

**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.**

**SECOND REPORT OF MSI SPERGEL INC. IN ITS CAPACITY AS
MONITOR OF CANNMART LABS INC.**

July 12, 2024

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I. INTRODUCTION

1. On April 3, 2024 (the “**Filing Date**”), Cannmart Labs Inc. (“**CannMart Labs**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), and msi Spergel Inc. (“**Spergel**”) was appointed as proposal trustee (in such capacity, the “**Proposal Trustee**”) under the NOI (the “**NOI Proceedings**”).
2. On May 2, 2024, the Company brought a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) seeking Orders, among other things:
 - (a) converting the NOI Proceedings into proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the “**CCAA Proceedings**” and “**CCAA**”, respectively) in order to allow for the completion of its restructuring process under the CCAA and providing the Company with a stay of proceedings up to and including July 17, 2024 (the “**Stay Period**”);
 - (b) terminating Spergel’s appointment as Proposal Trustee and appointing Spergel as monitor of the Company under the CCAA Proceedings (in such capacity, the “**Monitor**”);
 - (c) approving the SISP (as defined below);
 - (d) approving the Administration Charge (as defined in the Initial Order) to secure payment of the fees and expenses of the Monitor, the Monitor’s counsel and the Company’s counsel;

- (e) approving interim financing and the DIP Lender’s Charge (as defined in the Initial Order); and
 - (f) approving the Director’s Charge (as defined in the Initial Order).
3. By order of the Honourable Mr. Justice Penny dated May 2, 2024 (the “**Initial Order**”), the Court approved the relief sought by the Company. A copy of the Initial Order is attached as **Appendix “A”**.
 4. The Monitor engaged Reconstruct LLP as its legal counsel (the “**Monitor’s Counsel**”).
 5. Further details regarding the Company and background leading up to the NOI Proceedings and the subsequent conversion to CCAA Proceedings can be found in the First Report of the Proposal Trustee (and the Proposed Monitor) dated April 30, 2024 (the “**First Report**”). A copy of the First Report without appendices is attached as **Appendix “B”**.
 6. All Court materials filed in these proceedings can be found on Spergel’s case website at: <https://www.spergelcorporate.ca/engagements/cannmart-labs-inc/>.

II. PURPOSE OF THIS REPORT AND DISCLAIMER

7. The purpose of this second report (the “**Second Report**”) is to provide the Court with information pertaining to:
 - (a) the Monitor’s activities and general updates since the issuance of its First Report;
 - (b) the sale and investment solicitation process (the “**SISP**”) carried out

by the Monitor;

- (c) the Company's request for an extension of the Stay Period from July 17, 2024 up to and including July 31, 2025;
- (d) information concerning the structure of the Transaction (as defined below) proposed by the Company;
- (e) the Monitor's recommendation that the Court make the following order, as requested by the Company (the "**ARVO**"):
 - i. approving the share purchase agreement between CannMart Labs and 1615527 Canada Inc. (the "**Purchaser**") dated June 28, 2024 (the "**Share Purchase Agreement**") and the transaction contemplated therein (the "**Transaction**");
 - ii. transferring and vesting all of the Company'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 16197507 Canada Inc., a newly incorporated corporation as part of the Transaction ("**ResidualCo**");
 - iii. vesting 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;
 - iv. cancelling and terminating, without consideration, any and all equity interests of the Company other than the Post-Consolidation Shares (as defined in the Share Purchase

Agreement);

- v. upon the Monitor's delivery of a certificate substantially in the form appended to the ARVO, deeming CannMart Labs to cease being an applicant in this CCAA Proceedings;
 - vi. declaring that ResidualCo is a company to which the CCAA applies;
 - vii. adding ResidualCo as an applicant in these CCAA Proceedings; and
 - viii. providing the Monitor with enhanced powers in respect of ResidualCo;
 - ix. providing a release of (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**") for the Released Claims (as defined below); and
 - x. requiring Adastra Labs Inc. ("**Adastra**") to forthwith return the inventory listed at Schedule "B" to the ARVO to CannMart Labs by no later than five (5) business days after the date of this Order.
- (f) the Monitor's recommendation that this Court make an ancillary order, as requested by the Company (the "**Stay Extension and Termination Order**"):

- i. extending the Stay Period 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**”), terminating this CCAA proceeding and discharging the Monitor (the “**CCAA Termination Time**”);
- iii. terminating the Court-ordered charges approved in this CCAA proceeding effective as at the CCAA Termination Time;
- iv. approving this Second Report of the Monitor, including the activities of the Monitor and the Monitor’s Counsel described herein;
- v. approving the fees and disbursements of the Monitor and the Monitor’s Counsel as set out in the fee affidavits (including the Fee Accrual, defined herein) appended to this Second Report;
- vi. authorizing the Monitor to repay all amounts outstanding in respect of the Administration Charge and make one or more distributions with available funds in regards to the DIP Lender’s Charge; and
- vii. authorizing Spergel to file an assignment in bankruptcy on behalf of ResidualCo.

8. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Share Purchase Agreement.

Restrictions and Disclaimer

9. In preparing this Second Report, the Monitor has relied upon certain financial information, books and records and discussions with the Company's management ("**Management**") and its legal counsel (the "**Information**").
10. Although the Monitor has reviewed this Information for reasonableness, the Monitor has not performed an audit or verification of such Information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Monitor expresses no opinion or other form of assurance with respect to the Information.
11. The Monitor also bases its report on the cash flow projections provided by the Company and its Management. An examination or review of financial forecasts and projections and procedures, in accordance with standards set by the Chartered Professional Accountants of Canada, has not been performed. These cash flow projections contain reference to future events and are based on Management's assumptions and conditions that may not be ascertainable, actual results will vary from the projections, and such variations could be material and, accordingly, these assumptions may not remain valid throughout the period of the projections. Consequently, the reader is cautioned that they cannot be relied upon to the same extent as information derived from the reviewed accounts for completed accounting periods.
12. Parties using this Second Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.

13. This Second Report should be read in conjunction with the Affidavit of Daniel Stern sworn July 10, 2024 (the “**Stern Affidavit**”). The Stern Affidavit contains additional background information concerning the Company, its structure, business activities, and stakeholders.
14. Unless otherwise specified, all currency references in this Second Report are in Canadian dollars.

III. BACKGROUND AND APPOINTMENT

15. On April 3, 2024, the Company commenced these proceedings by filing an NOI with the Superintendent of Bankruptcy. Spergel was appointed as the Proposal Trustee.
16. CannMart Labs is a private corporation incorporated pursuant to the *Business Corporations Act*, R.S.O. 1990, c. B.16 (Ontario) on March 7, 2018, and is a wholly owned subsidiary of Lifeist Wellness Inc. (“**Lifeist**”). Lifeist is a publicly traded 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.
17. CannMart Labs is a licensed cannabis producer in accordance with the *Cannabis Act*, S.C. 2018, c. 16 (the “**Act**”) and the *Cannabis Regulations* SOR/2017-144 (the “**Regulations**”) that is in the business of developing butane hash oil (“**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, and can also be used to increase potency in other cannabis products.
18. 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. (a related company) to various provincial entities across Canada that are responsible for the distribution of cannabis products to retailers.
19. 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 License is for the possession, production, and sale of cannabis at CannMart Labs’ facility at 7 Canso Road, Etobicoke, Ontario.
 20. CannMart Labs obtained its cannabis license under the *Excise Act, 2001* (Canada) on March 18, 2021 (the “**Excise License**”). The Excise License was to expire on May 17, 2024, but has been renewed by the CRA beyond that date. CRA has agreed to renew the Excise License while the CCAA proceeding is ongoing.
 21. 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.
 22. The Company is now seeking a further extension to the Stay Period and the relief noted in paragraph 7(e) and 7(f) of this Second Report in order to complete the Transaction and the resulting ancillary matters prior to concluding these CCAA Proceedings.

IV. THE SALE PROCESS

23. 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 with an opportunity to submit bids (each a “**Binding Bid**”) for the acquisition of the Company’s assets or shares. A copy of the Court-approved SISP is attached as **Appendix “C”**.

24. The Company developed the procedures governing the SISP (“**SISP Procedures**”) in consultation with the Monitor. The SISP Procedures were designed to ensure that the marketing was fair and reasonable and that interested parties had sufficient time to conduct due diligence prior to making a Binding Bid.
25. 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**”).
26. 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 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.

27. The key aspects of the SISP were as follows (defined terms used in this section and not otherwise defined have the meaning ascribed to them in the SISP):
- (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 (the “**Teaser Letter**”);
 - (b) in accordance with the Initial Order, the Monitor published a notice advertising the opportunity in *The Globe and Mail (National Edition)*;
 - (c) the Monitor published a notice advertising the opportunity in *Insolvency Insider* and on the Monitor’s case website;
 - (d) The Monitor solicited Potential Bidders starting on May 13, 2024. The Potential Bidders included parties that had approached CannMart Labs or the Monitor indicating an interest in the opportunity as well as strategic parties that CannMart 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. By May 21, 2024, the Monitor had contacted a total of 49 Potential Bidders and provided each Potential Bidder with a Teaser Letter.
 - (e) Six interested parties advised the Monitor that they wished to commence due diligence and executed a non-disclosure agreement (“**NDA**”);
 - (f) Upon execution of the NDA, the Monitor provided access to a virtual

data room. The data room was populated by the Monitor with the assistance of the Company;

- (g) the Monitor facilitated the due diligence of each of the Potential Bidders by conducting meetings and answering inquiries; and
- (h) Potential Bidders were to submit Binding Bid(s) in writing to the Monitor by no later than 5:00pm (EST) on June 17, 2024. Two Potential Bidders requested an extension to the Bid Deadline. In consultation with CannMart Labs and to encourage the maximum number of interested parties submitting bids, the Monitor (in accordance with the provisions of the SISP Order) extended the Bid Deadline by seven days to 5:00 pm ET on June 24, 2024 (the **“Extended Bid Deadline”**).

28. Three bids were received by the Extended Bid Deadline. The Monitor completed a detailed review of these bids with the Company and determined the Purchaser’s bid was the best bid received. The other two bids contained inferior terms. Specifically:

- (a) One of the unsuccessful bids was not feasible as it was in the form of asset purchase agreement that required the assignment of the License and the Excise License. The Act and Regulations do not permit the assignment or transfer of the License; and the transfer of the Excise License would have required the posting of significant security. In addition, the bid contained financial uncertainty as a portion of purchase price was to be paid significantly after closing without accompanying security, which created uncertainty as to whether payment would actually be received for the benefit of creditors.

- (b) The other unsuccessful bid had inferior financial terms that were conditional on the amount of live resin inventory available on closing. The bid also sought to purchase certain intellectual property that was registered with CannMart Labs, but was in the process of being transferred over to CannMart Inc.
- 29. Given the Monitor and the Company concluded the Purchaser's offer was the best bid received, the Company, in consultation with the Monitor and their counsel, negotiated the final terms of the bid with the Purchaser.
- 30. 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.
- 31. In the Monitor's view, the SISP was a robust process that successfully resulted in three independent and competitive bids.

V. THE TRANSACTION

- 32. The salient terms of the Share Purchase Agreement include (capitalized terms used below and not otherwise defined have the meaning given to them in the Share Purchase Agreement):
 - (a) the Purchaser will acquire 100% of the New Common Shares;
 - (b) the amount of the Purchase Price is subject to the sealing order sought by the Company. The Purchase Price shall be paid by way of cash deposit in addition to a secured promissory note and proceeds from the sale of the inventory over a period of one year;

- (c) 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;
 - (d) the Purchaser will have the benefit of certain employees of CannMart Inc. that are required to maintain the License;
 - (e) the Purchaser and CannMart Labs will conduct a review of the inventory and complete a list identifying saleable and non-saleable inventory;
 - (f) the Company shall vest out certain Excluded Assets, Excluded Contracts, Excluded Leases, and Excluded Liabilities (as those terms are defined in the Share Purchase Agreement) to ResidualCo;
 - (g) the 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; and
 - (h) the Purchaser and CannMart Labs shall cooperate with each other and shall use commercially reasonable efforts to effect the Closing on or before July 31, 2024.
33. 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) CannMart Labs will issue and the Purchaser will purchase the New Common Shares in the share capital of the Company;

- (b) all Excluded Contracts, Excluded Assets, and Excluded Liabilities with respect to the Company will be transferred and “vested out” to ResidualCo, pursuant to the ARVO, so as to allow the Purchaser to acquire the Company’s business and assets on a “free and clear” basis;
 - (c) all shares in the share capital of the Company that are issued and outstanding immediately prior to the Closing Time 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 Company 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 Company, 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.
34. The Monitor recommends the Court approve the Transaction pursuant to the proposed ARVO for the following reasons:
- (a) the SISP was carried out in accordance with the terms of the Initial Order. The Transaction is commercially reasonable in the circumstances and is the product of a Court-supervised SISP and negotiations between the Company and the Purchaser, two sophisticated arm’s length parties, at both the business and advisor levels;

- (b) in the Monitor's view, the duration of the SISP was sufficient to allow interested parties to conduct fulsome due diligence;
- (c) the Monitor does not believe that further time spent marketing the Company's business and assets will result in a superior transaction, nor is there funding available to do so as the DIP Loan is projected to be fully drawn in the near term;
- (d) the Company is a licensed cannabis producer in accordance with the Act. In accordance with the Act, the Company renewed the License, which is valid until February 12, 2026. The ARVO allows for the expedient conveyance of the License to the Purchaser and a seamless transition of the business generally. Without the ARVO, the Purchaser would be required to apply for a new cannabis license before it could begin operating which would extend the time required to close the Transaction and significantly increase the closing risk. As indicated above, CannMart Labs also does not have the requisite cash to continue operations while waiting for the Purchaser to get a new license that will permit the Transaction to close;
- (e) the Company's business requires the stability of a completed transaction and a timely exit from these CCAA Proceedings in order to preserve the License for the benefit of stakeholders;
- (f) the Purchaser is not willing to effect the Transaction absent the vesting out of the Liabilities (other than the Assumed Liabilities), given the risk of losing the regulatory approvals of Health Canada which would significantly impact the value of the assets;
- (g) the Monitor is confident that the value of the Transaction with the

Purchaser substantially exceeds the liquidation value of the Company's assets based on the forced liquidation value appraisal obtained of the assets of the Company obtained from Platinum Asset Appraisals;

- (h) the Monitor is of the view that the ARVO structure produces an economic result at least as favourable as any other alternative;
 - (i) the Monitor considers that the share transaction with the Purchaser is the highest bid as compared to the proposed asset transactions, and reflects the value associated with the preservation of the License;
 - (j) the Monitor considers the consideration being paid for the Company's business to reflect the importance of and value of the Transaction including the License being preserved under the ARVO structure;
 - (k) the Transaction is necessary to effect the sale of the Company efficiently and expeditiously; and
 - (l) the Monitor is of that view that no stakeholders are prejudiced by the issuance of the ARVO, given the lack of viable options as noted above. No stakeholders are worse off under the ARVO structure than they would have been under any other viable alternative, namely because the DIP Lender is unlikely to make a full recovery, therefore it is unlikely that other stakeholders will have any recovery in any scenario.
35. 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 (after satisfaction of the Administration Charge), and other than the DIP Lender there will not be any recovery for the secured and/or unsecured creditors. Nevertheless, in the Monitor's opinion, the Transaction represents the best possible outcome for CannMart Labs and its other stakeholders.

VI. RELEASES

36. The ARVO seeks certain releases ("**Releases**") in favour of the Released Parties, namely:
- (a) the Company 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.
37. The Releases cover 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 (the "**Released Claims**").

38. In the Monitor's opinion, the following factors support the Releases sought:
- (a) the Released Parties have made significant contributions to the Company's restructuring, and the negotiation of the Transaction, and are integral to achieving the best possible outcome for the Company and its stakeholders;
 - (b) certain members of the current board of directors have the requisite security clearance required by Health Canada to preserve the License. The Releases are required to ensure that members of the current board of directors do not resign until the Transaction is closed. If the License is withdrawn before the closing due to resignations of key personnel, significant value for stakeholders will be lost;
 - (c) the requested release of the directors and officers of the Company will prevent further depletion of ResidualCo's assets that would occur if they were forced to incur costs to defend against claims, which costs may be secured by the Director's Charge;
 - (d) the Released Claims are not overly broad given that they do not release any claims for fraud or willful misconduct or any claims that are not permitted to be released pursuant to section 5.1(2) of the CCAA;

- (e) the Monitor's Counsel advises that the Releases are typical in similar CCAA Proceedings, specifically where ARVO's are sought; and
- (f) each of the beneficiaries of the proposed Releases made meaningful contributions to the success of the Company's restructuring and its continuation as a going concern.

VII. RETURN OF INVENTORY FROM ADASTRA LABS INC.

- 39. Following the commencement of the NOI Proceedings and prior to the conversion to CCAA Proceedings, CannMart Labs advised the Proposal Trustee that certain inventory owned by CannMart Labs was in the possession of Adastra.
- 40. The Monitor's understanding is that 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.
- 41. On April 22, 2024, the Proposal Trustee sent a letter to Adastra notifying it of the NOI Proceedings and requesting that all inventory owned by the Company be returned to CannMart Labs because it formed part of the assets being offered for sale as part of the SISP.
- 42. On the same date, the chief financial officer of Adastra advised he took the position that some of the inventory in possession of Adastra was no longer owned by CannMart Labs. The Monitor notes that this appears inconsistent with the terms of the relationship because Adastra processes the inventory and does not purchase the inventory.

43. 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 the Monitor understands that the Company never agreed to these terms. The Monitor has also been advised that this P.O. was the only P.O. ever issued in the years that CannMart Labs and Adastra have conducted business together. As at the date of this Second Report, Adastra has not provided any explanation as to why the P.O. was issued, and the Company has advised the Monitor that CannMart Labs never accepted the validity of the P.O.
44. On April 25, 2024, the Proposal Trustee requested that Adastra return all inventory belonging to CannMart Labs. The Monitor understands that Adastra returned some packaging materials and empty cartridges, but the inventory listed at Exhibit “I” of the Stern Affidavit remains in Adastra’s possession which represents a cost value of \$173,742.88 to CannMart Labs.
45. On July 11, 2024, the Monitor’s Counsel sent a letter to counsel for Adastra reiterating the demand for return of inventory and advising that if Adastra fails to release the inventory, the Company intends to seek relief from the Court with respect to the return of inventory. A copy of the letter is attached as **Appendix “D”**.
46. On July 12, 2024, the Company’s counsel also sent a letter to counsel for Adastra reiterating the Company’s demand for return of its inventory. A copy of the letter is attached as **Appendix “E”**.
47. On July 12, 2024, counsel to Adastra responded to counsel for the Monitor

and the Company regarding the request for the return of inventory. Discussions remain ongoing amongst the parties.

VIII. STAY EXTENSION

48. CannMart Labs seeks the extension of the Stay Period up to July 31, 2025 to minimize the costs associated with any additional hearing. The Monitor is of the view that 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 and complete the ancillary matters arising therefrom.
49. Based on its review of financial information and projections provided by the Company, and the terms of the Transaction, the Monitor is of the view that ResidualCo will have receipts to operate up to and until the end of the Extended Stay Period, July 31, 2025. The cash flow forecast ending July 31, 2025 (“**Cash Flow**”) is attached hereto as **Confidential Appendix “1”**. The Company seeks a limited sealing order for the Cash Flow until the closing of the Transaction as it discloses the Purchase Price.
50. The Extended Stay Period requested is for a period of one year, which reflects the terms of the Transaction because the secured promissory note is payable over a one-year term, and the Purchaser has one year to sell certain inventory, the proceeds of which are to benefit of the Company. In order to ensure that payment is received by the end of the one-year period, the Company requires that the stay of proceedings continue with respect to ResidualCo.
51. The Monitor believes that the extension of the Stay Period will not materially prejudice any of the creditors of the Company (or ResidualCo) and that the

Company has acted and continues to act in good faith and with due diligence.

IX. ACTIVITIES OF THE COMPANY AND THE MONITOR

Overview of Activities since the Second Report

52. Since the First Report, the Company and its counsel have, among other things:
- (a) communicated with the Monitor and the Monitor’s Counsel on various matters in connection with the CCAA Proceedings;
 - (b) corresponded with the Canada Revenue Agency during the CCAA Proceedings with respect to the extension of the License, which cannabis producers are required to maintain while in possession of cannabis products;
 - (c) corresponded with the Bank of Montreal (“**BMO**”) with respect to a request by Trisura Guarantee Insurance Company (“**Trisura**”), the surety of the Company, to draw on a letter of credit by BMO;
 - (d) corresponded with Adastra with respect to inventory in the possession of Adastra that is owned by CannMart Labs; and
 - (e) conducted the SISP and engaged with the successful bidder with respect to the SISP including on-going negotiations with respect to the structure of the Transaction.
53. In addition to assisting the Company and its legal counsel in connection with the above, the Monitor has been engaged in, among other things:

- (a) maintaining the case website where documents pertaining to these proceedings are available in electronic form;
- (b) ongoing monitoring of the Company's cash flows and for ongoing reporting of variances;
- (c) meeting and corresponding with the Company and its legal counsel regarding various other matters in connection with the Company's operations and its CCAA Proceedings;
- (d) responding to calls and enquiries from creditors and other stakeholders in connection with the CCAA Proceedings; and
- (e) reviewing materials filed with the Court in respect of the CCAA Proceedings, and the Company's motion with respect to the requested relief.

X. FEES AND DISBURSEMENTS OF THE MONITOR

- 54. The Monitor and the Monitor's Counsel have maintained detailed records of the professional time and costs incurred since the Initial Order was granted on May 2, 2024. Pursuant to the Initial Order, the Court granted the Administration Charge in the amount of \$300,000 to secure the fees and disbursements of the Monitor, the Monitor's Counsel, and the Company's counsel.
- 55. The total fees of the Monitor during the period to and including June 30, 2024 are set out in the affidavit of Mukul Manchanda (the "**Monitor's Fee Affidavit**"), sworn July 12, 2024 in support hereof, a copy of which is attached as **Appendix "F"**. As set out in the Monitor's Fee Affidavit, the

Monitor's fees incurred up to and including July 11, 2024 are \$83,692.96 (inclusive of taxes and disbursements).

56. The total legal fees incurred by the Monitor for services provided by the Monitor's Counsel during the period from April 22, 2024 through July 11, 2024 are set out in the affidavit of Jared Rosenbaum (the "**Reconstruct Fee Affidavit**"), sworn July 11, 2024, in support hereof, a copy of which is attached hereto as **Appendix "G"**. As set out in the Reconstruct Fee Affidavit, the legal fees incurred up to July 11, 2024 are \$42,678.97 (inclusive of taxes and disbursements).
57. The Monitor is of the view that these accounts are reasonable in the circumstances and reflect time that has been validly incurred.
58. Provided that there is no opposition to the relief sought in the Company's motion and the requested relief is granted on July 16, 2024, the Monitor estimates that the additional fees and disbursements necessary to complete these proceedings including disbursements and HST (collectively, the "**Fee Accrual**") will be as follows:
 - (a) \$100,000 for the Monitor and Monitor's Counsel with respect to the CCAA Proceedings; and
 - (b) \$25,000 for Spergel with respect to the bankruptcy of the ResidualCo.
59. The Monitor respectfully requests that the Court approve its and Monitor's Counsel's fees and disbursements, including the Fee Accrual, as set out herein.

XI. PROPOSED TERMINATION OF CCAA PROCEEDINGS AND DISCHARGE OF MONITOR

60. Provided that the Company's motion is granted, the Monitor proposes to attend to the following activities subsequent to the date of this Second Report and prior to the filing of the Termination Certificate:
- (a) ensuring that all outstanding matters involving the Monitor to be attended to have been completed (including, without limitation, obtaining confirmation of completion of the Transaction, collecting the proceeds of sale from the Purchaser, and distributing proceeds of the Transaction); and
 - (b) completing all other residual and/or administrative matters in connection with Spergel's appointment as Monitor including, without limitation, filing statutory reporting with the Office of the Superintendent of Bankruptcy.
61. The ARVO proposes that the CCAA proceeding shall be terminated upon the CCAA Termination Time, which is upon the Monitor filing the Termination Certificate. Pursuant to the ARVO, the Monitor shall be discharged effective as of the CCAA Termination Time.
62. The ARVO is also seeking the authorization (without obligation) for Spergel, in its capacity as Monitor, to file an assignment in bankruptcy on behalf of ResidualCo. The Monitor intends to discuss any potential bankruptcy filing with the appropriate stakeholders prior to taking any action, and believes that this authority provides the Monitor with the appropriate flexibility in the circumstances.

XII. CONCLUSION AND RECOMMENDATIONS

63. In the circumstances, the Monitor is of the view that the approval of the Transaction is in the best interest of stakeholders of the Company.
64. The Monitor respectfully recommends that this Court grant the relief requested in accordance with the terms of the proposed ARVO and the Stay Extension and Termination Order.

Dated at Toronto this 12th day of July, 2024

msi Spergel inc.
in its capacity as Monitor of CannMart Labs Inc.
and not in its personal or corporate capacities

Per:



Mukul Manchanda, CPA, CIRP, LIT

APPENDIX "A"



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.



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)**

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APPENDIX "B"

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

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY*
ACT, RSC 1985, Cb-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**

**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.**

**FIRST REPORT OF MSI SPERGEL INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE NOTICE OF
INTENTION TO MAKE A PROPOSAL OF CANNMART LABS INC.**

- AND -

**FIRST REPORT OF MSI SPERGEL INC. AS PROPOSED CCAA
MONITOR OF CANNMART LABS INC.**

April 30, 2024

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APPENDICES

- A. Certificate of Filing the Notice of Intention to Make a Proposal
- B. Cash Flow Forecast and Applicant's Statutory Report on Cash Flow
- C. Spergel's Statutory Report on the Cash Flow Forecast

I. INTRODUCTION

1. On April 3, 2024 (the “**Filing Date**”), CannMart Labs Inc. (“**CannMart Labs**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”), and msi Spergel inc. (“**Spergel**”) was appointed as proposal trustee (in such capacity, the “**Proposal Trustee**”) under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy in respect of the Company’s NOI is attached hereto as **Appendix “A”**.
2. Spergel was previously retained by the Company to act as financial advisor to assist the Company’s management and its board of directors in reviewing restructuring alternatives available to the Company as part of its strategic review and planning.
3. The primary objectives of the Company’s restructuring are to: (i) provide CannMart Labs with stability and access to additional liquidity through the proposed debtor-in-possession financing, and (ii) identify a purchaser of all or substantially all of its assets, or an investor in CannMart Labs’ business through the proposed Sales Process (as defined herein).
4. The Company is now seeking an Order to, among other things, convert the NOI proceedings and continue its restructuring proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and to appoint Spergel as Monitor of CannMart Labs Inc. under the proposed CCAA proceedings (in such capacity, the “**Proposed Monitor**”).

II. PURPOSE OF THIS REPORT AND DISCLAIMER

5. The purpose of this first report (the “**First Report**”) is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to the following:
- (a) background information about the Company;
 - (b) the restructuring steps undertaken by the Company during these proceedings since the Filing Date;
 - (c) the activities of the Proposal Trustee since the Filing Date;
 - (d) the purpose and objective of the proposed conversion of the NOI proceeding to CCAA proceedings;
 - (e) Spergel’s qualification to act as monitor under the CCAA (the “**Monitor**”);
 - (f) the Company’s proposed interim financing facility (“**DIP Facility**”) extended by Lifeist Wellness Inc. (“**Lifeist**”), as lender, to the Company pursuant to the terms of the DIP Term Sheet (as defined below) to fund the Company’s working capital requirements during these proceedings;
 - (g) the proposed Priority Charges (defined below) over the Company’s property, assets and undertaking on account of the Administration Charge (as defined below), the DIP Lender’s Charge (as defined below) and the Director’s Charge (as defined below);
 - (h) the Company’s request for an extension of the stay of proceedings

(the “**Stay Period**”) up to and including July 17, 2024;

- (i) the Company’s request for approval of a sales process to be conducted by the Monitor, if appointed; and
- (j) the Proposal Trustee’s recommendation that this Court make orders, as requested by the Company, *inter alia*:
 - i. approving the Administration Charge;
 - ii. approving the DIP Facility and the DIP Charge (as defined below);
 - iii. approving the Directors’ Charge; and
 - iv. approving the conversion of the NOI proceedings to proceedings under the CCAA.

Restrictions and Disclaimer

- 6. In preparing this First Report, the Proposal Trustee has relied upon certain information provided to it by the Company’s management. The Proposal Trustee has not performed an audit or verification of such information for accuracy, completeness or compliance with Accounting Standards for Private Enterprises or International Financial Reporting Standards. Accordingly, the Proposal Trustee expresses no opinion or other form of assurance with respect to such information.
- 7. The cash flow forecast and projections in this First Report relate to future events and are based on management’s assumptions, which may not remain valid throughout the period of the projections. Consequently, they

cannot be relied upon to the same extent as information derived from the reviewed accounts for completed accounting periods. For these reasons, the Proposal Trustee expresses no opinion as to how closely the actual cash flows achieved will correspond to the projection.

8. Parties using this First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
9. Capitalized terms not defined in this First Report have the meanings ascribed to them in the Affidavit of Daniel Stern sworn April 26, 2024 (the “**Stern Affidavit**”) and filed in support of this Motion, a copy of which is included in the Company’s Motion Record. This First Report should be read in conjunction with the Stern Affidavit as such affidavit contains additional background information concerning the Company, its structure, business activities, and stakeholders.
10. Court materials in these proceedings can be found on Spergel’s Case Website at <https://www.spergelcorporate.ca/engagements/canmart-labs-inc/>.
11. All references to dollars in this First Report are in Canadian currency unless otherwise noted.

III. BACKGROUND AND APPOINTMENT

12. On April 3, 2024, the Company commenced these proceedings by filing an NOI with the Superintendent of Bankruptcy, and Spergel was appointed as the Proposal Trustee.

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.
14. CannMart Labs is a licensed cannabis producer in accordance with the *Cannabis Act*, S.C. 2018, c. 16 (the “**Act**”) or the *Cannabis Regulations* SOR/2017-144 (the “**Regulations**”) that is in the business of developing butane hash oil (“**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, or can also be used to increase potency in other cannabis products.
15. 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. (a related company) to the various provincial entities across Canada who are largely responsible for the distribution of cannabis products to retailers.
16. 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 License is for the possession, production, and sale of cannabis at CannMart Labs’ facility at 7 Canso Road, Etobicoke, Ontario.
17. CannMart Labs obtained its cannabis license under the *Excise Act, 2001* (Canada) on March 18, 2021 (the “**Excise License**”). The Excise License expires on May 17, 2024.

18. 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.
19. Additional background information about the Company is provided in the Stern Affidavit.

IV. FINANCIAL DIFFICULTIES OF CANNMART LABS

20. CannMart Labs is one of the few licensed producers of cannabis that produces BHO extraction in Canada.
21. Based on the Cash Flow Forecast (as defined below), during the restructuring CannMart Labs projects its ordinary course monthly disbursements will exceed its monthly receipts by approximately \$25,000 per month before payment of the professional fees associated with restructuring. CannMart Labs does not have sufficient cash to continue to sustain losses. Due to CannMart Labs' liquidity and cash-flow issues, the company has had to cease operations in order to focus on restructuring its business. Without approval of the proposed DIP Financing, CannMart Labs does not have the requisite liquidity to restructure. In such circumstances, CannMart Labs would be required to liquidate, causing it to lose all value associated with its cannabis licenses and the knowledge associated with its BHO extraction process.
22. CannMart Labs is facing significant financial challenges, largely stemming from the cessation of essential funding by its parent company and main investor, Lifeist. Historically, Lifeist supported CannMart Labs financially. However, Lifeist has reached a juncture where continuing this support

- would jeopardize its own financial stability. Lifeist is now in a position where it will only provide financial assistance that facilitates CannMart Labs' restructuring, rather than unrestricted funding. Furthermore, CannMart Labs' efforts to find alternative capital sources are being hampered by the challenging conditions prevailing in the capital markets.
23. CannMart Labs' financial strain is exacerbated by the disproportionately high tax and regulatory fees imposed on licensed producers in the business of manufacturing and selling cannabis extracts. Currently, approximately half of CannMart Labs' revenue is allocated to these obligations. This financial burden limits the Company's operational flexibility and hampers its ability to invest in growth initiatives, further compounding CannMart Labs' financial difficulties.
24. CannMart Labs is facing a liquidity crisis and mounting debt obligations, which has limited the ongoing operations of the Company. In response, as set out above, on the Filing Date, the Company commenced restructuring proceedings by filing the NOI under the BIA, and Spergel was appointed as the Proposal Trustee.

V. FINANCIAL POSITION OF CANNMART

25. CannMart Labs' unaudited balance sheet as at February 29, 2024 is provided below:

| Description | Book Value (CDN\$) |
|--|-----------------------|
| <i>Current Assets</i> | |
| Cash | 23,409 |
| CRA surety bond | 187,500 |
| Inventory | 540,600 |
| Inventory deposits | 101,702 |
| Prepaid expenses | 11,790 |
| Deposits | 18,950 |
| Sales tax receivable | 568,447 |
| Intercompany receivables | 23,031,577 |
| Total Current Assets | 24,483,974 |
| Property plant and equipment | 1,411,558 |
| Long-term portion of deposits | 7,350 |
| Total Assets | 25,902,883 |
| <i>Current Liabilities</i> | |
| Accounts payable | 1,687,464 |
| Accrued liabilities | 3,358,210 |
| Bonus payable | 30,210 |
| Sales tax payable | 136,296 |
| Short-term portion of lease liabilities | 120,887 |
| Intercompany payables | 40,433,981 |
| Total Current Liabilities | 45,767,048 |
| Long-term portion of the lease liabilities | 383,443 |
| Total Liabilities | 46,150,491 |
| Equity | (20,247,608) |
| Total Liabilities & Equity | 25,902,883 |

Surety bond – represents the cash collateral for the letters of credit with Bank of Montreal. The surety bond is for \$250,000 however the Company has paid the cash collateral for \$187,500.

Inventory – comprised mainly of cannabis and packaging materials.

Intercompany receivables – comprised mainly of the amounts receivable from Lifeist and CannMart Inc.

Intercompany payables – comprised mainly of the amounts payable to Lifeist and CannMart Inc.

Secured Creditors

26. Lifeist and Bank of Montreal (“**BMO**”) are the only parties with a PPSA registration against CannMart Labs’ personal property. The Proposal Trustee understands they are the only secured creditors (subject to review of the security by counsel) of the Company. Lifeist has security over all of the Company’s assets pursuant to a general security agreement. Lifeist is owed approximately \$10.4 million from CannMart Labs (net of amounts owed by Lifeist to CannMart Labs). BMO provided CannMart Labs with a letter of credit facility in the principal amount of \$187,500 which is fully secured by cash collateral provided to BMO.

Unsecured Creditors

27. Based on CannMart Labs’ books and records, as of February 29, 2024, CannMart Labs’ unsecured creditors were owed approximately \$14.4 million. Unsecured obligations are primarily comprised of amounts owing to trade payables, Canada Revenue Agency and CannMart Inc.

VI. CASH FLOW FORECAST

28. The Company has prepared a Statement of Projected Cash Flow for the 13 weeks ending on July 20, 2024 (the “**Cash Flow Forecast**”). The Cash Flow Forecast (defined below) projects that CannMart Labs’ ordinary course monthly disbursements will exceed 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.
29. The Cash Flow Forecast and the Company’s statutory report on the cash

- flow pursuant to paragraph 50.4(2)(c) of the BIA, which is the same as the statutory report required pursuant to Section 10(2)(b) of the CCAA, is attached as **Appendix “B”**.
30. The Proposal Trustee has reviewed the Cash Flow Forecast, which indicates no further sales and confirms the quantum of the proposed DIP financing, as outlined later in this First Report, needed to maintain the *status quo* until the Sales Process is completed.
31. Based on Spergel’s review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. Spergel’s statutory report on the Cash Flow Forecast pursuant to paragraph 50.4(2)(b) of the BIA, which is the same as the statutory report required pursuant to paragraph 23(1)(b) of the CCAA, is attached as **Appendix “C”**.

VII. PURPOSE AND OBJECTIVE OF THE PROPOSED CONVERSION TO CCAA PROCEEDINGS

32. The Company seeks to continue the NOI proceedings under the CCAA, pursuant to section 11.6 of the CCAA, to maximize the value of its business while it runs the Sales Process (as defined below), on a going concern basis, for the benefit of all stakeholders.
33. 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 as described in more

detail in the Stern Affidavit.

34. The Company would also benefit from the flexibility afforded under the CCAA, including the option to implement reverse vesting structures to preserve the value of the existing regulatory licenses.
35. The Company proposes to commence the proposed Sales Process (as described below), which will, among other things, permit the Company to maximize the value for the Company's property, assets and undertakings (the "**Assets**") or the Company's shares (the "**Shares**") for the benefit of its stakeholders.
36. The time period for the Company to file a proposal under the NOI will expire on May 3, 2024. The Company will not be in a position to make a proposal by that date. The Proposed Monitor believes that the Company's request to avoid the 10-day comeback hearing is reasonable due to the fact that the NOI proceeding has been ongoing for approximately 30 days, Lifeist is the only secured creditor with an economic interest and supports the restructuring, and notice has been provided to nearly all known unsecured creditors.
37. Accordingly, and in order to provide the time for the Sales Process described herein to be conducted and completed, the Company is seeking to convert the NOI proceedings to CCAA proceedings, and to transition Spergel's role from Proposal Trustee to Court-appointed Monitor.
38. The Company requires the continued stay of proceedings and enforcement processes taken or that might be taken in respect of CannMart Labs, the Proposed Monitor, and their respective employees and representatives, and accordingly, the Company is seeking an initial

Stay Period up to and including July 17, 2024. This will provide the time necessary to fully and formally canvass the market for purchasers of the business as a going-concern through a court-supervised Sales Process and to return to Court for the approval of a potential transaction.

39. In these circumstances, a bankruptcy and liquidation would result in a worse outcome for the stakeholders of CannMart Labs, as by law the Proposal Trustee is not permitted to take possession of cannabis products because Spergel is not licensed to do so under the Act or the Regulations. Accordingly, Spergel would not act as the bankruptcy trustee should the Company be deemed bankrupt. A conversion to the CCAA avoids this issue.

VIII. QUALIFICATIONS TO ACT AS MONITOR

40. Spergel is a licensed insolvency trustee within the meaning of section 2(1) of the BIA. In addition, Spergel 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.
41. Spergel has consented to act as Monitor in the proposed CCAA proceedings should the Court grant the Initial Order. A copy of Spergel's consent to act as Monitor is attached as Exhibit N to the Stern Affidavit.
42. Spergel has retained Reconstruct LLP to act as its independent legal counsel.
43. Prior to the Filing Date, Spergel was engaged to assist the Company to consider restructuring options and conduct certain financial analysis of its business. As a result of its engagement, Spergel acquired significant knowledge of the Company's business and operations, including the key

issues and challenges presently facing the Company.

44. Neither Spergel nor any of its representatives or affiliates has been at any time in the past two years: (a) a director, officer or employee of any member of the Company; (b) related to any member of the Company, or to any director or officer of any member of the Company; or (c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of any member of the Company.

IX. PROPOSED DIP FINANCING

45. The Proposed Monitor understands that the Company has secured a commitment of up to a maximum of \$400,000 in interim financing, which is to be used towards on-going operations, funding professional costs of these proceedings and the maintenance of the Company's licenses, until the end of the proposed Stay Period.
46. The DIP financing is proposed to be provided by Lifeist (in such capacity, the "**DIP Lender**").
47. The material terms and features of the DIP Facility, as outlined in the DIP Term Sheet, include:
- (a) a non-revolving credit facility in the principal amount of \$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 rate of 10% per annum;

- (d) a non-refundable commitment fee of 2% of the amount of the DIP Facility;
 - (e) security ranking ahead of all creditors of the Company, but subordinate to the Administrative Charge.
48. The DIP Term Sheet requires that Lifeist is granted a Court-ordered charge over substantially all of the Assets to secure amounts owing by the Company pursuant to the DIP Facility (the “**DIP Lender’s Charge**”). The DIP Lender’s Charge will rank in priority to all other charges and encumbrances other than the Administration Charge (as defined below). It is a condition of the DIP Term Sheet that the DIP Lender’s Charge is granted.
49. When reviewing the reasonableness of the DIP Facility, the Proposed Monitor considered the factors set out in Section 11.2 of the CCAA and notes, in particular, the following:
- (a) CannMart Labs is facing an imminent liquidity crisis and the proposed advance under the DIP Facility is the only financing source available to the Company to fund its immediate cash requirements;
 - (b) Without the cash to be provided under the DIP Facility, CannMart Labs will be unable to continue with its restructuring efforts;
 - (c) the Proposed Monitor has compared the terms of the DIP Facility to other interim financing facilities approved by Canadian courts in recent CCAA proceedings. Based on the Proposed Monitor’s review, the cost of the proposed DIP Facility is slightly better than

the range of similar facilities recently approved by the Court and other Canadian courts in CCAA and other restructuring proceedings; and

- (d) the Proposed Monitor believes that it is unlikely any other lender would provide DIP funding given the temporary cessation of the business of CannMart Labs and no guarantee that the Sales Process will result in a sale of the Assets or Shares of CannMart.

- 50. Based on the foregoing factors, the Proposed Monitor is of the view that the terms of the DIP Facility are appropriate and reasonable, and that the facility and the DIP Lender's Charge are necessary and in the best interests of the Company and its stakeholders.

X. ADMINISTRATION CHARGE

- 51. The Company is seeking a charge in an amount not to exceed \$300,000 (the "**Administration Charge**") to secure the fees and expenses of the Monitor, its counsel and the Company' counsel for services rendered both leading up to and after the Filing Date.
- 52. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding. It is required by the professionals engaged to assist a debtor company in the CCAA proceedings and to protect them if the debtor is unable to pay professional fees and costs during the CCAA process. The Administration Charge is to rank first on the Assets.
- 53. The quantum of the Administration Charge sought by the Company was determined in consultation with the Proposed Monitor and having regard to the Cash Flow Forecast.

54. The Proposed Monitor believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexity of the Company's proceedings and the Company's liquidity issues. Accordingly, the professionals require the benefit of the Administration Charge to protect them for their fees related to preparing for these proceedings, as well as for their fees and costs that will be incurred during these proceedings. The DIP Lender has agreed to the Administrative Charge.

XI. DIRECTORS' CHARGE

55. The Company is seeking a Directors' Charge of \$75,000. The amount of the Directors' Charge was estimated by the Company in consultation with the Proposed Monitor, taking into consideration scenarios where the existing director and officer liability insurance policy of CannMart Labs will potentially not provide coverage. The directors and officers of the Company have advised that they require the benefit of the Directors' Charge to continue to act in those capacities.
56. It is proposed that the Company's directors and officers ("D&O") would only be entitled to the benefit of the Directors' Charge to the extent that: a) they do not have coverage under their existing insurance policy; b) such coverage is insufficient to pay the Company's indemnity obligations; or c) such coverage is denied by the insurance provider or expires. Currently, the D&O's are negotiating a renewal of an insurance policy that provides for \$5 million in coverage. The Proposed Monitor understands that the Company has two proposals with respect to renewal of D&O insurance and such renewal is expected to be finalized and in place by May 3, 2024. The Director's Charge will only be available to the extent that the insurance policy does not respond to a post-filing claim.

57. The Proposed Monitor is of the view that the Directors' Charge is reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Company and the advancement of these proceedings.

XII. PRIORITY CHARGES

58. The Administration Charge, the DIP Lender's Charge and the Directors' Charge shall together be defined as the "**Priority Charges**".

59. The Company proposes the Court-ordered charges have the following priority:

(a) first, the Administration Charge;

(b) second, the DIP Lender's Charge; and

(c) third, the Directors' Charge.

XIII. PROPOSED SALES PROCESS

60. In order to provide third parties with an opportunity to consider an acquisition of the Company's Assets or Shares and given the extensive marketing process undertaken by the Company prior to the NOI proceedings, the Company is proposing that the Proposed Monitor market the Company's Assets or Shares for sale for a period of approximately 45 days (the "**Sales Process**"). The Company has developed the Sales Process in consultation with the Proposed Monitor, a copy of which is included in the Company's Motion Record.

61. The Sales Process is designed to ensure that the marketing process is fair

and reasonable, and that prospective interested parties have the ability to make an offer to purchase the Assets or Shares of the Company.

62. The principal elements of the Sales Process are as follows (defined terms used in this section and not otherwise defined herein have the meaning ascribed to them in the Sales Process):

- a) as soon as reasonably practicable, the Proposed Monitor, with the assistance of the Company, will prepare a list of potential bidders, including: (i) parties that have approached the Company or the Monitor indicating an interest in the opportunity; and (ii) strategic parties whom the Company and/or the Proposed Monitor believe may be interested in purchasing all or part of the Business and Assets, or investing in the Company pursuant to the Sales Process;
- b) as soon as reasonably practicable the Proposed Monitor, with the assistance of the Company, will cause a notice of the Sales Process and such other relevant information that the Proposed Monitor, with the assistance of the Company, considers appropriate to be published in *The Globe and Mail* (National Edition) and *Insolvency Insider*, and any other newspaper, journal or industry publication as the Company and the Proposed Monitor consider appropriate, if any.
- c) as soon as is reasonably possible, the Proposed Monitor will prepare a Teaser Letter notifying prospective purchasers of the existence of the Sales Process and inviting prospective purchasers to express their interest in making an offer in respect of the Assets or Shares pursuant to the terms of the Sales Process;

- d) Potential Bidders that wish to commence due diligence will be required to execute a non-disclosure agreement (“**NDA**”);
- e) upon execution of the NDA, the Proposed Monitor, with the assistance of the Company, will determine if the Potential Bidder has a *bona fide* interest in pursuing a Transaction and thus deem them a “Qualified Bidder”;
- f) the Company will prepare, with the assistance of the Proposed Monitor, a confidential information memorandum (“**CIM**”), which will provide, among other things, information considered relevant to the Sales Process. The CIM will be sent to each Qualified Bidder;
- g) the Proposed Monitor, with the assistance of the Company, and subject to competitive and other business considerations, may give each Qualified Bidder access to due diligence materials and information relating to the Company that the Company deems appropriate, at its sole discretion;
- h) due diligence access may include access to an electronic data room (“**Data Room**”), on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Company may agree. Neither the Company nor the Proposed Monitor will be obligated to furnish any information relating to the Company or any person, at their discretion;
- i) a binding transaction agreement must be submitted in writing to the Proposed Monitor by no later than **5:00 p.m. (EST) on June 17, 2024 (“Bid Deadline”)**;

- j) the Company, in consultation with the Proposed Monitor, may extend the Bid Deadline, once or successively and up to a maximum of seven days without court approval, but is not obligated to do so. If the Bid Deadline is extended, the Company will promptly notify all Qualified Bidders;
- k) a binding transaction agreement must comply with all of the following requirements:
 - i. the bid is an offer to purchase some or all of the Assets or Shares on terms and conditions acceptable to the Company and the Proposed Monitor, and delivered to the Company and Proposed Monitor prior to the Bid Deadline;
 - ii. the Sales Process also contemplates an investment;
 - iii. it is duly authorized and executed and includes a purchase price for the Assets/Shares expressed in Canadian dollars (the “**Purchase Price**”), together with all exhibits, schedules, and all applicable ancillary agreements thereto;
 - iv. includes a letter of acknowledgement stating that the Qualified Bidder’s offer is irrevocable and open for acceptance until a successful transaction agreement is selected by the Company;
 - v. is accompanied by written evidence of a firm, irrevocable commitment for financing or other evidence satisfactory to the Proposed Monitor, at its sole discretion, of the ability of the Qualified Bidder to consummate the proposed

Transaction and pay the Purchase Price;

- vi. it fully discloses the identity of each entity that will be bidding for the Assets or otherwise sponsoring, financing, participating, or benefiting from such bid;
 - vii. it includes an acknowledgement and representation from the Qualified Bidder that: (i) it has had an opportunity to conduct any and all due diligence regarding the Assets/Shares and the Company prior to making its bid, (ii) it has relied solely upon its own independent review, investigation, and/or inspection of any documents in making its bid, and (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever regarding the Assets, the Company, or the completeness of any information provided in connection therewith;
 - viii. it includes evidence, in form and substance reasonably satisfactory to the Company, of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body) with respect to the submission, execution, and delivery of the Binding APA submitted by the Qualified Bidder; and
 - ix. the bid contemplates closing the transaction set out therein within four weeks of Court approval.
- l) a Binding bid will be considered if, among other criteria set out in the Sales Process, it is a Superior Offer, defined as a credible, reasonably certain and financially viable offer made by a Qualified

Bidder to be a counterparty to a transaction;

- m) the Company and the Proposed Monitor will review and evaluate each Binding bid, and the Company with the consent of the Monitor will, by June 21, 2024, identify the highest or otherwise best offer for the Assets or Shares of the Company (the “**Successful Bid**”). The Company may conditionally accept one or more (if for distinct and compatible transactions that are Portion Bids) Qualified Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Bid to close (the “**Back-up Bid**”, and Qualified Bidder making such Back-up Bid being the “**Back-up Bidder**”);
 - n) after determination of the Successful Bid and/or the Back-up Bid, the Company will, as soon as possible, make a motion to the Court for an AVO or RVO in respect of the Successful Bid and underlying purchase agreement.
63. The Proposed Monitor notes that the proposed timeframe set out above is condensed, but with the full cooperation of the Company, the Proposed Monitor believes that the deadlines proposed in the Sales Process are reasonable.
64. The Proposed Monitor is of the view that, in the circumstances, the proposed Sales Process represents the best opportunity to identify a potential going concern sale for the Company’s Assets or Shares and the best potential to maximize value for the benefit of its stakeholders.

XIV. CREDITOR NOTIFICATION

65. The proposed Initial Order requires the Monitor to:
- a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and
 - b) as soon as reasonably practicable following the granting of the Initial Order:
 - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
 - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Company of more than \$1,000 advising that the order is publicly available; and
 - iii. 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.
66. If appointed Monitor, Spergel will also post the Initial Order and all motion materials on its Case Website in accordance with the E-Service Protocol.

XV. ACTIVITIES OF THE PROPOSAL TRUSTEE SINCE FILING DATE

67. The Proposal Trustee's activities since the Filing Date have included, *inter alia*, the following:
- a) sending a notice, within five days of the Filing Date, of the NOI

proceedings to all known creditors of CannMart Labs with claims of \$250 or more in accordance with the BIA. Notice was also sent to certain other persons, including creditors with claims less than \$250, applicable tax authorities and any other party that requested a copy;

- b) establishing and maintaining the Case Website where material documents pertaining to these proceedings are available in electronic form;
- c) implementing procedures for monitoring the Company's cash flows and for ongoing reporting of variances to the Cash Flow Forecast;
- d) assisting the Company with preparing the Cash Flow Forecast and filing same with the Office of the Superintendent of Bankruptcy pursuant to the BIA;
- e) meeting and corresponding with the Company and its legal counsel regarding the Cash Flow Forecast, cash management, supplier issues, landlord matters and various other matters in connection with the Company's operations and its NOI proceedings;
- f) responding to calls and enquiries from creditors and other stakeholders in connection with the NOI proceedings;
- g) reviewing materials filed with the Court in respect of the NOI proceedings, and this Motion with respect to the requested conversion to CCAA proceedings; and
- h) drafting this First Report.

XVI. CONCLUSION AND RECOMMENDATIONS

68. Based on the foregoing, Spergel, in its capacity as Proposal Trustee, and in its capacity as Proposed Monitor, respectfully recommends that this Court issue an order, *inter alia*:

- a) converting the Company's NOI proceedings to CCAA proceedings;
- b) appointing Spergel as the Monitor under the CCAA proceedings;
- c) extending the Stay Period to July 17, 2024;
- d) authorizing the Proposed Monitor to conduct the Sales Process;
- e) authorizing the Company to convene the Sales Process and approving same;
- f) approving the DIP Term Sheet, pursuant to which the Company will obtain DIP financing up to a maximum of \$400,000;
- g) granting the Priority Charges; and
- h) Such further and other relief as may be requested and this Court deems just.

All of which is respectfully submitted.

Dated at Toronto this 30th day of April, 2024

msi Spergel inc.,

solely in its capacity as Trustee *in re* the Proposal of CannMart Labs Inc.
and not in its personal or corporate capacity

- and –

msi Spergel inc.

as the Proposed Monitor in CannMart Labs Inc.
and not in its personal or corporate capacity

Per:



Mukul Manchanda, CPA, CIRP, LIT

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceedings commenced at Toronto

FIRST REPORT OF MSI SPERGEL INC.

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APPENDIX “C”

SALE AND INVESTMENT SOLICITATION PROCESS

Introduction

On April 3, 2024, CannMart Labs Inc. (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 of the Company.

On May 2, 2024, pursuant to the Order granted by Justice Steele (as may be amended, restated or otherwise modified from time to time, the “**Initial Order**”) on the same date, among other things, the Company converted the NOI Proceedings into proceedings under the *Company’s Creditors Arrangement Act* (the “**CCAA**”). Pursuant to the Initial Order, MSI Spergel Inc. was appointed as Monitor of the Company (in such capacity, the “**Monitor**”).

On May 2, 2024, the Court granted an order (the “**SISP Order**”) approving this sale and investment solicitation process (the “**SISP**”). The purpose of the SISP is to identify one or more financiers for, purchasers of and/or investors in the Company, the Business and/or Assets (each as defined below) to make a binding offer (each a “**Binding Bid**”), and to complete the transaction contemplated by any such offer. Set forth below are the procedures (the “**SISP Procedures**”) that shall govern the SISP and any transactions consummated as a result thereof.

1. Defined Terms

The following capitalized terms have the following meanings when used in this SISP:

“**Acknowledgment of the SISP**” means an acknowledgment of the SISP in the form attached as Schedule “A”;

“**Aggregate Bid**” means a combination of Portion Bids that do not overlap for Assets sought to be purchased;

“**Assets**” means the assets, undertakings and property of the Company;

“**Back-Up Bid Expiration Date**” has the meaning given to it in Section 14;

“**Back-Up Bid**” has the meaning given to it in Section 12;

“**Back-Up Bidder**” has the meaning given to it in Section 12;

“**Bid Deadline**” has the meaning given to it in Section 9;

“**Binding Bid**” has the meaning given to it in the Introduction;

“**Business**” means the business carried on by the Company, which consists primarily of the production of cannabis 2.0 products including, but not limited to, edibles, concentrates and topicals and the wholesale distribution of recreational cannabis to Canadian provincial government control boards;

“**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario, on which commercial banks in Toronto, Ontario are open for business;

“**Company**” has the meaning given to it in the Introduction;

“**Confidentiality Agreement**” means the confidentiality agreement, upon terms satisfactory to the Company, in consultation with the Monitor, entered into between the Company and an Interested Party;

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

“**Data Room**” means an electronic data room created and maintained by the Monitor, with the assistance of the Company, containing confidential information in respect of the Company, the Business and the Assets;

“**Form Purchase Agreement**” means the template share purchase agreement posted in the Data Room;

“**Interested Party**” has the meaning given to it in Section 2;

“**Investment Proposal**” has the meaning given to it in Section 9;

“**Known Potential Bidders**” has the meaning give to it in Section 5(a);

“**Monitor**” has the meaning given to it in the Introduction;

“**Notice**” has the meaning given to it in Section 5(b);

“**Outside Date**” means July 31, 2024, or such other date as the Company, the Monitor, and the Successful Bidder(s) or the Back-Up Bidder, if applicable, may agree, acting reasonably;

“**Participant Requirements**” has the meaning given to it in Section 10 hereof;

“**Portion Bid**” means a Binding Bid for less than all, or substantially all of the Assets, that is otherwise a Qualified Bid;

“**Portion Bidder**” means a Qualified Bidder that submits a Portion Bid;

“**Qualified Bid**” means a Binding Bid that satisfies the requirements set out in Section 11. For greater certainty, a Portion Bid may be a Qualified Bid if it forms part of an Aggregate Bid;

“**Qualified Bidder**” means a bidder submitting a Qualified Bid;

“**Sale Approval Hearing**” has the meaning given to it in Section 18;

“**Sale Proposal**” has the meaning given to it in Section 9;

“SISP” has the meaning given to it in the Introduction;

“SISP Procedures” has the meaning given to it in the Introduction;

“Successful Bid” has the meaning given to it in Section 12;

“Successful Bidder” has the meaning given to it in Section 12; and

“Teaser Letter” has the meaning given to it in Section 5(c).

2. **The SISP Procedures**

The SISP shall consist of one phase. Any interested party (an “Interested Party”) that meets the preliminary participant requirements set out herein, including executing a Confidentiality Agreement and an Acknowledgment of the SISP, shall be provided with access to the Data Room to prepare and submit a Binding Bid by the Bid Deadline.

The Monitor, in consultation with the Company, shall supervise the SISP Procedures, and each will generally consult with the other in respect of all matters arising out of this SISP. If there is disagreement as to the interpretation or application of this SISP, the Court will have the jurisdiction to hear and resolve such dispute.

3. **“As Is, Where Is”**

The sale of the Business or all or any part of the Assets or an investment in the Company will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature or description by the Company, the Monitor or any of their respective employees, officers, directors, agents or advisors, except to the extent set forth in the relevant definitive Sale Proposal or Investment Proposal agreement, as applicable, with a Successful Bidder.

By participating in this process, each Interested Party is deemed to acknowledge and represent that it has had an opportunity to conduct any and all due diligence regarding the Business, the Assets or the Company prior to making its Binding Bid, that it has relied solely on its own independent review, investigation, and/or inspection of any documents and/or regarding the Business, the Assets or the Company in making its Binding Bid, and that it did not rely on any written or oral statements, representations, promises, warranties, conditions or guaranties whatsoever, whether express, implied, by operation of law or otherwise, regarding the Business, the Assets or the Company or the completeness of any information provided in connection therewith, except as expressly stated in the terms of any definitive transaction documents.

4. **Timeline**

The following table sets out the key milestones under the SISP:

| Milestone | Deadline |
|-----------|----------|
|-----------|----------|

| | |
|---|---|
| Commencement of SISP | May 2, 2024 |
| Distribution of the Notice, Teaser Letter Confidentiality Agreement and Acknowledgement of SISP | As soon as reasonably practicable following the date on which the SISP Order is granted |
| Bid Deadline (5:00 PM (Eastern Time)) | June 17, 2024 |
| Selection of Successful Bid(s), Back-Up Bid(s) | June 21, 2024 |
| Sale Approval Hearing | As soon as practicable |
| Closing Date Deadline | A maximum of 4 weeks after the Sale Approval Hearing, but by no later than the Outside Date |

5. **Solicitation of Interest**

As soon as is reasonably practicable:

- (a) the Monitor, with the assistance of the Company, will prepare a list of potential bidders, including: (i) parties that have approached the Company or the Monitor indicating an interest in the opportunity; and (ii) strategic parties whom the Company or the Monitor believe may be interested in purchasing all or part of the Business and Assets, or investing in the Company, pursuant to the SISP (collectively, “**Known Potential Bidders**”);
- (b) the Monitor, with the assistance of the Company, will cause a notice of the SISP and such other relevant information that the Monitor, with the assistance of the Company, considers appropriate (the “**Notice**”) to be published in *The Globe and Mail* (National Edition) and *Insolvency Insider*, and any other newspaper, journal or industry publication as the Company and the Monitor consider appropriate, if any; and
- (c) the Monitor, in consultation with the Company, will prepare: (i) a process summary (the “**Teaser Letter**”) describing the opportunity, outlining the SISP Procedures, and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a Confidentiality Agreement, in each case in form and substance satisfactory to the Company.

The Monitor, with the assistance of the Company, will publish the Notice and send the Teaser Letter, Confidentiality Agreement, and Acknowledgement of the SISP to all Known Potential Bidders as soon as reasonably practicable following the date on which the SISP Order is granted and to any other party who requests a copy of the Teaser Letter, Confidentiality Agreement, and Acknowledgement of the SISP, or who is identified to the

Company or the Monitor as a potential bidder, as soon as reasonably practicable after such request or identification, as applicable.

6. **Role of Management of the Company**

If any party who is: (a) associated with the Board of Directors or management of the Company, (b) the DIP Lender, or (c) an affiliate of the Company, intends to submit a Binding Bid pursuant to the SISP, any such party must advise the Monitor of such intention in writing by May 17, 2024. Any such party(ies) shall be entitled to participate in the SISP as an Interested Party, provided that, and only to the extent that, such party(ies) shall: (a) be excluded from participating in the SISP in any manner or capacity that would be reasonably likely to create an unfair advantage for any party or otherwise jeopardize the integrity of the SISP, as determined by the Monitor in its sole discretion; and (b) be subject to such restrictions as the Monitor, in its sole discretion, determines to be necessary to ensure compliance with (a).

7. **Role of the Monitor**

The Monitor's responsibilities pursuant to the SISP include:

- (a) consulting with the Company in connection with the SISP Procedures and the closing of the transaction contemplated in the Successful Bid(s);
- (b) assisting the Company with supervision of the SISP Procedures;
- (c) reporting to the Court in connection with the SISP Procedures, including the bidding procedures described in this SISP, and the closing of the transaction contemplated in the Successful Bid(s); and
- (d) assisting the Company to facilitate information requests, including assisting the Company in preparing or modifying financial information to assist with the bidding procedures described in this SISP and the closing of the transaction contemplated in the Successful Bid(s).

8. **Access to Due Diligence Materials**

Only Interested Parties that satisfy the Participant Requirements will be eligible to receive access to the Data Room.

The Monitor, with the assistance of the Company, will be responsible for the coordination of all reasonable requests for additional information and due diligence access from Interested Parties. Neither the Company nor the Monitor shall be obligated to furnish any due diligence information after the Bid Deadline, provided however that the Company and the Monitor may, but are not obligated to, provide further information including, without limitation, financial information to the Successful Bidder. Neither the Company nor the Monitor are responsible for, and will bear no liability with respect to, any information

obtained by any party in connection with the sale of the Assets and the Business, or an investment in the Company.

9. **Bid Deadlines**

An Interested Party that wishes to make a Binding Bid to: (a) acquire the Business or all, substantially all or any part of the Assets, including any offer to acquire some or all of the Company' intellectual property, accounts receivable and furniture, fixtures and equipment (a "**Sale Proposal**"); or (b) make an investment in the Company by way of private issuances, sale or placement of newly issued or treasury equity, equity-linked or debt securities, instruments or obligations of the Company with one or more lenders and/or investors or security holders (an "**Investment Proposal**"), must deliver an executed copy of a Binding Bid to the Monitor, at the email address specified in Schedule "B", so as to be received by it **not later than 5:00 p.m. (Eastern Time) on June 17, 2024**, or such other later date or time as may be agreed by the Monitor, in consultation with the Company (the "**Bid Deadline**").

10. **Participant Requirements.**

To participate in the SISP and to otherwise be considered for any purpose hereunder, each Interested Party must provide the Company and the Monitor with an executed copy of each of the following prior to being provided with access to the Data Room: (a) a Confidentiality Agreement; and (b) an Acknowledgement of the SISP (collectively, the "**Participant Requirements**").

11. **Qualified Bid Requirements**

Only Interested Parties who submit a Qualified Bid shall be considered by the Monitor, in consultation with the Company. To be considered a Qualified Bid, a Binding Bid must satisfy all of the following requirements in form and substance satisfactory to the Monitor, in consultation with the Company:

- (a) **Irrevocable Bid:** A cover letter stating that the Binding Bid is irrevocable until Court approval of the Successful Bid(s), provided that if such bidder is selected as the Successful Bidder or the Back-Up Bidder, its Binding Bid shall remain irrevocable until the Back-Up Bid Expiration Date (as defined below), which cover letter includes:
 - (i) **Sale Proposal:** 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) **Investment Proposal:** In the case of an Investment Proposal, a duly authorized and executed binding term sheet;

- (b) Unconditional Bid: Evidence that it is not conditioned on: (i) the outcome of unperformed due diligence; (ii) obtaining financing; and/or (iii) any other material closing conditions;
- (c) Proof of Financial Ability to Perform: Written evidence upon which the Company and the Monitor may reasonably conclude that the bidder has the necessary financial ability to fully fund and consummate the transaction contemplated by the Binding Bid, and satisfy its obligations under the definitive purchase agreement, including: (i) binding equity/debt commitment letters and/or guarantees (*i.e.*, bank guarantees) covering the full value of all cash consideration; (ii) evidence of the bidder's internal financial resources; and/or (iii) any such other form of financial disclosure or credit-quality support information or enhancement requested by and reasonably acceptable to the Company and the Monitor demonstrating that the bidder has the ability to close the contemplated transaction;
- (d) Acknowledgment: An acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents regarding the Company, 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 the Company, the Monitor or any of their respective employees, directors, officers, agents, advisors or other representatives, regarding the Company, the Business, the Assets to be acquired, 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, will commence 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;
- (e) Authorization: Evidence, in form and substance reasonably satisfactory to the Company and the Monitor, of authorization and approval from the Interested Party's board of directors (or comparable governing body) with respect to the submission, execution, delivery and closing of the transaction contemplated by the Binding Bid, and confirmation that any other required approvals have been obtained;
- (f) Employees: If applicable, full details of the proposed number of employees of the Company who will become employees of the bidder if determined to be the Successful Bidder and the proposed terms and conditions of employment to be offered to those employees;
- (g) Other: Such other information as may reasonably be requested by the Company or the Monitor; and
- (h) Bid Deadline: The Binding Bid is received by the Monitor, at the address specified in Schedule "B" hereto (including by email) on or before the Bid Deadline.

12. **Evaluation of Qualified Bids and Subsequent Actions**

The Monitor, in consultation with the Company, shall evaluate Qualified Bids on various grounds with a view to selecting the best or otherwise highest bid, including, but not limited to: (a) the purchase price or imputed or projected value, (b) the treatment of creditors and related implied recovery for creditors (in each case, as applicable), (c) the assumed liabilities, (d) the number of employees assumed, (e) the certainty of closing the transactions contemplated by the Qualified Bid on or before the Outside Date, (f) any delay or other risks (including closing risks) in connection with the Qualified Bids, and (g) any other factors considered to be relevant by the Monitor. The Qualified Bid selected by the Monitor, in consultation with the Company, as the best or highest bid based on the factors enumerated herein, shall constitute the “Successful Bid” and such Qualified Bidder, the “Successful Bidder”.

The Monitor, in consultation with the Company, shall have the option to aggregate Portion Bids into an Aggregate Bid.

The Company may conditionally accept one or more (if for distinct and compatible transactions that are Portion Bids) Qualified Bids, which acceptance will be conditional upon the failure of the transaction(s) contemplated by the Successful Bid to close (the “**Back-up Bid**”, and Qualified Bidder making such Back-up Bid being the “**Back-Up Bidder**”).

Following the selection of the Successful Bid, the Company shall take such steps as may be necessary to finalize definitive transaction documents for the Successful Bid(s) with the Successful Bidder(s) prior to Court approval of the Successful Bid.

As soon as reasonably practicable and by no later than June 21, 2024, the Monitor, in consultation with the Company, shall advise the Qualified Bidders if Successful Bid(s) and Back-Up Bid(s) have been accepted, or conditionally accepted, as the case may be.

APPROVAL MOTION

13. **Approval Motion**

The Company shall use reasonable efforts to bring a motion to the Court to approve the Successful Bid(s) and Back-Up Bid(s) as soon as practicable following the determination by the Monitor, in consultation with the Company, of the Successful Bidder(s) and the execution of definitive documents (the “**Sale Approval Hearing**”). The Company will be deemed to have accepted the Successful Bid(s) only when it has been approved by the Court. All Qualified Bids (other than the Successful Bid(s) and the Back-Up Bid(s)) shall be deemed rejected by the Company on and as of the date of approval of the Successful Bid(s) by the Court.

14. **Back-Up Bidder**

If a Successful Bidder fails to close the transaction contemplated by the Successful Bid(s) on or before the Outside Date for any reason, then the Company will be deemed to have

accepted the Back-Up Bid(s) and will proceed with the transaction pursuant to the terms thereof. The Back-Up Bid(s) shall remain open for acceptance until the closing of the Successful Bid(s), or such other later date as the Company and the Back-Up Bidder may agree, acting reasonably (the “**Back-Up Bid Expiration Date**”).

MISCELLANEOUS

15. **Information From Interested Parties**

Each Interested Party shall comply with all reasonable requests for additional information by the Company or the Monitor regarding such Interested Party and its proposed transaction. Failure by an Interested Party to comply with requests for additional information will be a basis for the Monitor, in consultation with the Company, to determine that the Interested Party is not a Qualified Bidder.

16. **Deposits**

All deposits shall be held by the Monitor in a single interest-bearing account designated solely for such purpose. A deposit made by a Successful Bidder shall be dealt with in accordance with the definitive documents for the transactions contemplated by the Successful Bid. Deposits, and any interest earned thereon, paid by Qualified Bidders not selected as either a Successful Bidder or a Back-Up Bidder shall be returned to such Bidders as soon as practicable, and in any event no later than seven (7) Business Days following Court approval of the Successful Bid. In the case of Back-Up Bid(s), the deposit and any interest earned thereon shall be retained by the Monitor until the Back-Up Bid Expiration Date and returned to the Back-Up Bidder as soon as practicable, and in any event no later than seven (7) Business Days thereafter or, if a Back-Up Bid becomes a Successful Bid, shall be dealt with in accordance with the definitive documents for the Back-Up Bid.

17. **Modifications and Termination**

The Monitor, in consultation with the Company, shall have the right to adopt such other rules for the SISP Procedures (including rules that may depart from those set forth herein) that will better promote the sale of the Business or all or any part of the Assets or investment in the Company under this SISP. The Company, in consultation with the Monitor, shall apply to the Court if it wishes to materially modify or terminate the process set out in this SISP. For certainty, any amendments to the Bid Deadline or other dates set out in this SISP shall not constitute a material modification, provided that any extensions to the Bid Deadline are not longer than seven calendar days.

18. **Other**

Neither the Company nor the Monitor shall be liable for any claim for a brokerage commission, finder's fee or like payment in respect of the consummation of any of the transactions contemplated under the SISP arising out of any agreement or arrangement entered into by the parties that submitted the Successful Bid(s) and Back-Up Bid(s). Any

such claim shall be the sole liability of the parties that submitted such Successful Bid(s) and Back-Up Bid(s).

Neither the Company nor the Monitor shall have any liability whatsoever to any person or party, including without limitation, to any Known Potential Bidder, Interested Party, Qualified Bidder, a Successful Bidder or Back-Up Bidder, or any creditor, or other stakeholder, for any act or omission related to this SISP. By submitting a Binding Bid, each Interested Party shall be deemed to have agreed that it has no claim against the Company or the Monitor for any reason, matter or thing whatsoever related to this SISP.

SCHEDULE "A"

Acknowledgement of the SISP

The undersigned hereby acknowledges receipt of the Sale and Investor Solicitation Process approved by the Order of the Honourable Justice Steele of the Ontario Superior Court of Justice (Commercial List) dated May 2, 2024 (the "SISP") and that compliance with the terms and provisions of the SISP is required in order to participate in the SISP and for any Bids to be considered by the Company.

This ____ day of _____, 2024.

[NAME]

By:

[Signing Officer]

SCHEDULE "B"
ADDRESS PARTICULARS

msi Spergel Inc.

200 Yorkland Blvd., Suite 1100
Toronto, Ontario M2J 5C1

Attention: Frank Kisluk | Mukul Manchanda
Phone: (647) 288-7636 | (416) 498-4314
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
Phone: 416-613-8282 | 416-613-8284
Email: cfell@reconllp.com | jrosenbaum@reconllp.com

APPENDIX “D”

July 11, 2024

SENT BY ELECTRONIC MAIL: skukulowicz@cassels.com; vtickle@cassels.com

CASSELS BROCK & BLACKWELL

Suite 3100, Bay Adelaide Centre – North Tower
40 Temperance Street
Toronto, ON M5H 0B4

85 West Georgia St., Suite 2200, HSBC Bldg.
Vancouver, BC V6C 3E8

Attention: Shayne Kukulowicz and Vicki Tickle

Dear Mr. Kukulowicz and Ms. Tickle,

RE: 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

We are counsel to msi Spergel Inc. in its capacity as court-appointed monitor (in such capacity, the “**Monitor**”) of CannMart Labs Inc. (the “**Debtor**”) in the above-noted proceedings (the “**CCAA Proceedings**”).

We understand that you represent Adastra Labs Inc. (“**Adastra**”). We are writing with respect to certain of the Debtor’s live resin inventory that is situated on Adastra’s premises (the “**Inventory**”). A copy of a list of the Inventory is enclosed.

We understand from the Debtor that Adastra processes unfinished cannabis goods produced by the Debtor, and then returns them to the Debtor in order for it to distribute the finished goods to CannMart Inc. for ultimate sale to consumers.

On or about April 22, 2024, the Monitor (in its former role as proposal trustee of the Debtor) requested the return of the Inventory. On the same date, the chief financial officer of Adastra advised of its position that certain of the Inventory was no longer owned by the Debtor.

On or about April 25, 2024, the Monitor reiterated its prior request for the return of the Inventory. The Monitor understands from the Debtor that Adastra returned some packaging materials and empty cartridges, but not the Inventory.

It appears that on March 8, 2024, Adastra issued a purchase order (the “**P.O.**”) in respect of certain live resin products which were delivered by the Debtor. The P.O. provides that it will be for setting off historical accounts receivable owed by the Debtor and that no payment will be made by Adastra for the Inventory.

RECON

R E C O N S T R U C T L L P

The Monitor understands that the Debtor disputes this purported right of set-off and never agreed to these terms. Moreover, we are advised that this was the only purchase order issued in the years that the Debtor and Adastra have conducted business together. It appears that the P.O. was issued on the eve of the Debtor's insolvency in order to frustrate the Debtor's ability to retrieve its Inventory from Adastra.

The Inventory is intended to be sold under these CCAA Proceedings as we understand it to be an asset of the Debtor. The proceeds of sale are intended to be used to pay out the DIP Lender and other stakeholders of the Debtor. If Adastra fails to return the Inventory, there will be less recovery for the stakeholders—an unacceptable result given that the Inventory is the property of the Debtor and the fact that Adastra did not pay for it.

In light of the foregoing, we hereby demand that Adastra return, or alternatively, make available for pickup, the Inventory to the Debtor forthwith, and no later than Monday, July 15, 2024, failing which the Debtor will be seeking similar relief before the Court at the hearing returnable July 16, 2024 before Justice Osborne.

Yours truly,

RECONSTRUCT LLP



Jared Rosenbaum
JR/

Encl.

| 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 |

APPENDIX “E”



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

July 12, 2024

BY EMAIL

Cassels Brock & Blackwell LLP

Suite 3100, Bay Adelaide Centre - North Tower
40 Temperance Street
Toronto, ON M5H 0B4

Attention: Shayne Kukulowicz and Vicki Tickle

Dear Mr. Kukulowicz and Ms. Tickle:

**Re: 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 (the "CCAA
Proceeding")**

We are counsel to CannMart Labs Inc. (the "**Applicant**") in the above-noted CCAA Proceeding.

Reference is made to the letter from Reconstruct LLP dated July 11, 2024 (the "**Reconstruct Letter**") regarding the immediate return of certain inventory held by Adastra Labs Inc. ("**Adastra**"). Capitalized terms used herein that are not otherwise defined have the meaning given to them in the Reconstruct Letter.

On behalf of the Applicant, the Applicant demands that Adastra return the Inventory by no later than July 15, 2024. The Applicant denies any validity to the right of set-off purportedly exercised pursuant to the P.O., and denies the validity of the P.O.

As set out in the Reconstruct Letter, the Inventory forms part of the assets of the Applicant's estate and is required to be returned to maximize value for the creditors of the Applicant. If the Inventory is not returned, the creditors will be deprived of recoveries otherwise available to them.

We intend to address this issue at the hearing returnable on **July 16, 2024, at 12:30 p.m. before Justice Osborne**. We are happy to discuss this matter with you at your convenience.



Thornton Grout Finnigan LLP

2.

Yours truly,

Thornton Grout Finnigan LLP

A handwritten signature in black ink, appearing to read 'M. Grossell', written in a cursive style.

Mitchell W. Grossell
MWG/nl

cc: Mukul Manchanda and Frank Kisluk, msi Spergel Inc., Court-appointed Monitor of the Applicant;
Caitlin Fell and Jarden Rosenbaum, Counsel to the Monitor

APPENDIX “F”

**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.

AFFIDAVIT OF MUKUL MANCHANDA
(Sworn July 12, 2024)

I, **MUKUL MANCHANDA**, of the City of Brampton, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS:**

1. I am a Licensed Insolvency Trustee with msi Spergel inc. ("**Spergel**"), the court-appointed Monitor (in such capacity, the "**Monitor**") of CannMart Labs Inc. (the "**Debtor**"), and as such have knowledge of the matters to deposed herein, except where such knowledge is stated to be based on information and belief, in which case I state the source of the information and verily believe such information to be true.
2. In connection with the CCAA proceedings of the Debtor for the period to and including July 11, 2024, fees of \$83,692.96 (inclusive of HST and disbursements) were charged by Spergel as detailed in the time dockets attached hereto as **Exhibit "1"** to this, my Affidavit. This represents 124.50 hours at an effective rate of \$557.33 per hour.
3. The hourly billing rates detailed in this Affidavit are comparable to the hourly rates charged by Spergel for services rendered in relation to similar proceedings.

4. Assuming that this Honourable court grants an Order as requested, without opposition, the proposed accrual of Monitor's and Monitor's Counsel's fees (including the fees for bankruptcy of the ResidualCo) to the discharge of Monitor is estimated to be \$125,000 including HST and disbursements.

5. I make this Affidavit for no improper purpose.

SWORN before me at the City of
Toronto, in the Province of Ontario
this 12th day of July, 2024.

B. Eileen Sturge

Commissioner for Taking Affidavits

Barbara Eileen Sturge,
a Commissioner, etc. for MSI Spergel Inc
and Spergel & Associates Inc.
Expires September 21, 2025

Mukul

Mukul Manchanda

**This is Exhibit "1" of the Affidavit of
Mukul Manchanda
Sworn before me on this 12th day of July, 2024**



A Commissioner, Etc.

Barbara Eileen Sturge,
a Commissioner, etc. for msi Spergel inc.
and Spergel & Associates Inc.
Expires September 21, 2025



SPERGEL

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.spergel.ca

May 16, 2024

Invoice #: 12756

CANNMART LABS INC.
19 Canso Road
Toronto, ON M9W 4

INVOICE

RE: CANNMART LABS INC.

FOR PROFESSIONAL SERVICES RENDERED up to and including May 2, 2024 with respect to the NOI and CCAA proceedings.

| Professional Services | Hours | Hourly Rate | Total |
|------------------------------------|--------------|--------------------|--------------------|
| Mukul Manchanda, CPA, CIRP, LIT | 16.00 | \$625.00 | \$10,000.00 |
| Frank Kisluk, CPA, CA, Trustee | 28.50 | \$525.00 | \$14,962.50 |
| Eileen Sturge | 1.00 | \$250.00 | \$250.00 |
| Total Professional Services | 45.50 | \$554.12 | \$25,212.50 |
| HST | | | \$3,277.63 |
| Total | | | \$28,490.13 |

HST Registration #R103478103
(AALABS-P)



May 16, 2024

Invoice #: 12756

CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

INVOICE RECONCILIATION PAGE

| Date | Staff | Memo | Hours | B-Rate | Amount |
|------------------------------|-------|--|-------|----------|------------|
| Professional Services | | | | | |
| 2024-04-01 | FKI | <i>Video Conference Call - Meni, Josh, Leanne, Lars, Mukul, FK - review o/s issues prior to filing NOI; (.4) finalize creditor entries and review cash flow (1.5)</i> | 1.90 | \$525.00 | \$997.50 |
| 2024-04-02 | FKI | <i>Finalize all documents, revise cash flow and assumptions, notes, t/c's and emails with Josh Hone to prepare for filing tomorrow.</i> | 2.00 | \$525.00 | \$1,050.00 |
| 2024-04-03 | FKI | <i>Finalizing preparation of cash flow for filing (1.0); coordinating signing of NOI package and issue of press release this morning upon filing (.5)</i> | 1.50 | \$525.00 | \$787.50 |
| 2024-04-03 | EST | | 0.80 | \$250.00 | \$200.00 |
| 2024-04-04 | MMA | <i>Phone call with L. Williams, M. Grossell and F. Kisluk to discuss file.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-04-05 | FKI | <i>T/C Josh re correspondence from Bonding company, arranging for final docs to sign for cash flow, and questions regarding Engagement Letter received from Leanne Williams</i> | 0.30 | \$525.00 | \$157.50 |
| 2024-04-05 | MMA | <i>Meeting with M. Morim to discuss file.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-04-08 | MMA | <i>Email exchange regarding receipt of retainer. Email exchange confirming NOI filing date.</i> | 0.40 | \$625.00 | \$250.00 |
| 2024-04-09 | FKI | <i>Emails from/to Meni Morim, Daniel re CRA audit request, bonding company correspondence</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-04-09 | MMA | <i>Email received regarding bond renewal. Emails exchanged with M. Morim regarding the GSA.</i> | 0.20 | \$625.00 | \$125.00 |
| 2024-04-10 | MMA | <i>Received email regarding cannabis insolvencies.</i> | 0.10 | \$625.00 | \$62.50 |
| 2024-04-12 | FKI | <i>T/C Daniel Stern- review situation with AdastrA re inventory of \$500,000 and debt owing them of \$700,000; discussed rights of CannMart Labs while in Proposal; FK to review with Leanne; Daniel to provide any written agreements with AdastrA re supply (.3); t/c Leanne Williams to review position of Labs re AdastrA - to wait for agreements, if any; review of process going forward, timing of court application to convert to CCAA, reports needed; agreed to discuss and review process on Monday - Video call at 2:00 pm (.4)</i> | 0.70 | \$525.00 | \$367.50 |
| 2024-04-15 | MMA | <i>Various emails regarding setting up a meeting time to discuss file status. Various emails regarding weekly report from AdastrA.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-04-16 | MMA | <i>Received and reviewed agenda prior to meeting.</i> | 0.10 | \$625.00 | \$62.50 |



May 16, 2024

Invoice #: 12756

CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

| | | | | | |
|------------|-----|---|------|----------|------------|
| 2024-04-16 | FKI | <i>Corr from Aaron Bouganim requesting Proposal filing docs for CRA Excise - sent (.1); video conference with Leanne, Mitch, Daniel, Josh, Meni - reviewed status and ongoing process, assignment of responsibilities toward conversion to CCAA (1.0); emails t/f Mukul, Mitch, Josh as f/u to issues from meeting (.3)</i> | 1.40 | \$525.00 | \$735.00 |
| 2024-04-17 | FKI | <i>Emails to/from Mitch re various documents, information, explanations needed (.6); t/c Meni re possible phone call coming from Colin at Tierra (prev. bid with Adastra in background (.2); Prepare draft letter to go to Adastra from Trustee re inventory on hand, to review with Mukul, Leanne, Meni (1.0); correspondence with Daniel and Andrew Winkler re photos needed for appraiser and future sale process, photos taken today by Andrew and now received (.3); t/c to arrange for Platinum Assets estimate of valuation fee (.1)</i> | 2.20 | \$525.00 | \$1,155.00 |
| 2024-04-17 | MMA | <i>Email exchange with M. Grossell answering questions and providing information requested. Received pictures of equipment. Email exchange with M. Grossell regarding PPSA/Corporate search results.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-04-18 | FKI | <i>Begin preparation of Trustee Report to Court for CCAA Application (2.0); t/c and email to Adam Moscovitz (Platinum Assets) re valuation</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-04-18 | MMA | <i>Received and reviewed draft letter to Adastra.</i> | 0.20 | \$625.00 | \$125.00 |
| 2024-04-19 | MMA | <i>Various emails exchanged regarding the sales process. Email confirming date of NOI proceedings to CCAA. Emails exchanged regarding remitting the CPP balance owed. Various emails regarding the director's and officer's coverage. Received and reviewed draft SISP from M. Grossell.</i> | 1.30 | \$625.00 | \$812.50 |
| 2024-04-19 | FKI | <i>Numerous phone calls, emails from/to Mitch Grossell, Ines Ferreira, Leanne Williams, Daniel Stern, Josh Hone, Meni Morim, Mukul re Director Liability, D & O Insurance (James Mahony - Nacora International insurance, obtaining court date for conversion to CCAA, SISP, DIP Term Sheet, Trustee First Report to Court, engagement letter for Caitlin Fell acting for Trustee/Monitor, Adam Moskowicz (Platinum Assets) re appraisal arrangements with Daniel</i> | 2.50 | \$525.00 | \$1,312.50 |
| 2024-04-20 | FKI | <i>Finalize letter for Adastra, email to Daniel for final coordinates to send on Monday</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-04-22 | MMA | <i>Received follow up from I. Ferrerira regarding comments on the draft DIP term sheet and the draft SISP. Received and reviewed draft affidavit for D. Stern from D. Alievsky. Emails exchanged with L. McLeod regarding the inventory with Adastra.</i> | 0.50 | \$625.00 | \$312.50 |



May 16, 2024

Invoice #: 12756

CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

| | | | | | |
|------------|-----|--|------|----------|----------|
| 2024-04-23 | FKI | <i>T/C Daniel, Aaron Bouganim re additional inventory at Adastr; discussion re dealings with Adastr, FK to amend letter with additionasl inventory sent, letter changed and sent to Adastr</i> | 1.00 | \$525.00 | \$525.00 |
| 2024-04-23 | FKI | <i>Receipt of voicemail and email from Adastr re inventory; t/c and review with Daniel, Mukul; Daniel to review situation with Meni and respond to me</i> | 0.60 | \$525.00 | \$315.00 |
| 2024-04-23 | MMA | <i>Received and reviewed estimated fees received from TGF on 13 week cash flow. Received and reviewed comments from C. Fell on the SISP. Received and reviewed redline DIP term sheet.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-04-24 | FKI | <i>Review drafts of SISP and DIP term sheet; various emails Mitch, Leanne, Mukul ; t/c Leanne and Caitlin re estimated fees</i> | 1.20 | \$525.00 | \$630.00 |
| 2024-04-24 | MMA | <i>Various emails exchanged regarding the draft SISP and draft initial order.</i> | 0.20 | \$625.00 | \$125.00 |
| 2024-04-25 | FKI | <i>T/C from Daniel re Adastr and P.O. issued by Adastr and product shipped in accordance with P.O. (\$150,000 inventory) (.3) ; T/C Alex from CRA (647-355-9464) re timing of conversion to CCAA and position re renewing bond (.3)</i> | 0.60 | \$525.00 | \$315.00 |
| 2024-04-25 | FKI | <i>T/C from Daniel and Aaron to discuss phone call from CRA advising they intend to destroy all cannabis on site due to licence lapse; also they were advised by CRA that the Bond provider has pulled the bond? They will check re both and advise us asap</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-04-25 | MMA | <i>Received and reviewed comments from Recon on the initial order and the SISP order Received and reviewed 13 week cash flow projection as received from J. Hone. Various emails exchanged regarding the asset appraisal.</i> | 0.70 | \$625.00 | \$437.50 |
| 2024-04-26 | MMA | <i>Received and reviewed affidavit of D. Stern. Various emails received with comments and edits to the affidavit of D. Stern. Served motion record of CannMart Labs. Received executed cash flow documents from M. Morim. Received executed DIP term sheet. Email exchange with M. Gossel regarding the director's charge.</i> | 1.00 | \$625.00 | \$625.00 |
| 2024-04-26 | FKI | <i>Finalize documents for inclusion in Motion Record, obtain signed copies of Cash Flow, Debtor Report on Cash Flow - sent to Mitch for inclusion, along with Proposed Monitor Consent</i> | 1.50 | \$525.00 | \$787.50 |
| 2024-04-26 | EST | <i>Prepare documents for signature</i> | 0.20 | \$250.00 | \$50.00 |
| 2024-04-27 | MMA | <i>Received and reviewed 12 week cash flow w/e July 20 form F. Kisluk.</i> | 0.30 | \$625.00 | \$187.50 |



May 16, 2024

Invoice #: 12756

CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

| | | | | | |
|------------|-----|--|------|----------|------------|
| 2024-04-28 | MMA | <i>Received and reviewed report of proposed monitor.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-04-28 | FKI | <i>Finalize bundle - Cash Flow, Debtor Report on Cash Flow, , prepare Trustee Report on Cash Flow,</i> | 1.50 | \$525.00 | \$787.50 |
| 2024-04-28 | FKI | <i>Review Affidavit materials from Mitch re Daniel Stern Affidavit, Term sheet for DIP, SISP description, all as included in filed Motion Record materials; preparation of draft Report of Proposed Monitor, forwarded to Mukul for additional review and amendments, changes</i> | 3.50 | \$525.00 | \$1,837.50 |
| 2024-04-29 | MMA | <i>Received email from M. Morim requesting meeting. Emails exchanged with M. Grossell regarding meeting and report. Review, edit and draft first report the court. Sent J. Rosenbaum and C. Fell report of proposed monitor for review and comment. Served first report of the proposed monitor.</i> | 4.10 | \$625.00 | \$2,562.50 |
| 2024-04-30 | FKI | <i>Conference call with Mitch, Ines, Mukul, Meni, Josh, Daniel re Trademark ownership issue between Labs and Inc; other matters</i> | 0.50 | \$525.00 | \$262.50 |
| 2024-04-30 | MMA | <i>Email exchange with D. Stern and M. Grosswell regarding the requirement to destroy cannabis inventory per CRA and the stay of proceedings. Finalize notice of intention. Served draft initial order and factum of CannMart Labs. Received email from L. Rivers to update service list. Received and reviewed D&O insurance renewal and recommendation from C. Palmer. Various emails exchanged regarding the service list.</i> | 1.30 | \$625.00 | \$812.50 |
| 2024-05-02 | MMA | <i>Received and reviewed letter to counsel from K. Dias regarding the destruction of cannabis inventory. Email sent to D. Stern requesting list of potential bidders. Sent request to C. Fell and J. Rosenbaum to provide NDA. Received executed SISP order. Received expression of interest from Tierra Corp. Review materials in advance of court hearing. Attend court hearing.</i> | 2.60 | \$625.00 | \$1,625.00 |
| 2024-05-02 | FKI | <i>Court attendance re Conversion to CCAA.(6) T/C Mukul re implementation of Monitor responsibilities, preparation of draft docs (Notice of Initial Order, Notice to Creditors, Creditor list for posting to website, creditor mailing list); t/c Daniel and Josh re obtaining list of potential bidders for circulation of Teaser, any additional publications for posting Notice of Sale; t/c's and emails with Josh re finalizing May 2 creditor list (3.5)</i> | 4.00 | \$525.00 | \$2,100.00 |

Professional Services Total: 45.50 \$25,212.50



SPERGEL

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.spergel.ca

July 12, 2024

Invoice #: 12800

CANNMART LABS INC.
19 Canso Road
Toronto, ON M9W 4

INVOICE

RE: CANNMART LABS INC.

FOR PROFESSIONAL SERVICES RENDERED for the period from May 3, 2024 to and including July 11, 2024 with respect to the CCAA proceeding of Cannmart.

| Professional Services | Hours | Hourly Rate | Total |
|---|--------------|--------------------|--------------------|
| Mukul Manchanda, CPA, CIRP, LIT | 33.10 | \$625.00 | \$20,687.50 |
| Frank Kisluk, CPA, CA, Trustee | 42.10 | \$525.00 | \$22,102.50 |
| Paula Amaral | 3.00 | \$395.00 | \$1,185.00 |
| Eileen Sturge | 0.80 | \$250.00 | \$200.00 |
| Total Professional Services | 79.00 | \$559.18 | \$44,175.00 |
| HST | | | \$5,742.75 |
| Reimbursable Expenses | | | Total |
| Miscellaneous | | | \$4,677.06 |
| Total Reimbursable Expenses | | | \$4,677.06 |
| HST on expenses | | | \$608.02 |
| Total | | | \$55,202.83 |
| HST Registration #R103478103 (AALABS-P) | | | |



July 12, 2024

Invoice #: 12800

CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

INVOICE RECONCILIATION PAGE

| Date | Staff | Memo | Hours | B-Rate | Amount |
|------------------------------|-------|--|-------|----------|------------|
| Professional Services | | | | | |
| 2024-05-03 | FKI | <i>T/C Shayne Kukulowicz (Cassels) re Adastra inventory (Vancouver Cassels - Vickie Tickle); explained situation re inventory and Monitor position that this is CannMart inventory to be included in the sale; e,ail Mukul</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-05-03 | MMA | <i>Received update from F. Kisluk regarding conversation with S. Kukulowicz. Follow up email sent looking for the signed initial order converting NOI proceeding to CCAA proceeding. Received and reviewed initial order and endorsement. Received and reviewed teaser document. Received CRA letter to be posted on monitor website. Email exchange regarding add placement.</i> | 0.70 | \$625.00 | \$437.50 |
| 2024-05-04 | FKI | <i>Preparation of draft Teaser Letter re SISP</i> | 2.00 | \$525.00 | \$1,050.00 |
| 2024-05-06 | FKI | <i>Emails, phone calls Mukul, Daniel, Aaron, Josh dealing with equipment listing and inventory listings for Data Room, review lists received earlier; receive and review newspaper sale</i> | 2.00 | \$525.00 | \$1,050.00 |
| 2024-05-06 | MMA | <i>Review, complete and uploaded Form 1 and 2 to the OSB. Telephone call with the OSB regarding the NAICS issues. Updated the case website with required documents. Review and edit, Notice to creditors, creditor listing, ad in Globe and Mail and teaser document. Email exchanges and discussion with C. Fell regarding the documents. Instructions to staff regarding posting ad and mailing documents to creditors. Received and reviewed draft NDA. Circulated newspaper ad for review and comments. Received and reviewed equipment list. Email exchanged with A. Bouganim requesting updated listing for inventory on hand.</i> | 4.50 | \$625.00 | \$2,812.50 |
| 2024-05-07 | MMA | <i>Received and reviewed draft letter for Trisura. Submitted conversion documents for NOI to CCAA. Circulated newspaper ad for review and comment. Approved newspaper ad. Received confirmation of CCAA Filing.</i> | 0.70 | \$625.00 | \$437.50 |
| 2024-05-07 | FKI | <i>Rec and review correspondence to Trisura re bond, sent from Recon (.2); Corr from Daniel stern re Kronos Teaser documents and list of possible buyers to contact (.2); corresp with Daniel and Aaron re materials, sent to Mukul for use in our Teaser draft (.2)</i> | 0.60 | \$525.00 | \$315.00 |



July 12, 2024

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CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

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|------------|-----|--|------|----------|----------|
| 2024-05-08 | MMA | <i>Request sent to A. Bouganim regarding the description of assets for sale. Received teaser data from F. Kisluk.</i> | 0.30 | \$625.00 | \$187.50 |
| 2024-05-08 | FKI | <i>Correspondence Josh re possible use of Excise stamps, per CRA - to review on phone call (.2); t/c Aaron to review CRA position - to not destroy cannabis and hold license for CCAA period (.3); receipt and review of Kronos Teaser from Daniel (.3)</i> | 0.80 | \$525.00 | \$420.00 |
| 2024-05-09 | MMA | <i>Emails exchanged with F. Kisluk, D.Stern and M. Grossell regarding teaser materials. Letter sent to Trisura regarding the cancelation of the surety bond. Draft teaser send to C. Fell and J. Rosenbaum for review and comment. Received comments from J. Rosenbaum on teaser document</i> | 1.00 | \$625.00 | \$625.00 |
| 2024-05-09 | FKI | <i>Receipt and review Teaser as edited by recon (.2); receipt of expression of interest from Motif Labs re purchasing some assets (.1)</i> | 0.30 | \$525.00 | \$157.50 |
| 2024-05-09 | EST | <i>Multiple calls/emails to arrange ad in Globe and Mail, requisition for payment; update billing system</i> | 0.80 | \$250.00 | \$200.00 |
| 2024-05-10 | MMA | <i>Received email from J. Macintosh regarding SISP</i> | 0.20 | \$625.00 | \$125.00 |
| 2024-05-10 | FKI | <i>Corresp and t/c with Jason Macintosh (Motif Labs) re interest in assets (.2); rec and review final NDA from Jared (Recon) (.2)</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-05-10 | FKI | <i>Prepare ad for Insolvency Insider, send copy to Mukul for placement with his contact for Monday (.6);</i> | 0.60 | \$525.00 | \$315.00 |
| 2024-05-11 | MMA | <i>Email exchanged with Insolvency Insider to have the sale of assets ad placed in newsletter.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-05-12 | MMA | <i>Emails exchanged with M. Grossell regarding the teaser document.</i> | 0.40 | \$625.00 | \$250.00 |
| 2024-05-13 | FKI | <i>Received enquiry from Crescent Commercial Corporation re possible asset purchase, responded (.1); corr and t/c's with Aaron and Daniel re getting final lists of inventory and equipment for Data Room; received equipment list and B.C. inventory, awaiting Toronto inventory (1.2); corr to Caitlin, Jared, Mitch, Leanne, David, Aaron Mukul re making decision on how to show B.C. Adastra located inventory (.3)</i> | 0.60 | \$525.00 | \$315.00 |
| 2024-05-13 | MMA | <i>Emailed received from F. Kisluk regarding the inventory held by Adastra. Email received from D. Alievsky regarding the information required for the data room.</i> | 0.20 | \$625.00 | \$125.00 |



July 12, 2024

Invoice #: 12800

CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

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|------------|-----|--|------|----------|------------|
| 2024-05-14 | FKI | <i>Receipt of final listings of Toronto inventory, provide to Mukul re setting up Data Room; prepare mailing to several parties from Kronos list</i> | 0.30 | \$525.00 | \$157.50 |
| 2024-05-14 | MMA | <i>Received update on the data room from F. Kisluk.</i> | 0.10 | \$625.00 | \$62.50 |
| 2024-05-15 | FKI | <i>Corr from Jason Macintosh (Motif Labs) with questions re available inventory;(.1); emails Aaron, Daniel, Caitlin re Adastra inventory lists (..2);</i> | 0.30 | \$525.00 | \$157.50 |
| 2024-05-15 | PAM | <i>Prepare inventory lists to be included in the data room.</i> | 3.00 | \$395.00 | \$1,185.00 |
| 2024-05-16 | FKI | <i>Numerous emails to/from all lawyers and company exec's re Adastra inventory (.3); email to TGF re Inc purchasing some of Labs inventory today, correspondence from Mitch re his opinion, all confirmed by t/c with Caitlin (.4); ongoing phone calls, emails with Aaron, Daniel, Jared re obtaining clean inventory lists for Langley, BC inventory at Adastra (.5) Preparation of mailer for Sale solicitation, identification of possible buyers, prepare information for mailing (1.0)</i> | 2.20 | \$525.00 | \$1,155.00 |
| 2024-05-16 | MMA | <i>Email exchanged with F. Kisluk, A. Bouganim and D. Stern regarding the purchase of assets. Email received from M. Grossell requesting a copy of the purchase order issued by Adastra. Emails exchanged with M. Grossell, C. Fell and F. Kisluk regarding the inventory held by Adastra.</i> | 0.40 | \$625.00 | \$250.00 |
| 2024-05-17 | MMA | <i>Requested inventory for Langley, BC. Received inventory listing for Langley, BC. Received and reviewed information to be posted in data room. Received and reviewed appraisal of equipment.</i> | 1.20 | \$625.00 | \$750.00 |
| 2024-05-21 | FKI | <i>T/C Phil Gennis re lists of names to mail to with Teaser; review file of PBIC for names (.4); emails to update all re status of mailings and responses (.2)</i> | 0.60 | \$525.00 | \$315.00 |
| 2024-05-21 | MMA | <i>Received and forwarded invoice from Reconstruct LLP to J. Hone. Received request from J. Hone to revise Reconstruct LLP invoice. Received request for update on status of the sales process. Received update from F. Kisluk regarding SISP status report. Received signed endorsement.</i> | 0.50 | \$625.00 | \$312.50 |
| 2024-05-22 | FKI | <i>T/C from Daniel Stern - discussion re possible offer coming from his contact, to provide co-ordinates for his contact</i> | 0.30 | \$525.00 | \$157.50 |
| 2024-05-23 | FKI | <i>Request from Mitch to share list of all parties sent Teaser and status of responses (NDA's)</i> | 0.20 | \$525.00 | \$105.00 |



July 12, 2024

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CANNMART LABS INC.
19 Canso Road
Toronto, ON M9W 4

INVOICE

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| 2024-05-23 | MMA | Email exchange with F. Kisluk and M. Grossell regarding the list of companies that SISP was sent to. | 0.20 | \$625.00 | \$125.00 |
| 2024-05-24 | MMA | Email received from J. Seager regarding LC draw. Forwarded email to M. Grossell and C. Fell regarding same. Email exchange with F. Kisluk and M. Grosswell regarding estimate on file. Follow up with M. Grossell regarding LC draw. | 0.50 | \$625.00 | \$312.50 |
| 2024-05-24 | FKI | Received email from Meni re fee estimates and current invoices, sent confirming emails to Mitch and to Jared re their estimates, confirmed with Mitch and emailed to Meni | 0.40 | \$525.00 | \$210.00 |
| 2024-05-25 | MMA | Email exchange with J. Rosenbaum regarding estimate of fees. | 0.10 | \$625.00 | \$62.50 |
| 2024-05-27 | FKI | Emails to/from Josh, Meni re professional fee estimates vs actual costs, referenced to earlier emails to account for estimates (.4); email from Daniel Alievsky (TGF) re discrepancies in inventory counts of Labs product in Adastra inventory, also advising re ongoing sales to CannMart Inc (\$120,000) and discrepancy in Data Room inventory, to be noted in Data Room | 0.50 | \$525.00 | \$262.50 |
| 2024-05-27 | MMA | Email exchange with M. Grossell regarding LC draw. Emails exchanged with F. Kisluk, D. Alievsky and M. Grossell regarding the variance in inventory. Email exchange with J. Seager regarding the LC draw. | 0.50 | \$625.00 | \$312.50 |
| 2024-05-28 | FKI | Video conference with Meni and Josh - discussion re fees and what can be done to ensure efficiency, will use me as principal contact going forward | 0.30 | \$525.00 | \$157.50 |
| 2024-05-28 | MMA | Email received from I. Ferreira regarding the draft share purchase agreement for review and comment. | 0.40 | \$625.00 | \$250.00 |
| 2024-06-03 | MMA | Email exchange with C. Fell and M. Grossell regarding review and comments on the share purchase agreement received from I. Ferreira. | 0.30 | \$625.00 | \$187.50 |
| 2024-06-06 | FKI | T/C Keith Strahan - MediPharm Labs (possible buyer wanted to speak)-no reply to message | 0.10 | \$525.00 | \$52.50 |
| 2024-06-09 | MMA | Emails exchanged with F. Kisluk, C. Fell, I. Ferreira regarding revisions and comments on the SPA. | 0.40 | \$625.00 | \$250.00 |
| 2024-06-10 | FKI | Received expression of interest from Heather Doherty; review status of SPA with Jared and requirements for bid; email to Doherty | 1.20 | \$525.00 | \$630.00 |
| 2024-06-10 | MMA | Receive and review SPA document from I. Ferreira. | 0.50 | \$625.00 | \$312.50 |



July 12, 2024

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CANNMART LABS INC.
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INVOICE

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| 2024-06-11 | MMA | Email exchange with H. Doherty and F. Kisluk regarding the APS. | 0.10 | \$625.00 | \$62.50 |
| 2024-06-11 | FKI | Emails Meni, Josh, Aaron, Daniel, Jared, Caitlin re possible offer and needing PSA (.3); t/c Daniel re Heather Doherty possible offer, review current sales situation with Mukul,(.8); left message for Strachan, called as requested (.1) | 1.20 | \$525.00 | \$630.00 |
| 2024-06-12 | FKI | Left 2nd detailed phone message for Keith Strachan | 0.10 | \$525.00 | \$52.50 |
| 2024-06-12 | MMA | Various emails exchanged with C. Fell, J. Rosenbaum and F. Kisluk regarding SPA. Received and reviewed SPA. | 0.50 | \$625.00 | \$312.50 |
| 2024-06-13 | MMA | Email exchange with T. Fraser and H. Doherty regarding draft APS. Email exchange with Colin regarding expressions of interest. Emails exchanged with C. Fell, J. Rosenbaum, M. Grossell, I. Ferreira and F. Kisluk regarding a bid extension. | 1.20 | \$625.00 | \$750.00 |
| 2024-06-13 | FKI | Numerous emails to/from Tierra Corp requesting bidding documents, SPA, etc; docs assembled and sent (.5); correspondence to/from Heather Doherty and her solicitor Trina Fraser requesting SPA and concern re timing (.4); Corresp, t/c's Mukul, Caitlin Fell, Jared Rosenbaum re extending deadline for bids by 7 days, prepare draft email and send for approval to form to Mukul, Caitlin, Jared (1.0); t/c's, emails from Organic Growers (creditor) explained situation, entered as creditor in Ascend (.3); email to Caitlin, Jared, Mukul with names of all parties who have entered Data Room, explaining their concern re short time to bid (.4) emails re legally extending time, t/c Meni to confirm his consent (.5) | 3.10 | \$525.00 | \$1,627.50 |
| 2024-06-17 | FKI | June 14 - T/C from Colin Samples (Tierra Corp) with questions re the existing lease; referred question to Daniel for response (.3) June 17 - received request from Adastra (Lachlan McLeod) to enter data room, provided SISP and NDA for execution (.3) | 0.60 | \$525.00 | \$315.00 |
| 2024-06-18 | MMA | Received update from F. Kisluk regarding data room visitors. | 0.10 | \$625.00 | \$62.50 |
| 2024-06-18 | FKI | Prepared and distributed list of all parties who have entered data room to Meni, Daniel, Josh | 0.40 | \$525.00 | \$210.00 |
| 2024-06-19 | MMA | Various emails exchanged with M. Grossell and F. Kisluk regarding the Labs exise. Letter sent to N. Hermann-Hills at Trisura regarding surety bond. | 0.50 | \$625.00 | \$312.50 |



July 12, 2024

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CANNMART LABS INC.
 19 Canso Road
 Toronto, ON M9W 4

INVOICE

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|------------|-----|---|------|----------|------------|
| 2024-06-19 | FKI | <i>Email Mukul re setting schedule for bid opening (.1), T/c's Kelly Avison re-structuring commission to reflect possible buyer being presented by secured creditor (.3), receive/review email from Meni re CRA excise tax liability - referred to Mitch (.3); emails from/to Lachlan McLeod re access to lease information (.2); receive/review copies of correspondence with Trisura re guarantee on bond shortfall, correspondence received from Mitch (.3)</i> | 1.10 | \$525.00 | \$577.50 |
| 2024-06-20 | MMA | <i>Email exchange with R. Dhillon and F. Kisluk providing update on SPA and VDR, requesting employees and contracts that need to be considered. Various emails exchanged with D. Stern, F. Kisluk, J. Hone and C. Fell regarding existing employees, lease agreement, and Health Canada requirements relating to employees.</i> | 1.20 | \$625.00 | \$750.00 |
| 2024-06-20 | FKI | <i>Extensive emailing with Caitlin, Mukul, Daniel, Jared, Mitch, Josh, Meni Paula dealing with request by bidder for payroll information, contracts - all now employed by CannMart Inc; Daniel's explanation re Health Canada requirements re approved top two executives being approved by them as condition for using license; explained to bidder and emailed to all data room visitors re Health Canada restriction, posted in data room (2.0); requested lease for bidder, provided by Daniel, emailed to data room visitors and posted to data room (.3); t/c message and email received from Syed Hussain, LLB, enquiring for client re Labs - responded and sent SISP and NDA, explained re brief tiime frame to bid (.3)</i> | 2.60 | \$525.00 | \$1,365.00 |
| 2024-06-21 | MMA | <i>Various emails exchanged with F. Kisluk, M. Morim and J. Hone regarding payment status on TGF invoice. Post additional information to data room per email from F. Kisluk. Email received from L. McLeod advising they are interested in placing a bid. Email received from H. Dohrety requesting required documents for bid. Email exchange with J. Rosenbaum outlining bid requirements.</i> | 0.80 | \$625.00 | \$500.00 |
| 2024-06-24 | MMA | <i>Various emails exchanged with M. Morim, F. Kisluk, L. McLeod, Colin, answering bid questions. Received bid from R. Dhillon for purchase of CannMart. Received email from M. Grossell requesting bids recieved.</i> | 1.00 | \$625.00 | \$625.00 |
| 2024-06-25 | MMA | <i>Reviewed bids received with F. Kisluk. Forwarded bids received to M. Grossell and M. Morim for review and discussion. Teams meeting with M. Morim, D. Stern and F. Kisluk to discuss bids received. Advised M. Grossell which bid we have decided to proceed with.</i> | 1.40 | \$625.00 | \$875.00 |



July 12, 2024

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CANNMART LABS INC.
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INVOICE

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|------------|-----|--|------|----------|------------|
| 2024-06-25 | FKI | <i>Meeting with Mukul, review bids received, video meeting with Meni and Daniel, discussion re approach, decision to review with Mitch</i> | 1.10 | \$525.00 | \$577.50 |
| 2024-06-26 | FKI | <i>Responded to purchaser of Cannmart Inc re ownership of Roilty trademark, confirmed owned by Cannmart Inc (.2); t/c Monica (Air Liquid) re propane tanks on premises, advised Daniel requires them to remain, emailed Daniel to call Monica (.2);t/c Mitch re process, changes to draft SPA, to have Daniel present to Sniper (.3)</i> | 0.70 | \$525.00 | \$367.50 |
| 2024-06-26 | MMA | <i>Confirmation received from M. Grossell that they are in agreement with proceeding with the offer from Sniper Capital. Email confirming Roilty Trademark was incorrectly registered. Received and reviewed revised SPA with redline of Sniper Capital's version. Received follow up email from A. Cronin regarding outstanding receivables.</i> | 1.10 | \$625.00 | \$687.50 |
| 2024-06-27 | FKI | <i>T/C with Michael Stankiewicz, Air Liquid re cylinders, explained Daniel wants them to stay, we will connect them with new owner, he is satisfied</i> | 0.20 | \$525.00 | \$105.00 |
| 2024-06-27 | MMA | <i>Received and reviewed SISP document as received from R. Dhillon. Email exchanged with D. Stern and D. Vinokurov regarding counter offer.</i> | 0.80 | \$625.00 | \$500.00 |
| 2024-06-28 | FKI | <i>Receipt of signed-back offer from Spider, review, shared with all parties, comments to Mitch and Daniel, Teams meeting with Mitch, Daniel, Meni, changes discussed, Mitch to provide revised SPA with our agreed changes (1.0); received red-line from Mitch, OK'd,(.3)</i> | 1.30 | \$525.00 | \$682.50 |
| 2024-06-28 | MMA | <i>Various emails exchanged with M. Grossell, C. Fell and F. Kisluk regarding the SISP document. Email from F. Kisluk advising that he has informed the losing bids their deposits will be returned on Tuesday. Advised D. Vinokurov that signed offer has been accepted. Various emails exchanged with M. Grossell, D. Stern, I. Ferreira, F. Kisluk and C. Fell regarding the SPA document and edits made. Received fully executed SPA document.</i> | 2.50 | \$625.00 | \$1,562.50 |
| 2024-07-05 | FKI | <i>Receive and review draft Orders for RVO, stay extension and CCAA Termination order</i> | 0.40 | \$525.00 | \$210.00 |
| 2024-07-05 | MMA | <i>Review of multiple email exchanges with counsel. Review and provide comments regarding the draft ARVO and the Stay Extension and Termination Order. Review of the draft affidavit. Discussion with counsels regarding the draft materials.</i> | 1.80 | \$625.00 | \$1,125.00 |



July 12, 2024

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CANNMART LABS INC.
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INVOICE

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| 2024-07-08 | FKI | <i>T/C John Sinclair, Josh Hone re accounting treatment of Labs in May 31 preparation of Lifeist Consolidated F/S (.2); receipt and review revised drafts of Court Orders (RVO, Stay, Termination) (1.0)</i> | 1.20 | \$525.00 | \$630.00 |
| 2024-07-08 | MMA | <i>Receipt and review of revised draft materials including affidavit, and orders and provided comments regarding same.</i> | 0.80 | \$625.00 | \$500.00 |
| 2024-07-09 | FKI | <i>Receive and review draft docs from TGF re court affidavits, orders, RVO, etc</i> | 1.50 | \$525.00 | \$787.50 |
| 2024-07-09 | MMA | <i>Multiple email exchanges with counsels regarding draft court materials and discussions regarding same.</i> | 1.10 | \$625.00 | \$687.50 |
| 2024-07-10 | FKI | <i>Preparation of draft Monitor's Report #2, (4.0); preparing first drafts of Cash Flow Projections for ResidualCo. (1.5); multiple email exchanges with company and counsel (.5)</i> | 6.00 | \$525.00 | \$3,150.00 |
| 2024-07-11 | FKI | <i>Complete final drafts of Cash Flow, Monitor Report, Affidavit of Fees, (6.0); multiple email exchanges with company and counsel (.5)</i> | 6.50 | \$525.00 | \$3,412.50 |
| 2024-07-11 | MMA | <i>Review of motion materials and review and draft report to court. Calls with counsel regarding same.</i> | 4.60 | \$625.00 | \$2,875.00 |
| Professional Services Total: | | | 79.00 | | \$44,175.00 |
| Reimbursable Expenses | | | | | |
| 2024-05-13 | LLE | | | | \$250.00 |
| 2024-05-15 | EST | <i>Notice to Creditors in Globe and Mail - May 9, 2024</i> | | | \$4,177.06 |
| 2024-06-17 | NTA | | | | \$250.00 |
| Reimbursable Expenses Total: | | | 3.00 | | \$4,677.06 |

APPENDIX "G"

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”)**

**FEE AFFIDAVIT OF JARED ROSENBAUM
(sworn July 11, 2024)**

I, **JARED ROSENBAUM**, of the City of Toronto, in the Province of Ontario, **MAKE
OATH AND SAY:**

1. I am a senior associate lawyer with the law firm Reconstruct LLP (“**RECON**”) and therefore have knowledge of the matters set out in this affidavit. Where this affidavit is based on information and belief, I have stated the source of my information and believe it to be true.
2. RECON are lawyers of record for msi Spergel Inc. in its capacity as Court-appointed monitor of the Applicant (in such capacity, the “**Monitor**”).
3. RECON has prepared statements of account (the “**Accounts**”) in connection with its mandate as counsel to the Monitor, detailing its fees and disbursements incurred for the period from April 22, 2024 to July 11, 2024 (the “**Billing Period**”). Attached as **Exhibit “A”** are copies of the Accounts.
4. The Accounts are a fair and accurate description of the services provided, the disbursements incurred, and the amounts charged by RECON, and are based on its standard rate and charges.

5. As detailed in the Accounts, the total amount being claimed for the work performed by RECON during the Billing Period is \$42,678.97 (fees of \$37,619; disbursements of \$150; and HST of \$4,909.97).

6. RECON incurred a total of 62.5 hours, at an average hourly rate of \$601.90, exclusive of HST. Attached as **Exhibit "B"** is a summary of the timekeepers whose services are reflected in the Accounts, including their title, hourly rate, and their fees and hours billed.

7. This affidavit is sworn in support of the Applicant's motion for, *inter alia*, approval of the fees and disbursements of RECON as counsel to the Monitor, and for no other improper purpose.

SWORN BEFORE ME at the City of)
Toronto, in the Province of Ontario, on)
the 11th day of July, 2024.)

DocuSigned by:

Levi Rivers

Levi Rivers, a Commissioner, etc.,)
Province of Ontario for Reconstruct LLP,)
Barristers and Solicitors)
Expires: Aug 22, 2025.

DocuSigned by:

Jared Rosenbaum

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JARED ROSENBAUM

THIS IS **EXHIBIT "A"** REFERRED TO IN THE AFFIDAVIT OF **JARED ROSENBAUM**
SWORN BEFORE ME AT THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO
THIS 11TH DAY OF JULY, 2024.

DocuSigned by:

Levi Rivers

BA31FCEA83114AC

A COMMISSIONER FOR TAKING AFFIDAVITS
LEVI RIVERS



INVOICE

Invoice # 496285
 Date: 05/14/2024
 Due On: 06/13/2024

120 Adelaide Street West, Suite 2500
 Toronto, ON
 M5H 1T1
 T: 416.613.8280
 F: 416.613.8290

msi Spergel Inc.
 200 Yorkland Blvd, Suite 1100
 Toronto, Ontario
 M2J 5C1

00419-msi Spergel inc.

Insolvency proceedings of Canmart Labs Inc.

| Date | Description | Hours | Rate | Total | LP |
|------------|---|-------|----------|------------|----|
| 04/22/2024 | Emails and call w/ C. Fell; reviewing sales process and proposed affidavit of D. Stern | 1.80 | \$550.00 | \$990.00 | JR |
| 04/23/2024 | Review and comment on sale process and DIP term sheet; provide comments to company counsel re: same; call with M. Manchanda re: background. | 2.10 | \$705.00 | \$1,480.50 | CF |
| 04/23/2024 | Reviewing emails from TGF; reviewing C. Fell changes to docs; discussion with C. Fell; email to TGF re: draft order | 0.50 | \$550.00 | \$275.00 | JR |
| 04/24/2024 | Emails w/ C. Fell, reviewing draft order with precedents; markup draft order and provide to C. Fell; receipt of SISP order from M. Grossell | 2.00 | \$550.00 | \$1,100.00 | JR |
| 04/25/2024 | Discussion w/ C. Fell; emails with C. Fell and TGF re: RECON comments to draft orders; generate comparison and provide draft orders to TGF for review. | 1.50 | \$550.00 | \$825.00 | JR |
| 04/25/2024 | Review and comment on initial order and SISP. | 1.60 | \$705.00 | \$1,128.00 | CF |
| 04/26/2024 | Receipt of proposed affidavit from D. Alievsky and reviewing same; provide comments to C. Fell for review; receipt of various further emails from TGF and Spergel re: cash flow projections; discussion with C. Fell re company affidavit; email to I. Ferreira re: comments to affidavit, PPSA security registrations, date of hearing; further emails with C. Fell and further revisions to Stern affidavit | 3.50 | \$550.00 | \$1,925.00 | JR |
| 04/26/2024 | Various emails re: service of materials; review secured creditor listing; call with J. Rosenbaum; review and comment on affidavit; emails with M. Grossell re: D□O charge; | 2.30 | \$705.00 | \$1,621.50 | CF |

| | | | | | |
|-----------------------------------|--|------|----------|--------------------------|-------------|
| further comments on sale process. | | | | | |
| 04/28/2024 | Review and comment on report; emails to J. Rosenbaum re: same. | 0.80 | \$705.00 | \$564.00 | CF |
| 04/29/2024 | Discussions w/ C. Fell; emails with Spergel; review and revise Monitor's first report and provide edits to Spergel | 1.60 | \$550.00 | \$880.00 | JR |
| 04/30/2024 | Reviewing proposed changes to Monitor's report from I. Ferreira [TGF] emails with M. Manchanda and C. Fell re finalizing report; call with M. Manchanda; discussions with L. Rivers; provide updated service list to M. Machanda; discussions with C. Fell; provide Monitor's report to updated service list; further review of final Monitor's report | 2.10 | \$550.00 | \$1,155.00 | JR |
| 04/30/2024 | Finalze report on Canmart; emails re: service of materials. | 0.40 | \$705.00 | \$282.00 | CF |
| | | | | Quantity Subtotal | 20.2 |

| Time Keeper | Hours | Rate | Total | |
|-----------------|-------|----------|-----------------------|--------------------|
| Caitlin Fell | 7.2 | \$705.00 | \$5,076.00 | |
| Jared Rosenbaum | 13.0 | \$550.00 | \$7,150.00 | |
| | | | Quantity Total | 20.2 |
| | | | Subtotal | \$12,226.00 |
| | | | Tax (13.0%) | \$1,589.38 |
| | | | Total | \$13,815.38 |

Detailed Statement of Account

Current Invoice

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due | |
|----------------|------------|-------------|-------------------|---------------------------------|--------------------|
| 496285 | 06/13/2024 | \$13,815.38 | \$0.00 | \$13,815.38 | |
| | | | | Outstanding Balance | \$13,815.38 |
| | | | | Total Amount Outstanding | \$13,815.38 |

Please make all amounts payable to: Reconstruct LLP

Please pay within 30 days.

HST No.: 737783274 RT 0001

Remittance Advice

Wire Transfer Information

Bank Name/Address: Royal Bank of Canada
Main Branch - Toronto
Royal Bank Plaza
200 Bay Street
Toronto, ON M5J 2J5

Account Number: 1570423
Transit Number: 00002
Bank Number: 003

Name/Account #: Reconstruct LLP

SWIFT: ROYCCAT2

Payment by e-transfer: accountspayable@reconllp.com

Payment by Credit Card: Please call 416.613.8280 to make a payment.

Please include the invoice number 496285 as an additional reference so we may accurately identify and apply your payment.
Please provide adequate payment to cover the wire fees assessed by your financial institution.



INVOICE

Invoice # 496352
 Date: 06/06/2024
 Due On: 07/06/2024

120 Adelaide Street West, Suite 2500
 Toronto, ON
 M5H 1T1
 T: 416.613.8280
 F: 416.613.8290

msi Spergel Inc.
 200 Yorkland Blvd, Suite 1100
 Toronto, Ontario
 M2J 5C1

00419-msi Spergel inc.

Insolvency proceedings of Cannmart Labs Inc.

Services

| Date | Description | Hours | Rate | Total | LP |
|------------|---|-------|----------|------------|----|
| 05/01/2024 | Reviewing motion record; discussion with C. Fell re hearing tomorrow; reviewing various emails from counsel | 1.50 | \$550.00 | \$825.00 | JR |
| 05/01/2024 | Review emails from Justice re comments by CRA on order; review existing language; call with Justice re: same. | 1.20 | \$705.00 | \$846.00 | CF |
| 05/02/2024 | Reviewing materials and prep for hearing; review and consider emails between TGF and CRA counsel; receipt of email from Spergel | 1.70 | \$550.00 | \$935.00 | JR |
| 05/02/2024 | Attend court hearing for CCAA conversion and DIP approval. Emails with CRA re language in CCAA order. Review and comment on NDA. | 1.60 | \$705.00 | \$1,128.00 | CF |
| 05/03/2024 | Reviewing email from M. Grossell to the court; emails with L. Rivers re draft NDAs; preparing draft NDA and send to C. Fell for comment; provide CRA letter to Spergel; reviewing emails from Spergel and TGF re Ad Astra | 1.30 | \$550.00 | \$715.00 | JR |
| 05/06/2024 | Follow up with C. Fell re NDA; receipt of email from M. Grossell and reply to same re draft NDA; review and finalize NDA and send to TGF team; emails with Spergel re Globe and Mail notice, and reviewing draft notice; providing comments on draft notice to Spergel; emails with Spergel re proof to be published and reviewing proof. providing comments on same. | 1.00 | \$550.00 | \$550.00 | JR |
| 05/06/2024 | Review and comment on NDA. Emails with TGF re same. | 0.80 | \$705.00 | \$564.00 | CF |

| | | | | | |
|------------|---|------|----------|----------|----|
| 05/07/2024 | Receipt of call from F. Kisluk, email to C. Fell and L. Rivers re rendering account | 0.20 | \$550.00 | \$110.00 | JR |
| 05/07/2024 | Review draft letter to Trisura. | 0.40 | \$705.00 | \$282.00 | CF |
| 05/08/2024 | Receipt and review of draft letter to Trisura; revising draft letter and provide comments to TGF | 0.40 | \$550.00 | \$220.00 | JR |
| 05/09/2024 | Receipt and review of emails from F. Kisluk, M. Grossell, M. Manchanda; review and comments on draft teaser document; emails with F. Kisluk re teaser document and further revisions | 1.10 | \$550.00 | \$605.00 | JR |
| 05/10/2024 | Receipt and review of emails from M. Manchanda and F. Kisluk re purchase inquiry from Motif labs; emails with Spergel and TGF re draft teaser document; messages to C. Fell re NDA; finalize NDA and circulate to Spergel and TGF; emails with F. Kisluk re NDA | 1.30 | \$550.00 | \$715.00 | JR |
| 05/11/2024 | Review and consider emails from M. Grossell and C. Fell, reviewing TGF changes to teaser document | 0.20 | \$550.00 | \$110.00 | JR |
| 05/12/2024 | Review and consider emails from M. Machanda and M. Grossell re company feedback on teaser | 0.20 | \$550.00 | \$110.00 | JR |
| 05/13/2024 | Reviewing Spergel website for updated docs; receipt of email from F. Kisluk re AdAstra | 0.20 | \$550.00 | \$110.00 | JR |
| 05/14/2024 | Receipt of email from F. Kisluk re final teaser; retrieve teaser and send to F. Kisluk | 0.10 | \$550.00 | \$55.00 | JR |
| 05/15/2024 | Emails with Monitor and counsel re Ad Astra inventory; receipt of email from F. Kisluk; call with F. Kisluk; emails to C. Fell reporting on discussion with F. Kisluk re statement of inventory | 0.70 | \$550.00 | \$385.00 | JR |
| 05/15/2024 | Emails re cannabis inventory. | 0.40 | \$705.00 | \$282.00 | CF |
| 05/16/2024 | Review and consider emails from Spergel, TGF, and C. Fell re inventory; review initial order and emails with F. Kisluk | 0.60 | \$550.00 | \$330.00 | JR |
| 05/16/2024 | Calls with Spergel re purchase of inventory from Cannmart Labs. Emails re: title of inventory. | 0.70 | \$705.00 | \$493.50 | CF |
| 05/21/2024 | Review and consider emails from F. Kisluk, M. Grossell, A. Bouganim re inventory; reviewing reasons of Penny J; receipt of emails from M. Grossell, F. Kisluk re update on SISP | 0.50 | \$550.00 | \$275.00 | JR |
| 05/24/2024 | Receipt and review of emails from M. Manchanda and M. Grossell re Cannmart LC draw; emails with F. Kisluk; call with C. Fell re fee estimate | 0.40 | \$550.00 | \$220.00 | JR |
| 05/27/2024 | Email to K. Shah and C. Paul re WIP to advise re fee estimate; reviewing cash flow estimate and email to C. Fell confirming fees are within budget; monitoring further emails between TGF, C. Fell, F. Kisluk | 0.50 | \$550.00 | \$275.00 | JR |

| | | | | | |
|------------|--|------|----------|--------------------------|--------------------|
| 05/27/2024 | Emails re inventory at cannmart. | 0.50 | \$705.00 | \$352.50 | CF |
| 05/28/2024 | Receipt of email from I. Ferriera re share purchase agreement, reply to same; receipt of email from C. Fell re review share purchase agreement; email to L. Rivers re pulling precedent for review; review and consider share purchase agreement, mark up same; draft and send email to C. Fell with comments to SPA | 1.80 | \$550.00 | \$990.00 | JR |
| | | | | Quantity Subtotal | 19.3 |
| | | | | Services Subtotal | \$11,483.00 |

Expenses

| Date | Type | Description | Quantity | Rate | Total | Total |
|------------|---------|---|----------|----------|--------------------------|-----------------|
| 05/01/2024 | Expense | Court Filing: Filing certificate of notice of intention | 1.00 | \$150.00 | \$150.00 | \$169.50 |
| | | | | | Expenses Subtotal | \$150.00 |

| Time Keeper | Hours | Rate | Total |
|-----------------|-------|-----------------------------|---------------------|
| Caitlin Fell | 5.6 | \$705.00 | \$3,948.00 |
| Jared Rosenbaum | 13.7 | \$550.00 | \$7,535.00 |
| | | Quantity Total | 19.3 |
| | | Subtotal | \$11,633.00 |
| | | Tax (13.0%) | \$1,512.29 |
| | | Total | \$13,145.29 |
| | | Payment (06/17/2024) | -\$13,145.29 |
| | | Balance Outstanding | \$0.00 |

Detailed Statement of Account

Other Invoices

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due |
|----------------|------------|-------------|-------------------|-------------|
| 496285 | 06/13/2024 | \$13,815.38 | \$0.00 | \$13,815.38 |

Current Invoice

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due |
|---------------------------------|------------|-------------|-------------------|--------------------|
| 496352 | 07/06/2024 | \$13,145.29 | \$13,145.29 | \$0.00 |
| Outstanding Balance | | | | \$13,815.38 |
| Total Amount Outstanding | | | | \$13,815.38 |

Please make all amounts payable to: Reconstruct LLP

Please pay within 30 days. 10.0% simple annual interest will be charged every 30 days.

HST No.: 737783274 RT 0001



INVOICE

Invoice # 496465
 Date: 07/05/2024
 Due On: 08/04/2024

120 Adelaide Street West, Suite 2500
 Toronto, ON
 M5H 1T1
 T: 416.613.8280
 F: 416.613.8290

msi Spergel Inc.
 200 Yorkland Blvd, Suite 1100
 Toronto, Ontario
 M2J 5C1

00419-msi Spergel inc.

Insolvency proceedings of Cannmart Labs Inc.

| Date | Description | Hours | Rate | Total | LP |
|------------|---|-------|----------|----------|----|
| 06/03/2024 | Review and comment on Share Purchase Agreement; email to TGF re: same. Emails from M/ Grossel re: same. | 1.30 | \$705.00 | \$916.50 | CF |
| 06/03/2024 | Receipt of email from I. Ferreira re SPA; review C. Fell comments to SPA; review M. Grossell response to C. Fell comments | 0.20 | \$550.00 | \$110.00 | JR |
| 06/09/2024 | Reviewing emails from I. Ferreira, C. Fell, M. Grossell, F. Kisluk re SPA | 0.20 | \$550.00 | \$110.00 | JR |
| 06/10/2024 | Receipt of email from M. Grossell re SPA; receipt of email from F. Kisluk and call re same; reviewing SISP and composing email to F. Kisluk re same; further emails and calls with F. Kisluk; email to C. Fell re updating TGF re bids status | 0.80 | \$550.00 | \$440.00 | JR |
| 06/11/2024 | Receipt of email from F. Kisluk and C. Fell re template share purchase agreement and bidder; call with C. Fell re SPA; emails with F. Kisluk re SPA and bidder inquiry re same | 0.30 | \$550.00 | \$165.00 | JR |
| 06/12/2024 | Emails w/ F. Kisluk, C. Fell re SPA; receipt of email from C. Fell to I. Ferreira re SPA; receipt of email from C. Fell to F. Kisluk re clean copy of SPA for digital data room | 0.20 | \$550.00 | \$110.00 | JR |
| 06/12/2024 | Review revised share purchase agreement; email to M. Grossell re: same. | 0.70 | \$705.00 | \$493.50 | CF |
| 06/13/2024 | Receipt of email from F. Kisluk; instruct L. Rivers re filing of SPA; Receipt of email from F. Kisluk re last minute bidders; various discussion with C. Fell; emails with Spergel | 0.50 | \$550.00 | \$275.00 | JR |

| | | | | | |
|------------|---|------|----------|------------|----|
| | and M. Grossell re bidders | | | | |
| 06/13/2024 | Emails re: extension of bid deadline. | 0.50 | \$705.00 | \$352.50 | CF |
| 06/14/2024 | Emails re data room access w/ F. Fisluk, C. Fell, R. Dhillon McTs | 0.30 | \$550.00 | \$165.00 | JR |
| 06/20/2024 | Receipt and review of emails from R. Dhillon, F. Kisluk; email to F. Kisluk re C. Fell on all correspondence and receipt of reply | 0.10 | \$550.00 | \$55.00 | JR |
| 06/21/2024 | Receipt and review of emails from C. Fell, F. Kisluk, M. Manchanda, D. Stern, J. Horne all re data room docs including leases and contracts; forward various emails to C. Fell for review; monitoring further emails from Spergel and Company; emails with F. Kisluk re payment of invoices | 0.60 | \$550.00 | \$330.00 | JR |
| 06/21/2024 | Emails re: payment of monitor counsel fees; emails re: disclosure of employee information to Mccarthys. | 0.60 | \$705.00 | \$423.00 | CF |
| 06/24/2024 | Receipt and review of email from M. Morim re cannabis licenses | 0.10 | \$550.00 | \$55.00 | JR |
| 06/25/2024 | Receipt and review of emails re bids from M. Grossell, M. Manchanda and enclosures containing bids | 0.20 | \$550.00 | \$110.00 | JR |
| 06/26/2024 | Receipt of emails from F. Kisluk, C. Fell, M. Grossell re trademark, question from preferred bidder re extraction equipment; review and consider offer docs; receipt of email from I. Ferreira enclosing revised SPA | 0.30 | \$550.00 | \$165.00 | JR |
| 06/26/2024 | Emails re: disclosure of transfers of trademark. Review SPA and comment on same. | 2.90 | \$705.00 | \$2,044.50 | CF |
| 06/27/2024 | Discussion w/ C. Fell, reviewing SPA and provide comments to C. Fell re same | 0.50 | \$550.00 | \$275.00 | JR |
| 06/28/2024 | Reviewing emails from C. Fell, M. Grossell, I. Ferreira, Monitor, D. Stern | 1.30 | \$550.00 | \$715.00 | JR |

Quantity Subtotal 11.6

| Time Keeper | Hours | Rate | Total |
|-----------------|-------|----------|------------|
| Caitlin Fell | 6.0 | \$705.00 | \$4,230.00 |
| Jared Rosenbaum | 5.6 | \$550.00 | \$3,080.00 |

Quantity Total 11.6

Subtotal \$7,310.00

Tax (13.0%) \$950.30

Total \$8,260.30

Detailed Statement of Account

Other Invoices

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due |
|----------------|------------|-------------|-------------------|-------------|
| 496285 | 06/13/2024 | \$13,815.38 | \$0.00 | \$13,815.38 |

Current Invoice

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due |
|---------------------------------|------------|------------|-------------------|--------------------|
| 496465 | 08/04/2024 | \$8,260.30 | \$0.00 | \$8,260.30 |
| Outstanding Balance | | | | \$22,075.68 |
| Total Amount Outstanding | | | | \$22,075.68 |

Please make all amounts payable to: Reconstruct LLP

Please pay within 30 days. 10.0% simple annual interest will be charged every 30 days.

HST No.: 737783274 RT 0001

Remittance Advice

Wire Transfer Information

Bank Name/Address: Royal Bank of Canada
Main Branch - Toronto
Royal Bank Plaza
200 Bay Street
Toronto, ON M5J 2J5

Account Number: 1570423
Transit Number: 00002
Bank Number: 003

Name/Account #: Reconstruct LLP

SWIFT: ROYCCAT2

Payment by e-transfer: accountspayable@reconllp.com

Payment by Credit Card: Please call 416.613.8280 to make a payment.

Please include the invoice number 496465 as an additional reference so we may accurately identify and apply your payment.
Please provide adequate payment to cover the wire fees assessed by your financial institution.



INVOICE

Invoice # 496490
 Date: 07/11/2024
 Due On: 08/10/2024

120 Adelaide Street West, Suite 2500
 Toronto, ON
 M5H 1T1
 T: 416.613.8280
 F: 416.613.8290

msi Spergel Inc.
 200 Yorkland Blvd, Suite 1100
 Toronto, Ontario
 M2J 5C1

00419-msi Spergel inc.

Insolvency proceedings of Cannmart Labs Inc.

| Date | Description | Hours | Rate | Total | LP |
|------------|--|-------|----------|------------|----|
| 07/02/2024 | Receipt and review of email from M. Morim; receipt and review of email from F. Kisluk re monitor's report and payment of RECON invoice | 0.10 | \$550.00 | \$55.00 | JR |
| 07/09/2024 | Review and modification of draft orders; review and modification of stern affidavit. | 1.50 | \$575.00 | \$862.50 | JW |
| 07/09/2024 | Review draft ARVO and CCAA termination affidavit; review of Share Purchase Agreement; review draft ARVO and CCAA Termination Order; comment on documents; related review and verifications; related correspondence. | 4.00 | \$505.00 | \$2,020.00 | JT |
| 07/10/2024 | Receipt and review of emails from M. Grossell, C. Fell, J. Wuthmann re live resin inventory; analysis of emails regarding inventory, compose and send email to C. Fell re same; reviewing draft Stern affidavit w/ RECON revisions; lengthy calls with F. Kisluk and with J. Wuthmann re inventory issues, email to parties re position on inventory; receipt of email from K. Kaip re inventory at Adastra; phone call with F. Kisluk; Calls with F. Kisluk re cash flows; calls with J. Wuthmann re same; draft and send email to F. Kisluk re monitor's relationship to ResidualCo; receipt of emails from M. Grossell, K. Kaip, D. Stern re labs products situated at Adastra; receipt of email from F. Kisluk re professional fees estimate; receipt of email from I. Ferreira re revised Stern affidavit; emails with J. Wuthmann and further revising Stern affidavit; emails with C. Fell re issue regarding PO from Adastra | 4.50 | \$550.00 | \$2,475.00 | JR |
| 07/10/2024 | Correspondence with Monitor regarding report, inventory | 1.30 | \$575.00 | \$747.50 | JW |

and cash flow; correspondence with company regarding inventory and cash flow; strategic discussions with J. Rosenabum.

| | | | | | |
|------------|--|------|----------|--------------------------|-------------|
| 07/11/2024 | Reviewing motion record of CannMart Labs; emails with F. Kisluk, L. Rivers re fees to date, estimated fees to complete mandate; emails with F. Kisluk re delivery of cash flows and draft Monitor report | 0.80 | \$550.00 | \$440.00 | JR |
| | | | | Quantity Subtotal | 12.2 |

| Time Keeper | Hours | Rate | Total | |
|------------------|-------|----------|-----------------------|-------------------|
| Jared Rosenbaum | 5.4 | \$550.00 | \$2,970.00 | |
| Joel Turgeon | 4.0 | \$505.00 | \$2,020.00 | |
| Jessica Wuthmann | 2.8 | \$575.00 | \$1,610.00 | |
| | | | Quantity Total | 12.2 |
| | | | Subtotal | \$6,600.00 |
| | | | Tax (13.0%) | \$858.00 |
| | | | Total | \$7,458.00 |

Detailed Statement of Account

Other Invoices

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due |
|----------------|------------|-------------|-------------------|-------------|
| 496285 | 06/13/2024 | \$13,815.38 | \$0.00 | \$13,815.38 |

Current Invoice

| Invoice Number | Due On | Amount Due | Payments Received | Balance Due | |
|----------------|------------|------------|-------------------|---------------------------------|--------------------|
| 496490 | 08/10/2024 | \$7,458.00 | \$0.00 | \$7,458.00 | |
| | | | | Outstanding Balance | \$21,273.38 |
| | | | | Total Amount Outstanding | \$21,273.38 |

Please make all amounts payable to: Reconstruct LLP

Please pay within 30 days. 10.0% simple annual interest will be charged every 30 days.

HST No.: 737783274 RT 0001

Remittance Advice

Wire Transfer Information

Bank Name/Address: Royal Bank of Canada
Main Branch - Toronto
Royal Bank Plaza
200 Bay Street
Toronto, ON M5J 2J5

Account Number: 1570423
Transit Number: 00002
Bank Number: 003

Name/Account #: Reconstruct LLP

SWIFT: ROYCCAT2

Payment by e-transfer: accountspayable@reconllp.com

Payment by Credit Card: Please call 416.613.8280 to make a payment.

Please include the invoice number 496490 as an additional reference so we may accurately identify and apply your payment.
Please provide adequate payment to cover the wire fees assessed by your financial institution.

THIS IS **EXHIBIT "B"** REFERRED TO IN THE AFFIDAVIT OF **JARED ROSENBAUM**
SWORN BEFORE ME AT THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO
THIS 11TH DAY OF JULY, 2024.

DocuSigned by:

Levi Rivers

BA31FCEA83114AC

A COMMISSIONER FOR TAKING AFFIDAVITS
LEVI RIVERS

Summary of Accounts of Reconstruct LLP
 (From April 25, 2024 to July 11, 2024)

| SUMMARY OF TIMEKEEPERS | | |
|--------------------------------|---------------------|--------------------|
| Legal Professional | Year of Call | Hourly Rate |
| Caitlin Fell, Partner | 2010 | \$705 |
| Jessica Wuthmann, Counsel | 2017 | \$575 |
| Joel Turgeon, Snr. Associate | 2020 | \$505 |
| Jared Rosenbaum, Snr Associate | 2018 | \$550 |

| Billing Summary | | |
|------------------------|---|--------------------|
| | Total Hours for C. Fell: | 18.8 |
| | Total Professional Fees for C. Fell: | \$13,254 |
| | Total Hours for J. Wuthmann: | 2 |
| | Total Professional Fees for J. Wuthmann: | \$1,150 |
| | Total Hours for J. Turgeon: | 4 |
| | Total Professional Fees for J. Turgeon: | \$2,020 |
| | Total Hours for J. Rosenbaum: | 37.7 |
| | Total Professional Fees for J. Rosenbaum: | \$20,735 |
| | Total Hours: | 62.5 |
| | Average Hourly Rate: | \$601.9 |
| | Professional fees: | \$37,619 |
| | Disbursements: | \$150 |
| | Sub-Total | \$37,769 |
| | HST | \$4,909.97 |
| | TOTAL PROFESSIONAL FEES: | \$42,678.97 |

**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.**

Applicant

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

Proceedings commenced at Toronto

FEE AFFIDAVIT OF JARED ROSENBAUM

RECONSTRUCT LLP

Richmond-Adelaide Centre
120 Adelaide Street West, Suite 2500
Toronto, ON M5H 1T1

Caitlin Fell LSO No. 60091H
cfell@reconllp.com
Tel: 416.613.8282

Fax: 416.613.8290

Lawyers for Msi Spergel Inc.