS** that from and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of the Applicant then existing or previously committed by the Applicant, or caused by the Applicant, directly or indirectly, or non-compliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition, or obligation, expressed or implied in any Contract existing between such Person and the Applicant arising directly or indirectly from the commencement of the CCAA Proceeding and the implementation of the Transaction, including without limitation any of the matters or events listed in paragraph 11 hereof, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a Contract shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein shall be deemed to excuse the Applicant from performing its obligations under the Share Purchase Agreement or be a waiver of defaults by the Applicant under the Share Purchase Agreement and the related documents.

14. **THIS COURT ORDERS** that from and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, audits, declarations and assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Applicant relating in any way to or in respect of

any Excluded Assets, Excluded Liabilities, Excluded Contracts or Excluded Leases and any other claims, obligations and other matters that are waived, released, expunged or discharged pursuant to this Order.

15. **THIS COURT ORDERS** that from and after the Effective Time:

(a) the nature of the Assumed Liabilities retained by the Applicant, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transaction or this Order;

(b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to ResidualCo;

(c) any Person that, prior to the Effective Time, had a valid right or claim against the Applicant under or in respect of any Excluded Asset, Excluded Contract, Excluded Lease or Excluded Liability (each an "**Excluded Liability Claim**") shall no longer have such right or claim against the Applicant but will have an equivalent Excluded Liability Claim against ResidualCo from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against ResidualCo; and

(d) the Excluded Liability Claim of any Person against ResidualCo following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the Applicant prior to the Effective Time.

16. **THIS COURT ORDERS** that, as of the Effective Time:

(a) ResidualCo shall be a company to which the CCAA applies; and

(b) ResidualCo shall be added as an Applicant in this CCAA Proceeding and all references in any Order of the Court in respect of this CCAA Proceeding (except to the extent applicable in this Order) to: (i) an "Applicant" shall refer to and include ResidualCo; and (ii) "Property" shall include the current and future assets,

licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, of ResidualCo (the "**ResidualCo Property**"), and, for greater certainty, each of the Charges (as defined in the Initial Order), shall constitute a charge on the ResidualCo Property.

17. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the "**BIA**"), in respect of ResidualCo and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of ResidualCo,

the Share Purchase Agreement, the implementation of the Transaction (including without limitation the transfer and vesting of the Excluded Assets, Excluded Contracts, Excluded Leases and Excluded Liabilities in and to ResidualCo and the transfer and vesting of the Post-Consolidation Shares in and to the Purchaser and the issuance of the New Common Shares to the Purchaser) and any payments by or to the Purchaser, ResidualCo or the Monitor authorized herein shall be binding on any trustee in bankruptcy that may be appointed in respect of ResidualCo and shall not be void or voidable by creditors of ResidualCo, as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the CCAA, the BIA or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

RETURN OF INVENTORY

18. **THIS COURT ORDERS AND DIRECTS** Adastra Labs Inc. to forthwith return the inventory listed at Schedule "B" to the Applicant, and by no later than five (5) business days after the date of this Order.

MONITOR'S ENHANCED POWERS

19. **THIS COURT ORDERS** that in addition to the powers and duties of the Monitor set out in the Initial Order or any other Order of this Court in this CCAA Proceeding, and without altering in any way the limitations and obligations of ResidualCo as a result of this proceeding, the Monitor be and is hereby authorized and empowered, but not required, to:

(a) take any and all actions and steps, and execute all documents and writings, on behalf of, and in the name of ResidualCo in order to facilitate the performance of any ongoing obligations of ResidualCo, including with respect to any Excluded Liability Claim, and to carry out the Monitor's duties under this Order or any other Order of this Court in this CCAA Proceeding;

(b) exercise any powers which may be properly exercised by a board of directors of ResidualCo;

(c) cause ResidualCo to retain the services of any person as an employee, consultant, or other similar capacity all under the supervision and direction of the Monitor and on the terms as agreed with the Monitor;

(d) open one or more new accounts (the "**ResidualCo Accounts**") into which all funds, monies, cheques, instruments and other forms of payment payable to ResidualCo shall be deposited from and after the making of this Order from any source whatsoever and to operate and control, as applicable, on behalf of ResidualCo, the ResidualCo Accounts in such manner as the Monitor, in its sole discretion, deems necessary or appropriate to assist with the exercise of the Monitor's powers and duties;

(e) cause ResidualCo to perform such other functions or duties as the Monitor considers necessary or desirable in order to facilitate or assist the winding-down of ResidualCo or the distribution of the proceeds of the ResidualCo Property or any other related activities, including in connection with bringing this CCAA Proceeding to an end;

(f) engage, deal, communicate, negotiate, agree and settle with any creditor or other stakeholder of ResidualCo (including any governmental authority) in the name of or on behalf of ResidualCo;

(g) claim or cause ResidualCo to claim any and all insurance refunds or tax refunds, including refunds of harmonized sales taxes, to which ResidualCo is entitled;

(h) have access to all books and records that are the property of ResidualCo in ResidualCo's possession or control in addition to the Applicant's books and records in accordance with the terms of the Share Purchase Agreement;

(i) assign ResidualCo, or cause ResidualCo to be assigned, into bankruptcy, and the Monitor shall be authorized but not obligated to act as trustee in bankruptcy thereof; and

(j) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter.

20. **THIS COURT ORDERS** that nothing in this Order, including the release of the Applicant from the purview of this CCAA Proceeding pursuant to paragraph 5(f) hereof and the addition of ResidualCo as an Applicant in this CCAA Proceeding, shall affect, vary, derogate from, limit or amend any rights, approvals and protections afforded to the Monitor in this CCAA Proceeding, and msi Spergel Inc. shall continue to have the benefit of, any and all rights and approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, any other Orders in these CCAA proceedings or otherwise, including all approvals, protections and stays of proceedings in favour of msi Spergel Inc. in its capacity as Monitor, all of which are expressly continued and confirmed.

21. **THIS COURT ORDERS** that no action lies against the Monitor by reason of this Order or the performance of any act authorized by this Order, except with leave of the Court following a motion brought on not less than fifteen (15) days' notice to the Monitor and its legal counsel. The entities related or affiliated with the Monitor or belonging to the same group as the Monitor (including, without limitation, any agents, employees, legal counsel or other advisors retained or employed by the Monitor) shall benefit from the protection granted to the Monitor under this paragraph 21.

22. **THIS COURT ORDERS** that the Monitor shall not, as a result of this Order or any matter contemplated hereby: (a) be deemed to have taken part in the management or supervision of the management of the Applicant or ResidualCo or to have taken or maintained possession or control of the business or property of the Applicant or ResidualCo, or any part thereof; or (b) be deemed to be in Possession (as defined in the Initial Order) of any property of the Applicant or ResidualCo within the meaning of any applicable Environmental Legislation and/or Cannabis Legislation (both as defined in the Initial Order) or otherwise.

23. **THIS COURT ORDERS** that notwithstanding anything contained in this Order, the Monitor, its employees and representatives are not and shall not be or be deemed to be, a director, officer, or employee of ResidualCo, *de facto* or otherwise, and shall incur no liability as a result of acting in accordance with this Order, other than any liability arising as a direct result of the gross negligence or wilful misconduct of the Monitor.

24. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Monitor as receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors of or legal representative of ResidualCo.

RESIDUALCO

25. **THIS COURT ORDERS** that Meni Morim (the "**First Director**") is hereby authorized, *nunc pro tunc*, to act as a director and officer of ResidualCo and, in such capacity, is authorized to take such steps and perform such tasks as are necessary or desirable to facilitate the terms of this Order and the Transaction.

26. **THIS COURT ORDERS** that the First Director shall not incur any liability as a result of becoming a director or officer of ResidualCo, save and except any liability or obligation incurred as a result of gross negligence or wilful misconduct on his part.

RELEASES

27. **THIS COURT ORDERS** that effective upon the filing of the Monitor's Certificate: (a) the Applicant and its present directors, officers, employees and financial and legal advisors; (b) the First Director and legal counsel to ResidualCo; and (c) the Monitor and its legal counsel (collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released and

discharged from any and all present and future liabilities, claims (including, without limitation, claims for contribution or indemnity), indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place during this CCAA Proceeding and prior to the filing of the Monitor's Certificate, or undertaken or completed in connection with or pursuant to the terms of this Order or this CCAA Proceeding, or arising in connection with or relating to the Share Purchase Agreement, or the consummation of the Transaction (collectively, the "**Released Claims**"), which Released Claims are hereby and shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, *provided that* nothing in this paragraph shall waive, discharge, release, cancel or bar any claim: (a) that is not permitted to be released pursuant to section 5.1(2) of the CCAA, (b) that may be made against the current directors and officers and that is covered by the Directors' Charge granted in the Initial Order, or (c) any obligations of any Released Party under, or in connection with, the Share Purchase Agreement or the Transaction.

SEALING

28. **THIS COURT ORDERS** that Confidential Exhibit "1" to the Affidavit of Daniel Stern sworn July 10, 2024, is hereby sealed, confidential, and shall not form part of the public record, and that Confidential Exhibit "1" shall be placed into a separate confidential exhibit book that is kept separate and apart from all other contents in the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened after the Monitor's Certificate is filed with the Court, or further Order of the Court.

GENERAL

29. **THIS COURT ORDERS** that in the event of a conflict between the terms of this Order and those of the Initial Order or any other Order of this Court, the provisions of this Order shall govern.

30. **THIS COURT ORDERS** that, following the Effective Time, the Purchaser shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the Post-Consolidation Shares and the New Common Shares.

31. **THIS COURT ORDERS** that, following the Effective Time, the title of these proceedings is hereby changed to:

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF 16197507 CANADA INC.

32. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

33. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist ResidualCo, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to ResidualCo and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist ResidualCo and the Monitor and their respective agents in carrying out the terms of this Order.

34. **THIS COURT ORDERS** that each of ResidualCo and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

35. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. prevailing Eastern Time on the date hereof without any need for entry and/or filing; provided that the transaction steps set out in paragraph 5 hereof shall be deemed to have occurred sequentially, one after the other, in the order set out in paragraph 5 hereof.

Schedule A – Form of Monitor's Certificate

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.** (the "**Applicant**")

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to the Initial Order of the Honourable Justice Penny of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated May 2, 2024, the Applicant was granted protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and msi Spergel Inc. was appointed as the monitor of the Applicant (in such capacity, the "**Monitor**").

B. Pursuant to the Approval and Reverse Vesting Order of the Court dated July ●, 2024 (the "**Order**"), the Court approved the Share Purchase Agreement between the Applicant and 16155227 Canada Inc. (in such capacity, the "**Purchaser**") dated June 28, 2024 (the "**Share Purchase Agreement**"), and the transaction contemplated therein (the "**Transaction**"), and ordered, *inter alia*, that: (i) all of the Applicant's right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo; (ii) all of the Excluded Assets, Excluded Contracts, Excluded Leases and Excluded Liabilities shall be transferred to, assumed by and vest in ResidualCo; (iii) all of the right, title and interest in and to the New Common Shares shall vest absolutely and exclusively in the Purchaser free and clear of all Claims and Encumbrances; (iv) all Claims and Encumbrances shall be released and discharged from the

Applicant's Property; and (v) all Equity Interests of the Applicant (other than the Post-Consolidation Shares) shall be cancelled and terminated without consideration, all of the foregoing, in each case, to be effective upon the delivery by the Monitor to the Purchaser of a certificate confirming that the Monitor has received written confirmation in the form and substance satisfactory to the Monitor from the Purchaser and the Applicant that all conditions to closing have been satisfied or waived by the parties to the Share Purchase Agreement.

C. Capitalized terms not defined herein shall have the meaning given to them in the Order, including those defined by reference to the Share Purchase Agreement.

THE MONITOR CERTIFIES the following:

1. The Monitor has received written confirmation from the Purchaser and the Applicant, in form and substance satisfactory to the Monitor, that all conditions to closing have been satisfied or waived by the parties to the Share Purchase Agreement.

2. This Monitor's certificate was delivered by the Monitor at _____ on _____, 2024.

msi Spergel Inc., in its capacity of the Monitor of the Applicant, and not in its personal or corporate capacity

Per: _____
Name:
Title:

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.**

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER
(Approval and Reverse Vesting Order)

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Lawyers for the Applicant

TAB 4

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE	**)**	TUESDAY, THE 16TH
	)	
JUSTICE OSBORNE	**)**	DAY OF JULY, 2024

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.** (the "**Applicant**")

ORDER
(Stay Extension, Fee Approval and CCAA Termination)

THIS MOTION, made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, (the "**CCAA**") for an order, *inter alia*: (i) extending the Stay Period up to and including July 31, 2025, (ii) approving the Second Report of msi Spergel Inc, (the "**Monitor**") to be filed (the "**Second Report**"), and the Monitor's activities, conduct and decisions set out therein, (iii) approving the fees and disbursements of the Monitor and its legal counsel, (iv) terminating this CCAA proceeding and discharging the Monitor at the CCAA Termination Time (as defined below), (v) terminating the Court-ordered charges approved in this CCAA proceeding effective as at the CCAA Termination Time, and (vi) permitting 16197507 Canada Inc. ("**ResidualCo**") to file for bankruptcy, was heard this day by Zoom video conference.

ON READING the Motion Record of the Applicant dated July 10, 2024 (the "**Motion Record**"), the Second Report, and on hearing the submissions of counsel for the Applicant, counsel

for the Monitor, and those other parties listed on the Participant Information Form, no one else appearing although duly served as appears from the Affidavit of Service, filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them in the Initial Order dated May 2, 2024 (the "**Initial Order**").

STAY EXTENSION

2. **THIS COURT ORDERS** that the Stay Period is hereby extended up to and including July 31, 2025.

APPROVAL OF THE SECOND REPORT

3. **THIS COURT ORDERS** that the Second Report of the Monitor and the activities, conduct and decisions of the Monitor set out therein are hereby ratified and approved, provided that only the Monitor, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

APPROVAL OF FEES OF THE MONITOR AND ITS COUNSEL

4. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel, as set out in the Second Report, be and are hereby approved.

MONITOR'S POWERS

5. **THIS COURT ORDERS** that after payment of all amounts outstanding in respect of the Administration Charge, the Monitor (on behalf of ResidualCo) is authorized to make one or more distributions from the sale proceeds arising from the Transaction to the DIP Lender in respect of all indebtedness (including any accrued or accruing interest of expenses) owed to the DIP Lender pursuant to the DIP Term Sheet dated April 26, 2024, as secured by the DIP Lender's Charge.

TERMINATION OF THE CCAA PROCEEDING

6. **THIS COURT ORDERS** that, upon service by the Monitor of an executed certificate substantially in the form attached hereto as **Schedule "A"** (the "**Termination Certificate**") on the Service List in this CCAA proceeding certifying that all matters to be attended to in connection with the CCAA proceeding have been completed, the CCAA proceeding shall be terminated without any other act or formality (the "**CCAA Termination Time**"), save and except as provided in this Order, and provided that nothing herein impacts the validity of any Order made in this CCAA proceeding or any action or steps taken by any Person pursuant thereto.

7. **THIS COURT ORDERS** that the Monitor is hereby directed to file a copy of the Termination Certificate with the Court as soon as is practicable following the service thereof on the Service List in this CCAA proceeding.

8. **THIS COURT ORDERS** that the Monitor shall incur no liability with respect to delivery of the Termination Certificate.

9. **THIS COURT ORDERS** that the Charges shall be and are hereby terminated, released and discharged at the CCAA Termination Time without any further act or formality.

DISCHARGE OF MONITOR

10. **THIS COURT ORDERS** that effective at the CCAA Termination Time, msi Spergel Inc. shall be and is hereby discharged from its duties as the Monitor and shall have no further duties, obligations or responsibilities as Monitor from and after the CCAA Termination Time, provided that, notwithstanding its discharge as Monitor, msi Spergel Inc. shall have the authority to carry out, complete or address any matters in its role as Monitor that are ancillary or incidental to this CCAA proceeding following the CCAA Termination Time, as may be required or appropriate, as determined by msi Spergel Inc. ("**Monitor Incidental Matters**").

11. **THIS COURT ORDERS** that, notwithstanding any provision of this Order, the Monitor's discharge or the termination of this CCAA proceeding, nothing herein shall affect, vary, derogate from, limit or amend, and the Monitor and msi Spergel Inc. shall continue to have the benefit of the rights, approvals and protections granted in favour of the Monitor and msi Spergel Inc. at law or pursuant to the CCAA, the Initial Order, or any other Order of this Court in this CCAA proceeding or otherwise, all of which are expressly continued and confirmed following and after the CCAA Termination Time, including in connection with any Monitor Incidental Matters and other actions taken by the Monitor following the CCAA Termination Time with respect to the Applicant, ResidualCo or this CCAA proceeding.

12. **THIS COURT ORDERS** that from and after the CCAA Termination Time, no action or other proceeding shall be commenced against the Monitor or msi Spergel Inc. in any way arising from or related to its capacity or conduct as Monitor, except with the prior leave of this Court and on prior written notice to the Monitor.

ASSIGNMENT IN BANKRUPTCY

13. **THIS COURT ORDERS** that at such time as ResidualCo determines that it is necessary or desirable to do so, including for greater certainty at a time prior to the CCAA Termination Time:

(a) ResidualCo is hereby authorized to make an assignment in bankruptcy pursuant to *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended ("**BIA**"); and

(b) msi Spergel Inc. is hereby authorized and empowered, but not obligated, to act as trustee in bankruptcy in respect of ResidualCo.

14. **THIS COURT ORDERS** that the sole director of ResidualCo may resign upon ResidualCo being assigned into bankruptcy and such resignation is hereby authorized and ratified.

GENERAL

15. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

16. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

17. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to

this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

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

19. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard Time on the date of this Order without the need for entry or filing.

_____

SCHEDULE "A"
FORM OF TERMINATION CERTIFICATE

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 16197507 CANADA INC. ("**Applicant**")

TERMINATION CERTIFICATE

RECITALS

1. msi Spergel Inc. was appointed as the Monitor of CannMart Labs Inc. in the within proceedings commenced under the Companies' Creditors Arrangement Act, R.S.C. 1985 c.C-36, as amended (the "**CCAA**") pursuant to an Initial Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated May 2, 2024 (the "**Initial Order**").

2. Pursuant to the Approval and Reverse Vesting Order of this Court dated July 16, 2024, ResidualCo was added as an "applicant" in this CCAA proceeding.

3. Pursuant to an Order of this Court dated July 16, 2024 (the "**CCAA Termination Order**"), among other things, msi Spergel Inc. shall be discharged as the Monitor and the CCAA proceeding shall be terminated upon the service of this Termination Certificate on the Service List in this CCAA proceeding, all in accordance with the terms of the CCAA Termination Order.

4. Unless otherwise indicated herein, capitalized terms used in this Termination Certificate shall have the meaning given to them in the Initial Order or the Termination Order, as applicable.

THE MONITOR CERTIFIES the following:

5. To the knowledge of the Monitor, all matters to be attended to in connection with the Applicant's CCAA Proceedings (Court File No. CV-24-00719639-00CL) have been completed.

ACCORDINGLY, the CCAA Termination Time as defined in the CCAA Termination Order has occurred.

DATED at Toronto, Ontario this _____ day of _____, 2024.

msi Spergel Inc., in its capacity of the Monitor of the Applicant, and not in its personal or corporate capacity

Per: _____

Name:

Title:

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.**

Court File No.: CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

ORDER
(Stay Extension, Fee Approval and CCAA Termination)

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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **CANNMART LABS INC.**

Court File No. CV-24-00719639-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

MOTION RECORD
Returnable July 16, 2024

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