

COURT FILE/ ESTATE 24-2946872  
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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE 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

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

August 16, 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. (“**Dynaleo 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 under these Proposal Proceedings was extended to August 5, 2023.
3. Copies of the Certificates of Filing of the NOIs issued by the Office of the Superintendent of Bankruptcy are attached to the first report of the Proposal Trustee dated May 24, 2023 (“**First Report**”) as appendices.
4. On May 30, 2023, the Companies were granted an order (the “**May 30<sup>th</sup> Order**”):
  - a) declaring that the proposal proceedings for Dynaleo and Dynaleo Services (together, the “**Proposal Proceedings**”) are administratively consolidated and continue 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) granting a charge, not to exceed \$200,000 (the “**Administration Charge**”), as security for the fees and costs of the Proposal Trustee, its independent legal counsel, and legal counsel to the Companies;
  - d) 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

and granting a charge (the “**Interim Lender Charge**”) to secure the obligations under the Interim Financing Facility;

- e) granting a charge in favour of the Companies’ directors and officers, not to exceed \$75,000 securing the Companies’ indemnification obligations to them; and
- f) extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including August 5, 2023.

5. On July 31, 2023, the Companies were granted orders:

- a) extending the time for filing a proposal pursuant to section 50.4(9) of the BIA up to and including September 19, 2023; and
- b) scheduling litigation for the PNP Disclaimer Dispute, as described in the Second Report of the Proposal Trustee.

## **PURPOSE**

6. The purpose of this Third Report of the Proposal Trustee (the “**Third 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) the activities of the Companies and the Proposal Trustee since its second report dated July 24, 2023 (the “**Second Report**”);
- b) an update on the SISP;
- c) the Proposal Trustee’s support for approval of the sale and vesting order respecting an Asset Purchase Agreement dated August 16, 2023 for the purchase of Dynaleo’s Property (the “**Radco Transaction**”);

- d) the application for a sealing of Confidential Appendix 1, Confidential Appendix 2 and Confidential Appendix 3 (the “**Confidential Appendices**”) of this Report (the “**Sealing Order**”);
- e) the Companies’ request for releasing Mr. Peter Guo and Mr. Michael Krestell from personal liabilities in their capacity as directors (the “**D&O Release**”) of the Companies;
- f) the budget to actual results of the Companies’ cash flows for the period from May 23, 2023 to August 11, 2023 (the “**Reporting Period**”);
- g) the updated cash flow forecast projections through October 20, 2023 (the “**Updated Forecast Period**”);
- h) the request to extend the time for filing a proposal pursuant to section 50.4(9) of the BIA to October 19, 2023; and
- i) the Proposal Trustee’s overall recommendations.

## **TERMS OF REFERENCE**

7. In preparing this Third 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 Third 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.
8. Future-oriented financial information relied upon in this Third 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.
  9. Any use which any person or entity, other than the Court, makes of this Third Report, or any reliance on or a decision made based upon this Third Report is at such person’s or entity’s own risk.
  10. All references to dollars are in Canadian currency unless otherwise noted.

#### **LIMITATION IN SCOPE OF REVIEW**

11. The Third Report has been prepared by the Proposal Trustee pursuant to the BIA.
12. This Third 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.
13. 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.

14. The Proposal 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.

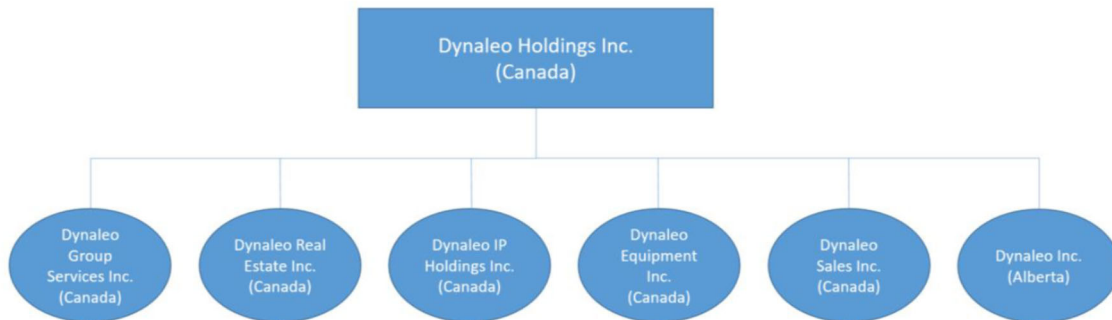
## **BACKGROUND INFORMATION REGARDING THE COMPANIES**

15. This Third Report should be read in conjunction with the Affidavit No. 3 of Michael Krestell sworn August 14, 2023 (the "**Krestell Affidavit**") for additional background information regarding the Companies, and upon which the Proposal Trustee relies.
16. 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](http://www.hpiadvisory.com/dynaleo) (the "**Website**").

### **The Companies' Business, Management, and Ownership Structure**

17. 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.
18. Dynaleo owns all of the property, 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.
19. 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.

20. Dynaleo and Dynaleo Services are each wholly owned subsidiaries of Dynaleo Holdings Inc.
21. The Companies' ownership structure is reflected in the diagram below:



*Dynaleo*

22. 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.
23. Dynaleo's principal place of business is located at 3365 11<sup>th</sup> Street, Nisku, Alberta, which it leases.
24. 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, Peace Natural Project Inc. ("PNP").
25. PNP 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 PNP entered into a Contract Manufacturing Agreement for the Companies to produce Products for PNP.
26. 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 PNP.

27. After several months of ramping up its operations for the PNP contract, Dynaleo was advised by PNP that, due to unforeseen changes to its strategic priorities, PNP was unable to purchase the anticipated product volumes.
28. Without the substantial net positive revenue generation expected from PNP, 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.
29. Until January 1, 2023 all of the employees were employed by Dynaleo. Dynaleo currently has no employees.

#### *Dynaleo Services*

30. On January 1, 2023 Dynaleo Services was created to hold all of the employees; however, Dynaleo Services did not have a separate bank account from Dynaleo and Dynaleo continued to pay the employees employed by Dynaleo Services from Dynaleo's proceeds. When the operations were in full production 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.
31. On May 9, 2023, after being informed by PNP of its reduced Product volume purchases, Dynaleo Services laid off 25 of its Employees.
32. The remaining 41 of the Employees were terminated upon filing the NOI. Five of the terminated individuals have been retained on a contract basis by Dynaleo to assist the Companies with carrying out the SISP and this proceeding.

#### **ACTIVITIES OF THE COMPANIES AND THE PROPOSAL TRUSTEE**

33. Since the Second Report, the Proposal Trustee and the Companies' management ("**Management**") have engaged in the following activities:

- a) conducting ongoing discussions with employees, advisors, and the Companies' legal counsel regarding the Companies' business and financial affairs;
- b) reviewing the Companies' cash flow results on a weekly basis;
- c) preparing an updated cash flow forecast over the Updated Forecast Period to reflect certain timing and permanent variances experienced in the Reporting Period;
- d) hosting discussions between the Proposal Trustee, its legal counsel and the Companies' legal counsel relating to matters relevant to the Proposal Proceedings including the SISP;
- e) continuing to communicate with, and attending to various inquiries from, creditors and other stakeholders;
- f) responding to written requests of Blake, Cassels & Graydon LLP, counsel to PNP, related to the PNP Disclaimer Dispute;
- g) hosting discussions with the bidders that submitted binding letters of intent and the Companies with respect to their potential offer;
- h) working with the Successful Bidders in providing additional due diligence and supporting documents on the operations and finance, while setting up transition protocols should a vesting order be approved by this Honorable Court;
- i) various discussions with the Companies' significant creditors and their claims against the Companies; and
- j) providing ongoing monitoring of the Companies' financial affairs and other activities.

## **SISP UPDATE**

34. As discussed in detail in the Second Report, the Proposal Trustee undertook a significant marketing process between June 2, 2023 and July 7, 2023 with both a Phase I (June 23, 2023) and Phase II (July 7, 2023) bid deadline.
35. There were eighteen (18) prospective purchasers who signed NDAs and received access to the VDR. At the Phase I Bid Deadline, there were five (5) non-binding letters of intent (“**LOI**”) received by the Proposal Trustee with respect to the SISP.
36. By the Phase II Bid Deadline there were two (2) prospective transactions that were deemed acceptable by the Proposal Trustee and the Companies. The Proposal Trustee had numerous communications with these parties respecting the specific details of their LOIs.
37. A summary of the binding offers received in the SISP and analysis thereon are contained in the Confidential Appendix 2 to this Third Report (“**Confidential Appendix 2**”).

## **Confidential Appendix and Temporary Sealing Order**

38. After a detailed review, analysis and clarification of terms of the offer and related matters, the Companies, with the support of the Proposal Trustee, accepted, subject to the Court’s approval, the offer of Radco Ventures Inc. by and through its subsidiary corporation 2536511 Alberta Ltd. (the “**Radco APA**”). A copy of the redacted Radco APA is attached as Appendix “**A**” of this Third Report.
39. The Proposal Trustee has included as Confidential Appendix 1 to this Third Report an analysis of the offers received in the SISP. The Proposal Trustee has also outlined a summary of the Radco APA and an unredacted copy of the Radco APA as Confidential Appendix 1. Additionally, the Proposal Trustee is including as Confidential Appendix 3 an appraisal prepared by McDougall Auctioneers Ltd. (“**McDougall**”), which outlines McDougall’s valuation of the Property based on a forced liquidation value basis.

40. The Confidential Appendices contain confidential information of a commercial nature which, if disclosed to third parties prior to the closing of the sale, could materially jeopardize the SISP or, if the transaction does not close, could materially jeopardize the value that could subsequently be obtained. Accordingly, the Proposal Trustee is respectfully of the view that it is appropriate that this Honorable Court grant temporary sealing provisions in relation to the Confidential Appendices. It is proposed that the sealing provisions will expire upon the closing of the Radco APA. The Proposal Trustee supports the sealing of the Confidential Appendices until the completion of the transaction contemplated by the Radco APA.
41. The Proposal Trustee considered the following when assessing the Radco APA and believes that the approval of the Sale Approval and Vesting Order is in the best interests of all stakeholders for the following reasons:
- a) this Honorable Court granted the SISP Order on May 31, 2023, approving the SISP;
  - b) the Proposal Trustee is of the view that a comprehensive marketing of the Dynaleo's property was undertaken, and that the market of potential purchasers was sufficiently canvassed;
  - c) the Radco APA was the best bid received in the SISP, with a non-refundable deposit, thus reducing the risk and cost to the estate;
  - d) the Radco APA could be closed within the timeframe provided by the SISP and was not conditional on any additional financing being raised prior to Closing;
  - e) the Radco APA contains "as is where is" provisions and has no closing conditions other than Court Approval; and
  - f) there was no acceptable offer received in the SISP that was considered better to the Radco APA.

## **D&O RELEASE**

42. The Companies believe that given the amount of work and commitment by the remaining directors, Mr. Peter Guo and Mr. Michael Krestell, and their cooperation with the Proposal Trustee and all stakeholders during the NOI Proceedings, it is appropriate for this Honorable Court to grant a release from the personal liabilities incurred in their capacity as directors of Dynaleo. The Proposal Trustee has considered Dynaleo's request in relation to the actions and conduct of the directors, other court precedent rulings of this nature, and the Proposal Trustee supports Dynaleo's request for a release of the directors.
43. The directors continue to have the benefit of a Director's Charge in the amount of \$75,000 against the assets of the Companies. At the time of this Third Report, the Proposal Trustee is unaware of any amounts outstanding during the NOI proceedings that would result in the Director's Charge being utilized. The Companies have also not conducted any directors and officers claims process due to the expected cost and expense of such a process.
44. The Proposal Trustee understands that there are pre-filing priority payables owed to the Canada Revenue Agency ("CRA") by Dynaleo for GST in the amount of \$124,781 and Excise Tax in the amount of \$492,071, and by Dynaleo Group Services for source deductions of \$152,514, for which directors may be personally liable.

## **ACTUAL TO FORECAST CASH FLOW RESULTS**

45. The Companies, with the assistance of the Proposal Trustee, previously prepared a cash flow forecast and have compared the actual cash flow results over the Reporting Period. The Proposal Trustee noted no material changes to the cash flow forecast. A copy of the detailed budget to actual schedule, which includes variance explanations for the Reporting Period is attached as Appendix "B" to this Third Report.

46. In summary, the results of the Companies' cash flow reporting over the Reporting Period are as follows:

- a) total cash receipts of \$856,260 collected compared to forecast receipts of approximately \$1,003,200 resulting in a negative variance of approximately \$146,940. This variance is largely due to the timing of collections of various provincial sales and is expected to reverse in the coming weeks;
- b) total operating cash disbursements totaling \$502,256 compared to forecast disbursements of \$556,200, resulting in a positive variance of Approximately \$53,944. This difference is made up primarily of i) wages and salaries to provide assistance with packaging and distributions of purchase orders with the OSC, AGLC and other Provinces, ii) utility expenses that were lower than forecast by approximately \$60,000, and iii) inventory maintenance expenses due to timing and are expected to reverse in the coming weeks of approximately \$32,500;
- c) total non-operating cash disbursements totaling \$192,838 of professional fees and costs to the Proposal Trustee, the Proposal Trustee's Counsel and the Companies' counsel were paid compared to the forecast \$205,000 resulting in a positive variance of \$12,162 and is largely due to timing of professional fees and costs and is anticipated to reverse throughout the balance of the Proposal Proceedings. A net increase in cash of approximately \$160,879 during the Forecast Period; and
- d) the Companies ending cash balance is \$161,971 as at August 11, 2023.

#### **UPDATE CASH FLOW FORECAST THROUGH TO OCTOBER 20, 2023**

47. The Companies, with the assistance of the Proposal Trustee, have prepared an updated 10-week cash flow forecast for the period August 12, 2023 to October 20,

2023 (the “Updated Forecast”), which is attached as Appendix “C”. Management has prepared the Updated Forecast based on the most current information available.

48. A summary of the Updated Forecast is as follows:

<b>Dynaleo Inc. and Dynaleo Group Services Inc.</b>			
<b>Cash Flow Forecast through October 20, 2023</b>			
	<b>Actual</b>	<b>Forecast</b>	<b>22-week total</b>
\$CAD	24-May-23 to 11-Aug-23 12-week total	12-Aug-23 to 20-Oct-23 10-week total	
<b>Cash Receipts</b>			
Ontario (OCS)	264,473	114,000	378,473
Other sales	148,131	-	148,131
Other receipts	443,656	-	443,656
	<b>\$ 856,260</b>	<b>\$ 114,000</b>	<b>\$ 970,260</b>
<b>Operating Cash Disbursements</b>			
Contractor salaries and expenses	328,676	20,000	348,676
Insurance	49,869	10,000	59,869
Excise taxes	13,245	25,000	38,245
Utilities	141	15,000	15,141
Rent	77,540	37,000	114,540
IT expenses	7,217	-	7,217
Freight	25,142	-	25,142
Inventory maintenance	-	-	-
Interest and fees	730	-	730
Contingency	-	10,000	10,000
	502,560	117,000	619,560
<b>Net Cash Flow from Operations</b>	<b>\$ 353,700</b>	<b>\$ (3,000)</b>	<b>\$ 350,700</b>
<b>Non-Operating Cash Disbursements</b>			
Harris & Partners Inc.	86,512	35,000	121,512
Miller Thomson LLP	85,448	100,000	185,448
MLT Aikins LLP	20,878	20,000	40,878
	192,838	155,000	347,838
<b>Net Cash Flow</b>	<b>\$ 160,862</b>	<b>\$ (158,000)</b>	<b>\$ 2,862</b>
<b>Opening Cash</b>	\$ 1,093	\$ 161,971	\$ 1,093
Net Cash Flow	160,879	(158,000)	2,879
DIP Advance (Repayment)	-	-	-
<b>Ending Cash</b>	<b>\$ 161,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>
<b>Opening DIP Facility Availability</b>	-	-	\$ -
DIP Borrowings	-	-	-
DIP Repayment	-	-	-
<b>Closing DIP Facility Availability</b>	-	-	\$ -

49. As noted in Appendix “C”, the Companies are projecting total cash receipts of \$114,000, cash disbursements for operations of \$117,000, non-operating cash disbursements of \$155,000 resulting in a net decrease in cash flow of \$158,000.

50. The Proposal Trustee has reviewed the assumptions supporting the Updated Forecast with the Companies and believes the assumptions to be reasonable and consistent with the Companies' prior forecast.

#### **APPLICATION TO EXTEND THE TIME TO FILE A PROPOSAL**

51. Unless extended, the stay of proceedings will expire on September 19, 2023. The Companies are seeking an extension of the period in which it is required to file a proposal to October 19, 2023 pursuant to section 50.4 (9) of the BIA (the "**Proposed Stay Extension**").

52. The Proposal Trustee considered the following factors regarding the Proposed Stay Extension:

- a) the Companies are acting in good faith and with due diligence;
- b) the Companies will be more likely 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.

53. 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 stay extension to October 19, 2023. The Proposed Stay Extension will serve to provide the Companies with the time required to resolve the potential claim against PNP, including any issues surrounding the PNP Disclaimer, and to close the Radco Transaction.

#### **PROPOSAL TRUSTEE'S RECOMMENDATIONS**

54. As set out above, the Proposal Trustee recommends that this Honourable Court approve:

- a) the Radco APA and Sale Approval and Vesting Order;



- b) a temporary sealing order in respect of the Confidential Appendices until the completion of the Radco APA;
- c) the D&O Release; and
- d) the Proposed Stay Extension.

All of which is respectfully submitted this 16<sup>th</sup> day of August, 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"

**ASSET PURCHASE AGREEMENT**

This Asset Purchase Agreement dated as of the 14<sup>th</sup> day of August, 2023 (the “**Effective Date**”) among:

**DYNALEO INC.**

– and –

**DYNALEO GROUP SERVICES INC.**

(collectively the “**Vendor**”)

– and –

**2536511 ALBERTA LTD.**

(the “**Purchaser**”)

**WHEREAS** Dynaleo Inc. and Dynaleo Group Services Inc. each filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the “**BIA**”) and Harris & Partners Inc. (“**Proposal Trustee**”) consented to act as trustee of the parties in respect of their NOI proceedings (the “**Proposal Trustee**”).

**AND WHEREAS** as part of the NOI Proceedings, and in accordance with the order made on May 30, 2023 by the Honourable D.B. Nixon of the Court of King’s Bench of Alberta (the “**Court**”), Dynaleo Inc., Dynaleo Group Services Inc., and Proposal Trustee have solicited bids from interested parties in relation to the Sale and Investment Solicitation Process (“**SISP**”) approved by the Court;

**AND WHEREAS** the Purchaser's bid for the Purchased Assets (defined herein) has been identified as the Successful Bid;

**AND WHEREAS** on the terms set out herein, the Vendor has agreed to sell, transfer and assign to the Purchaser, and the Purchaser has agreed to purchase, accept and assume from the Vendor, all of the Vendor's right, title, interest and obligation in and to the Purchased Assets and Assumed Liabilities, subject to and in accordance with the terms and conditions set forth in this Agreement;

**NOW THEREFORE**, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the parties hereto (collectively, the “**Parties**”, and each, a “**Party**”) hereby acknowledge and agree as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

**“Accounts Receivable”** means all of the Vendor’s right, title and interest in all accounts receivable, trade receivables, bills receivable, trade accounts, book debts, notes receivables, rebates, refunds and other receivables relating to the Business or the Purchased Assets, whether current or overdue, together with all interests accrued on such items.

**“Affiliate”** has the meaning given to the term “affiliate” in *Business Corporations Act* (Alberta).

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

**“Applicable Law”** means, in respect of any Person, property, transaction or event, any (a) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority, and (c) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

**“Approval and Vesting Order”** means an order by the Court, in substantially the same form as the Alberta Template Approval and Vesting Order, among other things, approving and authorizing the Transaction and vesting in the Purchaser (or as it may direct) all the right, title, interest and obligation of the Vendor in and to the Purchased Assets, free and clear from any Encumbrances other than the Permitted Encumbrances and the Assumed Liabilities.

**“Assigned Contracts”** means those Contracts set out and listed in Schedule “C”. For certainty, the Assigned Contracts do not include the Excluded Contracts.

**“Assignment and Assumption Agreement”** means an assignment and assumption agreement, in form and substance satisfactory to the Parties, acting reasonably, evidencing the assignment to the Purchaser of the Vendor’s rights, benefits and interests in, to and under the Assigned Contracts and the assumption by the Purchaser of all of the Assumed Liabilities under or in respect of the Assigned Contracts.

**“Assumed Liabilities”** means: (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule “D”; (b) all Liabilities relating to the Purchased Assets arising on or after the Closing Date; (c) all Liabilities which relate to the Assigned Contracts solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing. For certainty, the Assumed Liabilities do not include the Excluded Liabilities.

**“Authorization”** means any authorization, approval, consent, concession, exemption, licence, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs (including any zoning approval or

building permit) or from any Person in connection with any easements, contractual rights or other matters.

**“Books and Records”** means (a) all of the Vendor's files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, and (b) all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Vendor including information, documents and records relating to the Assigned Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

**“Business Day”** means a day on which banks are open for business in Calgary, Alberta, but does not include a Saturday, Sunday or statutory holiday in the Province of Alberta.

**“Cash Purchase Price”** has the meaning set out in Section 3.2(b).

**“Claims”** means claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions, arbitrations, information or other similar processes, assessments or reassessments, judgments, debts, indebtedness, liabilities, obligations, guarantees, warranties, expenses, costs, damages or losses, contingent or otherwise (whether contractual, statutory, or otherwise), of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether arising by subrogation, set-off, right of indemnification or otherwise), whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including loss of value, professional fees, including fees and disbursements of legal counsel, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing and any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

**“Closing”** means the completion of the purchase and sale of the Purchased Assets and assumption of the Assumed Liabilities in accordance with the provisions of this Agreement.

**“Closing Date”** means, subject to the terms hereof, the date that is five (5) Business Days following receipt of the Approval and Vesting Order, or August 31, 2023, whichever date is earlier;

**“Closing Time”** means 12:01 a.m. (Calgary time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

**“Contracts”** means all pending and executory contracts, agreements, leases, deeds, mortgages, licences, instruments, notes, commitments, undertakings, indentures, joint ventures, understandings, arrangements and all other legally binding arrangements (whether oral or written) to which the Vendor is a party or by which the Vendor is bound or in which the Vendor has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

“**Court**” has the meaning set out in the recitals hereto.

“**Cure Costs**” means (a) with respect to any Assigned Contract for which a required consent to assignment has not been obtained and is to be assigned to the Purchaser in accordance with the terms of the Approval and Vesting Order, the amounts, if any, required to be paid to remedy all of the Vendor’s monetary defaults existing as at the Closing Date under the applicable Assigned Contract (or such other amounts as may be agreed by the Purchaser and the counterparty to the Assigned Contract); and (b) with respect to any Assigned Contract to be assigned on consent, where consent is required, the amount, if any, required to be paid to a counterparty to secure its consent to the assignment of the applicable Assigned Contract by the Vendor to the Purchaser (which amount shall be set out on the form of contractual consent agreed to by the applicable Vendor and the counterparty to such Assigned Contract and approved by the Proposal Trustee).

“**Deposit**” has the meaning ascribed thereto in Section 3.2 hereof.

“**Effective Date**” has the meaning set out in the preamble hereto.

“**Encumbrance**” means any legal notation, charge, lien, interest or other encumbrance or title defect of whatever kind or nature, regardless of form, whether or not registered or registrable and whether or not consensual or arising by law (statutory or otherwise), including any security interest, lien, Claim, charge, right of retention, deemed trust, judgment, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of creating a security interest in, against or affecting the Purchased Assets (including any conditional sale or title retention agreement, or any capital or financing lease).

“**ETA**” means the *Excise Tax Act*, RSC 1985, c E-15 and the regulations thereunder.

“**Excluded Assets**” means all of Vendor's right, title and interest in the properties, rights, assets and undertakings that are not identified as Purchased Assets, including specifically the Vendor’s right, title and interest, if any, in the properties, rights, assets and undertakings listed on Schedule “E”.

“**Excluded Contracts**” means all Contracts that are not identified as Assigned Contracts.

“**Excluded Liabilities**” means all Liabilities of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether arising by subrogation, set-off, right of indemnification or otherwise) of or against the Vendor that are not Assumed Liabilities.

“**Filing Date**” has the meaning given to it in the recitals;

“**Governmental Authority**” means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

“**GST**” means all goods and services tax and harmonized sales tax imposed under Part IX of the ETA.

“**Initial Order**” has the meaning set out in the recitals hereto.

“**Interim Period**” means the period between the date of this Agreement and the Closing Date.

“**Liability**” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, legal, beneficial or equitable, present or future, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person, and includes, without limiting the generality of the foregoing, any debt, dues, guarantee, surety, indemnity obligation or other obligation.

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

“**Outside Date**” means August 31, 2023.

“**Parties**” has the meaning set out in the recitals hereto.

“**Party**” has the meaning set out in the recitals hereto.

“**Permitted Encumbrances**” means the following Encumbrances in respect of the Purchased Assets listed on Schedule “B”.

“**Proposal Trustee**” has the meaning set out in the recitals hereto.

“**Proposal Trustee's Certificate**” has the meaning set out in Section 6.1(a).

“**Person**” is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, the government of a country or any political subdivision thereof, or any agency or department of any such government, and the executors, administrators or other legal representatives of an individual in such capacity.

“**Personal Information**” means any factual or subjective information, recorded or not, about an employee, contractor, agent, consultant, officer, director, executive, client, customer, supplier or natural person who is natural person or a natural person who is a shareholder, employee or patient of the Vendor, or about any other identifiable individual, including any record that can be manipulated, linked or matched by a reasonably foreseeable method to identify an individual.

“**Purchase Price**” has the meaning set out in Section 3.1.

“**Purchased Assets**” means all of Vendor's right, title and interest, if any, in and to the properties, rights, assets and undertakings listed in Schedule “A”. For certainty, the Purchased Assets do not include the Excluded Assets.

“**Purchaser's Solicitors**” means McLellan Ross LLP.

“**Sanctions**” has the meaning ascribed in Section 7.2(i) hereof.

“SISP” has the meaning ascribed to it in the preamble hereto.

“**Successful Bid**” has the meaning set out in the SISP.

“**Taxes**” means, with respect to any Person, all national, federal, provincial, local or other taxes, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person, and includes, without limitation, property taxes, income taxes, branch taxes, profit taxes, capital gains taxes, gross receipt taxes, windfall profit taxes, value added taxes, severance taxes, ad valorem taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, licence taxes, excise taxes, franchise taxes, environmental taxes, transfer taxes, transmission fees, withholding or similar taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/PST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority.

“**Transaction**” means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Assets.

“**Transfer Taxes**” means all applicable Taxes, including any applicable GST/PST/HST, payable upon or in connection with the transactions contemplated by this Agreement and any filing, registration, recording or transmission fees payable in connection with the instruments of transfer provided for in this Agreement.

“**Vendor’s Solicitors**” means Miller Thomson LLP.

## **1.2 Interpretation Not Affected by Headings, etc.**

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

## **1.3 General Construction**

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

## **1.4 Extended Meanings**

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

## **1.5 Currency**

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



## 1.6 Statutes

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

## 1.7 Schedules

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

### SCHEDULES

<u>Schedule "A"</u>	-	Purchased Assets
<u>Schedule "B"</u>	-	Permitted Encumbrances
<u>Schedule "C"</u>	-	Assigned Contracts
<u>Schedule "D"</u>	-	Assumed Liabilities
<u>Schedule "E"</u>	-	Excluded Assets

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

## 1.8 Interpretation if Closing Does Not Occur

If Closing does not occur, each provision of this Agreement which presumes that the Purchaser has acquired the Purchased Assets and assumed the Assumed Liabilities shall be construed as having been contingent upon Closing having occurred.

## ARTICLE 2 PURCHASE OF ASSETS AND ASSUMPTION OF LIABILITIES

### 2.1 Purchase and Sale of the Purchased Assets

Subject to the terms and conditions of this Agreement, effective as of the Closing Time, the Vendor shall sell, assign and transfer the Purchased Assets to the Purchaser, and the Purchaser shall purchase, accept, assume and receive from the Vendor, all of the Purchased Assets. For certainty, the Purchased Assets: (a) shall be free and clear of all Encumbrances that are not Permitted Encumbrances or Assumed Liabilities; and (b) do not include the Excluded Assets.

### 2.2 Assumption of Assumed Liabilities

At the Closing Time, the Purchaser shall assume and agree to pay when due and perform and discharge in accordance with their terms, the Assumed Liabilities. Notwithstanding any other provision of this Agreement, the Purchaser shall not assume any Liabilities hereunder other than the Assumed Liabilities, except as required under Applicable Law.

### 2.3 Assignment of Contracts

- (a) Cure Costs. To the extent that any Cure Costs are payable with respect to any Assigned Contract, the Purchaser shall: (i) where such Assigned Contract is assigned pursuant to the Approval and Vesting Order, pay all such Cure Costs in accordance with the Approval and Vesting Order; and (ii) where such Assigned Contract is not assigned pursuant to an Approval and Vesting Order, pay all such Cure Costs in the manner set out in the consent of the applicable counterparty or as otherwise may be agreed to by the Purchaser and such counterparty. The Cure Costs as paid by the Purchaser shall be in addition to the Cash Purchase Price received by the Vendor for the Purchased Assets.
- (b) Assignment. At the Closing Time, on and subject to the terms and conditions of this Agreement (including Section 2.3(c) below) and the Approval and Vesting Order, all of the Vendor's rights, benefits, interests and obligations in, to and under the Assigned Contracts shall be assigned to the Purchaser, the consideration for which is included in the Purchase Price.
- (c) Where Consent Required. Notwithstanding anything in this Agreement to the contrary, this Agreement shall not constitute an agreement to assign any Assigned Contract to the extent such Assigned Contract is not assignable under Applicable Law, or the terms of the applicable Assigned Contract provide that it is not assignable without the consent of another Person, unless such consent has been obtained or the assignment is subject to the Approval and Vesting Order.
- (d) No Adjustment. For greater certainty, if the consent of any Person is required to assign an Assigned Contract, but such consent is not obtained prior to Closing and such Contract is not assigned pursuant to the Approval and Vesting Order, such Contract shall not form part of the Assigned Contracts and: (i) neither Party shall be considered to be in breach of this Agreement; (ii) the failure to assign or otherwise transfer such Assigned Contract shall not be a condition to Closing; (iii) the Purchase Price shall not be subject to any adjustment; and (iv) the Closing shall not be delayed.

## ARTICLE 3 PURCHASE PRICE

### 3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Assets shall be [REDACTED], subject to adjustment as provided in this Agreement (the "**Purchase Price**"). For certainty, the Purchase Price shall be exclusive of applicable Taxes.

### 3.2 Satisfaction of Purchase Price

The Purchaser shall satisfy the purchase, at the Closing Time, in accordance with the following:

- (a) Deposit. The Parties acknowledge that the Purchaser has paid a deposit in the amount of [REDACTED], being fifteen percent (15%) of the Purchase Price (the "**Deposit**") and shall be credited against the Purchase Price at Closing.
- (b) Cash Purchase Price. An amount equal to the remaining Purchase Price less the Deposit, plus any Transfer Taxes (the "**Cash Purchase Price**") shall be paid by the Purchaser to the Vendor via certified cheque, bank draft or wire transfer or immediately available funds at the Closing Time.

- (c) Cure Costs. The Cure Costs shall be paid by the Purchaser to the Vendor via certified cheque, bank draft or wire transfer or immediately available funds, at the Closing Time.
- (d) Assumed Liabilities. An amount equal to the amount of the Assumed Liabilities which the Purchaser shall assume on the Closing Date, and which shall be satisfied by the Purchaser becoming liable for and performing the Assumed Liabilities.

### **3.3 Deposit**

- (a) If Closing occurs in accordance with the terms and conditions of this Agreement, the Deposit shall be credited against the Purchase Price, in partial satisfaction of the Purchaser's obligation to pay the Purchase Price at Closing.
- (b) If this Agreement is terminated:
  - (i) pursuant to Section 8.1(a), the Vendor shall be entitled to retain the Deposit and the full amount of the Deposit shall be forfeited to the Vendor; or
  - (ii) for any other reason, the Deposit shall be returned to the Purchaser; and
  - (iii) subject to Sections 4.5(b) and 8.1, each Party shall be released from all obligations and liabilities under or in connection with this Agreement.

In the event of termination of this Agreement under Section 8.1 pursuant to which the Vendor shall be entitled to retain the Deposit, the Parties agree that the amount of the Deposit constitutes a genuine pre-estimate of liquidated damages representing the Vendor's losses and Liabilities as a result of Closing not occurring and agree that the Vendor shall not be entitled to recover from the Purchaser any amounts that are in excess of the Deposit as a result of Closing not occurring. The Purchaser hereby waives any Claim or defence that the amount of the Deposit is a penalty or is otherwise not a genuine pre-estimate of the Vendor's damages.

### **3.4 Allocation of the Purchase Price**

The Vendor and the Purchaser agree to allocate the Purchase Price to the Purchased Assets held by the Vendor for tax purposes in a manner to be agreed to by the Parties, each acting reasonably, at least three (3) days before Closing, and to report the sale and purchase of the Purchased Assets for all federal, provincial and local tax purposes in a manner consistent with such allocation.

### **3.5 Section 167 Tax Election.**

If available and requested by the Purchaser on Closing, the Vendor and the Purchaser shall execute jointly an election under Section 167 of the ETA to have the sale of the Purchased Assets take place on a GST-free basis under Part IX of the ETA. The Purchaser shall file the elections in the manner and within the time prescribed by the relevant legislation.

## **ARTICLE 4 COVENANTS**

### **4.1 Closing Date**

- (a) The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing.

- (b) Each of the Parties shall, as promptly as possible, make, or cause to be made, all filings and submissions, as applicable, required under any Applicable Law to effect the Closing.

#### **4.2 Access During Interim Period**

During the Interim Period, the Vendor shall, subject to any confidentiality, privacy or safety restrictions, give, or cause to be given, to the Purchaser, and its representatives, reasonable access during normal business hours to the Books and Records, to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Purchased Assets as the Purchaser reasonably deems necessary or desirable to further familiarize itself with the Purchased Assets. Without limiting the generality of the foregoing: (a) the Purchaser and its representatives shall be permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement; and (b) the Purchaser and its representatives shall be permitted to contact and discuss the Transaction contemplated herein with Governmental Authorities and the Vendor's customers and contractual counterparties. Such investigations, inspections, surveys and tests shall be carried out at the Purchaser's sole and exclusive risk and cost, during normal business hours, and without undue interference with the Vendor's operations and the Vendor shall co-operate reasonably in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

#### **4.3 Assigned Contracts**

- (a) The Purchaser, with the Vendor's consent, will request any consents necessary to permit the assignment to the Purchaser of the Assigned Contracts. The Vendor will provide its reasonable cooperation to assist the Purchaser to obtain such consents, including providing financial and other information of the Vendor requested by the Purchaser or party to such Assigned Contract. For certainty, the Purchaser will be responsible for all Cure Costs in respect of any Assigned Contracts.
- (b) Nothing in this Agreement will constitute an agreement to assign or an attempted assignment of any non-assignable rights or any Contracts for which any requisite consent or approval has not been obtained or which as a matter of Applicable Law or by its terms is not assignable.

#### **4.4 Risk of Loss**

The Purchased Assets shall be at the risk of the Vendor until Closing. If, between the date hereof and Closing, any of the Purchased Assets are destroyed, lost or materially damaged (each a “**Casualty**”), and such Casualty or series of Casualties shall be in aggregate value less than seventy-five (75%) percent of the total value of the Purchased Assets, the Purchaser shall still complete the purchase of the Purchased Assets on an “as is, where is” basis without any adjustment to the Purchase Price payable hereunder and take an assignment from the Vendor of any and all insurance proceeds payable to the Vendor in respect of the Casualty. For greater certainty, in no event shall the aggregate total of the insurance proceeds assigned to the Purchaser in accordance with this Section and the fair market value of Purchased Assets exceed the Purchase Price.

#### **4.5 Indemnity**

The Purchaser hereby indemnifies the Vendor and its respective representatives, and saves them fully harmless against, and will reimburse or compensate them for, any Damages arising from, in connection with or related in any manner whatsoever to:

- (a) any Transfer Taxes (including penalties and interest) which may be assessed against any of the Vendor, including, notwithstanding anything to the contrary in this Agreement, any Taxes which may be assessed against any of the Vendor in the event that any election made pursuant to Section 3.5 is challenged by the relevant Tax authority as being inapplicable to the Transaction under this Agreement, or as a result of the Purchaser's failure to file such elections within the prescribed time;
- (b) the Purchaser's access in accordance with Section 4.2; and
- (c) the Purchaser's failure to pay when due and failure to perform and discharge the Assumed Liabilities in accordance with their terms.

## ARTICLE 5 CLOSING ARRANGEMENTS

### 5.1 Closing

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

### 5.2 Vendor Closing Deliveries

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

- (a) the Purchased Assets, with delivery to occur *in situ* wherever such Purchased Assets are located at the Closing Time;
- (b) a true copy of the Approval and Vesting Order, as issued and entered by the Court;
- (c) the post-closing storage agreement for a term of one (1) month in a form agreeable to the parties acting reasonably; duly executed by the Vendor;
- (d) the election referred to in Section 3.5 of this Agreement, if applicable; and
- (e) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

### 5.3 Purchaser's Closing Deliveries

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

- (a) the Cash Purchase Price referred to in Section 3.2(b);
- (b) the Cure Costs referred to in Section 3.2(c);
- (c) the Assignment and Assumption Agreement, duly executed by the Purchaser;
- (d) the payment of all Transfer Taxes (if any) required to be paid on Closing;

- (e) bring-down certificate executed by a senior officer of the Purchaser dated as of the Closing Date, in form and substance satisfactory to the Vendor, acting reasonably, certifying that: (a) all of the representations and warranties of the Purchaser hereunder remain true and correct in all material respects as of the Closing Date as if made on and as of such date or, if made as of a date specified therein, as of such date; and (b) all of the terms and conditions set out in this Agreement to be complied with or performed by the Purchaser at or prior to Closing have been complied with or performed by the Purchaser in all material respects
- (f) the post-closing storage agreement for a term of one (1) month in a form agreeable to the parties acting reasonably; duly executed by the Purchaser;
- (g) the allocation of Purchase Price;
- (h) the election referred to in Section 3.5 of this Agreement, if applicable; and
- (i) such other agreements, documents and instruments as may be reasonably required by the Vendor to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

#### **5.4 Personal Information Privacy**

The Purchaser shall at all times comply with all Applicable Laws governing the protection of personal information with respect to Personal Information disclosed or otherwise provided to the Purchaser by the Vendor under this Agreement. The Purchaser shall only collect, use or disclose such Personal Information for the purposes of investigating the Purchased Assets as contemplated in this Agreement and completing the Transaction contemplated in this Agreement. The Purchaser shall safeguard all Personal Information collected from the Vendor in a manner consistent with the degree of sensitivity of the Personal Information and maintain at all times the security and integrity of the Personal Information. The Purchaser shall not make copies of the Personal Information or any excerpts thereof or in any way re-create the substance or contents of the Personal Information if the purchase of the Purchased Assets is not completed for any reason and shall return all Personal Information to the Vendor or destroy such Personal Information at the Vendor's request.

### **ARTICLE 6 CONDITIONS OF CLOSING**

#### **6.1 Mutual Conditions of Closing**

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

- (a) Approval and Vesting Order. The Court shall have pronounced the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside, or vacated.
- (b) Assignment of Lease. The Lease shall have been assigned to the Purchaser pursuant to the Approval and Vesting Order, or assigned to the Purchaser with the consent of the landlord.
- (c) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority (other than the Court or other court with standing) or otherwise in effect that restrains or prohibits the completion of the Transaction.



- (d) No Restraint. No motion, action or proceedings shall be pending by or before a Governmental Authority (other than the Court or other court with standing) to restrain or prohibit the completion of the Transaction contemplated by this Agreement.
- (e) Proposal Trustee's Certificate. The Proposal Trustee shall have provided an executed certificate of the Proposal Trustee substantially in the form attached to the Approval and Vesting Order (the "**Proposal Trustee's Certificate**") confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in this Section 6.1 is not satisfied, performed or mutually waived on or prior to the Closing Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

## 6.2 Purchaser's Conditions of Closing

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

- (a) Vendor's Deliverables. The Vendor shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 5.2.
- (b) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 7.1 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.
- (c) No Breach of Covenants. The Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Vendor on or before the Closing Date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 6.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in this Section 6.2 is not satisfied or performed by the Closing Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement.

## 6.3 Vendor's Conditions of Closing

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Vendor at the Closing all the documents and payments contemplated in Section 5.3.
- (b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 7.2 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

- (c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 6.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 6.3 is not satisfied or performed by the Closing Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

#### **6.4 Proposal Trustee's Certificate**

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

### **ARTICLE 7 REPRESENTATIONS AND WARRANTIES**

#### **7.1 Representations and Warranties of the Vendor**

The Vendor hereby represents and warrants that, subject to receipt of the Approval and Vesting Order, it has the authority to sell the Purchased Assets to the Purchaser on the terms and conditions of this Agreement.

#### **7.2 Representations and Warranties of the Purchaser**

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

- (a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the laws of the Province of Alberta as of the date hereof, is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.



- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened against the Purchaser, before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.
- (f) Funding Available. The Purchaser has available sufficient funding to enable the Purchaser to consummate the purchase of the Purchased Assets on the terms set forth herein and otherwise to perform all of the Purchaser's obligations under this Agreement.
- (g) Excise Tax Act. The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with registration number 736096611 RT0001.
- (h) Residency. The Purchaser is not a non resident of Canada within the meaning of section 116 of the *Income Tax Act* (Canada).
- (i) No Sanctions. None of the Purchaser, any of its subsidiaries or, to the knowledge of the Purchaser, any director, officer, agent, employee, Affiliate or representative of the Purchaser or any of its subsidiaries is, or is controlled or 50% or more owned by or is acting on behalf of, an individual or entity (a “**Sanctioned Person**”) currently the subject of applicable economic sanctions including those administered or enforced by the government of Canada, the United States of America, or the United Kingdom (collectively, “**Sanctions**”). None of the Purchaser or any of its subsidiaries is located, organized or resident in a country or territory that is, or whose government is, the subject of Sanctions. To the Purchaser's knowledge, neither it nor any of its subsidiaries has engaged in any dealings or transactions with or for the benefit of a Sanctioned Person. The Purchaser has procedures and policies in place designed to ensure compliance with Sanctions.

### 7.3 “As is, Where is”

(1) The Purchaser acknowledges and agrees that it is purchasing the Purchased Assets and assuming the Assumed Liabilities on an “as is, where is” basis and on the basis that the Purchaser has conducted to its satisfaction an independent inspection, investigation and verification of the Purchased Assets, Assumed Liabilities and all other relevant matters and has determined to proceed with the Transaction contemplated herein and will accept the same at the Closing Time in their then current state, condition, location, and amounts, subject to all Permitted Encumbrances.

(2) Except as otherwise expressly provided in Section 7.1, no representation, warranty or condition whether statutory or any other Canadian (including federal, provincial or municipal) or international acts which may be applicable to the subject matter pursuant to the provisions of this Agreement, including but not limited to the United Nations Convention on Contracts for the International Sale of Goods), or express or implied, oral or written, legal, equitable, conventional, collateral, arising by custom or usage of trade, or otherwise is or will be given by the Vendor or the Proposal Trustee including as to title, outstanding liens or encumbrances, description, fitness for purpose, merchantability, merchantable quality, quantity, condition (including physical and environmental condition), suitability, durability, assignability, or marketability thereof or any other matter or thing whatsoever, and all of the same are expressly excluded and disclaimed and any rights pursuant to such statutes have been waived by the Purchaser. The Purchaser acknowledges and agrees that it has relied entirely and solely on its own investigations as to the matters set

out above and in determining to purchase the Purchased Assets and assume the Assumed Liabilities pursuant to this Agreement.

(3) The description of the Purchased Assets and Assumed Liabilities contained herein is for the purpose of identification only and the inclusion of any item in such description does not confirm the existence of any such items or that any such item is owned by the Vendor. Except as otherwise explicitly set forth in Section 7.1 no representation, warranty or condition has been given by the Vendor or the Proposal Trustee concerning the completeness or accuracy of such descriptions and the Purchaser acknowledges and agrees that any other representation, warranty, statements of any kind or nature, express or implied, (including any relating to the future or historical financial condition, results of operations, prospects, assets or liabilities of the Vendor or the quality, quantity or condition of the Purchased Assets) are specifically disclaimed by the Vendor.

(4) Any documents, materials and information provided by the Vendor or Proposal Trustee to the Purchaser with respect to the Purchased Assets or Assumed Liabilities (including any confidential information memorandums, management presentations, or material made available in the electronic data room) have been provided to the Purchaser solely to assist the Purchaser in undertaking its own due diligence, and the Vendor and/or Proposal Trustee have not made and are not making any representations or warranties, implied or otherwise, to or for the benefit of the Purchaser as to the accuracy and completeness of any such documents, materials or information or the achievability of any valuations, estimates or projections. The Purchaser acknowledges that it has not and will not rely upon any such documents, materials or information in any manner, whether as a substitute for or supplementary to its own due diligence, searches, inspections and evaluations. The Vendor and/or Proposal Trustee and their respective Affiliates, directors, officers, employees, agents and advisors shall not be liable for any inaccuracy, incompleteness or subsequent changes to any such documents, materials or information. The Purchaser further acknowledges that the use of the documents may not be possible without the Purchaser obtaining reliance or other assurances from the author of such documents directly and further that the documents may be subject to copyright or other property rights which may preclude their use by the Purchaser in whole or in part.

If this Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of Sections 4.5 (Indemnity), 5.4 (Personal Information Privacy), 9.3 (Public Announcements) and 9.9 (Governing Law).

## **ARTICLE 8 TERMINATION**

### **8.1 Grounds for Termination**

This Agreement may be terminated prior to the Closing Date:

- (a) by the Vendor upon written notice to the Purchaser if: (i) the Closing has not occurred by the Outside Date; or (ii) the Purchaser has breached its obligations under this Agreement and has not cured such breach within five (5) Business Days of receiving notice thereof from Vendor; provided in each case that the failure to close, as applicable, is not caused by a breach of this Agreement by the Vendor; or
- (b) by the Purchaser upon written notice to the Vendor if: (i) the Closing has not occurred by the Outside Date; or (ii) the Vendor has breached its obligations under this Agreement and has not cured such breach within five (5) Business Days of receiving notice thereof from Purchaser; provided in each case that the failure to close, as applicable, is not caused by a breach of this Agreement by the Purchaser; or (iii) if a Casualty or series of Casualties is

in aggregate value greater than seventy-five (75%) of the total value of the Purchased Assets.

## **8.2 Effect of Termination.**

If this Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of Sections 9.3 (Public Announcements) and 9.9 (Governing Law).

## **ARTICLE 9 GENERAL**

### **9.1 Access to Books and Records**

For a period of two (2) years from the Closing Date or for such longer period as may be reasonably required for the Vendor (or any trustee in bankruptcy of the estate of the Vendor) to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Vendor, including the Proposal Trustee) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

### **9.2 Notice**

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

If to the Purchaser:

**2536511 Alberta Ltd.**  
Attn: John Radostits  
7529 72A Street NW  
Edmonton, Alberta T6B1Z3  
Email: johnrad@radcogroup.com

with a copy to Purchaser's Counsel:

**McLennan Ross LLP**  
Attn: Kevin Ozubko  
600 McLennan Ross Building  
12220 Stony Plain Rd.  
Edmonton, AB T5N 3Y4  
Email: kevin.ozubko@mross.com

If to the Vendor:

3365 – 11<sup>th</sup> Street #2  
Attn: Michael Krestell  
Nisku, Alberta  
T9E 8M8  
Email: michael.krestell@dynaleo.com

with a copy to Vendor's counsel:

**Miller Thomson LLP**  
Attn: James W. Reid  
700 – 9<sup>th</sup> Avenue S.W.  
Suite 3000  
Calgary, AB T2P 3V4  
Email: jwreid@millertomson.com

and with a further copy to the Proposal Trustee:

**Harris & Partners Inc.**  
Attn: Jill Strueby  
500 4 Avenue SW  
Calgary, AB T2P 2V6  
Email: jill@harrispartners.ca

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Calgary time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Calgary time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

### **9.3 Public Announcements**

The Vendor and the Proposal Trustee shall be entitled to disclose this Agreement to the Court and parties in interest in the NOI Proceedings, and this Agreement may be posted on the Proposal Trustee's website maintained in connection with the NOI Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Vendor or any of its Affiliates under Applicable Laws or stock exchange rules, the Purchaser shall not issue any press release or make any public statement or public communication with respect to this Agreement or the Transaction contemplated hereby without the prior consent of the Proposal Trustee which shall not be unreasonably withheld or delayed.

**9.4 Time**

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

**9.5 Survival**

All representations, warranties and covenants of Vendor contained in this Agreement shall merge and terminate on Closing. Notwithstanding the foregoing, the representations, warranties and covenants of the Purchaser contained herein shall not merge on Closing and shall survive and remain in full force and effect.

**9.6 Benefit of Agreement**

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

**9.7 Entire Agreement**

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

**9.8 Paramountcy**

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

**9.9 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and each of the Parties irrevocably attorn to the exclusive jurisdiction of the Court in the NOI Proceedings, and any appellate courts of the Province of Alberta therefrom.

**9.10 Assignment**

This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, in whole or in part, without the prior written consent of the Vendor, provided that: (a) such assignee is a related party or subsidiary of the Purchaser; (b) the Purchaser provides prior notice of such assignment to the Vendor; and (c) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment.

**9.11 Further Assurances**

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

### **9.12 Counterparts**

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

### **9.13 Severability**

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

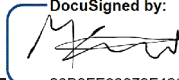
### **9.14 Proposal Trustee's Capacity**

In addition to all of the protections granted to the Proposal Trustee under the BIA or any order of the Court in these NOI Proceedings, the Purchaser acknowledges and agrees that the Proposal Trustee, acting in its capacity as Proposal Trustee and not in its corporate or personal capacity, will have no Liability to the Purchaser in connection with this Agreement or the Transaction contemplated herein.

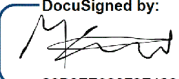
*[Signature Page Follows]*

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the Effective Date.


**DYNALEO INC.**

Per:    
 20B8FE93873F426...   
 Name: Michael Krestell   
 Title: Director

**DYNALEO GROUP SERVICES INC.**

Per:    
 20B8FE93873F426...   
 Name: Michael Krestell   
 Title: Director

**2536511 ALBERTA LTD.**

Per:    
 25F8E023F68C440...   
 Name: John Radostits   
 Title: Director

## **SCHEDULE "A"**

### **PURCHASED ASSETS**

- All physical assets, including but not limited to the assets and items set out in further detail below
- All inventory
- All computer files and information related to the Purchased Assets
- All intellectual property
- All brands
- All patents, trademarks and IP licences
- All packaging
- All standard operating procedures
- All manuals
- The Assumed Contracts

For certainty, in each case other than the Excluded Assets.



**SCHEDULE "B"**  
**PERMITTED ENCUMBRANCES**

Nil

**SCHEDULE "C"**

**ASSIGNED CONTRACTS**

The lease dated June 1, 2019 between the Landlord and Dynaleo in relation to Units 2 and 3, 3365 – 11 Street, Nisku, AB T9E 1K7 (the "**Lease**")

**SCHEDULE "D"**  
**ASSUMED LIABILITIES**

NIL

## **SCHEDULE “E”**

### **EXCLUDED ASSETS**

- The Vendor’s agreement (the “**PNP Agreement**”) with Peace Naturals Project Inc. (“**PNP**”), and all related assets including, without limitation:
  - any moulds, inputs, inventory or packaging materials acquired by the Vendor for or on behalf of PNP;
  - any amounts payable by PNP to the Vendor under the PNP Agreement; and
  - any claims of the Vendor against PNP
- All Accounts Receivable of the Vendor
- All cash and cash equivalents of the Vendor
- All claims of the Vendor against third parties
- All deposits, prepaid items and advanced payments, including credits, charges, deposits and prepaid expenses pertaining to the Assets, including but not limited to the security deposit under the Lease

## APPENDIX "B"

**Dynaleo Inc. and Dynaleo Group Services Inc.****Weekly Cash Flow Cumulative Variance ( May 24, 2023 to August 11, 2023)**

SCAD

	Notes	Forecast 12-week total	Actual 12-week total	Variance 12-week total
<b>Cash Receipts</b>				
Ontario (OCS)		470,600	264,473	(206,127)
Other sales		166,600	148,131	(18,469)
Other receipts		366,000	443,656	77,656
	<b>1</b>	<b>\$ 1,003,200</b>	<b>\$ 856,260</b>	<b>(146,940)</b>
<b>Operating Cash Disbursements</b>				
Contractor salaries and expenses	<b>2</b>	160,200	328,676	\$ (168,476)
Insurance		54,000	49,869	\$ 4,131
Excise taxes	<b>3</b>	67,500	13,245	\$ 54,255
Utilities	<b>4</b>	60,000	141	\$ 59,859
Rent		119,400	77,540	\$ 41,860
IT expenses		2,500	7,217	\$ (4,717)
Freight	<b>5</b>	7,500	25,142	\$ (17,642)
Inventory maintenance	<b>6</b>	32,500	-	\$ 32,500
Interest and fees	<b>7</b>	22,600	730	\$ 21,870
Contingency		30,000	-	\$ 30,000
		<b>556,200</b>	<b>502,561</b>	<b>\$ 53,639</b>
<b>Net Cash Flow from Operations</b>		<b>\$ 447,000</b>	<b>\$ 353,700</b>	<b>\$ (93,300)</b>
<b>Non-Operating Cash Disbursements</b>				
	<b>8</b>			
Harris & Partners Inc.		75,000	86,512	\$ (11,512)
Miller Thomson LLP		90,000	85,448	\$ 4,552
MLT Aikins LLP		40,000	20,878	\$ 19,122
		<b>205,000</b>	<b>192,838</b>	<b>\$ 12,162</b>
<b>Net Cash Flow</b>		<b>\$ 242,000</b>	<b>\$ 160,862</b>	<b>\$ (81,138)</b>
<b>Opening Cash</b>				
		\$ -	1,093	1,093
Net Cash Flow		242,000	160,879	(81,121)
DIP Advance (Repayment)		25,000	-	(25,000)
<b>Ending Cash</b>		<b>\$ 267,000</b>	<b>\$ 161,971</b>	<b>(105,029)</b>
<b>Opening DIP Facility Availability</b>				
	<b>9</b>	<b>\$ 150,000</b>	-	(150,000)
DIP Borrowings		125,000	-	(125,000)
DIP Repayment		(100,000)	-	100,000
<b>Closing DIP Facility Availability</b>		<b>\$ 125,000</b>	-	(125,000)

**Notes**

1 Total cash receipts of approximately \$856,260 collected compared to forecast receipts of \$1,003,200, resulting in a variance of approximately \$146,940. Due to the timing of the collection of certain provincial sales receipts and this variance is expected to be collected the week ending August 18.

2 Wages and salaries paid were higher due to the Company fulfilling certain OSC, AGLC and other Provinces purchase orders.

3 Due to timing of payment of the excise taxes this is expected to reverse in the coming weeks.

4 Utilities are less than forecast, however this is expected to reverse in the coming weeks once the invoices are received and paid.

5 Freight costs were higher than forecast due to the additional purchase orders received from the OSC, AGLC and other provinces.

6 Inventory maintenance was lower than forecast, however this is expected to reverse in the coming weeks.

7 Interest and fees were lower than forecast due to the Companies not requiring the DIP Facility.

8 Professional fees and costs had a positive variance of approximately \$12,162 due to the timing of payments of professional fee invoices. These are forecast to be paid in the coming weeks.

9 Advances under the interim financing were Nil.

## APPENDIX "C"

Dynaleo Inc. and Dynaleo Group Services Inc. Cash Flow Forecast through October 20, 2023		Updated Forecast										10-week total
		Week 13 18-Aug-23	Week 14 25-Aug-23	Week 15 1-Sep-23	Week 16 8-Sep-23	Week 17 15-Sep-23	Week 18 22-Sep-23	Week 19 29-Sep-23	Week 20 6-Oct-23	Week 21 13-Oct-23	Week 22 20-Oct-23	
SCAD	Notes week ended											
<b>Cash Receipts</b>												
Ontario (OCS)	1	114,000	-	-	-	-	-	-	-	-	-	114,000
Other sales		-	-	-	-	-	-	-	-	-	-	-
Other receipts	2	-	-	-	-	-	-	-	-	-	-	-
		<b>\$ 114,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 114,000</b>
<b>Operating Cash Disbursements</b>												
Contractor salaries and expenses	3	10,000	-	10,000	-	-	-	-	-	-	-	20,000
Insurance	4	10,000	-	-	-	-	-	-	-	-	-	10,000
Excise taxes	5	-	-	25,000	-	-	-	-	-	-	-	25,000
Utilities	6	10,000	-	5,000	-	-	-	-	-	-	-	15,000
Rent	7	37,000	-	-	-	-	-	-	-	-	-	37,000
IT expenses		-	-	-	-	-	-	-	-	-	-	-
Freight		-	-	-	-	-	-	-	-	-	-	-
Inventory maintenance		-	-	-	-	-	-	-	-	-	-	-
Interest and fees		-	-	-	-	-	-	-	-	-	-	-
Contingency	8	10,000	-	-	-	-	-	-	-	-	-	10,000
		<b>77,000</b>	<b>-</b>	<b>40,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,000</b>
<b>Net Cash Flow from Operations</b>		<b>\$ 37,000</b>	<b>\$ -</b>	<b>\$ (40,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,000)</b>
<b>Non-Operating Cash Disbursements</b>	9											
Harris & Partners Inc.		20,000	-	-	-	15,000	-	-	-	-	-	35,000
Miller Thomson LLP		60,000	-	-	-	40,000	-	-	-	-	-	100,000
MLT Aikins LLP		10,000	-	-	-	10,000	-	-	-	-	-	20,000
		<b>90,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>155,000</b>
<b>Net Cash Flow</b>		<b>\$ (53,000)</b>	<b>\$ -</b>	<b>\$ (40,000)</b>	<b>\$ -</b>	<b>\$ (65,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (158,000)</b>
<b>Opening Cash</b>		\$ 161,971	\$ 108,971	\$ 108,971	\$ 68,971	\$ 68,971	\$ 3,971	\$ 3,971	\$ 3,971	\$ 3,971	\$ 3,971	\$ 161,971
Net Cash Flow		(53,000)	-	(40,000)	-	(65,000)	-	-	-	-	-	(158,000)
DIP Advance (Repayment)		-	-	-	-	-	-	-	-	-	-	-
<b>Ending Cash</b>		<b>\$ 108,971</b>	<b>\$ 108,971</b>	<b>\$ 68,971</b>	<b>\$ 68,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>	<b>\$ 3,971</b>
<b>Opening DIP Facility Availability</b>		-	-	-	-	-	-	-	-	-	-	-
DIP Borrowings		-	-	-	-	-	-	-	-	-	-	-
DIP Repayment		-	-	-	-	-	-	-	-	-	-	-
<b>Closing DIP Facility Availability</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

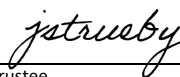
Dynaleo Inc. and Dynaleo Group Services Inc.



Michael Krestell  
Executive Director

Aug 15, 2022

Date



Trustee

Aug 15, 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 10-week period  
ending October 20, 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**”).

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 August 12, 2023, to October 20, 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 information contained in the Cash Flow Statement is subject to changing assumptions and or receipts 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. Funds from the transaction are expected to be received the week ending September 1, 2023. Due to the anticipated approval by the court for a sealing order, the amounts have been excluded from the cash flow statement at this time.
3. 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.
4. The monthly insurance policy was extended for an additional two weeks and the estimated cost is based on historical amounts.

5. Excise taxes owing during the forecast period are assumed to be paid by the Companies in normal course.
6. Utilities include estimated monthly water, natural gas, heat, and electricity. These costs are not included in the monthly base rent charge to the Companies. These amounts are forecasted based on historical usage.
7. The Companies' office monthly rent is \$37,000, payable on the 1<sup>st</sup> of every month.
8. A contingency of \$20,000 for the 10-week period has been incorporated into the cashflow to cover unexpected amounts the Companies may occur during the NOI.
9. 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.

**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.

Trustee – Harris & Partners Inc.



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Michael Krestell  
Executive Director



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Jill Strueby, LIT  
Senior Vice-President

Date: August 14, 2023

Date: August 14, 2023