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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE ~~CALGARY~~
Edmonton



APPLICANTS IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, RSC 1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF DYNALEO INC.

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF DYNALEO GROUP SERVICES INC.

DOCUMENT **FIRST REPORT OF HARRIS & PARTNERS INC. IN ITS CAPACITY OF TRUSTEE UNDER THE NOTICE OF INTENTION TO MAKE A PROPOSAL**

May 24, 2023

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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INTRODUCTION

1. On May 23, 2023 Dynaleo Inc. (“**Dynaleo**”) and Dynaleo Group Services Inc. (“**Dyanleo Services**” and together with Dynaleo, the “**Companies**”) each filed a Notice of Intention to Make a Proposal (“**NOI**”) under Section 50.4 of the Bankruptcy and Insolvency Act, R.S.C 1985, c. B-3, as amended (the “**BIA**”). Harris & Partners Inc. (“**HPI**”) consented to act as proposal trustee of each of the companies under the NOI (the “**Proposal Trustee**”).
2. Pursuant to section 50.4(8) of the BIA, the initial stay proceedings (the “**Stay**”) under the NOI Proceedings is from May 23, 2023 (the “**Filing Date**”) to June 22, 2023 (the “**Initial Stay Period**”).
3. The Certificate of Filing from the Superintendent of Bankruptcy for Dynaleo is attached hereto as **Appendix “A”**.
4. The Certificate of Filing from the Superintendent of Bankruptcy for Dynaleo Services is attached hereto as **Appendix “B”**.
5. The Affidavit of Michael Krestell, sworn May 23, 2023 (the “**Krestell Affidavit**”), describes, *inter alia*, the Companies’ history and the reasons for the commencement of these proceedings.

Notice of Application by the Companies – May 23, 2023

6. On May 24, 2023, the Companies filed an application (the “**Application**”) with this Honourable Court seeking, among other things, the following:
 - a) declaring that the proposal proceedings for Dynaleo and Dynaleo Services (together, the “**Proposal Proceedings**”) are administratively consolidated and continued under a joint title of proceedings;
 - b) approving a sale, refinancing and investment solicitation process (the “**SISP**”) to seek an investment in or a sale of the Companies’ property as part of the restructuring process;

- c) authorizing the Companies to borrow up to \$150,000 under a debtor-in-possession loan facility (the “**Interim Financing Facility**”) to allow the Companies to satisfy their expenses incurred after the commencement of and in connection with these Proposal Proceedings;
- d) grant the following priority charges (the "**Proposed Charges**") over only Dynaleo’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**");
 - i. the Administration Charge in favour of the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Companies’;
 - ii. the Interim Lender’s Charge in favour of Travelers Capital Corp. ("**Travelers**” or the "**Interim Lender**"); and
 - iii. the Directors’ Charge in favour of the Directors and Officers;
and
- e) extend the Stay for a further period of not more than 45 days from the expiry of the Initial Stay Period to August 5, 2023.

PURPOSE

- 7. The purpose of this First Report of the Proposal Trustee (the "**First Report**" or this "**Report**") is to provide this Honourable Court and the Companies’ stakeholders with information and the Proposal Trustee’s comments in respect of the following:
 - a) background information regarding the Companies;
 - b) the activities of the Companies and the Proposal Trustee prior to and since the filing of the NOI;
 - c) the proposed SISP;
 - d) the Companies’ cash flow projection;

- e) the Companies' Application seeking:
 - i. approval of the Interim Financing Facility;
 - ii. approval of the Proposed Charges; and
 - iii. an extension of the Initial Stay Period up to and including August 5, 2023; and
- f) the Proposal Trustee's overall recommendations in respect of the relief sought by the Companies at the May 30 Hearing.

TERMS OF REFERENCE

8. In preparing this First Report, the Proposal Trustee has been provided with, and has relied upon, certain unaudited financial information books, records, and financial information prepared by the Companies and has had discussions with and received information from persons managing the Companies (collectively, the "**Information**"). Except as described in the First Report in respect of the Cash Flow Forecast:
- a) the Proposal Trustee reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants of Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and
 - b) some of the Information referred to in this Report consists of forecasts and projection. An examination or review of the financial forecast and projections, as outlined in the CPA Handbook, has not been performed.

9. Future-oriented financial information relied upon in this Report is based on the Companies' assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.
10. Any use which any person or entity, other than the Court, makes of this First Report, or any reliance on or a decision made based upon this First Report is at such person's or entity's own risk.
11. All references to dollars are in Canadian currency unless otherwise noted.

LIMITATION IN SCOPE OF REVIEW

12. The First Report has been prepared by the Proposal Trustee pursuant to the BIA.
13. This First Report is not, and should not be construed or interpreted as, an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to the Companies during these proceedings and/or at any other time.
14. The Proposal Trustee has not audited or reviewed the assets of the Companies and, with respect to such assets, has relied to a significant degree upon information provided by the Companies.
15. The Trustee is specifically not directed or empowered to take possession of the assets of the Companies or to manage any of the Companies' business and affairs .

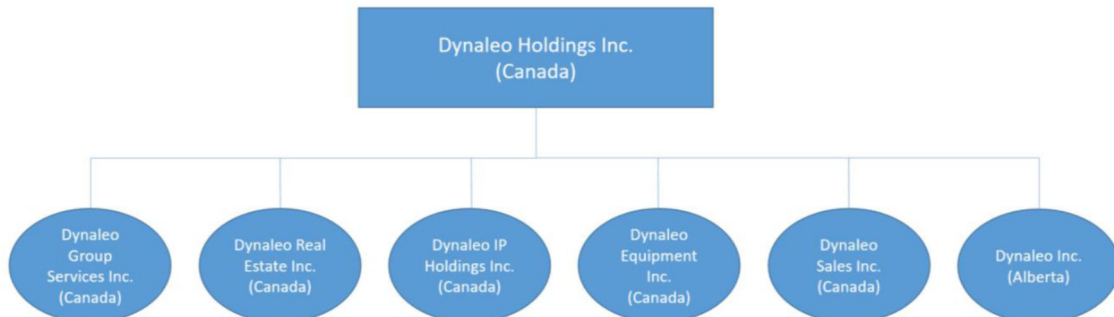
BACKGROUND INFORMATION REGARDING THE COMPANIES

16. This Report should be read in conjunction with the Krestell Affidavit for additional background information regarding the Companies, and upon which the Proposal Trustee relies.

17. The materials filed in support of the Application, including the Krestell Affidavit, along with other information regarding the NOI, have been posted on the Proposal Trustee’s website at www.hpiadvisory.com/dynaleo (the “Website”).

The Companies’ Business, Management, and Ownership Structure

18. As further detailed in the Krestell Affidavit, Dynaleo is a privately held Canadian company, which has been operating since 2018. It is in the business of producing and distributing cannabis-infused gummies.
19. Dynaleo owns the equipment and supplies necessary for the production of the cannabis-infused edible gummies (the “Product”). Dynaleo also holds the lease in which the Companies operate out of and is responsible for distribution of the Product to the Companies’ customers.
20. Dynaleo Services employs all employees of the “Dynaleo Group”. Dynaleo Services has entered into agreements with the other companies in the Dynaleo Group, including Dynaleo, Dynaleo Holdings Inc., Dynaleo Real Estate Inc., Dynaleo IP Holdings Inc., Dynaleo Equipment Inc., and Dynaleo Sales Inc. to second employees to the other companies within the group and to provide general and administrative business support including accounting and finance, marketing, and human resources.
21. Dynaleo and Dynaleo Services are each wholly owned subsidiaries of Dyanleo Holdings Inc.
22. The Companies’ ownership structure is reflected in the diagram below:



Dynaleo

23. Dynaleo is a private company and was incorporated in the Province of Alberta. Dynaleo is the company that holds all assets, liabilities, all Health Canada licenses and all sales of the Product as well as the ownership of the Product.
24. Dynaleo's principal place of business is located at 3365 11th Street, Nisku, Alberta, which it leases.
25. Dynaleo's customers include the Alberta Gaming and Liquor Commission (AGLC), the British Columbia Liquor Distribution Branch (BCLDB), Ontario Cannabis Store (OCS), Manitoba Liquor and Lotteries (MBLL) and other provincial agencies, as well as a large brand leader of cannabis-infused edible gummies business (the "**Customer**").
26. The Customer sought out Dynaleo because of its high-quality products and significant output at a low unit cost profile and on July 29, 2022, Dynaleo and the Customer entered into a Contract Manufacturing Agreement for the Companies to produce Products for the Customer.
27. As part of the contract, Dynaleo needed to make significant capital expenditures to acquire specialized machinery to meet the volume and product specifications for the Customer. Dynaleo had to raise additional funds to pay for the equipment, raw materials, packaging, and increased labour needs to meet the anticipated demands of the Customer.
28. After several months of ramping up its operations for the Customer contract, Dynaleo was advised by the Customer that, due to unforeseen changes to its strategic priorities, the Customer was unable to purchase the anticipated product volumes.
29. Without the substantial net positive revenue generation expected from the Customer, which would have resulted in monthly net profits exceeding \$100,000

per month, instead the Companies are operating at a net loss of nearly \$150,000 per month.

30. Dynaleo currently has no employees.

Dynaleo Services

31. Dynaleo Services had over 65 employees (the “**Employees**”), all of whom were based in Alberta, with the exception of four employees based in Ontario and one in British Columbia.
32. On May 9, 2023, after being informed by the Customer of its reduced Product volume purchases, Dynaleo Services laid off 25 of its Employees.
33. The remainder of the Employees were terminated upon filing the NOI. Five individuals have been retained on a contract basis by Dynaleo to assist the Companies with carrying out the SISP and this proceeding.
34. The Companies are no longer able to meet their short-term obligations as they become due. Dynaleo Services can no longer operate as it cannot meet its payroll and source deduction obligations. Dynaleo is unable to continue meeting its monthly payment obligations on its lease with the landlord of the premises where the Companies operate, as well as the day-to-day costs of running the business.

ACTIVITIES OF THE COMPANIES AND THE PROPOSAL TRUSTEE

35. Prior to and since the Filing Date, the Proposal Trustee and the Companies’ management (“**Management**”) have engaged in the following activities:
 - a) the Proposal Trustee is preparing the initial notice to all known creditors to notify them of the NOI proceedings pursuant to section 50.4 (6) of the BIA (the “**Notice to Creditors**”). The Notice to Creditors, including a list of creditors and will be mailed to all known creditors prior to May 29, 2023, and posted to the Website;

- b) Management, with the assistance of the Proposal Trustee, prepared a cash flow forecast statement (the "**Cash Flow Forecast**") for the 13-week period from May 23, 2023 to August 18, 2023 (the "**Forecast Period**"). The Cash Flow Forecast will be filed with the Office of Superintendent of Bankruptcy on or before June 2, 2023 in accordance with section 50.4(2) of the BIA. A copy of the Cash Flow Forecast, including the accompanying assumptions, is attached hereto as **Appendix "C"**;
- c) the Proposal Trustee engaged the services of MLT Aikins LLP ("**MLT**") to act as its independent legal counsel;
- d) there have been numerous communications between the Proposal Trustee, its legal counsel, the Companies' legal counsel, and Management relating to matters relevant in the Proposal Proceedings, including reviewing and providing comments to the Companies respecting the proposed SISP and the various other relief being sought by the Companies in their Application; and
- e) attending to the ongoing monitoring of the Companies' financial affairs and activities by the Proposal Trustee and Management.

SALES AND INVESTMENT SOLICITATION PROCESS

Overview

36. The Companies have determined that it is in the best interests of their creditors and other stakeholders for the Companies to undertake a restructuring process. The SISP is the central component of the restructuring process. The Companies, with the assistance of the Proposal Trustee, will market their business pursuant to a SISP which is designed to ensure that a strategic and targeted group of potential interested parties are canvassed that will enable the Companies to receive the best possible offer to maximize the value of their estates for the benefit of all stakeholders within the NOI.

37. The Companies, with the support of the Proposal Trustee, believe that the SISP provides for the greatest flexibility in soliciting and selecting bids from interested parties for the sale of or investment in the business or assets of the Companies, or for a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving the Companies, or some combination thereof, and will provide the greatest opportunity for the Companies to complete a restructuring of their operational and financial affairs.

Summary of the SISP

38. A copy of the proposed SISP is attached as **Appendix "D"**. The Proposal Trustee has summarized certain key points of the SISP below. All Potential Bidders (as defined below) are advised to review the SISP document in detail.
39. Pursuant to the SISP, all qualified interested parties will be provided with an opportunity to participate in the SISP. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one or more components of the Property and business operations (the "**Business**") as a going concern or otherwise.
40. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an "*as is, where is*" basis and without surviving representations or warranties of any nature and kind, by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

41. The key components of the SISP are as follows (with capitalized terms used but not defined below intended to bear their respective meanings as defined in the SISP):
- a) the Companies, in consultation with the Proposal Trustee, shall prepare a list of Potential Bidders, including; (i) parties that have approached the Companies and/or the Proposal Trustee indicating an interest in the Opportunity, (ii) strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP;
 - b) the Proposal Trustee will arrange for a notice of the SISP and such other relevant information which the Proposal Trustee, in consultation with the Companies, considers appropriate (the "**Notice**") to be published in Insolvency Insider and any industry publication, website, newspaper or journal as the Companies, in consultation with the Proposal Trustee, consider appropriate, if any;
 - c) the Companies, in consultation with the Proposal Trustee, will prepare and distribute a process summary (the "**Teaser Letter**") describing the Opportunity and outlining the process under the SISP. The Teaser Letter will invite interested parties to express their interest pursuant to the SISP and execute a non-disclosure agreement ("**NDA**") that is satisfactory to the Companies and the Proposal Trustee;
 - d) Any party who wishes to participate in the SISP (each, a "**Potential Bidder**") must deliver to the Companies and the Proposal Trustee, an executed NDA, a letter setting forth the required information as laid out in the SISP and a form of financial disclosure and credit quality support that enables the Companies and the Proposal Trustee to understand the Potential Bidder's ability to consummate a potential transaction;

- e) If the Companies, in consultation with the Proposal Trustee and with the approval of the Proposal Trustee, determine that a Potential Bidder has satisfied the requirements as noted above and within the SISP procedure document, then the Potential Bidder will be deemed to be a "**Phase 1 Qualified Bidder**";
- f) A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an "**LOI**") to the Proposal Trustee at the address specified in the SISP procedure document, to be received by them not later than 5:00 PM (Calgary Time) on June 23, 2023 (the "**Phase 1 Bid Deadline**");
- g) Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee, will assess the Qualified LOIs and select certain parties to advance to Phase 2 a "**Phase 2 Qualified Bidder**," and shall be permitted to proceed to Phase 2 of the SISP;
- h) If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may either terminate this SISP, or extend the Phase 1 Bid Deadline without further Court approval, unless otherwise provided for by the Proposal Trustee;
- i) If the Proposal Trustee, in consultation with the Companies, is of the view there is only one Qualified LOI worth the Company pursuing a transaction with, the Proposal Trustee, in consultation with the Companies, may terminate the SISP and bypass the steps set out in Phase 2 of this SISP, and the Companies, in consultation with the Proposal Trustee, may enter into exclusive negotiations with such Phase 1 Qualified Bidder for a transaction;
- j) The Companies, in consultation with the Proposal Trustee, may prepare a bid process letter for Phase 2 (the "**Bid Process Letter**") to be sent

by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline;

- k) Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a "**Phase 2 Bid**") that complies with all of the requirements in the SISP procedure document to the Proposal Trustee at the address specified, so as to be received by them not later than 5:00 PM (Calgary Time) on July 7 2023 or as may be modified in the Bid Process Letter (the "**Phase 2 Bid Deadline**");
- l) Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee and the Interim Lender, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**";
- m) The Proposal Trustee will notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate;
- n) The Companies, in consultation with the Interim Lender and with the approval of the Proposal Trustee, will review and evaluate each Qualified Bid and identify the highest or otherwise best bid (the "**Successful Bid**"). The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee and in consultation with the Interim Lender, shall be subject to approval by this Honourable Court;
- o) The Companies and the Proposal Trustee shall take all necessary steps required to implement the transaction contemplated by the Successful Bid(s) and either the Companies or the Proposal Trustee, as applicable,

shall apply to the Court (the "**Transaction Approval Motion**") for an order approving the Successful Bid(s) and authorizing the Companies to enter into any and all necessary agreements with respect to the Successful Bid(s) and to undertake such other actions as may be necessary or appropriate to implement and give effect to the Successful Bid(s); and

- p) The Companies and the Successful Bidder shall take all reasonable steps to complete the transaction contemplated by the Successful Bid as soon as possible after the Successful Bid is approved by the Court.

42. A summary of the timelines included in the proposed SISP are outlined in the chart as follows:

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	June 2, 2023
Phase 1 Bid Deadline	June 23, 2023
Phase 2 Bid Deadline	July 7, 2023
Transaction Approval Application Hearing	July 14, 2023
Closing Date Deadline	July 21, 2023

43. The Proposal Trustee may, at any time during the SISP, apply to this Honourable Court for advice and directions with respect to the discharge of its obligations and duties thereunder.

The Proposal Trustee’s comments on the SISP

44. The Proposal Trustee is of the view that the implementation of the proposed SISP by the Proposal Trustee, in consultation with the Companies, is appropriate under the circumstances. The Proposal Trustee is of the respectful view that the SISP ought to be approved by this Honourable Court for the following reasons:

- a) the SISP provides a fair and transparent process which will be conducted in such a manner as to give potential bidders equal opportunity to express their interest in making an offer on the Companies' business and/or assets;
 - b) Phase I of the SISP provides for an initial three-week marketing process to sufficiently expose the Companies and its assets to the market;
 - c) no stakeholders are likely to be prejudiced by the process; and
 - d) the Proposal Trustee has experience in marketing distressed companies in these types of circumstances.
45. The Proposal Trustee is also of the view that time is of the essence in ensuring that an efficient restructuring of the business occurs to allow the Companies to restructure their business affairs.

CASH FLOW FORECAST

46. The Companies, with the assistance of the Proposal Trustee, have prepared the Cash Flow Forecast.
47. A summary of the Cash Flow Forecast and select assumptions underlying same are as follows:
- a) total projected cash receipts of approximately \$628,200;
 - b) total operating cash disbursements forecast of approximately \$393,900 and non-operating cash disbursements of approximately \$250,000, resulting in a net decrease in cash of approximately \$15,700 during the Forecast Period; and
 - c) proposed interim financing of approximately \$125,000 will be required over the Forecast Period.

48. Significant assumptions made by the Companies with respect to the Cash Flow Forecast are included in **Appendix "C"**.
49. Based on the assumption that the maximum \$150,000 is available for the Companies under the proposed Interim Financing Facility, it is currently estimated that the funds will be sufficient in order to allow the Companies to operate during the period contemplated in the SISP and to complete the Proposal Proceedings.

INTERIM FINANCING FACILITY

50. The Cash Flow Forecast indicates that, with access to the Interim Financing Facility of \$150,000, the Companies will be able to fund operations in the normal course of business and to complete the SISP and Proposal Proceedings. In contrast, without the Interim Financing Facility, the Companies will not have sufficient funds to operate.
51. The Companies are seeking to obtain and borrow under the Interim Financing Facility to finance the Companies' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$150,000 unless agreed to by the parties and as permitted by further order of this Honourable Court. Such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Companies and the Interim Lender, which is attached as **Appendix "E"**.
52. The Proposal Trustee has reviewed the terms and values within the Interim Financing Term Sheet and believe that they are consistent with this market and other insolvency proceedings of this nature. To gain comfort of the terms within the Interim Financing Term Sheet the Proposal Trustee reviewed historical term sheets from former NOI proceedings to ensure that the respective terms and values were consistent with other proceedings of this nature. As such, the Proposal Trustee believes the terms and quantum that the Companies are seeking through the Interim Financing Term Sheet appear fair and reasonable in the circumstances.

53. Pursuant to section 50.6(5) of the BIA, the Proposal Trustee has reviewed the proposed Interim Financing Term Sheet and has considered the following factors:
- a) the period during which the Companies are expected to be subject to the proceedings under the BIA;
 - b) how the Companies' business and financial affairs are to be managed during the Proposal Proceedings;
 - c) whether management has the confidence of its major creditor(s) impacted under these Proposal Proceedings;
 - d) whether the Interim Financing Facility would enhance the prospects of a viable proposal being made in respect of the Companies; and
 - e) the nature and value of the Companies' property.
54. In consideration of the foregoing factors, the Proposal Trustee notes that the Companies currently have limited cash resources and may not be able to complete their restructuring and/or initiate the proposed SISP should the Interim Financing Facility not be approved by this Honourable Court. The Proposal Trustee further notes that the Companies are carefully managing cash on a day-to-day basis with oversight from the Proposal Trustee.
55. The Proposal Trustee is of the view that the Interim Financing Facility is warranted as without it, it would be exceedingly difficult for the Companies to successfully restructure under the NOI. Further, in any probable realization strategy, a receiver, trustee or other administrator or manager would likely recommend expending a similar amount of funds in order to preserve and market the Companies and/or their assets.

PRIORITY CHARGES

Administration Charge

56. The Companies are seeking a charge (the "**Administration Charge**") up to a maximum of \$200,000 over the Property to secure payment of the fees and disbursements of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Companies.
57. Given the tight liquidity constraints that the Companies' have been operating under, there is a heightened risk to the timely funding of professional fees relating to these proceedings even if funds are ultimately available under the Interim Financing Facility.
58. These Proposal Proceedings require the necessary involvement of professionals to guide and complete a successful proposal and as such, it is the Proposal Trustee's respectful view that the Administration Charge is reasonable and appropriate to ensure the continued support of the respective professionals in the Companies' efforts to restructure its affairs by way of the SISP, attempting to formulate a proposal for the creditors or implementing other possible restructuring options.
59. Should the services being provided by the professionals in the Proposal Proceedings exceed what has been forecast in the Cash Flow Forecast, the Companies with the support of the Proposal Trustee, believes the proposed Administration Charge should provide sufficient additional security, under the circumstances, towards any additional fees and costs that may be incurred.

Interim Financing Charge

60. The Companies are seeking a charge (the "**Interim Financing Charge**") against the Property to secure obligations incurred in accordance with the Interim Financing Facility.
61. The Interim Financing Charge is necessary in order to ensure that the Interim Lender has security for the Interim Financing Facility. The proposed quantum of

the advance under Interim Financing Facility has been determined based upon the projected cash flow needs set out in the Companies' Cash Flow Forecast.

62. It is the Proposal Trustee's respectful view that the Interim Financing Charge is reasonable and appropriate to ensure the working capital necessary to complete these proceedings.

Director's Charge

63. The Companies are seeking a charge (the "**Directors Charge**") against the Property to a maximum amount of \$75,000 as security for the Companies' obligation to indemnify such directors and officers for obligations and liabilities which they may incur in such capacities after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
64. The Directors' Charge is intended to secure amounts that may be incurred post-Filing and address potential claims that may be brought against directors and officers that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.
65. The Companies require the services of their directors and officers to develop a viable proposal. The Companies' directors and officers have the technical knowledge, experience, and relationships necessary to maximize the value of the Companies and to guide it through a successful restructuring. In addition, the directors also have the security clearances required by Health Canada in order for the Companies to be able to operate in the cannabis sector.
66. The Proposal Trustee has reviewed the quantum of potential claims that may be brought against directors and officers by reviewing items such as source deduction obligations and GST/excise taxes. The Proposal Trustee is respectfully of the view that the Directors Charge is reasonable in the circumstances, particularly in light of the limitations on the scope of the Directors' Charge.

Ranking of Priority Claims

67. The priorities of the Administration Charge, the Interim Lender's Charge, the Directors' Charge (collectively, the "**Proposed Charges**"), as among them, shall be as follows:
- a) First: Administration Charge, up to the maximum amount of \$200,000;
 - b) Second: Interim Lender's Charge, to the extent drawn on the Interim Financing Facility and up to a maximum amount of \$200,000; and
 - c) Third: Directors' Charge, up to the maximum amount of \$75,000.
68. Each of the Proposed Charges shall constitute a charge on the Property and subject always to section 136 of the BIA and the Proposed Charges (if granted) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person.
69. The Proposed Charges are not intended to provide priority security over the assets of Dynaleo Services.
70. Since the Proposed Charges only provide security over the assets of Dynaleo, who does not have any source deduction liabilities owing to the Canada Revenue Agency, the Companies are not seeking to prime any deemed trust liabilities.

APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL

71. Unless it is extended, the Initial Stay Period will expire on June 22, 2023. The Companies are seeking an extension of the period in which it is required to file a proposal to August 5, 2023 pursuant to section 50.4 (9) of the BIA (the "**Proposed Stay Extension**").
72. The Proposal Trustee considered the following factors regarding the Stay Extension:
- a) the Companies are acting in good faith and with due diligence;

- b) the Companies will likely be able to make a viable proposal if the Initial Stay Period were to be extended; and
- c) no creditor in these proceedings will be materially prejudiced if the extension were to be granted.

73. The Proposal Trustee has considered the request of the Companies for the Proposed Stay Extension and the circumstances currently facing the Companies. The Proposal Trustee is supportive of a 45 day stay extension to August 5, 2023, which should serve to provide the Companies with the continued time required to facilitate the proposed SISP.

PROPOSAL TRUSTEE'S RECOMMENDATIONS

74. As set out above, the Proposal Trustee recommends that this Honourable Court approve:
- a) the SISP;
 - b) the Interim Financing Terms and Interim Financing Facility;
 - c) the Administration Charge;
 - d) the Directors' and Officers' Charge;
 - e) the Interim Lending Charge; and
 - f) the Proposed Stay Extension.

All of which is respectfully submitted this 24th day of May, 2023.

HARRIS & PARTNERS INC., solely in its capacity as Proposal Trustee of Dynaleo Inc. and Dynaleo Group Services Inc., and not in its personal or corporate capacity



Per: _____

Name: Jill Strueby

Title: Senior Vice – President

APPENDIX "A"



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 01 - Edmonton
Court No. 24-2946872
Estate No. 24-2946872

In the Matter of the Notice of Intention to make a proposal of:

Dynaleo Inc

Insolvent Person

HARRIS & PARTNERS INC

Licensed Insolvency Trustee

Date of the Notice of Intention:

May 23, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 23, 2023, 16:19

E-File/Dépôt Electronique

Official Receiver

Canada Place Building, 9700 Jasper Avenue NW, Suite 725, Edmonton, Alberta, Canada, T5J4C3, (877)376-9902

Canada^{Canada}

APPENDIX "B"



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 01 - Edmonton
Court No. 24-2946871
Estate No. 24-2946871

In the Matter of the Notice of Intention to make a proposal of:

Dynaleo Group Services Inc.

Insolvent Person

HARRIS & PARTNERS INC

Licensed Insolvency Trustee

Date of the Notice of Intention:

May 23, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 23, 2023, 16:18

E-File/Dépôt Electronique

Official Receiver

Canada Place Building, 9700 Jasper Avenue NW, Suite 725, Edmonton, Alberta, Canada, T5J4C3, (877)376-9902

Canada 

APPENDIX "C"

Dynaleo Inc. and Dynaleo Services Group Inc.

13 Week Cash Flow Forecast ending August 18, 2023

SCAD	Notes	Week 1 26-May-23	Week 2 2-Jun-23	Week 3 9-Jun-23	Week 4 16-Jun-23	Week 5 23-Jun-23	Week 6 30-Jun-23	Week 7 7-Jul-23	Week 8 14-Jul-23	Week 9 21-Jul-23	Week 10 28-Jul-23	Week 11 4-Aug-23	Week 12 11-Aug-23	Week 13 18-Aug-23	13-week Total
Cash Receipts															
Ontario (OCS)	1	-	-	-	38,200	57,400	-	-	-	-	-	-	-	-	95,600
Other sales	2	-	58,900	5,000	41,200	20,000	30,000	11,500	-	-	-	-	-	-	166,600
Other receipts	3	-	57,500	-	23,800	-	73,700	-	-	211,000	-	-	-	-	366,000
		\$ -	\$ 116,400	\$ 5,000	\$ 103,200	\$ 77,400	\$ 103,700	\$ 11,500	\$ -	\$ 211,000	\$ -	\$ -	\$ -	\$ -	\$ 628,200
Operating Cash Disbursements															
Contractor salaries and expenses	4	-	39,600	5,000	44,600	5,000	5,000	5,000	5,000	5,000	-	-	-	-	\$ 114,200
Insurance	5	-	18,000	-	-	-	-	18,000	-	-	-	-	-	-	36,000
Excise taxes	6	-	-	-	-	-	27,500	-	-	-	-	-	-	-	27,500
Utilities	7	-	-	-	20,000	-	-	-	-	20,000	-	-	-	-	40,000
Rent	8	-	45,400	-	-	-	-	37,000	-	-	-	-	-	-	82,400
IT expenses	9	-	2,500	-	-	-	-	-	-	-	-	-	-	-	2,500
Freight	10	-	-	7,500	-	-	-	-	-	-	-	-	-	-	7,500
Inventory maintenance	11	-	-	-	25,000	-	-	-	-	-	-	-	-	-	25,000
Interest and fees	12	-	-	-	6,400	-	16,200	-	-	-	16,200	-	-	-	38,800
Contingency	13	-	-	-	10,000	-	-	-	10,000	-	-	-	-	-	20,000
		-	105,500	12,500	106,000	5,000	48,700	60,000	15,000	25,000	16,200	-	-	-	393,900
Net Cash Flow from Operations		\$ -	\$ 10,900	\$ (7,500)	\$ (2,800)	\$ 72,400	\$ 55,000	\$ (48,500)	\$ (15,000)	\$ 186,000	\$ (16,200)	\$ -	\$ -	\$ -	\$ 234,300
Non-Operating Cash Disbursements															
Harris & Partners Inc.	14	-	-	-	40,000	-	-	35,000	-	-	-	25,000	-	-	\$ 100,000
Miller Thomson LLP		-	-	-	40,000	-	-	30,000	-	-	-	25,000	-	-	95,000
MLT Aikins LLP		-	-	-	20,000	-	-	20,000	-	-	-	15,000	-	-	55,000
		-	-	-	100,000	-	-	85,000	-	-	-	65,000	-	-	250,000
Net Cash Flow		\$ -	\$ 10,900	\$ (7,500)	\$ (102,800)	\$ 72,400	\$ 55,000	\$ (133,500)	\$ (15,000)	\$ 186,000	\$ (16,200)	\$ (65,000)	\$ -	\$ -	\$ (15,700)
Opening Cash		\$ -	\$ -	\$ 10,900	\$ 3,400	\$ 25,600	\$ 98,000	\$ 153,000	\$ 19,500	\$ 4,500	\$ 90,500	\$ 74,300	\$ 9,300	\$ 9,300	\$ -
Net Cash Flow		-	10,900	(7,500)	(102,800)	72,400	55,000	(133,500)	(15,000)	186,000	(16,200)	(65,000)	-	-	(15,700)
DIP Advance (Repayment)		-	-	-	125,000	-	-	-	-	(100,000)	-	-	-	-	25,000
Ending Cash		\$ -	\$ 10,900	\$ 3,400	\$ 25,600	\$ 98,000	\$ 153,000	\$ 19,500	\$ 4,500	\$ 90,500	\$ 74,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
Opening DIP Facility Availability		-	-	-	150,000	25,000	25,000	25,000	25,000	25,000	125,000	125,000	125,000	125,000	\$ 150,000
DIP Borrowings		-	-	-	125,000	-	-	-	-	-	-	-	-	-	125,000
DIP Repayment		-	-	-	-	-	-	-	-	(100,000)	-	-	-	-	(100,000)
Closing DIP Facility Availability		-	-	-	25,000	25,000	25,000	25,000	25,000	125,000	125,000	125,000	125,000	125,000	\$ 125,000

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

Dynaleo Inc. and Dynaleo Group Services Inc.



Michael Krestell
Executive Director

May 24, 2023
Date

Harris & Partners Inc., in its capacity as Proposal Trustee of
Dynaleo Inc. and Dynaleo Group Services Inc., and not in its personal or corporate capacity



David Adams, CIRP, LT
Senior Vice President

May 24, 2023
Date

Dynaleo Inc.

13 Week Cash Flow Forecast ending August 18, 2023

SCAD	Notes	Week 1 26-May-23	Week 2 2-Jun-23	Week 3 9-Jun-23	Week 4 16-Jun-23	Week 5 23-Jun-23	Week 6 30-Jun-23	Week 7 7-Jul-23	Week 8 14-Jul-23	Week 9 21-Jul-23	Week 10 28-Jul-23	Week 11 4-Aug-23	Week 12 11-Aug-23	Week 13 18-Aug-23	13-week Total
Cash Receipts															
Ontario (OCS)	1	-	-	-	38,200	57,400	-	-	-	-	-	-	-	-	95,600
Other sales	2	-	58,900	5,000	41,200	20,000	30,000	11,500	-	-	-	-	-	-	166,600
Other receipts	3	-	57,500	-	23,800	-	73,700	-	-	211,000	-	-	-	-	366,000
		\$ -	\$ 116,400	\$ 5,000	\$ 103,200	\$ 77,400	\$ 103,700	\$ 11,500	\$ -	\$ 211,000	\$ -	\$ -	\$ -	\$ -	\$ 628,200
Operating Cash Disbursements															
Contractor salaries and expenses	4	-	39,600	5,000	44,600	5,000	5,000	5,000	5,000	5,000	-	-	-	-	\$ 114,200
Insurance	5	-	18,000	-	-	-	-	18,000	-	-	-	-	-	-	36,000
Excise taxes	6	-	-	-	-	-	27,500	-	-	-	-	-	-	-	27,500
Utilities	7	-	-	-	20,000	-	-	-	-	20,000	-	-	-	-	40,000
Rent	8	-	45,400	-	-	-	-	37,000	-	-	-	-	-	-	82,400
IT expenses	9	-	2,500	-	-	-	-	-	-	-	-	-	-	-	2,500
Freight	10	-	-	7,500	-	-	-	-	-	-	-	-	-	-	7,500
Inventory maintenance	11	-	-	-	25,000	-	-	-	-	-	-	-	-	-	25,000
Interest and fees	12	-	-	-	6,400	-	16,200	-	-	-	16,200	-	-	-	38,800
Contingency	13	-	-	-	10,000	-	-	-	10,000	-	-	-	-	-	20,000
		-	105,500	12,500	106,000	5,000	48,700	60,000	15,000	25,000	16,200	-	-	-	393,900
Net Cash Flow from Operations		\$ -	\$ 10,900	\$ (7,500)	\$ (2,800)	\$ 72,400	\$ 55,000	\$ (48,500)	\$ (15,000)	\$ 186,000	\$ (16,200)	\$ -	\$ -	\$ -	\$ 234,300
Non-Operating Cash Disbursements															
Harris & Partners Inc.	14	-	-	-	40,000	-	-	35,000	-	-	-	25,000	-	-	\$ 100,000
Miller Thomson LLP		-	-	-	40,000	-	-	30,000	-	-	-	25,000	-	-	95,000
MLT Aikins LLP		-	-	-	20,000	-	-	20,000	-	-	-	15,000	-	-	55,000
		-	-	-	100,000	-	-	85,000	-	-	-	65,000	-	-	250,000
Net Cash Flow		\$ -	\$ 10,900	\$ (7,500)	\$ (102,800)	\$ 72,400	\$ 55,000	\$ (133,500)	\$ (15,000)	\$ 186,000	\$ (16,200)	\$ (65,000)	\$ -	\$ -	\$ (15,700)
Opening Cash															
Net Cash Flow		\$ -	\$ -	\$ 10,900	\$ 3,400	\$ 25,600	\$ 98,000	\$ 153,000	\$ 19,500	\$ 4,500	\$ 90,500	\$ 74,300	\$ 9,300	\$ 9,300	\$ -
DIP Advance (Repayment)		-	10,900	(7,500)	(102,800)	72,400	55,000	(133,500)	(15,000)	186,000	(16,200)	(65,000)	-	-	(15,700)
Ending Cash		\$ -	\$ 10,900	\$ 3,400	\$ 25,600	\$ 98,000	\$ 153,000	\$ 19,500	\$ 4,500	\$ 90,500	\$ 74,300	\$ 9,300	\$ 9,300	\$ 9,300	\$ 9,300
Opening DIP Facility Availability															
DIP Borrowings		-	-	-	150,000	25,000	25,000	25,000	25,000	25,000	125,000	125,000	125,000	125,000	\$ 150,000
DIP Repayment		-	-	-	125,000	-	-	-	-	-	-	-	-	-	125,000
Closing DIP Facility Availability		-	-	-	25,000	25,000	25,000	25,000	25,000	125,000	125,000	125,000	125,000	125,000	\$ 125,000

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

Dynaleo Inc.



Michael Krestell
Executive Director

May 24, 2023
Date

Harris & Partners Inc., in its capacity as Proposal Trustee of
Dynaleo Inc., and not in its personal or corporate capacity



David Adams, CIRP, LT
Senior Vice President

May 24, 2023

Date

Dynaleo Group Services Inc.
13 Week Cash Flow Forecast ending August 18, 2023
 \$CAD

	Notes	Week 1 26-May-23	Week 2 2-Jun-23	Week 3 9-Jun-23	Week 4 16-Jun-23	Week 5 23-Jun-23	Week 6 30-Jun-23	Week 7 7-Jul-23	Week 8 14-Jul-23	Week 9 21-Jul-23	Week 10 28-Jul-23	Week 11 4-Aug-23	Week 12 11-Aug-23	Week 13 18-Aug-23	13-week Total
Cash Receipts		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Disbursements		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Opening Cash		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Cash		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON CASH FLOW STATEMENT

Dynaleo Group Services Inc.



 Micheal Krestell
 Executive Chairman

May 24, 2023

 Date

**Harris & Partners Inc., in its capacity as Proposal Trustee of
 Dynaleo Group Services Inc., and not in its personal or corporate capacity**



 David Adams, CIRP, LIT
 Senior Vice President

May 24, 2023

 Date

In the Matter of the Notice of Intention to Make a Proposal of

Dynaleo Inc. and Dynaleo Group Services Inc.

**Notes to the Consolidated Statement of Cash Flow for the 13-week period
ending August 18, 2023**

Purpose and General Assumptions of the Cash Flow Statement

Dynaleo Inc. (“**Dynaleo**”) and Dynaleo Group Services Inc. (“**Dynaleo Services**” or together, the “**Companies**”) have prepared this Cash Flow Statement and the accompanying Notes to the Consolidated Cash Flow Statement (collectively, the “**Cash Flow Statement**”) in support of the Proposal Proceedings that have been filed under the Bankruptcy and Insolvency Act (“**BIA**”) on May 23, 2023 (the “**Filing Date**”).

Harris & Partners Inc. is the Proposal Trustee in this matter (the “**Proposal Trustee**”). The Cash Flow Statement should be read in conjunction with the Report on Cash Flow Statement by the Companies (Form 30 under the BIA) and also with the Proposal Trustee’s Report on Cash Flow Statement (Form 29 under the BIA).

The Companies have prepared the Cash Flow Statement based on probable and hypothetical assumptions that reflect the Companies’ planned course of action for the period from May 24, 2023, to August 18, 2023 (the “**Cash Flow Period**”). Management is of the opinion that, as at the date of filing the Cash Flow Statement, the assumptions used to develop the projection represent the most probable set of economic conditions facing the Companies and that the assumptions used proved a reasonable basis for and are consistent with the purpose of the Cash Flow Statement.

The Cash Flow Statements has been developed pursuant to subsection 50 (6) of the BIA and is in support of these BIA proceedings. The information contained in the Cash Flow Statement is subject to changing assumptions and/or receipt of new or additional information; actual results may vary.

This Cash Flow Statement should not be used for any other purpose, and creditors are cautioned that the information provided in the Cash Flow Statement could vary based on changing future circumstances.

The projected Cash Flow Statement is prepared in Canadian dollars.

Hypothetical and Probable Assumptions of the Cash Flow Statement

1. Ontario (OCS) receipts represents forecast collections from the Ontario Cannabis Store (OCS), a crown corporation who is the sole authorized distributor for the province. 30-day payment terms from the date of shipping have been assumed, based on historical collections.
2. Factoring collections include amounts owing to the Companies from accounts receivables that were previous factored prior to the Filing Date and are based on the terms and conditions of the factoring agreement.

3. Other receipts include sales contract receipts expected from existing customers that are payable to the Companies. The Companies have provided for a 5% risk allowance for customer receipts as a conservative estimation on the possible impact of the NOI filing and public announcement.

Included in Other receipts is an amount of \$211,000 related to a Government of Alberta grant that the Companies anticipate receiving in mid to late July 2023.

4. Contractor salaries and expenses relate to the Companies' contractors payable on a bi-weekly basis and monthly expenses the Companies incur as per the contracts in place with those contractors.
5. The Companies' monthly insurance policy is \$18,000, payable on the 1st of every month.
6. It is assumed excise tax payments incurred prior to commencement of the Proposal Proceedings are stayed. Management estimates that Dynaleo has approximately \$460,000 in outstanding excise taxes owing as at May 23, 2023. Excise taxes owing during the forecast period are assumed to be paid by the Companies in normal course.
7. Utilities include estimated monthly water, natural gas, heat, and electricity. It is assumed that all amounts owing prior to the Proposal Proceedings are stayed. Post-filing utility payments are to be made in normal course and are based on historical amounts and input from the Companies management.
8. The Companies' office monthly rent is \$37,000, payable on the 1st of every month. As of the Filing Date, the Companies were 1 month in arrears and have included an amount of \$8,400 for the pro-rata share of May's rent to be paid on June 1, 2023.
9. IT expenses relate to accounting and operating software as well as monthly costs for website and other cloud hosting services.
10. Payments to freight companies which transport product to provincial distribution centers. It is assumed that amounts owing prior to the commencement of the proposal proceedings are stayed. Post-filing freight payments to be made based on price per PO shipment.
11. Inventory maintenance relates to an amount payable to remove or destroy product that cannot be sold and is based on Management's best estimate.
12. Forecast Interest and fees includes accrued interest payments owing to Travelers Capital Corp. for the Interim Financing Facility.
13. A contingency of \$20,000 for the 13-week period has been incorporated into the cashflow to cover unexpected amounts the Companies may occur during the NOI.
14. Non-Operating costs include amounts forecast for professional fees of the Companies' counsel, the Proposal Trustee, and the Proposal Trustee's Counsel, in carrying out its duties during the NOI

proceedings. These are forecast costs that may vary depending on the complexity and uncertainty of the NOI proceedings.

15. Opening cash is expected to be \$Nil as at the Filing Date.

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & TRUSTEE'S REPORT ON THE CASH FLOW STATEMENT

Dynaleo Inc.



Michael Krestell
Executive Director

Date: May 23, 2023

Trustee – Harris & Partners Inc.



David Adams, LIT
Senior Vice-President

Date: May 23, 2023

APPENDIX "D"

Sale and Investment Solicitation Process

Introduction

1. On May 23, 2023, each of Dynaleo Inc. (“**Dynaleo**”) and Dynaleo Group Services Inc. (“**Dynaleo Services**”) and collectively, the “**Companies**”) filed a Notice of Intention to Make a Proposal (each, an “**NOI**”) pursuant s. 50.4 of the *Bankruptcy and Insolvency Act* (the “**BIA**”) in Estate Nos 24-2946871 and 24-2946872 (the “**NOI Proceedings**”).
2. Harris & Partners Inc. is the proposal trustee of each of the Companies in the NOI Proceedings (in such capacity, the “**Proposal Trustee**”).
3. On May 30, 2023, the Honourable D.B. Nixon of the Court of King's Bench of Alberta (the “**Court**”) granted an Order (the “**SISP Order**”) in the NOI Proceedings, among other things, authorizing the Companies, with the assistance of the Proposal Trustee, to pursue all avenues of sale of or investment in their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.
4. In this regard, the Proposal Trustee will conduct the sale and investment solicitation process (the “**SISP**”) described herein, with the assistance of the Companies and with the approval of the Court pursuant to the SISP Order.
5. The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the Business (as defined herein) of the Companies by way of sale, merger, reorganization, recapitalization, equity issuance or other similar transaction. The Companies intend to provide all qualified interested parties with an opportunity to participate in the SISP.
6. This document (the “**SISP Procedure**”) outlines the SISP, which is comprised of two phases (“**Phase 1**” and “**Phase 2**”, respectively).
7. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a business day in the Province of Alberta (each, a “**Business Day**”) shall be deemed to occur on the next Business Day.

Opportunity

8. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Companies’ assets and business operations (the “**Opportunity**”). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Companies as a going concern, or a sale of all, substantially all, or one or more components of the Companies’ assets (the “**Property**”) and business operations (the “**Business**”) as a going concern or otherwise.
9. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), any sale of the Property or investment in the Business will be on an “as is, where is” basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Companies, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Companies in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders,

to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Timeline

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

Milestone	Deadline
Proposal Trustee to create list of Known Potential Bidders and distribute Teaser Letters and NDAs to Known Potential Bidders	June 2, 2023
Phase 1 Bid Deadline	June 23, 2023
Phase 2 Bid Deadline	July 7, 2023
Transaction Approval Application Hearing	July 14, 2023
Closing Date Deadline	July 21, 2023

The dates set out in the SISP may be extended by the Proposal Trustee.

SOLICITATION OF INTEREST: NOTICE OF THE SISP

11. As soon as reasonably practicable, but in any event by no later than June 2, 2023:
- (a) the Companies, in consultation with the Proposal Trustee, will prepare a list of Potential Bidders (as defined herein), including:
 - (i) parties that have approached the Companies or the Proposal Trustee indicating an interest in the Opportunity; and
 - (ii) local and international strategic and financial parties who the Companies, in consultation with the Proposal Trustee, believe may be interested in purchasing all or part of the Business and Property or investing in the Companies pursuant to the SISP,

(collectively, “**Known Potential Bidders**”);
 - (b) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant information which the Proposal Trustee, in consultation with the Companies, considers appropriate) (the “**Notice**”) to be published in Insolvency Insider and any industry publication, website, newspaper or journal as the Proposal Trustee, in consultation with the Companies, considers appropriate, if any; and
 - (c) the Companies, in consultation with the Proposal Trustee, will prepare:
 - (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
 - (ii) a non-disclosure agreement in form and substance satisfactory to the Companies and the Proposal Trustee, and their respective counsel (an “**NDA**”).

12. The Proposal Trustee shall send the Teaser Letter and NDA to each Known Potential Bidder by no later than June 2, 2022, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Companies or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

PHASE 1: NON-BINDING LOIS

Qualified Bidders

13. Any party who wishes to participate in the SISP (each, a “**Potential Bidder**”) must deliver to the Companies and the Proposal Trustee, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Companies and the Proposal Trustee:
- (a) an executed NDA which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Companies or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
 - (b) a letter setting forth the Potential Bidder's (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and
 - (c) a form of financial disclosure and credit quality support or enhancement that allows the Companies and the Proposal Trustee to make a reasonable determination as to the Potential Bidder’s financial and other capabilities to consummate a Sale Proposal or Investment Proposal (as each is defined herein), as applicable.
14. If the Companies, in consultation with the Proposal Trustee, determine that a Potential Bidder has:
- (a) delivered the documents contemplated in paragraph 13 above; and
 - (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP,
- then such Potential Bidder will be deemed to be a “**Phase 1 Qualified Bidder**”. For greater certainty, no Potential Bidder shall be deemed to be a Phase 1 Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Companies.
15. At any time during Phase 1 of the SISP, the Companies may, in their reasonable business judgment and after consultation with the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Phase 1 Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a Phase 1 Qualified Bidder for the purposes of the SISP.
16. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Companies.

Due Diligence

17. The Proposal Trustee, in consultation with the Companies, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Phase 1 Qualified Bidder such access to due diligence material and information relating to the Property and Business as they or the Proposal Trustee deem appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Phase 1 Qualified Bidder may reasonably request and as to which the Companies, in their reasonable business judgment and after consulting with the Proposal Trustee, may agree.
18. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Phase 1 Qualified Bidders and the manner in which such requests must be communicated. Neither the Companies nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Phase 1 Qualified Bidders. Furthermore, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Phase 1 Qualified Bidders if the Companies, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

Non-Binding Letters of Intent from Phase 1 Qualified Bidders

19. A Phase 1 Qualified Bidder that wishes to pursue the Opportunity further must deliver a non-binding letter of intent (an “**LOI**”) to the Companies and the Proposal Trustee at the addresses specified in Schedule “1” hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on June 23, 2023 (the “**Phase 1 Bid Deadline**”).
20. Subject to paragraph 45, an LOI will only be considered a qualified LOI (a “**Qualified LOI**”) if:
- (a) it is submitted on or before the Phase 1 Bid Deadline by a Phase 1 Qualified Bidder;
 - (b) it contains an indication of whether the Phase 1 Qualified Bidder is offering to:
 - (i) acquire all, substantially all or a portion of the Property (a “**Sale Proposal**”); or
 - (ii) make an investment in, restructure, reorganize or refinance the Business or the Companies (an “**Investment Proposal**”);
 - (c) in the case of a Sale Proposal, it identifies or contains the following:
 - (i) the Purchase Price or price range in Canadian dollars, including details of any liabilities to be assumed by the Phase 1 Qualified Bidder and key assumptions supporting the valuation;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the financial capability of the Phase 1 Qualified Bidder and the expected structure and financing of the transaction;
 - (iv) a description of the conditions and approvals required for a final and binding offer;

- (v) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer; and
 - (vi) any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction;
- (d) in the case of an Investment Proposal, it identifies or contains the following:
- (i) a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Companies in Canadian dollars;
 - (iii) the underlying assumptions regarding the *pro forma* capital structure;
 - (iv) a specific indication of the sources of capital for the Phase 1 Qualified Bidder and the structure and financing of the transaction;
 - (v) a description of the conditions and approvals required for a final and binding offer;
 - (vi) an outline of any additional due diligence required to be conducted in order to submit a final and binding offer;
 - (vii) all conditions to closing that the Phase 1 Qualified Bidder may wish to impose; and
 - (viii) any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- (e) in the case of either a Sale Proposal or an Investment Proposal, it contains such other information as reasonably requested by the Proposal Trustee or the Companies.

Preliminary Assessment of Phase 1 Bids and Subsequent Process

21. Following the Phase 1 Bid Deadline, the Companies, in consultation with the Proposal Trustee, will assess the Qualified LOIs and, if it is determined that a Phase 1 Qualified Bidder that has submitted a Qualified LOI:
- (a) has a *bona fide* interest in completing a Sale Proposal or Investment Proposal (as the case may be); and
 - (b) has the financial capability (based on availability of financing, experience and other considerations) to consummate such a transaction based on the financial information provided;

then such Phase 1 Qualified Bidder will be deemed a “**Phase 2 Qualified Bidder**”, provided that the Companies may, in their reasonable business judgment and after consultation with the Proposal Trustee and with the approval of the Proposal Trustee, limit the number of Phase 2 Qualified Bidders (and thereby eliminate some bidders from the process) taking into account the factors identified in paragraph 22 hereof and any material adverse impact on the operations and performance of the Companies. Only Phase 2 Qualified Bidders shall be permitted to proceed to

Phase 2 of the SISP. No Phase 1 Qualified Bidder that has submitted a Qualified LOI shall be deemed not to be a Phase 2 Qualified Bidder without the approval of the Proposal Trustee.

22. As part of the assessment of Qualified LOIs and the determination of the process subsequent thereto, the Companies, in consultation with the Proposal Trustee, shall determine the process and timing to be followed in pursuing Qualified LOIs based on such factors and circumstances as they consider appropriate in the circumstances including, but not limited to:
- (a) the number of Qualified LOIs received;
 - (b) the extent to which the Qualified LOIs relate to the same Property or Business or involve Investment Proposals predicated on certain Property or Business;
 - (c) the scope of the Property or Business to which any Qualified LOIs may relate; and
 - (d) whether to proceed by way of sealed bid or auction with respect to some or all of the Property.
23. If the Proposal Trustee is not satisfied with the number or terms of the Qualified LOIs, the Proposal Trustee, in consultation with the Companies, may either terminate this SISP, or extend the Phase 1 Bid Deadline without further Court approval and, unless otherwise provided for by the Proposal Trustee, the Phase 2 Bid Deadline (as defined herein), and any other deadlines or timeframes hereunder, shall not apply, or may be extended by the Proposal Trustee as it deems necessary in consultation with the Companies.
24. If the Proposal Trustee, in consultation with the Companies, is of the view there is only one Qualified LOI worth the Company pursuing a transaction with, the Proposal Trustee, in consultation with the Companies, may terminate this SISP and bypass the steps set out in Phase 2 of this SISP, and the Companies, in consultation with the Proposal Trustee, may enter into exclusive negotiations with such Phase 1 Qualified Bidder for a transaction. In such circumstances, any finalized and binding bid by the Phase 1 Qualified Bidder may be selected as the Successful Bid (defined below), and the Phase 1 Qualified Bidder as the Successful Bidder (defined below), for the purposes of the Transaction Approval Application (defined below).
25. If the Proposal Trustee, in consultation with the Companies, elect to bypass Phase 2, the timelines set out in these SISP Procedures shall be proportionally accelerated.
26. Subject to paragraphs 24 and 25 above, following the determination of the manner in which to proceed to Phase 2 of the SISP in accordance with paragraphs 21 and 22 hereof, the Companies, in consultation with the Proposal Trustee and with the approval of the Proposal Trustee, may prepare a bid process letter for Phase 2 (the “**Bid Process Letter**”) to be (a) sent by the Proposal Trustee to all Phase 2 Qualified Bidders as soon as practically possible following the Phase 1 Bid Deadline, and (b) posted by the Proposal Trustee on the website the Proposal Trustee maintains in respect of the NOI Proceedings.

PHASE 2: FORMAL OFFERS AND SELECTION OF SUCCESSFUL BIDDER

27. Paragraphs 28 to 34 below and the conduct of Phase 2 are subject to paragraphs 21 to 26, above, any adjustments made to Phase 2 in accordance with the Bid Process Letter, and any further Court order regarding the SISP.

Formal Binding Offers

28. Phase 2 Qualified Bidders that wish to make a formal offer to purchase or make an investment in the Companies or their Property or Business shall submit a binding offer (a “**Phase 2 Bid**”) that complies with all of the following requirements to Companies and the Proposal Trustee at the addresses specified in Schedule “1” hereto (including by e-mail), so as to be received by them not later than 5:00 PM (Calgary Time) on July 7, 2023, or as may be modified in the Bid Process Letter (the “**Phase 2 Bid Deadline**”):
- (a) the bid shall comply with all of the requirements set forth in paragraph 20 above in respect of Phase 1 Qualified LOIs;
 - (b) the bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Companies or their Property or Business and is consistent with any necessary terms and conditions established by the Companies and the Proposal Trustee and communicated to Phase 2 Qualified Bidders;
 - (c) the bid includes a letter stating that the Phase 2 Qualified Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined herein), provided that if such Phase 2 Qualified Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;
 - (d) the bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the “**Purchase Price**”), together with all exhibits and schedules thereto;
 - (e) the bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Companies and the Proposal Trustee to make a determination as to the Phase 2 Qualified Bidder's financial and other capabilities to consummate the proposed transaction;
 - (f) the bid is not conditioned on (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 from the Phase 2 Qualified Bidder, or (ii) obtaining financing, but may be conditioned upon the Companies receiving the required approvals or amendments relating to the licences required to operate the Business, if necessary;
 - (g) the bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating or benefiting from such bid;
 - (h) for a Sale Proposal, the bid includes a commitment by the Phase 2 Qualified Bidder to provide a non-refundable deposit in the form of a wire transfer to a trust account specified by the Proposal Trustee (a “**Deposit**”) in the amount of not less than 15% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;
 - (i) for an Investment Proposal, the bid includes a Deposit in the amount of not less than 15% of the total new investment contemplated in the bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder;

- (j) the bid includes acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Companies prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 from the Phase 2 Qualified Bidder);
 - (ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and
 - (iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Companies or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Companies;
 - (k) the bid is received by the Phase 2 Bid Deadline; and
 - (l) the bid contemplates closing the transaction set out therein on or before July 21, 2023.
29. Following the Phase 2 Bid Deadline, the Companies, together with the Proposal Trustee, will assess the Phase 2 Bids received, following which they will designate the most competitive bids that comply with the foregoing requirements to be “**Qualified Bids**”. No Phase 2 Bids received shall be deemed to be Qualified Bids without the approval of the Proposal Trustee. Only Phase 2 Qualified Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).
30. The Proposal Trustee shall notify each Phase 2 Qualified Bidder in writing as to whether its Phase 2 Bid constitutes a Qualified Bid within ten (10) Business Days of the Phase 2 Bid Deadline, or at such later time as the Proposal Trustee deems appropriate.
31. If the Company, in consultation with the Proposal, is not satisfied with the number or terms of the Qualified Bids, the Proposal Trustee may, elect to (i) extend the Phase 2 Bid Deadline; or (ii) seek Court approval to formally amend to the SISP.
32. The Companies may, in consultation with the Proposal Trustee, aggregate separate Phase 2 Bids from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

Evaluation of Competing Bids

33. The Companies, in consultation with the Proposal Trustee, will evaluate Qualified Bids based upon several factors including, without limitation:
- (a) the Purchase Price and the net value provided by such bid;
 - (b) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions;
 - (c) the proposed transaction documents;

- (d) factors affecting the speed, certainty and value of the transaction;
- (e) the assets included or excluded from the bid;
- (f) any related restructuring costs; and
- (g) the likelihood and timing of consummating such transaction.

Selection of Successful Bid

34. The Companies, in consultation with the Proposal Trustee, will:
- (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated among the Companies, in consultation with the Proposal Trustee, and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and
 - (b) identify the highest or otherwise best bid (the “**Successful Bid**”, and the Phase 2 Qualified Bidder making such Successful Bid, the “**Successful Bidder**”) for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Companies, with the assistance of the Proposal Trustee, shall be subject to approval by the Court.
35. The Companies shall have no obligation to enter into a Successful Bid, and it reserves the right, after consultation with the Proposal Trustee, to reject any or all Phase 2 Qualified Bids.

Transaction Approval Application Hearing

36. At the hearing of the application to approve any transaction with a Successful Bidder (the “**Transaction Approval Application**”), the Companies shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Phase 2 Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Companies on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

37. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, Phase 2 Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Companies, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP, except to the extent the Companies, with the approval of the Proposal Trustee and consent of the applicable participants, are seeking to combine separate bids from Phase 1 Qualified Bidders or Phase 2 Qualified Bidders.
38. The Proposal Trustee may consult with any parties with a material interest in the BIA proceedings regarding the status of and material information and developments relating to the SISP to the extent considered appropriate by the Proposal Trustee (subject to paragraph 37 and taking into account, among other things, whether any particular party is a Potential Bidder, Phase 1 Qualified Bidder, Phase 2 Qualified Bidder or other participant or prospective participant in the SISP or involved in

a bid), provided that such parties shall have entered into confidentiality arrangements satisfactory to the Companies and the Proposal Trustee.

Deposits

39. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at a financial institution in Canada.
40. If there is a Phase 2 Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid.
41. The Deposit(s) from all Qualified Bidders submitting Phase 2 Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of the earlier of the date that the Companies select a Successful Bid or the Court declares a Successful Bid.
42. If the Qualified Bidder making a Phase 2 Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Companies; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Companies have in respect of such breach or default.
43. If the Companies are unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder) then the Deposit shall be returned to the Successful Bidder.

Supervision of the SISP

44. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP by the Companies and, without limitation to that supervisory role, the Proposal Trustee will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, and any other orders of the Court, and is entitled to receive all information in relation to the SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
45. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of this SISP, including, for greater certainty,
 - (a) deem a non-compliant LOI to be a Qualified LOI; and
 - (b) waive strict compliance with any one or more of the requirements specified above and deem a non-compliant Phase 2 Bids to be a Qualified Bid.
46. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Companies or the Proposal Trustee and any Phase 1 Qualified Bidder, any Phase 2 Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Companies.
47. Without limiting the preceding paragraph, the Proposal Trustee shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Phase 1

Qualified Bidder, Phase 2 Qualified Bidder, the Successful Bidder, the Companies, or any creditor or other stakeholder of the Companies, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Proposal Trustee. By submitting a bid, each Phase 1 Qualified Bidder, Phase 2 Qualified Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Proposal Trustee for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Proposal Trustee.

48. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any LOI, Phase 2 Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
49. Subject to the terms of the SISP Order, the Companies shall have the right to modify the SISP (including, without limitation, pursuant to the Bid Process Letter) with the prior written approval of the Proposal Trustee if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the service list in the NOI Proceedings shall be advised of any substantive modification to the procedures set forth herein.
50. In order to discharge its duties in connection with the SISP the Proposal Trustee may engage professional or business advisors or agents as the Proposal Trustee deems fit in its sole discretion.

Further Orders

45. At any time during the SISP, the Proposal Trustee or the Companies may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder, if any.

Schedule "1"

To the Companies

Dynaleo Inc. and Dynaleo Group Services Inc.
3365-11th Street #2
Nisku, Alberta T9E 8M8

Attention: Michael Krestell

Email: michael.krestell@dynaleo.com

with a copy to

Miller Thomson LLP
3000, 700 - 9th Avenue SW
Calgary, Alberta T2P 3V4

Attention: James Reid

Email: jwreid@millerthomson.com

To the Proposal Trustee:

Harris & Partners Inc.
500 4th Avenue SW, Unit 1910
Calgary, Alberta T2P 2V6

Attention: Jill Strueby

Email: jill@harrispartners.ca

with a copy to

MLT Aikens LLP
2100, 222 3 Ave SW
Calgary, AB T2P 0B4

Attention: Ryan Zahara

Email: rzahara@mltaikins.com

APPENDIX "E"



SUMMARY OF TERMS AND CONDITIONS FOR A SENIOR SECURED SUPER-PRIORITY DEBTOR-IN-POSSESSION CREDIT FACILITY

May 22, 2023

TO: DYNALEO INC.
1700 – 10235 101 NW
Edmonton, AB, T5J 3G1

FROM: TRAVELERS CAPITAL CORP.
400 – 4180 Lougheed Hwy,
Burnaby, BC, V5C 6A7

Re: Loan and Security Agreement (the “Loan”)

Travelers Capital Corp. (the “**Lender**” or “**TCC**”) is pleased to confirm our intention to proceed immediately with an assessment and complete underwriting of an senior secured super-priority debtor-in-possession credit facility available to the Borrower, pursuant to its court-approved power to borrow in the Proceeding. This summary of terms (“**Proposal**”) is not a letter of commitment on the part of the Lender and is for discussion purposes only and does not constitute a commitment on behalf of TC. Any offer to loan would be subject to further due diligence and approval by TCC’s credit committee.

Borrower(s): Dynaleo Inc., and any other entity as deemed necessary by the Lender and / or its counsel (collectively referred to herein as the “**Borrower**”).

Trustee: [TBD]

CCAA Case: Proceedings to be commenced / have commenced in the Supreme Court of British Columbia (the “**Court**”) pursuant to the *Bankruptcy and Insolvency Act* (the “**CCAA**”) in the matter of the Borrower (the “**Proceeding**”). The initial order to be sought / granted in the Proceeding is referred to as the “**Initial Order**”.

Credit Facility: Subject to Court approval in the Proceeding, a non-revolving credit facility up to the Maximum Amount (as defined below) would be made available to the Borrower for interim financing on the general terms set out herein (the “**DIP Financing**”).

Maximum Amount: The facility would be made available up to a maximum amount of \$150,000.00, inclusive of any Commitment Fees (defined below) to be financed by the Lender.

Availability On and after the date on which the Conditions Precedent shall have been satisfied, the Borrower may request advances under the Credit Facility by delivering to the Lender not less than five (5) business days prior to the requested advance, a drawdown certificate in form acceptable to the Lender detailing the amount of the requested advance and confirming without limitation the accuracy of all representations and warranties, that no Event of Default has occurred and is continuing, and that the requested advance conforms with the approved cash flow budget.

Termination Date The maturity of the Credit Facility (the “**Termination Date**”) shall be the earliest of:
a) 3 months from the date of the approval of the DIP Financing;
b) the date the stay of proceedings expires in the Proceeding without extension; an



- c) 5 days following written notice being provided by the Lender to the Borrower of an event of default.

Note: should the Proceeding or anticipated DIP repayment date extend past the Termination Date, the Lender shall renew the DIP Financing on similar terms as laid out herein.

Disbursement: Disbursements may be made in minimum installments of \$25,000.00, with a maximum of three (3) drawdowns per month.

Closing Date: The date on which the Conditions Precedent shall have been satisfied provide it is not later than June 15th, 2023, or such a later date as the Lender may approve in its sole discretion (the "**Closing Date**").

Interest Rate: The Credit Facility shall bear interest at an annual rate equal to 12.25%, calculated in arrears and payable monthly.

Fees: **Commitment Fee** - the Borrower shall pay a commitment fee in an amount equal to 4.25% on the Maximum Amount (the "**Commitment Fee**"). The Commitment Fees shall be non-refundable, fully earned and payable no later than the Closing Date. Of this Commitment Fee, \$10,000 is to be paid in advance to the Lender upon the completion of all due diligence and satisfaction of each Condition Precedent to Closing, except for conditions precedent C), D), E), F), i), and J).

Standby Fee - the Borrower shall pay a standby charge on the unused portion of the Credit Facility equal to 3.5% per annum multiplied by the difference between (a) the Maximum Amount and (b) the amounts outstanding under the Credit Facility, calculated daily and payable monthly in arrears on the last business day of each month (the "**Standby Fee**").

Break Fee – the Borrower agrees to pay the Lender a break fee in an amount equal to 5.0% of the Maximum Amount (the "**Break Fee**") in the event that the Borrower executes this Proposal and then the Borrower obtains Court approval for an alternative financier of the DIP Financing (the "**Alternative DIP Financing**"). The Break Fee shall be payable to the Lender immediately following the closing of the Alternative DIP Financing transaction.

Repayment: the Credit Facility will be serviced by payments of interest-only during the Term. The Lender may opt to establish an interest-reserve to facilitate the monthly payments owed to the Lender by the Borrower pursuant to the terms of the DIP Financing.

Any proceeds arising from (i) the collection of any receivables or receipt of any monies from any third party to the borrower, including, but not limited to, funds received from any government organization, (ii) any disposition or other transaction involving the collateral subject to the Security including, without limitation, any refinancing thereof; and (iii) any insurance proceeds in respect of any of the collateral subject to the Security shall, unless otherwise agreed to by the Lender in its sole and absolute discretion, be applied to the repayment of all amounts outstanding under the Credit Facility including, without limitation, principal, interest and fees and any such repayment shall permanently reduce the Maximum Amount available under the Credit Facility.

Expenses: The Borrower(s) will pay all reasonable costs incurred by the Lender, directly or indirectly, including, without limitation, expenses of legal counsel, due diligence, appraisals, and any other reasonable expenses incurred in conjunction with preparing the Loan documents.

Security: Security for repayment of the Credit Facility would be by way of contractual security and a fully perfected court-ordered super-priority charge against all of the assets, real properties and undertakings of the Borrower in the Maximum Amount, all accrued and unpaid interest and any unpaid fees, costs and expenses, subject only to the Trustee's court-ordered Administration Charge of not more than \$[tbd] (the "**Security**")



Assignability and Syndication:

The Lender may assign, transfer, or grant participations in its rights or obligations in whole or in part without notice or consent of the Borrower. TCC is authorized to confidentially disclose, such information concerning Borrower(s), as TCC considers appropriate.

Conditions Precedent to Closing:

The execution and advance of the Loan is subject to the Lender's receipt of the following, all of which will be in form and substance satisfactory to the Lender:

- a) Completion by the Lender of all business, financial, legal and environmental due diligence with respect to the Borrower, the collateral, and the Credit Facility to the satisfaction of the Lender in its sole discretion;
- b) Credit approval of the subject Credit Facility by the Lender;
- c) Execution of a definitive credit agreement (the "**Credit Agreement**") and other reasonably required transaction documents, in form and substance satisfactory to the Lender (collectively, the "**DIP Credit Documents**");
- d) Issuance of the Initial Order, or a revised Initial Order (and any other required order in the Proceeding), satisfactory in form and substance to the Lender, approving and authorizing the DIP Credit Documents and the Security with the priority contemplated herein, authorizing the establishment of the Credit Facility by the Lender, and such orders being in full force and effect, un-amended and not stayed;
- e) There will be no appeals, injunctions or other legal impediments relating to the completion of the DIP Financing or pending litigation seeking to restrain or prohibit the completion of the DIP Financing;
- f) The Borrower shall have paid all fees then owing to the Lender including, without limitation, the Commitment Fee and the Good Faith Deposit;
- g) Verification of title/ownership of all corporate assets;
- h) If applicable, the Lender shall be in receipt of updated appraisals for any and all real property held within the Security, as deemed necessary by the Lender. Such appraisals, including appraisal methodology and the reported minimum valuation, shall be satisfactory to the Lender in its sole discretion;
- i) If applicable, the Lender shall have received title insurance satisfactory to it or a title opinion in scope, form and terms satisfactory to it confirming the Borrower's good and marketable title to the real property owned by it and subject to the Security and other permitted encumbrances;
- j) The Lender shall have been named as additional insured and first loss payee on the Borrower's property and casualty insurance policies, including, but not limited to, insurance with respect to any real property subject to the Security;
- k) The Borrower will have provided a list of owned equipment, along with evidence of title as necessary, to the satisfaction of the Lender, the Lender will have the right, but not the obligation, to verify the values provided on the owned equipment list using a reputable third-party appraiser of their choice;
- l) an organizational chart for the Borrowers, highlighting shareholder ownership and collateral ownership;
- m) any and all financial due diligence, inclusive of year-to-date statements and historical financial statements for the Borrowers;
- n) Receipt of all constituting documents, inclusive of Officer's Certificates, for the Borrower(s) and Guarantor (as applicable) and satisfaction of the Lender's AML/KYC requirements; and
- o) Provision of a forward-looking 13-week rolling cash flow forecast, as well as any other required financial due diligence information, to the satisfaction of the Lender

Reporting:

Standard reporting requirements for a facility of this nature, to be formally defined in the DIP Credit Agreement.

Covenants:

The DIP Credit Agreement will contain affirmative and negative covenants, to be formally defined in the DIP Credit Agreement. The Loan will not contain any fixed covenants relating to the financial performance of the Borrower.



Events of Default: Standard events of default for a Loan transaction of this nature.

Expiration Date: This Proposal will expire on **May 25th, 2023**.

Please feel free to contact the undersigned if you have any questions or concerns.

Yours truly,

TRAVELERS CAPITAL CORP.

By: _____

Name: Warren Miller

Title: Vice President, Structured Finance

BORROWER(S):

ACCEPTED this _____ day of _____, 2023.

DYNALEO INC.

By: _____

Name:

Title:

I have authority to bind the corporations