

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

JUNCTION CRAFT BREWING INC.

**SECOND REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.**

DECEMBER 14, 2021

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSES OF THE SECOND REPORT	2
III.	TERMS OF REFERENCE	5
IV.	OUTCOME OF THE SALE PROCESS	5
V.	CASH FLOW VARIANCE ANALYSIS REPORTING	14
VI.	PAYMENTS AND DISTRIBUTIONS FROM THE TRANSACTIONS' PROCEEDS	15
VII.	CONSTRUCTION LIEN	17
VIII.	ACTIVITIES OF THE COMPANY	17
IX.	ACTIVITIES OF THE TRUSTEE	18
X.	REQUEST FOR APPROVAL OF FEES AND DISBURSEMENTS	19
XI.	STAY EXTENSION	20
XII.	CONCLUSION AND RECOMMENDATION	21

APPENDICES

APPENDIX "A" – Certificate of Filing the Notice of Intention to Make a Proposal

APPENDIX "B" – Sale Process Order

APPENDIX "C" – Amended and Restated Stalking Horse Agreement

APPENDIX "D" – Stay Extension, DIP Financing and Administration Order

APPENDIX "E" – First Report of the Trustee dated November 2, 2021 (without appendices)

APPENDIX "F" – Supplement to the First Report of the Trustee dated November 5, 2021 (without appendices)

APPENDIX "G" – Cash Flow Forecast

APPENDIX "H" – Affidavit of Karen Kimel, sworn December 14, 2021

APPENDIX "I" – Affidavit of Miranda Spence, sworn December 13, 2021

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

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

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED
AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT BREWING
INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

SECOND REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.

DECEMBER 14, 2021

I. INTRODUCTION

1. On October 15, 2021 (the “**Filing Date**”), Junction Craft Brewing Inc. (“**Junction**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (an “**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”), and Richter Advisory Group Inc. (“**Richter**”) was appointed as trustee (in such capacity, the “**Trustee**”) under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy in respect of the Company’s NOI is attached hereto as **Appendix “A”**. The NOI proceedings of Junction are referred to herein as the “**NOI Proceedings**”.
2. On November 8, 2021, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Sale Process Order**”), *inter alia*,
 - (a) authorizing the Trustee, on behalf of the Company, to undertake a court-supervised sale solicitation process (the “**Sale Process**”) for the sale of Junction’s business and/or assets; and
 - (b) approving the amended and restated stalking horse share purchase agreement dated November 5, 2021 (the “**Amended and Restated Stalking Horse Agreement**”) and the transaction structure contemplated thereby, pursuant to which 1000003509 Ontario Limited (“**3509**”) agreed to act as a stalking horse bidder in the Sale Process (the “**Stalking Horse Purchaser**”).

Copies of the Sale Process Order and the Amended and Restated Stalking Horse Agreement are attached hereto as **Appendix “B”** and **Appendix “C”**, respectively.

3. In addition, on November 8, 2021, the Court issued an order (the “**Stay Extension, DIP Financing and Administration Order**”), *inter alia*:
 - (a) extending the stay of proceedings in favour of the Company until December 29, 2021;
 - (b) approving an interim credit facility up to a maximum amount of \$650,000 (the “**DIP Facility**”) provided by 3509 (in such capacity, the “**DIP Lender**”) pursuant to an interim facility term sheet dated November 1, 2021 (the “**DIP Term Sheet**”);
 - (c) approving a charge to secure the fees and disbursements of the Trustee, its counsel and counsel to the Company in the amount of \$300,000 (the “**Administration Charge**”);
 - (d) approving a charge in the amount of \$650,000 in favour of the DIP Lender to secure advances to the Company made under the DIP Facility (the “**DIP Charge**”);

- (e) approving a charge in favour of the Company's directors and officers in the amount of \$150,000 (the "**Director's Charge**") to indemnify them for liabilities incurred by the Company that result in post-filing claims against the directors and officers; and
- (f) approving the first report of the Trustee dated November 2, 2021 (the "**First Report**") and the activities, actions and conduct of the Trustee set out therein.

A copy of the Stay Extension, DIP Financing and Administration Order is attached hereto as **Appendix "D"**.

- 4. This report is the Trustee's second report (the "**Second Report**") to this Court. The First Report, and the supplement to the First Report dated November 5, 2021 (the "**Supplementary First Report**"), were filed to, among other things, support the Company's motion seeking the Sale Process Order and the Stay Extension, DIP Financing and Administration Order. Copies of the First Report and the Supplementary First Report (each without appendices) are attached hereto as **Appendix "E"** and **Appendix "F"**, respectively, and are also available on the Trustee's website at <https://www.richter.ca/insolvencycase/junction-craft-brewing-inc/> (the "**Trustee's Website**"), together with copies of Court and other materials pertaining to the NOI Proceedings.

II. PURPOSES OF THE SECOND REPORT

- 5. The purpose of this Second Report is to provide the Court with information pertaining to the following:
 - (a) the outcome of the Sale Process;
 - (b) an overview of the Amended and Restated Stalking Horse Agreement, including the Trustee's recommendation regarding the transactions between the Company and the Stalking Horse Purchaser contemplated therein (the "**Transactions**");
 - (c) the Company's reported receipts and disbursements for the period from October 17, 2021 to December 11, 2021 (the "**Reporting Period**"), including a comparison of reported to forecasted results;
 - (d) the proposed payments and distributions from the proceeds of the Transactions;
 - (e) the activities of the Trustee since the date of the First Report and those of the Company since the Filing Date;
 - (f) the accounts of the Trustee and that of its legal counsel, Aird & Berlis LLP ("**Aird & Berlis**"), including the estimated remaining fees and disbursements to the effective date of the termination of the NOI Proceedings;

- (g) the Company's motion for an order (the "**Approval and Vesting Order**"), *inter alia*:
- (i) approving the Transactions, including, but not limited to, the incorporation of a wholly-owned subsidiary of the Company ("**ResidualCo**"), for the purposes of accepting the transfer of all Excluded Assets and assumption of all Excluded Liabilities (each as defined herein), and authorizing and directing the Company to take such steps as may be necessary or desirable to complete the Transactions;
 - (ii) upon the delivery of the Trustee's certificate to the Stalking Horse Purchaser and the Company certifying that the Company's right, title and interest in and to the Excluded Assets, the Excluded Contracts (as defined in the Amended and Restated Stalking Horse Agreement) and the Excluded Liabilities have been transferred to and vested in ResidualCo, the following will have occurred or be deemed to have occurred in the following sequence:
 - (A) deeming that the directors and officers of ResidualCo have resigned;
 - (B) vesting all of Junction's right, title and interest in and to the Excluded Assets in ResidualCo;
 - (C) channeling, assuming and vesting in ResidualCo the Excluded Liabilities (including the Excluded Contracts);
 - (D) authorizing the Stalking Horse Purchaser, on behalf of Junction, to pay to the Trustee, the Bankruptcy Costs (as defined in the Amended and Restated Stalking Horse Agreement), who will provide same to Richter in its capacity as proposed trustee in bankruptcy of ResidualCo; and
 - (E) authorizing the Trustee to file an assignment in bankruptcy on behalf of ResidualCo forthwith; and
 - (iii) following the bankruptcy of ResidualCo, and upon the delivery of a second certificate by the Trustee to the Stalking Horse Purchaser certifying that, among other things, all conditions to closing the transactions have been satisfied or waived (the "**Trustee's Share Sale Certificate**"), the following will have occurred or be deemed to have occurred in the following sequence:
 - (A) terminating and cancelling all issued and outstanding shares and other equity interests in the capital of Junction, other than the common shares of Junction and the New Class A

Shares (as defined herein), as described in paragraph 8(a) of the Approval and Vesting Order;

- (B) authorizing the Stalking Horse Purchaser, on behalf of Junction, to pay, assume or otherwise satisfy the Priority Amounts (as defined in the Amended and Restated Stalking Horse Agreement), and, upon doing so, forever releasing, expunging and discharging such claims as against the Retained Assets, Junction and the New Class A Shares;
- (C) issuing the New Class A Shares to the Stalking Horse Purchaser in consideration of the Purchase Price (as defined herein); and
- (D) authorizing and directing Junction to forthwith amend its articles of incorporation and redeem and cancel all of its common shares, as set out in paragraph 17 (b) of this Second Report; and

(h) the Company's motion for an order (the "**Ancillary Order**"), *inter alia*:

- (i) extending the stay of proceedings in favour of the Company until January 7, 2022 (the "**Stay Extension**");
- (ii) authorizing the Trustee to distribute the Cash Payment (as defined in the Amended and Restated Stalking Horse Agreement) to Farm Credit Canada ("**FCC**"), the Company's senior secured creditor;
- (iii) approving the Supplementary First Report, the Second Report and the activities of the Trustee described therein and herein;
- (iv) approving the fees and disbursements of the Trustee and Aird & Berlis, including the Remaining Fees and Disbursements (as defined herein); and
- (v) upon the filing of a certificate to the Court by the Trustee certifying that the NOI has been withdrawn and cancelled:
 - (A) withdrawing, cancelling and terminating the NOI Proceedings (for clarity, the withdrawal, cancellation and termination of the NOI Proceedings will not result in a deemed bankruptcy of the Company);
 - (B) terminating the DIP Charge, the Administration Charge and the Directors' Charge; and

- (C) discharging Richter as Trustee, and releasing Richter from any and all liability that it now has, or may hereafter have, by reason of, or in any way arising out of, its acts or omissions as Trustee, save and except for any gross negligence or willful misconduct on the part of the Trustee.

III. TERMS OF REFERENCE

6. In preparing this Second Report, the Trustee has relied upon certain unaudited, draft, and / or internal financial information prepared by representatives of the Company, the Company's books and records, and discussions with representatives of the Company and the Company's legal counsel (collectively, the **"Information"**). In accordance with industry practice, except as otherwise described in this Second Report, the Trustee has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards (**"GAAS"**) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, as such, the Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Parties using this Second Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
8. Unless otherwise noted, all monetary amounts contained in this Second Report are expressed in Canadian dollars.

IV. OUTCOME OF THE SALE PROCESS

9. The Sale Process served the dual purpose of exposing the Company to the market for sale as a going concern, while also providing certainty that a transaction will be completed, in the form of the Amended and Restated Stalking Horse Agreement, in the event there were no superior offers. An overview of the Sale Process is provided in the First Report and not repeated herein.

Marketing Process

10. On November 9, 2021, pursuant to the Sale Process Order, the Trustee commenced the Sale Process. A summary of the activities undertaken in the Sale Process is as follows:
- (a) the Trustee prepared an interest solicitation summary (the **"Teaser"**) detailing the acquisition opportunity;
 - (b) the Trustee prepared a list of potential interested parties (the **"Prospective Participants"**) identified by the Trustee. In compiling the list of Prospective Participants, the Trustee relied on the assistance of the Company, including one of its board members who was not participating as a shareholder, officer or director

of the Stalking Horse Purchaser, and sought input from FCC and other stakeholders. The Prospective Participants comprised both financial and strategic buyers, made up of domestic and foreign parties, and included craft breweries and ancillary businesses;

- (c) in total, the Trustee distributed the Teaser to approximately 152 Prospective Participants, including more than 90 craft breweries;
- (d) the Trustee placed a notice of the Sale Process in The Globe & Mail (National Edition), together with notices in Brewers Journal Canada, Canadian Beer News and Ontario Craft Brewers (collectively, the **"Brewing Publications"**), which operate newsletters, print publications and websites. The Trustee understands that the Brewing Publications are popular publications for parties that are either involved in, or have an interest in the Ontario and Canadian craft brewery industry; and
- (e) Prospective Participants that executed a non-disclosure agreement (**"NDA"**) were provided access to a virtual data room (the **"Data Room"**) maintained by the Trustee. The Data Room contained confidential information about the Company, including historical and projected financial information, copies of the Company's rental and equipment leases, copies of the Company's licences and other relevant information. Copies of the Amended and Restated Stalking Horse Agreement and sale procedures (the **"Sale Procedures"**) (which are provided in Schedule "F" of the Amended and Restated Stalking Horse Agreement) setting out, among other things, the Offer Deadline (as defined herein), the bid protections and the minimum information requirements for any offer to be considered a Qualified Offer (as defined in the Sale Procedures), along with a template asset purchase agreement and a template share purchase agreement, were also made available in the Data Room.

Offer Deadline

- 11. Pursuant to the Sale Process Order, the deadline to submit an offer to the Trustee was 5:00 p.m. (Toronto time) on December 9, 2021 (the **"Offer Deadline"**).
- 12. In order to allow the Trustee to compare any offers submitted in the Sale Process, all Prospective Participants were required to submit offers in the standard Template Purchase Agreement (as defined in the Amended and Restated Stalking Horse Agreement) and to blackline any changes made to that form of agreement.

Sale Process Results

13. A summary of the Sale Process results is as follows:
- (a) In total, twenty-five (25) parties executed an NDA (each, a “**Prospective Bidder**”) and were provided access to the Data Room to perform diligence on the opportunity. Throughout the course of the Sale Process, the Trustee facilitated due diligence for Prospective Bidders, including updating the Data Room with current information and responding to any queries from Prospective Bidders, as required, with the assistance of the Company;
 - (b) one Prospective Bidder conducted a site tour with representatives of the Trustee and the Company; and
 - (c) no offers other than the offer from the Stalking Horse Purchaser were received by the Offer Deadline. As a result, and in accordance with the Sale Process Order, the Stalking Horse Purchaser was deemed to be the winning bidder (pending the approval of this Court).

The Amended and Restated Stalking Horse Agreement

14. As noted in the First Report, following discussions during the days leading up to and after the Filing Date among the Company, in consultation with its counsel and the Trustee, and 3509, the Company and 3509 agreed to the terms of a share purchase agreement (the “**Initial Stalking Horse Agreement**”) with a view to continuing operating Junction’s business as a going concern.
15. As noted in the Supplementary First Report, following service of the Company’s motion materials in support of the Sale Process Order, which included a copy of the finalized and executed Initial Stalking Horse Agreement, FCC expressed concerns regarding the treatment of the Cash Payment (as defined herein) should closing of the Transactions not occur. In response to those concerns and following discussions among the Company, FCC, the Stalking Horse Purchaser and their respective counsel, certain terms of the Initial Stalking Horse Agreement were amended, including the removal of the deposit requirement and implementing alternative arrangements for the treatment of the Cash Payment, which culminated in the Amended and Restated Stalking Horse Agreement. All other terms remained materially unchanged.
16. The structure of the Amended and Restated Stalking Horse Agreement contemplates the purchase of shares using the concept of a “reverse vesting order”, such that, among other things:
- (a) Junction agreed, subject to Court approval, the terms of the Sale Process, and the terms and conditions of the Amended and Restated Stalking Horse Agreement, to issue new shares (the “**New Class A Shares**”) to the Stalking Horse Purchaser, and the Stalking Horse Purchaser agreed to subscribe for and purchase

the New Class A Shares, as fully paid and non-assessable shares free and clear of all encumbrances, in exchange for the payment of the Purchase Price; and

- (b) Junction will incorporate ResidualCo as a wholly-owned subsidiary of the Company for the purposes of accepting the transfer of all Excluded Assets and assumption of all Excluded Liabilities. Prior to Closing, as part of the Pre-Closing Reorganization under the Amended and Restated Stalking Horse Agreement, and as requested by the Stalking Horse Purchaser, the Excluded Assets and Excluded Liabilities shall vest in ResidualCo and ResidualCo will make an assignment in bankruptcy, the costs of which will be funded by the Stalking Horse Purchaser, to be credited against the Purchase Price.

- 17. The key terms and conditions of the Amended and Restated Stalking Horse Agreement are provided below. Capitalized terms not otherwise defined herein have the meanings given to them in the Amended and Restated Stalking Horse Agreement.

- (a) **Stalking Horse Purchaser:** 1000003509 Ontario Limited
- (b) **Amendment to Articles and Cancellation of Common Shares:** immediately following the issuance of the New Class A Shares to the Stalking Horse Purchaser at the Closing Time, Junction and the Stalking Horse Purchaser will take the following steps in the following sequence, which sequence may be modified on written notice to the Trustee by each of Junction and the Stalking Horse Purchaser:
 - (i) **Amendment to Articles:** Junction's articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for a total aggregate amount of \$660.96 (the "**Redemption Cost**"); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Stalking Horse Purchaser, in its sole and unfettered discretion.
 - (ii) **Redemption & Cancellation:** Junction will (i) redeem all of the issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost (a nominal amount to effect the redemption, which will be funded by the Stalking Horse Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares (the "**Redemption and Cancellation**").

Following the Redemption and Cancellation, the Stalking Horse Purchaser will be the sole owner of the New Class A Shares, which will represent 100% of Junction's issued and outstanding equity. For greater clarity, there will be no preferred shares in the capital of Junction issued and outstanding after the Closing Time.

- (c) **Purchase Price:** estimated to be \$1,105,000 (the “**Purchase Price**”), comprising the following amounts:
- (i) \$400,000 (the “**Cash Payment**”);
 - (ii) any and all amounts secured by the DIP Charge at Closing (the “**DIP Loan Amount**”), which, pursuant to the Cash Flow Forecast, is estimated to be \$600,000;
 - (iii) an amount equal to the Priority Amounts; and
 - (iv) an amount equal to the Bankruptcy Costs (to fund the ResidualCo bankruptcy, which will be released to the Trustee in advance of Closing).
- (d) **Retained Assets:** all of Junction's properties, assets and rights other than the Excluded Contracts, including, without limitation, the following:
- (i) cash, bank balances, moneys in possession of banks, the Trustee and other depositories, term or time deposits and similar cash items, owned or held by or for the account of Junction;
 - (ii) the Accounts Receivable relating to the Company and the benefit of all security (including cash deposits), guarantees and other collateral held by Junction relating thereto;
 - (iii) all Prepaid Amounts;
 - (iv) the Personal Property;
 - (v) the Books and Records;
 - (vi) the Retained Contracts;
 - (vii) the Intellectual Property;
 - (viii) the Goodwill;
 - (ix) the Governmental Authorizations, except to the extent consent to change of control is required;
 - (x) the AGCO Licenses;
 - (xi) Canadian Food Inspection Agency license and the Canada Revenue Agency licenses enumerated in Schedule “D” of the Amended and Restated Stalking Horse Agreement;

- (xii) all of the issued and outstanding shares of JCB Beverages Inc. (a wholly-owned subsidiary of the Company) owned by Junction; and
 - (xiii) properties, assets and rights that are added as Retained Assets pursuant to section 4.3 of the Amended and Restated Stalking Horse Agreement.
- (e) **Retained Liabilities:** the Company's obligations:
 - (i) arising from or in connection with the performance of the Retained Contracts after the Filing Date;
 - (ii) arising from or in connection with the AGCO Licenses; and
 - (iii) that are added as Retained Liabilities pursuant to section 4.3 of the Amended and Restated Stalking Horse Agreement.
- (f) **Excluded Assets,** includes (collectively, the "**Excluded Assets**"):
 - (i) the Excluded Contracts, as set out in Schedule "B" to the Amended and Restated Stalking Horse Agreement, or which may be added as Excluded Contracts pursuant to section 4.2 of the Amended and Restated Stalking Horse Agreement; and
 - (ii) any assets that are added to the Excluded Assets pursuant to section 4.2 of the Amended and Restated Stalking Horse Agreement.
- (g) **Excluded Liabilities** includes all of Junction's obligations other than the Retained Liabilities, including (collectively, the "**Excluded Liabilities**"):
 - (i) those arising from or in connection with the conduct of the Business and the operation of the Retained Assets prior to the Filing Date (other than those specifically included in the Retained Liabilities);
 - (ii) those arising from, in connection with or otherwise accruing before or after the Filing Date relating to any of the Excluded Assets;
 - (iii) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transactions and to which Junction may be bound as at the Closing Time; and

- (iv) obligations that are added as Excluded Liabilities pursuant to section 4.2 of the Amended and Restated Stalking Horse Agreement.
- (h) **Representations and Warranties:** consistent with the standard terms of an insolvency transaction, i.e. on an “as is, where is” basis, with limited representations and warranties.
- (i) **Closing Date:** the date that is ten (10) Business Days after the date the Approval and Vesting Order is granted, or such other date that the Parties, acting reasonably, may mutually agree.
- (j) **Material Conditions:** include,

For the Benefit of both Parties

- (i) the Approval and Vesting Order shall have been issued and entered and shall not have been stayed, amended, modified, reversed or dismissed as at the Closing Date; and
- (ii) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transactions.

For the Benefit of the Stalking Horse Purchaser

- (iii) Junction shall have executed and delivered or caused to have been executed and delivered to the Stalking Horse Purchaser at the Closing all definitive documents required to complete the Transactions, as set out in section 7.3 of the Amended and Restated Stalking Horse Agreement;
- (iv) the representations and warranties of the Company contained in the Amended and Restated Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
- (v) the Company will have fulfilled or complied with all covenants contained in the Amended and Restated Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date;
- (vi) pursuant to the Approval and Vesting Order, (i) all of the Excluded Assets and the Excluded Liabilities will have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities will have attached to the Excluded Assets, and (iii) Junction and its business and property will have been released and forever Discharged of all Claims and Encumbrances (other than the Permitted Encumbrances and Retained Liabilities) such that, from and after Closing, the business and property of Junction will exclude the Excluded Assets and will not be subject to any Excluded Liabilities;

- (vii) upon Closing, the NOI Proceedings will be terminated in respect of Junction and its business and property, as set out in the Approval and Vesting Order; and
- (viii) the Trustee will have provided an executed copy of the Trustee's Share Sale Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Stalking Horse Purchaser and Junction.

For the Benefit of the Company

- (ix) the Stalking Horse Purchaser will have executed and delivered to Junction at the Closing all the documents and payments contemplated in section 7.4 of the Amended and Restated Stalking Horse Agreement;
 - (x) the representations and warranties of the Stalking Horse Purchaser contained in the Amended and Restated Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
 - (xi) the Stalking Horse Purchaser shall have fulfilled or complied with all covenants contained in the Amended and Restated Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date; and
 - (xii) the Trustee will have provided an executed copy of the Trustee's Share Sale Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Stalking Horse Purchaser and Junction.
- (k) **Termination:** the Amended and Restated Stalking Horse Agreement can be terminated if:
- (i) the Approval and Vesting Order has not been issued by the Outside Date (i.e. December 29, 2021);
 - (ii) the Court declines at any time to grant the Approval and Vesting Order; in each case for reasons other than a breach of the Amended and Restated Stalking Horse Agreement by the Party proposing to terminate it; or
 - (iii) the conditions to closing in favour of the Stalking Horse Purchaser are not met by the Outside Date.

Trustee's Recommendation Regarding the Transactions

18. The Trustee recommends that the Court issue an order approving the Transactions for the following reasons:

- (a) the Trustee is of the view that the Sale Process was conducted in accordance with the terms of the Sale Process Order and in a commercially reasonable manner, including the timelines, breadth of the Trustee's canvassing of the market, the information made available to interested parties (including the information in the Data Room), and the availability of the Trustee, with the assistance of the Company's management, for due diligence requests, meetings and site tours;
- (b) the Transactions contemplate the continuation of the Company's business and operations, which, among other things, will preserve jobs for approximately twenty-three (23) of Junction's employees, and avoid disruption to approximately twenty (20) third-party businesses that rely on Junction to produce, on a contract basis, alcoholic and non-alcoholic beverage products on their behalf;
- (c) no alternative offers superior to that which is contemplated under the Amended and Restated Stalking Horse were received despite the Trustee reaching out to over 150 prospective parties (not including any parties who were made aware of the Sale Process via the notices in The Globe & Mail (National Edition) and the Brewing Publications);
- (d) no funding is available to further market the opportunity. Even if there was, the Trustee is of the view that the ongoing professional and other costs would erode recoveries with no certainty that a superior transaction would be completed;
- (e) the terms of the Amended and Restated Stalking Horse Agreement are commercially reasonable;
- (f) as set out in the First Report, the structure of the Transactions, which contemplates the purchase and sale of shares using the concept of a "reverse vesting order", provides (a) an efficient mechanism to transfer licenses needed to operate the business, thereby avoiding a lengthy and potentially disruptive "re-licensing" process and preserving going-concern value of the business, and (b) preserves potential tax losses that may be carried forward to offset against future taxable income of the Company, which would not otherwise be available through a sale of Junction's assets;
- (g) in the Trustee's view, the Transactions provide for superior overall recoveries than what would otherwise be recovered through a liquidation or bankruptcy of the Company; and

- (h) the Transactions are the best opportunity to maximize recoveries for Junction's creditors and provide the greatest benefit to Junction's stakeholders, as they provide the best opportunity for the continuation of the Company's business.

V. CASH FLOW VARIANCE ANALYSIS REPORTING

19. As noted in the First Report, the Company, with the assistance of the Trustee, prepared a cash flow forecast for the period October 17, 2021 to January 15, 2022 (the "**Cash Flow Forecast**"), which, in accordance with Section 50.4(2) of the BIA, was filed with the Official Receiver on October 24, 2021. A copy of the Cash Flow Forecast is attached hereto as **Appendix "G"**.
20. The Company has provided the Trustee with its cooperation and access to its books and records as requested by the Trustee. The Trustee has implemented various procedures for monitoring the Company's receipts and disbursements on a weekly basis. The Trustee has also prepared forecasted to actual variance analyses with the respect to the Company's weekly receipts and disbursements as compared to the Cash Flow Forecast.
21. A comparison of the Company's actual receipts and disbursements as compared to the Cash Flow Forecast for the Reporting Period is summarized as follows:

Junction Craft Brewing Inc. Cash Flow Variance Analysis For the Period October 17, 2021 to December 11, 2021 (in CAD, \$000)			
	<u>Forecast</u>	<u>Actual</u>	<u>Variance</u>
Total Receipts	335	323	(12)
Disbursements			
Payroll & Tax Expenses	230	178	52
Rent, Leases, Insurance Expenses	69	65	4
Bank Fees, Subscriptions & Dues	5	3	2
Production Costs	124	89	35
Distribution Costs	10	12	(2)
Taproom Costs	7	6	1
Events, Sales & Marketing Expenses	13	8	5
Professional Services Fees	1	-	1
Utilities Costs	19	1	18
NOI Legal & Professional Fees	200	160	40
Contingency Costs	60	-	60
Total Disbursements	738	522	216
Net Cash Flow	(403)	(199)	204
Opening Cash Balance	1	1	-
DIP Drawdown	450	350	100
Ending Cash Balance	48	152	104
<i>Source: Information provided by Management</i>			

22. As reflected in the summary table above, the Company reported a net cash outflow of approximately \$0.2 million over the Reporting Period, and the Company had a cash balance of approximately \$0.2 million, as at December 11,

2021. The Company has a favourable cash flow variance of approximately \$0.2 million as compared to the Cash Flow Forecast during the Reporting Period.

23. The favourable cash flow variance of approximately \$0.2 million pertains principally to the following:
- (a) favourable timing variances associated with lower than forecasted (a) payroll and tax expenses, (b) production costs, and (c) legal and professional fees; and
 - (b) a favourable permanent variance pertaining to contingency costs that were not incurred.

DIP Facility

24. The advances under the DIP Facility during the Reporting Period totalled approximately \$350,000, which is \$100,000 lower than the forecasted amount.

VI. PAYMENTS AND DISTRIBUTIONS FROM THE TRANSACTIONS' PROCEEDS

25. This section sets out the proposed payments and distributions from the proceeds of the Transactions as contemplated in the Amended and Restated Stalking Horse Agreement, and subject to Court approval.

DIP Lender

26. As set out in the cash flow section above, as of the date of this Second Report, the DIP Lender has advanced approximately \$350,000 to the Company under the DIP Facility. In accordance with the Amended and Restated Stalking Horse Agreement, the DIP Loan Amount, which, for clarity, represents all amounts secured by the DIP Charge at Closing (as defined in the Amended and Restated Stalking Horse Agreement), is to be satisfied by the Stalking Horse Purchaser cancelling and extinguishing all amounts due and owing under the DIP Term Sheet.

FCC

27. As discussed in the First Report, Junction, as borrower, and FCC, as lender, entered into loan agreements dated June 28, 2017 (the "**First FCC Loan**") and September 11, 2017 (the "**Second FCC Loan Agreement**", and together with the First FCC Loan Agreement, the "**FCC Loan Agreements**"). The loans advanced under the FCC Loan Agreements are referred to herein as the "**FCC Loans**". According to the Company's books and records, Junction owed FCC approximately \$843,000 at the Filing Date in respect of advances made under the FCC Loans. The Trustee understands that no payments have been made to FCC by Junction since the Filing Date.
28. As further discussed in the First Report, in order to secure advances made under the FCC Loans, Junction granted security in favour of FCC in all of its present and after-acquired personal property, including certain of the Company's

assets that include brewhouse equipment, fermenters, brite tanks and other various smaller items to be used in the brewing process (collectively, the “**FCC Security**”).

29. The Company is seeking an order authorizing the Trustee, following closing of the Transactions, to pay the Cash Payment to FCC in respect of amounts owing by Junction under the FCC Loans (the “**FCC Distribution**”).
30. The Trustee has received a written opinion from its independent legal counsel, Aird & Berlis, confirming that, subject to typical qualifications and assumptions, the FCC Security is valid and enforceable in accordance with its terms in the province of Ontario. In consideration of the foregoing, the Trustee supports the Company’s request for an order authorizing the Trustee to make the FCC Distribution following the closing of the Transactions.

Priority Amounts

31. As discussed in the First Report, the Trustee understands that between August 2019 to December 2020, Stuart Wheldon, the Company’s President and CEO, did not receive wages from Junction in the normal course. During that period, Junction instead provided Mr. Wheldon with a loan for the approximate amount he would have received net of taxes had payments been made to him as wages. As a result of these arrangements, the Trustee understands that there are amounts owing as wages and source deductions to Mr. Wheldon to address his taxes payable as a result of deemed income to him from any loan forgiveness.
32. In accordance with the Amended and Restated Stalking Horse Agreement and subject to the Court granting the Approval and Vesting Order, the foregoing amounts owing to Mr. Wheldon and CRA for wages and source deductions are to be paid, assumed or otherwise satisfied by the Stalking Horse Purchaser on behalf of the Company.

Bankruptcy Costs

33. In accordance with the Amended and Restated Stalking Horse Agreement, and pursuant to the Stalking Horse Purchaser’s rights under section 2.4 of that agreement, and subject to the Court granting the Approval and Vesting Order, the Bankruptcy Costs, being the costs of the bankruptcy of ResidualCo to be effected prior to closing of the Transactions, and which are not to exceed \$35,000, plus HST, are to be paid by the Stalking Horse Purchaser as part of the Purchase Price, on behalf of Junction, to the Trustee. The Trustee will subsequently provide such funds to the trustee in bankruptcy of ResidualCo.

VII. CONSTRUCTION LIEN

34. On September 24, 2021, Top 5 Solutions Ltd. (the “**Lien Claimant**”) registered a construction lien in the amount of \$26,156.87 relating to services or materials provided to the Company at its leased premises.
35. The Stalking Horse Purchaser has advised the Trustee that it has contacted counsel to the Lien Claimant and counsel to the landlord to advise that the Stalking Horse Purchaser has committed to pay the lien amount on or shortly after Closing, from funds not forming part of the Purchase Price.

VIII. ACTIVITIES OF THE COMPANY

36. Since the Filing Date, the activities of the Company, with the support of its counsel, have included:
- (a) managing relationships with key stakeholders, including creditors, its landlord, secured lenders and shareholders;
 - (b) addressing operational issues arising in connection with the NOI Proceedings;
 - (c) negotiating the DIP Term Sheet, including corresponding with the DIP Lender and its counsel;
 - (d) working, in consultation with the Trustee, to manage the Company's cash flows and making payments in accordance with the Cash Flow Forecast and DIP Term Sheet;
 - (e) liaising with Canada Revenue Agency (“**CRA**”) and the Trustee in connection with CRA's ongoing GST/HST and payroll examinations of the Company;
 - (f) negotiating the Initial Stalking Horse Agreement and Amended and Restated Stalking Horse Agreement, including corresponding with the Stalking Horse Purchaser and its counsel;
 - (g) preparing materials for, and attending at Court in connection with the Sale Approval Order and the Stay Extension, DIP Facility and Administration Order;
 - (h) liaising with the Trustee and preparing and providing to the Trustee cash flow projections, production reports and various other materials to assist in the Sale Process;
 - (i) working with its counsel and the Trustee to assist the Trustee with any due diligence requests (including attending a site tour) that arose from interested parties during the Sale Process; and
 - (j) preparing materials for Court in connection with the within motion.

IX. ACTIVITIES OF THE TRUSTEE

37. As noted in the First Report, the Trustee previously reported on its activities from the Filing to the date of the First Report. The Trustee's activities since the date of the First Report have included, *inter alia*, the following:
- (a) drafting the Supplementary First Report;
 - (b) preparing an analysis setting out the estimated recoveries to FCC from a liquidation of the Company's assets, as discussed in the Supplementary First Report;
 - (c) attending at Court in connection with the Sale Approval Order and the Stay Extension, DIP Facility and Administration Order;
 - (d) monitoring the Company's cash flow and reviewing analyses on variances to the Cash Flow Forecast, and reporting these variances to the Company's primary secured creditor, FCC;
 - (e) meeting and corresponding with the Company and its legal counsel regarding the Cash Flow Forecast, cash management, supplier issues, creditor matters and various other matters in connection with the Company's operations and its NOI Proceedings;
 - (f) corresponding with Aird & Berlis in connection with various legal matters pertaining to the NOI Proceedings;
 - (g) corresponding with FCC;
 - (h) corresponding with the Stalking Horse Purchaser and its counsel in connection with the Amended and Restated Stalking Horse Agreement and the Sale Process;
 - (i) corresponding with CRA and the Company regarding CRA's ongoing GST/HST and payroll examinations of the Company;
 - (j) corresponding with interested parties in connection with the Sale Process, including facilitating due diligence efforts;
 - (k) attending the Company's premises to conduct a site tour with a Prospective Bidder;
 - (l) responding to calls and enquiries from creditors and other stakeholders in connection with the NOI Proceedings;
 - (m) reviewing materials filed with the Court in respect of the NOI Proceedings;

- (n) maintaining the Trustee's Website, where material documents pertaining to the NOI Proceedings are available in electronic form;
- (o) drafting this Second Report; and
- (p) dealing with various other matters not specifically set out above pertaining to the administration of the NOI Proceedings.

X. REQUEST FOR APPROVAL OF FEES AND DISBURSEMENTS

- 38. The Trustee and Aird & Berlis have maintained detailed records of their professional fees and disbursements prior to and since the Trustee's appointment. As noted in the First Report, Richter was previously retained by the Company to provide financial advisory services, including, among other things, reviewing the Company's current financial circumstances and cash flow projections, and supporting the Company with discussions / negotiations with certain of its key stakeholders. In addition, Richter's mandate also included a focus on advising on the structure of these proceedings and assisting the Company with preparing the Cash Flow Forecast and other statutory documents required to file an NOI. The Trustee is seeking approval of its fees and disbursements for the period from August 30, 2021 to December 9, 2021 (the "**Richter Fee Period**"), and those of Aird & Berlis from October 18, 2021 to November 30, 2021 (the "**Aird & Berlis Fee Period**"), in connection with the performance of their duties prior to and during the NOI Proceedings.
- 39. The total fees and disbursements of Richter during the Richter Fee Period amount to \$135,665.00 and \$2,558.31, respectively, each excluding sales tax (collectively, the "**Richter Accounts**"). These amounts represent professional fees and disbursements not yet approved by the Court. Attached hereto as **Appendix "H"** is the affidavit of Karen Kimel in respect of the Richter Accounts.
- 40. The total fees and disbursements of Aird & Berlis during the Aird & Berlis Fee Period amount to \$26,584.50 and \$94.00, respectively, each excluding sales tax (collectively, the "**Aird & Berlis Accounts**"). These amounts represent professional fees and disbursements not yet approved by the Court. Attached hereto as **Appendix "I"** is the affidavit of Miranda Spence in respect of the Aird & Berlis Accounts.
- 41. The Trustee has reviewed the accounts of Aird & Berlis during the Aird & Berlis Fee Period and confirms that the services reflected therein have been duly authorized and duly rendered, and that, in the Trustee's opinion, the charges are reasonable.
- 42. On the assumption that there are no delays, disputes, or unforeseen developments in connection with these proceedings, including the within motion and the performances of certain other matters in connection with its role as Trustee (the "**Remaining Matters**"), Richter has estimated fees and disbursements in the amount of \$50,000,

excluding applicable taxes (the “**Remaining Fees and Disbursements**”), for services that have been provided or will be provided, as follows:

- (a) Richter – for the period from December 10, 2021 to the date of the Trustee’s discharge, \$30,000; and
- (b) Aird & Berlis – for the period from December 1, 2021 to the date of the Trustee’s discharge, \$20,000.

- 43. The above estimates take into consideration the reasonable professional and legal fees and disbursements required to prepare this Second Report, participate in the within motion, and complete the Remaining Matters up to the effective date of discharge. If the actual Remaining Fees and Disbursements are less than the above estimates, no further Court approval of fees and disbursements is required. If the actual Remaining Fees and Disbursements exceed the above estimates, the Trustee will seek the consent of Junction to pay same, without further Order of the Court. For clarity, the Remaining Fees and Disbursements are not inclusive of fees and disbursements to be incurred in connection with Richter’s role as trustee in bankruptcy of ResidualCo, which fees will be funded in accordance with the Amended and Restated Stalking Horse Agreement.
- 44. The fees and disbursements of the Trustee and its counsel, including the Remaining Fees and Disbursements, have been reviewed by the Company, and the Trustee understands that the Company does not oppose these fees and disbursements.

XI. STAY EXTENSION

- 45. The Company is seeking an order from the Court granting the Stay Extension. In the Trustee’s view, the Stay Extension is appropriate in the circumstances. The Trustee supports the Company’s request for the Stay Extension for the following reasons:
 - (a) notwithstanding that the Amended and Restated Stalking Horse Agreement contemplates that the Transactions are to close on or before December 29, 2021, the Stay Extension will provide the Company and the Stalking Horse Purchaser the benefit of additional time to close the Transactions should there be any unforeseen delays;
 - (b) in such a situation, granting the extension now, in connection with the Company’s motion to approve the Approval and Vesting Order, will eliminate the need to incur additional professional costs associated with an additional Court attendance;
 - (c) the Company is acting in good faith and with due diligence; and

- (d) it is the Trustee's view that the Stay Extension will not materially prejudice or adversely affect any group of creditors, as the Company is projected to have sufficient funds to pay post-filing services and supplies, as contemplated in the Cash Flow Forecast.

XII. CONCLUSION AND RECOMMENDATION

46. Based on all of the foregoing, the Trustee respectfully recommends that this Honourable Court grant the Approval and Vesting Order and the Ancillary Order.

All of which is respectfully submitted this 14th day of December 2021.

Richter Advisory Group Inc.
in its capacity as Trustee *in re* the Proposal of
Junction Craft Brewing Inc.
And not in its personal capacity

Per:



Karen Kimel, MAcc, CPA, CA, CIRP, LIT



Adam Zeldin, CPA, CA, CIRP, LIT

Appendix “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2774500
Estate No. 31-2774500

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

Junction Craft Brewing Inc.

Insolvent Person

RICHTER ADVISORY GROUP INC/RICHTER GROUPE CONSEIL INC

Licensed Insolvency Trustee

Date of the Notice of Intention:

October 15, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL

Subsection 50.4 (1)

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

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

Date: October 18, 2021, 11:32

E-File/Dépôt Electronique

Official Receiver

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

Canada

Appendix “B”

Estate File No.: 31-2774500

Court File No.: 31-2774500

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

THE HONOURABLE MR.)	MONDAY, THE 8th DAY
)	
JUSTICE PENNY)	OF NOVEMBER, 2021

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF JUNCTION CRAFT BREWING INC.**

ORDER
(re Sale Process and ancillary relief)

THIS MOTION, made by Junction Craft Brewing Inc. (the “**Company**”), was heard this day via videoconference.

ON READING the Affidavit of Stuart Wheldon sworn November 1, 2021 (the “**Wheldon Affidavit**”) and the exhibits thereto, the First Report of Richter Advisory Group Inc. in its capacity as proposal trustee in this proceeding (the “**Proposal Trustee**”) dated November 2, 2021 (the “**First Report**”) and the appendices thereto, the Supplement to the First Report of the Proposal Trustee dated November 5, 2021 (the “**Supplemental Report**”) and the appendices thereto, and such other materials filed in respect of this motion, and on hearing the submissions of counsel for the Company, counsel for the Proposal Trustee, counsel for the DIP Lender (as defined below), and such other counsel or persons as were present and listed on the attendance

- 2 -

slip, no one else from the service list appearing although properly served as appears from the affidavits of service filed,

SALE PROCESS AND STALKING HORSE AGREEMENT

1. **THIS COURT ORDERS** that the sale process described in Exhibit “J” to the Wheldon Affidavit and in the First Report (subject to any amendments thereto that may be made in accordance therewith and this Order) (the “**Sale Process**”) be and is hereby approved.

2. **THE COURT ORDERS** that the Proposal Trustee is hereby authorized and directed to carry out the Sale Process and to take such steps as it considers necessary or incidental to the Sale Process.

3. **THIS COURT ORDERS** that the Company is hereby authorized to execute the amended and restated stalking horse share sale agreement dated November 5, 2021 between the Company and 1000003509 Ontario Limited (the “**Stalking Horse Bidder**”), substantially in the form attached as Appendix “A” to the Supplemental Report (the “**Stalking Horse Agreement**”), with such amendments or modifications as the Stalking Horse Bidder and the Company may agree, subject to the approval of the Proposal Trustee. The transaction contemplated pursuant to the Stalking Horse Agreement is hereby approved as the “**Stalking Horse Offer**” pursuant to and for purposes of the Sale Process.

4. **THIS COURT ORDERS** that, in the event that no Qualifying Offer (as defined in the Sale Process) other than the Stalking Horse Offer is received under the Sale Process, an approval and vesting order in favour of the Stalking Horse Bidder shall issue substantially in the form agreed to by the Company, the Stalking Horse Bidder and Proposal Trustee so as to give full effect to the terms of the Stalking Horse Agreement, and provided to the service list no less than

- 3 -

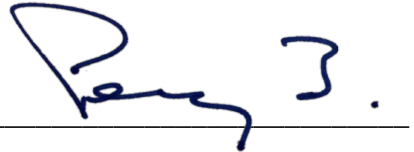
two days prior to the parties attending before the Court to have the order issued. The approval of a “Winning Bid” (as defined in the Sale Process) that is not the Stalking Horse Offer shall be considered by this Court on a subsequent motion made to this Court.

5. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, as amended, the Proposal Trustee may disclose personal information of identification individuals to prospective purchasers or bidders under the Sale Process and to their advisors, but only to extent desirable or required to carry out the Sale Process and to attempt to complete a transaction for the business and/or assets of the Company. Each prospective purchaser or bidder (and their respective advisors) to whom any such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information solely to its evaluation of a transaction for some or all of the Company’s business and/or assets, and if it does not complete such a transaction, shall return all such information to the Proposal Trustee, or in the alternative destroy all such information. The purchaser of any of the business and/or assets of the Company shall be entitled to continue to use the personal information provided to it, and related to such assets, in a manner that is in all material respects identical to the prior use of such information by the Company, and shall return all other personal information to the Company or ensure that all other personal information is destroyed.

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

- 4 -

7. **THIS COURT ORDERS** that this order is effective from today's date and is enforceable without the need for entry and filing.

A handwritten signature in blue ink, appearing to read "Perry J.", is written over a horizontal line.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT BREWING INC.

Estate File No.: 31-278,500
Court File No.: 31-278,500

		<p><i>ONTARIO</i> SUPERIOR COURT OF JUSTICE (COMMERCIAL LIST) (IN BANKRUPTCY AND INSOLVENCY) Proceedings commenced at TORONTO</p>	
		<p>ORDER (re Sale Process and ancillary relief)</p>	
		<p>CHAITONS LLP 5000 Yonge Street, 10th Floor Toronto, ON M2N 7E9 Sam Rappos (LSO #51399S) Tel: (416) 218-1137 E-mail: samr@chaitons.com Sameea Tanvir (LSO #77838T) Tel: (416) 218-1128 E-mail: stanvir@chaitons.com Lawyers for Junction Craft Brewing Inc.</p>	

Appendix “C”

AMENDED AND RESTATED STALKING HORSE SHARE PURCHASE AGREEMENT

This agreement (the “**Agreement**”) is made as of the 5th day of November 2021 between:

JUNCTION CRAFT BREWING INC., an Ontario corporation

(“**Junction**”)

- and -

1000003509 ONTARIO LIMITED, an Ontario corporation

(the “**Purchaser**”)

WHEREAS:

- A. On October 15, 2021, Junction filed a notice of intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (the “**NOI Proceedings**”).
- B. Richter Advisory Group Inc. has been appointed as proposal trustee of Junction under the NOI Proceedings (in such capacity, the “**Trustee**”).
- C. Junction will bring a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for the Sale Process Order (*as hereinafter defined*) to authorize Junction to enter into this Agreement and conduct a sales process with respect to the business and/or assets of Junction.
- D. Subject to the granting of the Approval and Vesting Order (*as hereinafter defined*), Junction has agreed to sell to the Purchaser and the Purchaser has agreed to purchase from Junction the New Class A Shares (*each as defined below*) upon 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 acknowledged, the Parties (*as hereinafter defined*) hereby 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 accounts receivable, bills receivable, trade accounts and book debts, recorded as a receivable in the Books and Records and other amounts due or deemed to be due to Junction including, refunds, and rebates receivable relating to the Business or the Retained Assets, including (a) those amounts recoverable under insurance policies; and (b) any refunds of Taxes paid by Junction such as GST/HST, corporate tax, municipal tax and provincial sales tax.

“Administration Charge” means a charge, in the maximum amount of \$300,000, in favour of Junction’s lawyers, the Trustee and the Trustee’s lawyers to be granted by the Court in the NOI Proceedings as security for their respective fees and expenses.

“Administrative Order” means an order or orders to be sought from the Court upon terms acceptable to the Parties, each acting reasonably, that alone or in combination, among other things, (a) extends the time for Junction to make a proposal under the BIA sufficient to accommodate the Sale Process; and, (b) grants the NOI Charges as contemplated herein.

"Agreement" has the meaning set out in the recitals hereto.

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

"Approval and Vesting Order" means an order, in such form as acceptable to the Purchaser, acting reasonably, issued by the Court which, among other things, approves this Agreement, the Transaction (including the Pre-Closing Reorganization and Post-Closing Reorganization) and transfer and vests title in and to the Excluded Assets and Excluded Liabilities in ResidualCo.

"Bankruptcy Costs" means the costs of the bankruptcy of ResidualCo to be effected following the Closing of the Transaction, in an amount to be determined by Junction, in consultation with the Trustee, not to exceed \$35,000, plus HST.

“BIA” means the *Bankruptcy and Insolvency Act*.

"Books and Records" means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, used or intended for use by, and in the possession of Junction, in connection with the ownership of Junction, or operation of the Business, including the Retained Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Business.

"Business" means the business conducted by Junction, which includes without limitation producing and distributing company-owned brands of craft beer as well as other craft beer and other products to and for its various partners.

"Business Day" means a day on which banks are open for business in Toronto, Ontario but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

"Cash Payment" has the meaning set out in Section 3.1.

"Claims" means claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions, arbitrations, informations or other similar processes, assessments or reassessments, judgments, debts, indebtedness, liabilities, obligations, 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, reasonable professional fees, including fees and disbursements of legal counsel on a partial indemnity basis, and all actual and documented costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

"Closing" means the closing and consummation of the Transaction.

"Closing Date" means the date that is ten (10) Business Days after the date the Approval and Vesting Order is obtained, or such other earlier or later date as may be agreed by the Parties.

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

"Contracts" means the written contracts, agreements, leases, understandings and arrangements that are related to the Business to which Junction is a party or by which Junction is bound or in which Junction has any rights.

"Directors" means collectively, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or a *de facto* director of Junction, and **"Director"** means any of them.

"Directors' Charge" means the charge in the maximum amount of \$150,000, in favour of Junction's Directors and Officers, granted by the Court in the NOI Proceedings as security for Junction's indemnity obligations to the Directors and Officers.

"DIP Charge" means the charge in the maximum amount of \$650,000 in favour of the Purchaser, granted by the Court in the NOI Proceedings as security for Junction's obligations to the Purchaser under the DIP Term Sheet.

"DIP Loan" means the loan by the Purchaser to Junction, made pursuant to the DIP Term Sheet approved by the Court in the NOI Proceedings.

"DIP Loan Amount" has the meaning ascribed in Section 3.1.

"DIP Term Sheet" means the term sheet dated November 1, 2021, made by and between the Purchaser, as lender, and Junction, as borrower.

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

"Encumbrances" means pledges, liens, charges, security interests, hypothecs, leases, title retention agreements, mortgages, options, adverse claim, levies, trusts or deemed trusts, or encumbrances of any kind or character whatsoever (whether contractual, statutory, or otherwise), whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including without limitation, (a) any encumbrances or charges created by any Order of the Court, including the NOI Charges, and (b) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system.

"Equity Interests" has the meaning set out in subsection 2 of the BIA and includes the Existing Shares, any shareholder agreement in respect of the Existing Shares, any preferred shares in the capital of Junction and any other interest or entitlement to shares in the capital of Junction, but, for greater certainty, does not include the New Class A Shares.

"Excluded Assets" means:

- (a) the Excluded Contracts; and
- (b) any assets that are added to the Excluded Assets Pursuant to Section 4.2.

"Excluded Contracts" means all Contracts of Junction, that:

- (c) are listed in the list of Excluded Contracts set forth in Schedule "B"; and
- (d) any Contracts that are added to the Excluded Contracts pursuant to Section 4.2.

"Excluded Liabilities" means all Encumbrances, Claims, Liabilities, Taxes, obligations, undertakings, leases, agreements, debts, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether arising by subrogation, set-off, right of indemnification or otherwise) of or against Junction other than the Retained Liabilities including, without limiting the generality of the foregoing, those:

- (a) arising from or in connection with the conduct of the Business and the operation of the Retained Assets prior to the Closing Time (other than those specifically included in the Retained Liabilities);
- (b) arising from, in connection with or otherwise accruing before or after the Filing Date relating to any of the Excluded Assets;
- (c) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which Junction may be bound as at the Closing Time; and
- (d) that are added as Excluded Liabilities pursuant to Section 4.2.

"Existing Shares" means all of the common shares of Junction that are issued and outstanding immediately prior to the Closing Time, which, for greater certainty, does not include the New Class A Shares.

"Filing Date" means October 15, 2021.

"Goodwill" means the goodwill of the Business and relating to the Retained Assets, and information and documents relevant thereto including lists of customers and suppliers, credit information, telephone and facsimile numbers, email addresses, internet addresses and domain names used in connection with the Business, research materials, research and development files and the exclusive right of each of Junction to represent itself as carrying on the Business and to all rights in respect of the all tradenames or brands used in connection with Business, including but not limited to "Junction", "Junction Craft Brewery", "Caribru" and "St. Mary's Axe", and any variations of such names.

"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.

"Governmental Authorizations" means authorizations, approvals, licences or permits issued to Junction relating to the Business or any of the Retained Assets by or from any Governmental Authority.

"GST/HST" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada).

"Intellectual Property" means any or all of the following items, wherever located: all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, copyrights and copyright rights, brand names, trade dress, business and product names, domain names, corporate names, logos, slogans, trade secrets, recipes, inventions, processes, formulae, industrial models, designs, specifications, data, technology, methodologies, computer programs (including all source code), confidential and proprietary information, whether or not subject to statutory registration, all related technical information, manufacturing, engineering and technical drawings, know how, all pending applications for and registrations of patents, trademarks, service marks and copyrights, including all obligations of third parties relating to the protection of the foregoing, the goodwill associated with the foregoing, and the right to sue for past payment, if any, in connection with any of the foregoing, and all documents, disks and other media on which any of the foregoing is stored.

"Junction" has the meaning set out in the recitals hereto.

"JCB Beverages" means JCB Beverages Inc., a wholly-owned subsidiary of Junction.

"Lease" means the real property lease for the premises located at Unit 120,150 Symes Road in Toronto, Ontario, made by and between Junction (as tenant) and Symesbridge Inc. (as landlord), dated May 16, 2020, as amended.

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

"AGCO Licenses" means all licenses and authorizations related to the operation of the Business issued to Junction under the Alcohol and Gaming Commission of Ontario (the "**AGCO**"), including without limitation the licences enumerated in Schedule "D".

"New Class A Shares" means the Class A Special Shares of Junction to be issued to the Purchaser as part of Closing.

"NOI Charges" means the Administration Charge, the Directors' Charge and the DIP Charge.

"NOI Proceedings" has the meaning set out in the recitals hereto.

"Officers" means, collectively anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of Junction, and **"Officer"** means any one of them.

"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 December 29, 2021 or such later date as the Parties may agree to in writing or as ordered by the Court.

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

"Permitted Encumbrances" means the Encumbrances listed in Schedule "E".

"Person" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"Personal Property" means any and all of Junction's inventory, raw materials, finished and unfinished goods, machinery, equipment, furniture, signage, telecommunication and computer equipment, and all other tangible personal property;

"Post-Filing" means the period of time after and including the Filing Date.

"Pre-Closing Reorganization" means the transactions, acts or events described in Schedule "A", which are to occur immediately prior to the Closing Time.

"Pre-Filing" means the period of time prior to the Filing Date.

"Prepaid Amounts" means all prepayments, prepaid charges, deposits, security deposits, sums and fees related to the Business.

"Priority Amounts" means any amounts that remain unpaid as at the Closing Date, and which are payable in priority to Farm Credit Canada, including, without limitation, amounts secured by the Administration Charge and the Directors' Charge.

"Purchase Price" has the meaning set out in Section 3.1.

"Qualified Offer(s)" shall mean an offer to purchase the New Class A Shares or an alternate transaction acceptable to the Trustee and the Court which includes a purchase price equal or greater than the aggregate of the Purchase Price set out herein plus (a) a break-fee amount of \$50,000 (the **"Break Fee"**); (b) a costs amount payable to the Purchaser of \$25,000 (the **"Costs Amount"**); and, (c) an overbid amount of not less than \$50,000;

"Redemption and Cancellation" means the redemption and cancellation of all issued and outstanding common shares in the capital of Junction in accordance with Article 2.

"ResidualCo." means an Ontario corporation to be incorporated by and as a wholly-owned subsidiary of Junction for the purposes of accepting the transfer of all Excluded Assets and assumption of all Excluded Liabilities as part of the Pre-Closing Reorganization, and which is to make an assignment in bankruptcy immediately following the Closing.

"ResidualCo Shares" means all of the existing and outstanding shares of ResidualCo that are beneficially owned by Junction.

"Retained Assets" means all of Junction's properties, assets and rights other than the Excluded Contracts, including, without limitation, the following:

- (a) cash, bank balances, moneys in possession of banks, the Trustee and other depositories, term or time deposits and similar cash items, owned or held by or for the account of Junction;
- (b) the Accounts Receivable relating to the Business and the benefit of all security (including cash deposits), guarantees and other collateral held by Junction relating thereto;
- (c) all Prepaid Amounts;
- (d) the Personal Property;
- (e) the Books and Records;
- (f) the Retained Contracts;
- (g) the Intellectual Property;
- (h) the Goodwill;
- (i) the Governmental Authorizations, except to the extent consent to change of control is required;
- (j) the AGCO Licences;
- (k) Canadian Food Inspection Agency licence enumerated in Schedule "D";
- (l) the Canada Revenue Agency licences enumerated in Schedule "D";
- (m) all of the issued and outstanding shares of JCB Beverages owned by Junction; and
- (n) properties, assets and rights that are added as Retained Assets pursuant to Section 4.3.

"Retained Contracts" means all Contracts entered into by Junction, whether or not there are any written agreements with respect thereto, including without limitation those set forth in Schedule "C" and any Contracts that are added as Retained Contracts pursuant to Section 4.3, but excluding the Excluded Contracts.

"Retained Liabilities" means the Liabilities of Junction:

- (a) arising from or in connection with the performance of the Retained Contracts after the Filing Date;

- (b) arising from or in connection with the AGCO Licences; and
- (c) that are added as Retained Liabilities pursuant to Section 4.3,

but does not include the Excluded Liabilities.

"Sale Process Order" means an order or orders to be sought from the Court upon terms acceptable to the Parties, each acting reasonably, that alone or in combination, among other things, (a) approves this Agreement; (b) authorizes Junction to enter into this Agreement and (c) authorizes the Trustee to conduct a marketing and sale process in respect of the opportunity to acquire the business and/or assets of Junction, substantially in accordance with the sale procedures set forth in Schedule "G" hereto.

"Stalking Horse Offer" has the meaning ascribed in Section 8.1(a) hereof.

"Taxes" means, with respect to any Person, all national, federal, provincial, local or other taxes, including but not limited to income taxes, capital gains taxes, value added taxes, severance taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, licence taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, 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.

"Transaction" means the purchase and sale of the New Class A Shares contemplated by this Agreement.

"Trustee" has the meaning set out in the recitals hereto.

"Trustee's Certificate" means the certificate of the Trustee contemplated by the Approval and Vesting Order certifying that the Trustee has received written confirmation in form and substance satisfactory to the Trustee from the Parties that all conditions of Closing have been satisfied or waived by the applicable Parties.

"Winning Bidder" has the meaning ascribed thereto in Section 8.1(b) hereof.

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 Junction 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 attached hereto form part of this Agreement:

SCHEDULES

Schedule "A"	Pre-Closing and POST-Closing Reorganization Steps
Schedule "B"	Excluded Contracts
Schedule "C"	RETAINED Contracts
Schedule "D"	Licences
Schedule "E"	Permitted Encumbrances
Error!	Sale Procedures
Reference	
source	not
found.	

ARTICLE 2

PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Issuance of New Class A Shares

On and subject to the terms and conditions of this Agreement, Junction agrees to issue the New Class A Shares to the Purchaser, and the Purchaser agrees to subscribe for and purchase the New Class A Shares

from Junction, as fully paid and non-assessable shares free and clear of all Encumbrances, effective as of the Closing Time, in exchange for the payment of the Purchase Price.

2.2 Amendment to Articles and Cancellation of Common Shares

Immediately following the issuance of the New Class A Shares to the Purchaser at the Closing Time and in accordance with the Post-Closing Reorganization and the Approval and Vesting Order, Junction and the Purchaser shall take the following steps in the following sequence:

- (a) **Amendment to Articles.** Junction's articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for a total aggregate amount of \$660.96 (the "**Redemption Cost**"); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Purchaser, in its sole and unfettered discretion.
- (b) **Redemption & Cancellation.** Junction shall (i) redeem all of the issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost (which Redemption Cost will be funded by the Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares.

2.3 New Class A Shares

Subject to the terms and conditions of this Agreement, effective immediately following the Redemption and Cancellation, the Purchaser shall be the sole owner of the New Class A Shares, which shall represent 100% of Junction's issued and outstanding equity. For greater clarity, there will be no preferred shares in the capital of Junction issued and outstanding after the Closing Time.

2.4 Right to Modify the Reorganization Transactions

At any time prior to the Closing Date, the Parties may, by giving written notice to the Trustee, elect to modify any of the steps or sequencing thereof contemplated by the Pre-Closing Reorganization or the Post-Closing Reorganization.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

For the purposes of Junction agreeing to issue the New Class A Shares to the Purchaser, the Purchaser agrees to pay the following aggregate consideration (the "**Purchase Price**"):

- (a) the amount of \$400,000 (the "**Cash Payment**");
- (b) any and all amounts secured by the DIP Charge at Closing (the "**DIP Loan Amount**");
- (c) an amount equal to the Priority Amounts; and
- (d) an amount equal to the Bankruptcy Costs.

3.2 Deposit

[Intentionally deleted]

3.3 Satisfaction of the Purchase Price

The Purchaser shall satisfy the Purchase Price on Closing as follows:

- (a) the Cash Payment shall be paid by way of immediately available funds to the Trustee, in trust;
- (b) the DIP Loan Amount shall be satisfied by the Purchaser cancelling and extinguishing all amounts due and owing under the DIP Term Sheet;
- (c) an amount equal to the Priority Amounts shall be paid by way of immediately available funds to the Trustee, in trust; and
- (d) the Bankruptcy Costs shall be paid by way of immediately available funds to the Trustee, in trust, who shall provide same to Richter Advisory Group Inc. prior to its appointment, if approved by the Court, as trustee in bankruptcy of ResidualCo.

ARTICLE 4 RETAINED ASSETS, RETAINED LIABILITIES, EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Retained Assets and Retained Liabilities; Transfer of Excluded Assets and Excluded Liabilities to ResidualCo

Pursuant to the Approval and Vesting Order, on the Closing Date and in accordance with the terms of this Agreement (i) Junction shall retain all of the Retained Assets and shall remain liable in respect of the Retained Contracts, and (ii) Junction shall retain all of the Retained Liabilities and shall remain liable in respect of the Retained Liabilities.

Pursuant to the Approval and Vesting Order, on the Closing Date, (i) all of the Excluded Assets shall be transferred to and vested in ResidualCo at the Closing Time, and (ii) all of the Excluded Liabilities shall be transferred to and assumed by ResidualCo at the Closing Time. Notwithstanding any other provision of this Agreement, neither the Purchaser nor Junction shall assume or have any liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from Junction and its assets, undertakings, business and property from and after the Closing Time.

4.2 Right to Exclude Contracts and Liabilities

At any time prior to the day that is two (2) business days prior to the hearing date for the Approval and Vesting Order, the Purchaser may, by giving written notice to Junction and the Trustee, elect to:

- (a) exclude any assets or properties of Junction from the Retained Assets, and add such assets or properties to the Excluded Assets;
- (b) exclude any Contract from the Retained Contracts, and add such Contracts to the Excluded Contracts; and

- (c) exclude any Liability from the Retained Liabilities and add such Liability to the Excluded Liabilities.

No change to the Purchase Price shall result from the exclusion of any assets, properties, Contracts or Liabilities from the Retained Contracts or Retained Liabilities pursuant to this Section 4.2.

4.3 Right to Add Assets and Liabilities

At any time prior to the day that is two (2) business days prior to the hearing date for the Approval and Vesting Order, the Purchaser may, by giving written notice to Junction and the Trustee, elect to:

- (a) exclude any assets or properties of Junction from the Excluded Assets, and add such assets or properties to the Retained Assets;
- (b) exclude any Contract from the Excluded Contracts, and add such Contracts to the Retained Contracts; and
- (c) exclude any Liability from the Excluded Liabilities and add such Liability to the Retained Liabilities.

No change to the Purchase Price shall result from the addition of any assets, properties, Contracts or Liabilities to the Retained Contracts or Retained Liabilities pursuant to this Section 4.3.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Junction

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

- (a) **Incorporation and Status.** Junction is a corporation amalgamated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) **Corporate Authorization.** The execution, delivery and performance by Junction of this Agreement has been authorized by all necessary corporate action on the part of Junction.
- (c) **No Conflict.** The execution, delivery and performance by Junction 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 Junction.
- (d) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by Junction and constitutes a legal, valid and binding obligation of Junction, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

- (e) **Authorized and Issued Capital and Title to the New Class A Shares.** Immediately following the Closing Time and the Redemption and Cancellation, the New Class A Shares will constitute all of the issued and outstanding shares in the capital of Junction and the Purchaser will be the sole registered and beneficial owner of the New Class A Shares, with good and valid title thereto, free and clear of all Encumbrances (other than the Permitted Encumbrances). Immediately following the Closing Time and the Redemption and Cancellation, the New Class A Shares will be: (i) duly authorized and validly issued as fully paid and non-assessable; and (ii) there will be no issued and outstanding common shares or other securities of Junction other than the New Class A Shares nor will there be any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person and which are convertible into or exchangeable for common shares or any other securities of Junction.
- (f) **Residency.** Junction is a "taxable Canadian corporation" for the purposes of the *Income Tax Act* (Canada).

5.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of Junction, and acknowledges that, as of the Closing Time, Junction 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 *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) **Corporate Authorization.** The execution, delivery and performance by the 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) **Financial Ability.** The Purchaser will have, as of the Closing Date, (i) sufficient funds available for the purposes of satisfying the Purchase Price and any other amount due hereunder or in respect hereof; and (ii) the resources and capabilities (financial or otherwise) to perform its obligations hereunder, including the Retained Liabilities.
- (f) **Residency.** The Purchaser is a "taxable Canadian corporation" for the purposes of the *Income Tax Act* (Canada).
- (g) **HST Registrant.** The Purchaser is, or will be on the Closing Date, an HST registrant.

5.3 “As is, Where is”

The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the New Class A Shares shall be issued to the Purchaser on an "as is, where is" basis, subject only to the representations and warranties contained herein. Further, it is acknowledged and agreed that neither Junction nor the Trustee has made, or will make, any representation, nor grant any warranty or condition in respect of the Retained Assets. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, Encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever, including with respect to the New Class A Shares and the Retained Assets and the right of Junction to sell or assign same.

ARTICLE 6 COVENANTS

6.1 Closing Date

Except (i) as otherwise expressly contemplated or permitted by this Agreement, (ii) as required by Applicable Law or any order of the Court or (iii) as consented to by the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), Junction shall until Closing:

- (a) use its commercially reasonable efforts to remain in possession of the Retained Assets, use the Retained Assets only in the ordinary course of business and maintain, preserve and protect the Retained Assets in the condition in which they exist on the date hereof, other than ordinary wear and tear and other than replacements, dispositions, modifications or maintenance in the ordinary course of business, including by maintaining in full force and effect all material insurance policies and binders relating to the Retained Assets;
- (b) not transfer, lease, licence, sell, abandon, create any Encumbrance (other than a Permitted Encumbrance) on, or otherwise dispose of any of the Retained Assets or any portion thereof or interest therein, other than in the ordinary course of business in all material respects consistent with past practice;
- (c) not amend in any material respect or in a manner outside the ordinary course of business any Contract that forms a part of the Retained Assets or waive any material provision or right thereunder or surrender, disclaim, terminate or assign any such Contract; and
- (d) operate and maintain the Retained Assets in material compliance with all Applicable Laws and any Governmental Authorizations.

6.2 Actions to Satisfy Closing Conditions

Each of the Parties shall use its commercially reasonable efforts to take or cause to be taken, all appropriate action, and do, or cause to be done all things necessary, proper or advisable under any law or otherwise to consummate and make effective, as soon as reasonably practicable and in any event prior to the Outside Date, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, each Party shall:

- (a) use its commercially reasonable efforts to take all such actions as are within its power to control and to cause other actions to be taken which are not within its power to control, so as to ensure the fulfillment of all of the conditions precedent to the other Party's obligations to consummate the transactions contemplated hereby; and

- (b) not take any action, or refrain from taking any action and use commercially reasonable efforts to not permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.

6.3 Insurance Matters

Until Closing, Junction shall keep in full force and effect all of its existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice in the ordinary course of business.

ARTICLE 7 CLOSING

7.1 Closing

Subject to the conditions set out in this Agreement, the completion of the Transaction shall take place at the Closing Time by electronic means due to the COVID-19 pandemic, or as otherwise determined by mutual agreement of the Parties in writing.

7.2 Pre-Closing Reorganization

Subject to the terms of this Agreement, Junction shall effect the Pre-Closing Reorganization. The Purchaser and Junction shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

7.3 Junction's Closing Deliveries

At or prior to the Closing Time, Junction shall execute and deliver, or arrange for the delivery, as the case may be, to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;
- (b) the executed Trustee's Certificate;
- (c) share certificates representing the New Class A Shares;
- (d) share certificates representing all shares in JCB Beverages;
- (e) a certificate of an officer of Junction dated as of the Closing Date confirming that all of the representations and warranties of Junction contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that Junction has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (f) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction.

7.4 Purchaser's Closing Deliveries

At or prior to the Closing Time the Purchaser shall execute and deliver, or arrange for the delivery, as the case may be, to Junction (or the Trustee as this Agreement may require) the following, each of which shall be in form and substance satisfactory to Junction, acting reasonably:

- (a) the Cash Payment in accordance with Section 3.1(a);
- (b) cancellation of the indebtedness under the DIP Term Sheet in accordance with Section 3.1(b);
- (c) payment of the Priority Amounts in accordance with Section 3.1(c);
- (d) payment of the Bankruptcy Costs in accordance with Section 3.1(b);
- (e) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (f) such other agreements, documents and instruments as may be reasonably required by Junction (or the Trustee, as applicable) to complete the Transaction.

ARTICLE 8 SALE PROCESS AND CONDITIONS OF CLOSING

8.1 Sale Process

- (a) Junction shall bring a motion for the Sale Process Order on or before November 8, 2021. The Sale Process Order shall (a) approve this Agreement; (b) recognize the within offer by the Purchaser and Purchase Price as a baseline or "stalking horse bid" (the "**Stalking Horse Offer**") and (c) provide for a marketing and sale process for the business and/or assets to be administered by the Trustee. The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior offer can be obtained.
- (b) In the event that one or more Persons submits a Qualified Offer on or before the offer deadline of December 9, 2021, the Trustee shall conduct an auction for the determination and selection of a winning bid (the Person submitting such bid being the "**Winning Bidder**"). Upon the selection of the Winning Bidder, there shall be a binding agreement of purchase and sale between the Winning Bidder and Junction. Junction shall forthwith bring a motion following the selection of the Winning Bidder for an order approving the agreement reached with the Winning Bidder and to vest the Purchased Assets in the Winning Bidder and, if granted, shall proceed with closing the transaction forthwith.
- (c) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the Winning Bidder, then upon the making of the order by the Court contemplated in Subsection 8.1(b) above to approve a transaction with such Winning Bidder, this Agreement shall be terminated and the Purchaser shall be entitled to, forthwith following the closing of the successful transaction, payment of the Break Fee and the Costs Amount;

and, in such case, neither Party hereto shall have any other or further liability or obligation, except as expressly provided for in this Agreement.

- (d) If no Qualified Offers are received by the Offer Deadline (other than the Stalking Horse Offer), Junction or the Trustee shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the transaction contemplated hereby forthwith.

8.2 Conditions Precedent in Favour of the Purchaser and Junction

The obligations of Junction and the Purchaser to complete the Transaction are subject to the following conditions being fulfilled or performed:

- (a) the Administrative Order shall have been issued by the Court not later than November 8, 2021;
- (b) the Sale Process Order shall have been issued by the Court not later than November 8, 2021;
- (c) the Purchaser shall have been selected as the Winning Bidder;
- (d) the Approval and Vesting Order shall not have been stayed, varied in a manner adverse to the Purchaser, or vacated, and no application, motion or other proceeding shall have been commenced seeking the same, which has not been fully dismissed or withdrawn or otherwise resolved in a manner satisfactory to Junction and the Purchaser, each acting reasonably;
- (e) no order shall have been issued by a Governmental Authority which restrains or prohibits the completion of the Transaction; and
- (f) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of Junction and the Purchaser. If the conditions set out in this Section 8.1 are not satisfied performed or mutually waived on or before the Outside Date, either Party shall have the option to terminate this Agreement upon written notice to the other Party.

8.3 Conditions Precedent in Favour of the Purchaser

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

- (a) **Junction's Deliverables.** Junction 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 7.3.
- (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 5.1 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

- (c) **No Breach of Covenants.** Junction shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by Junction on or before the Closing Date.
- (d) **ResidualCo.** Pursuant to the Approval and Vesting Order, (i) all of the Excluded Assets and the Excluded Liabilities shall have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities shall have attached to the Excluded Assets, and (iii) Junction and its business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than the Permitted Encumbrances and Retained Liabilities) such that, from and after Closing the business and property of Junction shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.
- (e) **NOI Proceeding.** Upon Closing, pursuant to the Approval and Vesting Order, the NOI Proceedings shall have been terminated in respect of Junction and its business and property, as set out in the Approval and Vesting Order.
- (f) **Trustee's Certificate.** The Trustee shall have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and Junction.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 8.3 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.

8.4 Conditions Precedent in Favour of Junction

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

- (a) **Purchaser's Deliverables.** The Purchaser shall have executed and delivered or caused to have been executed and delivered to Junction at the Closing all the documents and payments contemplated in Section 7.4.
- (b) **No Breach of Representations and Warranties.** Each of the representations and warranties contained in Section 5.2 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (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.
- (d) **Trustee's Certificate.** The Trustee shall have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and Junction.

The foregoing conditions are for the exclusive benefit of Junction. Any condition in this Section 8.4 may be waived by Junction in whole or in part, without prejudice to any of their 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 Junction only if made in writing.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

In addition to any other provision of this Agreement dealing with termination, this Agreement may be terminated on or prior to the Closing Date by either Party upon written notice to the other Party if:

- (i) the Administrative Order or Sale Process Order has not been obtained by November 8, 2021;
- (ii) the Approval and Vesting Order has not been obtained by the Outside Date;
- (iii) the Court declines at any time to grant the Approval and Vesting Order; in such case for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement; or
- (iv) the conditions to closing in favour of the Purchaser are not met by the Outside Date.

9.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder.

ARTICLE 10 GENERAL

10.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for ResidualCo (or any trustee in bankruptcy of the estate of ResidualCo) to comply with Applicable Law, the Purchaser shall cause Junction to retain all original Books and Records. So long as any such Books and Records are retained by Junction pursuant to this Agreement, ResidualCo (and any representative, agent, former director or officer of Junction or trustee in bankruptcy of the estate of ResidualCo, including the 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 Junction.

10.2 Notice

Any notice or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by courier service, or (iii) sent by email or other similar means of electronic communication, in each case to the applicable address set out below:

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

3-1750 The Queensway – Suite 1402
Toronto, ON M9C 5H5

Attention: Andrew Marsh, President
Email: andrewmarsh@fiveIninegroup.com

with a copy to:

Loopstra Nixon LLP
Attention: Graham Phoenix
Email: gphoenix@loonix.com

- (b) in the case of Junction, as follows:

150 Symes Rd., Toronto, ON M6N 1P4

Attention: Stuart Wheldon, President
Email: stuart@junctioncraft.com

with a copy to:

Chaitons LLP
Attention: Sam Rappos
Email: samr@chaitons.com

- (c) in each case, with a further copy to the Trustee as follows:

Richter Advisory Services Inc.
181 Bay Street - #3510
Bay Wellington Tower
Toronto, ON M5J 2T3

Attention: Karen Kimel
Email: kkimel@richter.ca

with a copy to:

Aird & Berlis LLP
Attention: Miranda Spence
Email: mspence@airdberlis.com

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

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

Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

10.3 Time

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

10.4 Survival

All representations, warranties, covenants and agreements of the Parties made in this Agreement or any other agreement, certificate or instrument delivered pursuant to this Agreement shall not survive the Closing except where, and only to the extent that, the terms of any such covenant or agreement expressly provide for rights, duties or obligations extending after the Closing, or as otherwise expressly provided in this Agreement.

10.5 Benefit of Agreement

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

10.6 Entire Agreement

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

10.7 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.

10.8 Governing Law

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

10.9 Assignment by Purchaser

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

10.10 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.

10.11 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 facsimile or by email of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

10.12 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.

10.13 Trustee's Certificate

The Parties acknowledge and agree that the Trustee shall be entitled to deliver to the Purchaser, and file with the Court, an executed 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 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 Trustee may deliver the executed Trustee's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Trustee's written confirmation that all such funds have been received. Upon such confirmation being given, the Trustee's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

10.14 No Liability

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

10.15 Amendment and Restatement

For greater certainty, this Agreement amends and restates the Stalking Horse Share Agreement dated November 1, 2021 entered into by the Parties, which shall be of no further force or effect.

[The remainder of this page has been left intentionally blank]

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

JUNCTION CRAFT BREWERY INC.

Per: _____
Name:
Title:

I have authority to bind the corporation

1000003509 ONTARIO LIMITED

Per: _____
Name:
Title:

I have authority to bind the corporation

SCHEDULE "A"
PRE-CLOSING AND POST-CLOSING REORGANIZATION STEPS

Pre-Closing Reorganization

Prior to the Closing Date, ResidualCo shall be incorporated by Junction with nominal consideration for common shares.

The following steps shall occur prior to Closing on the Closing Date, in the following sequence:

1. The Excluded Assets and the Excluded Liabilities shall be transferred to, assumed by and vest in ResidualCo pursuant to the Approval and Vesting Order.
2. Any and all Equity Interests of Junction other than the common shares of Junction shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all equity claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof, pursuant to the Approval and Vesting Order.

Post-Closing Reorganization

The following steps shall occur immediately following Closing on the Closing Date, in the following sequence, pursuant to the Approval and Vesting Order:

1. Junction's articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for an total aggregate amount of \$660.96 (the "**Redemption Cost**"); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Purchaser, in its sole and unfettered discretion.
2. Junction shall (i) redeem all of issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost (which Redemption Cost will funded by the Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares

SCHEDULE "B"
EXCLUDED CONTRACTS

The following is a list of Excluded Contracts:

1. To be provided (if any) pursuant to Section 4.2 of the Agreement.

SCHEDULE "C"
RETAINED CONTRACTS

The following is a non-exhaustive list of the Retained Contracts:

1. the Lease;
2. the Equipment Rental Agreement between Junction and Ed Lycklama, dated August 9, 2019; and
2. all other Contracts, except those to that may be excluded prior to Closing pursuant to Section 4.2 of the Agreement.

SCHEDULE "D"
LICENCES

AGCO LICENCES

1. Manufacturer's Licence – Brewery, issued June 4, 2020 - Licence No. MFB1025549
2. Liquor Sales Licence, issued Aug 13, 2018 – Licence No. LSL818963
3. On Site-Brewery Retail Store Authorization, issued June 4, 2020 – Licence No. RSAB1025756

CANADIAN FOOD INSPECTION AGENCY LICENCE

1. Safe Food for Canadians Act Licence, issued October 4, 2021 – Licence No. 4J44XJMJ

CANADA REVENUE AGENCY LICENCES

1. Excise Licence – Brewer, issued January 26, 2018 – Licence No. 54-4-830
2. Excise Licence – Spirits, issued June 10, 2021 – Licence No. 54-SL-935
3. Excise Licence – Warehouse. issued June 10, 202 – Licence No. 54-EWL-2232

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Any registration made against Junction under the *Personal Property Security Act* (Ontario) in respect of equipment leased by Junction under a lease that is included as a Retained Contract under the Agreement.

SCHEDULE "F"
SALE PROCEDURES

STALKING HORSE SALE PROCESS

JUNCTION CRAFT BREWING INC.

Defined Terms

1. These terms and conditions, and the process described herein shall collectively be hereinafter referred to as the “**Sale Process**”.
2. All capitalized terms contained herein but not otherwise defined herein shall have the meanings ascribed thereto in the Agreement to which this schedule is appended.
3. “**Stalking Horse Offer**” shall mean the transaction contemplated by the stalking horse share purchase agreement between Junction, as vendor, and 1000003509 Ontario Limited., as purchaser, to be approved by the Court pursuant to the Sale Process Order.

Role of the Trustee

4. The Sale Process will be administered by the Trustee on behalf of Junction. The roles and responsibilities of the Trustee are described in further detail throughout this Sale Process, however, the Trustee’s role in the Sale Process does not include managing, operating, or taking possession or control of Junction’s property, assets or undertakings.
5. Junction and its principals, employees and professional advisors shall cooperate with the Trustee throughout the Sale Process and provide documents and information requested as part of the Sale Process to the Trustee in a prompt fashion.
6. Junction and its principals, employees and professional advisors shall cooperate with the Trustee throughout the Sale Process to facilitate site visits/facility tours for, and to meet with, interested parties.

Commencement of the Sale Process

7. The Sale Process shall commence immediately on the date the Court issues the Sale Process Order (the “**Commencement Date**”).
8. As soon as practicable after the Commencement Date, the Trustee shall contact parties identified by Junction or the Trustee who may be interested in purchasing the business and/or assets of Junction together with any other parties who may be so identified by Junction or the Trustee as potentially interested in purchasing the business and/or assets of Junction (collectively, the “**Prospective Participants**” and each a “**Prospective Participant**”) and provide those parties with a copy of an initial offering summary (the “**Teaser Letter**”). The Teaser Letter shall contain general details about the opportunity to purchase the business and/or assets of Junction (the “**Opportunity**”), as well as some general background information about Junction.

9. As soon as practicable after the Commencement Date, the Trustee shall also (a) publish a notice advertising the Opportunity in the National Post and/or such other newspaper and/or trade publications or other publications as the Trustee may deem appropriate or advisable, and (b) post the Teaser Letter and other relevant information concerning the Opportunity, as determined by the Trustee, on its website.

Due Diligence

10. Any Prospective Participant who advises the Trustee of its interest in participating in the Sale Process shall execute a non-disclosure agreement (the “**NDA**”) in a form satisfactory to the Trustee and shall satisfy the Trustee, in the Trustee’s sole discretion, of its ability to consummate a transaction for the acquisition of the business and/or assets of Junction. Any Prospective Participant executing an NDA and so satisfying the Trustee shall be invited to participate in the Sale Process and commence due diligence.
11. Commencing on the Commencement Date (and after each respective Prospective Participant has executed the NDA), the Trustee shall make available to the qualifying Prospective Participants the following:
 - a) a copy of a template share purchase agreement and template asset purchase agreement (either such agreement being referred to as the “**Template Purchase Agreement**”); and
 - b) access to an electronic data room, to be maintained by the Trustee, which shall contain information pertaining to the Opportunity along with other corporate financial and other documents as provided by Junction.

Offer Deadline

12. All offers must be submitted in writing to and received by the Trustee electronically to azeldin@richter.ca by no later than 5:00pm (Toronto time) on December 9, 2021 (the “**Offer Deadline**”). Each offer must remain open for acceptance until December 29, 2021.

Qualified Offers

13. An offer will only be considered in this Sale Process, in which case it shall be considered a “**Qualified Offer**”, if it is submitted before the Offer Deadline and if it meets the following minimum criteria:
 - a) it must be submitted in writing, substantially in the form of the Template Purchase Agreement, with any changes to the offer blacklined against the appropriate Template Purchase Agreement;
 - b) it must be for a price equal to or greater than the sum of (i) \$400,000; (ii) any and all amounts secured by the DIP Charge at Closing; (iii) an amount equal to the Priority Amounts; (iv) an amount equal to the Bankruptcy Costs; PLUS (v)

\$50,000, representing the Break Fee; (vi) \$25,000, representing the Costs Amount; and (vi) \$50,000, representing the overbid amount as set out in the Agreement;

- c) it must be irrevocable until five business days after the Auction (*as defined herein*);
- d) it must be accompanied by a deposit in the form of a certified cheque or bank draft (or in the form of confirmed wire transfer in the case of offers submitted electronically) payable to the Trustee "in trust" which is equal to at least ten percent (10%) percent of the total purchase price payable under the offer;
- e) it may only contemplate an acquisition on an "as is, where is" basis and must include an acknowledgement that the purchaser has relied solely on its own independent review and investigation and that it has not relied on any representation by Junction, the Trustee or their respective agents, employees or advisors;
- f) it must not contain any condition or contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction (save and except for approval by the Court); and
- g) it must include written evidence, satisfactory to the Trustee, that the offeror has the financial means to complete the proposed acquisition,

provided however that the Trustee may (i) consider liquidation offers in respect of the assets of Junction and (ii) exercising its reasonable discretion, waive compliance with one or more of the foregoing Qualified Offer requirements and deem such non-compliant offer to be a Qualified Offer.

- 14. The Stalking Horse Offer shall be deemed to be a Qualified Offer.
- 15. Offers for all or part of the business, assets and undertakings of Junction will be considered.

Auction

- 16. If no Qualified Offer is received by the Offer Deadline (other than the Stalking Horse Offer), the Auction (*as defined herein*) will not be held.
- 17. If more than one Qualified Offer is received by the Offer Deadline, the Trustee shall extend invitations by phone, fax and/or email by no later than 10:00am (Toronto time) on the second (2nd) Business Day after the Offer Deadline to all bidders who submitted Qualified Offers and to the Stalking Horse Offeror to attend an auction (the "**Auction**"). The Auction shall be held at 10:00am (Toronto time) on the third (3rd) Business Day after the Offer Deadline at the offices of the Trustee or by teleconference, video conference or other form of electronic telecommunications, as the Trustee may deem fit.
- 18. The Trustee shall conduct the Auction. At the Auction, the bidding shall begin initially with the highest Qualified Offer and subsequently continue in multiples of \$50,000, or such other amount as the Trustees determines, to facilitate the Auction. Additional consideration in excess of the amount set forth in the highest Qualified Offer must be comprised only of cash consideration (which, for clarity, may be satisfied by way of credit bid). Notwithstanding the foregoing, in the event that all secured debt is to be satisfied by one

or more Qualified Offers, additional consideration constituting such offer may include non-cash consideration. The format and other procedures for the Auction shall be determined by the Trustee in its sole discretion.

Selection of the Winning Bid

19. The winning bid (the “**Winning Bid**”) shall be, either:
 - a. in the event that no other Qualified Offer is received by the Offer Deadline, the Stalking Horse Offer;
 - or,
 - b. in the event that multiple Qualified Offers are received, following the conclusion of the Auction (if applicable), the party submitting the highest and best offer through the Auction, which the Trustee is satisfied, acting reasonably, is capable of being completed in accordance with the Sale Process Order.

Court Approval

20. As soon as practicable after determination of the Winning Bid, Junction will make a motion to the Court (the “**Approval Motion**”) for an approval and vesting order in respect of the Winning Bid and the underlying purchase agreement (the “**Final Purchase Agreement**”).
21. The Trustee shall serve and file a report with respect to the Sale Process and Winning Bid in advance of the Approval Motion.

Other Terms

22. All deposits received shall be held by the Trustee “in trust”. All deposits submitted by parties that submitted a Qualified Offer who did not submit the Winning Bid shall be returned, without interest, as soon as practicable following the date on which any such offers are rejected hereunder. The deposit forming part of the Winning Bid shall be dealt with in accordance with the Final Purchase Agreement.
23. In the event that a deposit is forfeited for any reason it shall be forfeited as liquidated damages and not as a penalty.
24. All Qualified Offers (other than the Winning Bid) shall be deemed rejected on the earlier of (a) the date on which the transaction contemplated by the Final Purchase Agreement is completed and (b) December 29, 2021, or such later date as may be agreed to, in writing, by the Trustee and the party who submitted the Qualified Offer.
25. Subject to the Sale Process Order or other order of the Court, Junction, in consultation with the Trustee, shall have the right to adopt such other rules for, or extend any deadlines in, the Sale Process that, at its sole discretion, will better promote the goals of the Sale Process.

Appendix “D”

Estate File No.: 31-2774500

Court File No.: 31-2774500

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

THE HONOURABLE MR.)	MONDAY, THE 8th DAY
)	
JUSTICE PENNY)	OF NOVEMBER, 2021

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF JUNCTION CRAFT BREWING INC.**

ORDER

THIS MOTION, made by Junction Craft Brewing Inc. (the “**Company**”), was heard this day via videoconference.

ON READING the Affidavit of Stuart Wheldon sworn November 1, 2021 and the exhibits thereto, the First Report of Richter Advisory Group Inc. in its capacity as proposal trustee in this proceeding (the “**Proposal Trustee**”) dated November 2, 2021 (the “**First Report**”) and the appendices thereto, the Supplement to the First Report of the Proposal Trustee dated November 5, 2021 and the appendices thereto, and such other materials filed in respect of this motion, and on hearing the submissions of counsel for the Company, counsel for the Proposal Trustee, counsel for the DIP Lender (as defined below), and such other counsel or persons as were present and listed on the attendance slip, no one else from the service list appearing although properly served as appears from the affidavits of service filed,

SERVICE

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

DIP FINANCING

2. **THIS COURT ORDERS** that the Company is hereby authorized and empowered to obtain and borrow under a credit facility from 1000003509 Ontario Limited (the "**DIP Lender**") in order to finance the Company's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$650,000 unless permitted by further Order of this Court.

3. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Company and the DIP Lender dated as of November 1, 2021 (the "**DIP Term Sheet**").

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

5. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Charge**") on the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"), which DIP Charge shall not secure an obligation that exists before this Order is made. The DIP Charge shall have the priority set out in paragraphs 14 and 16 hereof.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Charge, the DIP Lender, upon five (5) days notice to the Company and the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the DIP Term Sheet, Definitive Documents and the DIP Charge, including without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the DIP Lender to the Company against the obligations of the Company to the DIP Lender under the DIP Term Sheet, the Definitive Documents or the DIP Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company; and

- 4 -

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

7. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any proposal filed by the Company under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), with respect to any advances made under the Definitive Documents.

ADMINISTRATION CHARGE

8. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee and counsel to the Company shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Company as part of the costs of these proceedings. The Company is hereby authorized and directed to pay the accounts of the Proposal Trustee, counsel for the Proposal Trustee and counsel for the Company on a bi-weekly basis (or on such other basis as agreed to by the Company and the applicable party).

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

10. **THIS COURT ORDERS** that the Proposal Trustee, counsel to the Proposal Trustee, and the Company's counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Proposal Trustee and such counsel, both before and after the making of

this Order in respect of these proceeding. The Administration Charge shall have the priority set out in paragraphs 14 and 16 hereof.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

11. **THIS COURT ORDERS** that the Company shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Company on and after October 15, 2021, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

12. **THIS COURT ORDERS** that the directors and officers of the Company shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for the indemnity provided in paragraph 11 of this Order. The Directors' Charge shall have the priority set out in paragraphs 14 and 16 herein.

13. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Company's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 11 of this Order.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

14. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge, and the DIP Charge, as among them, shall be as follows:

- | | |
|--------|---|
| First | Administration Charge (to the maximum amount of \$300,000); |
| Second | DIP Lender's Charge; and |
| Third | Directors' Charge (to the maximum amount of \$150,000) |

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

16. **THIS COURT ORDERS** that each of the Administration Charge, the Directors' Charge, and the DIP Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**"), notwithstanding the order of perfection or attachment, except for any secured creditor of the Company who did not receive notice of the motion for this Order.

- 7 -

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

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

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

- 8 -

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Company entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Company pursuant to this Order, the DIP Term Sheet or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

APPROVAL OF FIRST REPORT

20. **THIS COURT ORDERS** that the First Report, and the actions, conduct and activities of the Proposal Trustee as set out therein, be and are hereby approved.

EXTENSION

21. **THIS COURT ORDERS** that the time for filing a proposal under section 50.4 of the BIA is hereby extended by a period of forty-five (45) days up to and including December 29, 2021.

SERVICE AND NOTICE

22. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the “Guide”) is approved and adopted by reference herein and, in this proceeding, the service of

documents made in accordance with the Guide (which can be found on the Commercial List website at <https://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-commercial>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Guide with the following URL <https://www.richter.ca/insolvencycase/junction-craft-brewing-inc>

23. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Guide is not practicable, the Company and the Proposal Trustee are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Company's creditors or other interested parties at their respective addresses as last shown on the records of the Company and that any such service, distribution or notice shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof; (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

24. **THIS COURT ORDERS** that the Company, the Proposal Trustee and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Company's creditors or other interested parties and their advisors, as applicable. For greater certainty, any such distribution or

- 10 -

service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

25. **THIS COURT ORDERS** that the Company or the Proposal Trustee may from time to time apply to this Court to amend, vary, supplement or replace this Order, or for advice and directions in the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

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

27. **THIS COURT ORDERS** that each of the Company and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT BREWING INC.

Estate File No.: 31-27-500
Court File No.: 31-27-500

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)
Proceedings commenced at TORONTO

ORDER

CHAITONS LLP
5000 Yonge Street, 10th Floor
Toronto, ON M2N 7E9

Sam Rappos (LSO #51399S)
Tel: (416) 218-1137
E-mail: samr@chaitons.com

Samea Tanvir (LSO #77838T)
Tel: (416) 218-1128
E-mail: stanvir@chaitons.com

Lawyers for Junction Craft Brewing Inc.

Appendix “E”

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

JUNCTION CRAFT BREWING INC.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.**

NOVEMBER 2, 2021

TABLE OF CONTENTS

I.	INTRODUCTION	2
II.	PURPOSES OF THE FIRST REPORT	2
III.	TERMS OF REFERENCE	4
IV.	GENERAL BACKGROUND INFORMATION ON THE COMPANY	4
V.	EVENTS LEADING TO THE COMPANY'S NOI PROCEEDINGS.....	10
VI.	SALE PROCESS.....	11
VII.	REVERSE VESTING ORDER.....	21
VIII.	CASH FLOW FORECAST	22
IX.	DIP FACILITY.....	23
X.	COURT ORDERED CHARGES	25
XI.	EXTENSION OF THE PROPOSAL PERIOD	27
XII.	ACTIVITIES OF THE TRUSTEE.....	28
XIII.	CONCLUSION AND RECOMMENDATION	29

APPENDICIES

APPENDIX "A" – Certificate of Filing the Notice of Intention to Make a Proposal

APPENDIX "B" – Affidavit of Mr. Stuart Wheldon, sworn November 1, 2021 (without exhibits)

APPENDIX "C" – Creditor List

APPENDIX "D" – Stalking Horse Agreement dated November 1, 2021

APPENDIX "E" – Cash Flow Forecast

APPENDIX "F" – Management's Report on the Cash Flow Forecast

APPENDIX "G" – Trustee's Report on the Cash Flow Forecast

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED
AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT BREWING
INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.

NOVEMBER 2, 2021

I. INTRODUCTION

1. On October 15, 2021 (the “**Filing Date**”), Junction Craft Brewing Inc. (“**Junction**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (an “**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”), and Richter Advisory Group Inc. (“**Richter**”) was appointed as trustee (in such capacity, the “**Trustee**”) under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy in respect of the Company’s NOI is attached hereto as **Appendix “A”**. The NOI proceedings of Junction are referred to herein as the “**NOI Proceedings**”.
2. The primary objective of the Company’s NOI Proceedings is to create a stabilized environment to allow the Company to enter into a transaction for the sale of its business and/or assets by implementing a court-supervised sale solicitation process (the “**Sale Process**”). The Sale Process, which is to be conducted by the Trustee, is contemplated to include the approval of a “stalking horse bid”, as discussed below.
3. Certain of the Company’s shareholders have submitted a share purchase agreement (the “**Stalking Horse Agreement**”), pursuant to which 1000003509 Ontario Limited (“**3509**”), a newly formed entity controlled by those shareholders, has agreed to act as a stalking horse bidder (the “**Stalking Horse Purchaser**”). The closing of the purchase transaction contemplated by the Stalking Horse Agreement is conditional on, among other things: (i) the Stalking Horse Purchaser being declared the Winning Bidder (as defined in the Sale Process); and (ii) Court approval.
4. Richter was retained in August 2021 by the Company to provide financial advisory services, including, among other things, reviewing the Company’s current financial circumstances and cash flow projections, and supporting the Company with discussions / negotiations with certain of its key stakeholders. In addition, Richter’s mandate also included a focus on advising on the structure of these proceedings and assisting the Company with preparing the Cash Flow Forecast (as defined herein) and other statutory documents required to file an NOI. The Trustee is of the view that it is not in any way compromised or unable to discharge its duties as trustee in accordance with the BIA as a result of its former mandate with the Company.

II. PURPOSES OF THE FIRST REPORT

5. The purpose of this first report (the “**First Report**”) of the Trustee is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to the following:
 - (i) a limited summary of certain background information about the Company, including the events that led the Company to initiate these NOI Proceedings;
 - (ii) the proposed Sale Process;

- (iii) the terms of the Stalking Horse Agreement;
- (iv) a forecast of the Company's receipts and disbursements (the "**Cash Flow Forecast**") for the period October 17, 2021 to January 15, 2022 (the "**Forecast Period**"), prepared in accordance with Section 50.4(2) of the BIA;
- (v) the Company's request that it be authorized and empowered to obtain interim financing, including the terms of an interim credit facility of up to a maximum amount of \$650,000 (the "**DIP Facility**") provided by 3509 (in such capacity, the "**DIP Lender**") pursuant to an interim facility term sheet dated November 1, 2021 (the "**DIP Term Sheet**");
- (vi) the proposed super priority charges over all of the Company's property, assets and undertakings (the "**Property**"), including:
 - (a) a charge in the amount of \$300,000 to secure the fees and disbursements of the Trustee, the Trustee's counsel, Aird & Berlis LLP ("**Aird & Berlis**"), and the Company's counsel, Chaitons LLP ("**Chaitons**"), in accordance with Section 64.2 of the BIA (the "**Administration Charge**");
 - (b) a charge in the amount of \$650,000 in favour of the DIP Lender to secure advances to the Company made under the DIP Facility (the "**DIP Charge**"); and
 - (c) a charge in the maximum amount of \$150,000 in favour of the Company's directors and officers (the "**Directors' Charge**");
- (vii) the Company's request for an extension of the time required to file a proposal (the "**Proposal Period**") to December 29, 2021;
- (viii) the activities of the Trustee since the Filing Date; and
- (ix) the Trustee's recommendation that this Court make orders, as requested by the Company, *inter alia*:
 - (a) approving the Sale Process and the Stalking Horse Agreement (the "**Sale Process Order**");
 - (b) approving the DIP Facility and DIP Term Sheet;
 - (c) approving the Administration Charge, the DIP Charge and the Directors' Charge and the proposed priorities over the Property of same (the "**Administration Order**");
 - (d) approving the extension of the Proposal Period to December 29, 2021; and
 - (e) approving this First Report and the activities, actions and conduct of the Trustee set out herein.

III. TERMS OF REFERENCE

6. In preparing this First Report, the Trustee has relied upon certain unaudited, draft, and / or internal financial information prepared by representatives of the Company, the Company's books and records, and discussions with representatives of the Company and the Company's legal counsel (collectively, the **"Information"**). In accordance with industry practice, except as otherwise described in this First Report, the Trustee has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards (**"GAAS"**) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, as such, the Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Future orientated financial information contained in the Cash Flow Forecast is based on the Company's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved.
8. Parties using this First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
9. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.

IV. GENERAL BACKGROUND INFORMATION ON THE COMPANY

10. The Company's business, affairs, financial performance, and position, as well as the causes of insolvency, are detailed in the affidavit of Mr. Stuart Wheldon, Junction's President and CEO, sworn November 1, 2021 (the **"Wheldon Affidavit"**) in support of the within motion. This First Report should be read in conjunction with the Wheldon Affidavit, as certain information contained in the Wheldon Affidavit has not been included herein in order to avoid unnecessary duplication. A copy of the Wheldon Affidavit (without exhibits) is attached hereto as **Appendix "B"**.

General Background

11. The Company was founded in 2011, and subsequently incorporated under the *Business Corporations Act* (Ontario) in 2014. It operates primarily as a brewer and seller of hand-crafted beers and other beverage products from an approximately 16,513 square foot leased premises located at 150 Symes Road, Toronto, Ontario (the **"Facility"**). More specifically, the Company's operations include: (i) the sales of its own brewed beer under various brands, both at the Facility, through its on-site taproom (the **"Taproom"**), and through retailers, including the Liquor Control Board of Ontario and The Beer Store and (ii) the production of beer, cold brew coffee, non-alcoholic sparkling beverages and spirit-based

drinks, on a contract basis on behalf of approximately twenty (20) different unrelated parties. Junction also earns rent and other income from hosting weddings, fundraisers, parties, and corporate functions at the Facility.

12. The Trustee understands that the Company has approximately twenty-four (24) shareholders made up of both individuals and incorporated entities. The largest shareholders are Thomas Schmidt, Rob Moffatt, and Edward Lycklama, who own 17.1%, 11.5% and 9.9% of the issued shares of the Company, respectively. The majority (in number) of the Company's shareholders each hold less than 5% of the issued share capital of the Company.
13. Mr. Stuart Wheldon ("**Mr. Wheldon**") is the Company's President. Mr. Wheldon joined Junction in May 2019.
14. As of the Filing Date, Junction employed approximately twenty-eight (28) salaried and hourly individuals (the "**Employees**") and had one independent contractor. There is no Company sponsored pension plan for the Employees, nor are any of the Employees unionized.
15. As noted in the Wheldon Affidavit, in order to function as a brewery and operate the Taproom, the Company maintains certain licenses issued by The Alcohol and Gaming Commission of Ontario ("**AGCO**"), Canadian Food Inspection Agency ("**CFIA**"), and Canada Revenue Agency ("**CRA**") (collectively, the "**Licenses**"), certain of which are non-transferrable. A chart outlining the Licenses is attached as Exhibit "C" to the Wheldon Affidavit.
16. The Company has three (3) wholly-owned subsidiaries. It is the Trustee's understanding that two (2) of the wholly-owned subsidiaries are the result of previous acquisitions and no longer conduct business. The third wholly-owned subsidiary, JCB Beverages Inc. ("**JCBB**") was, as noted in the Wheldon Affidavit, incorporated in November 2020 for the purpose of acquiring certain pasteurizing and other equipment used in Junction's manufacturing process and leasing such equipment to the Company. JCBB is not subject to these NOI Proceedings.

Junction's Historical Financial Results

17. Summarized below are the historical financial results for Junction for the eight-month period ended December 31, 2019, the fiscal year ended December 31, 2020 as well as for the period covering the nine-months ending September 30, 2021.

Junction Craft Brewing Inc. Historical P&L For the Periods Ended December 31, 2019, December 31, 2020 & September 30, 2021 (in CAD, \$000)			
	F21 9-Months Ended 30-Sep-21	F20 Year Ended 31-Dec-20	F19 8-Months Ended 31-Dec-19
Sales	1,410	1,612	1,373
Costs of Goods Sold	654	1,201	971
Gross Profit	756	411	402
Expenses			
Payroll Costs	733	258	203
Rent & Occupancy Costs	387	434	262
Selling, General & Administrative Expenses	144	141	270
Depreciation	-	213	157
Bank Charges & Interest	164	191	76
Other Expense/(Income)	(107)	32	(55)
Total Expenses	1,321	1,269	913
Income/(Loss) Before Income Taxes	(565)	(858)	(511)
Income Taxes	-	-	-
Net Income/(Loss)	(565)	(858)	(511)
<i>Source: Information provided by Management</i>			

18. As detailed above, the Company incurred a net loss of approximately \$0.6 million for the nine-month period ending September 30, 2021, approximately \$0.9 million for the twelve-month period ending December 31, 2020, and approximately \$0.5 million for the eight-month period ending December 31, 2019, respectively (together the “**Reporting Period**”). The Trustee understands that the losses incurred during the Reporting Period are primarily due to Junction’s inability to generate sufficient revenue to offset the Company’s operating costs. As discussed in the Wheldon Affidavit, Junction has been able to continue operating during the Reporting Period as a result of funding provided by certain of the Company’s shareholders by way of shareholder loans, as well as other accommodations provided by Junction’s creditors, as discussed below.

19. Set out below is Junction's unaudited balance sheet as at September 30, 2021:

Junction Craft Brewing Inc. Historical Balance Sheet As at September 30, 2021 (in CAD, \$000)			
<u>Assets</u>		<u>Liabilities</u>	
Current Assets		Current Liabilities	
Cash & Cash Equivalents	(5)	Bank Overdraft	-
Accounts Receivable	222	Accounts Payable & Accrued Liabilities	1,711
Inventory	217	Note Payable	300
Prepaid Expenses & Deposits	43	Capital Lease Obligations	34
Total Current Assets	477	Amounts Due to Shareholders	761
Fixed Assets		Current Portion of Long-Term Debt	769
Property, Plant & Equipment (Net)	2,871	Deferred Lease Inducement	387
Total Fixed Assets	2,871	Amounts Due to Subsidiary	138
Other Assets		Total Current Liabilities	4,100
Investments	426	Non-Current Liabilities	
Total Other Assets	426	Long-Term Debt	110
		Advances From Shareholders	17
		Total Non-Current Liabilities	127
		Shareholders' Equity	
		Share Capital	4,135
		Retained Earnings	(4,588)
		Total Shareholders' Equity	(453)
Total Assets	3,774	Total Liabilities & Shareholders' Equity	3,774
<i>Source: Information provided by Management</i>			

20. As presented above, Junction had total assets with a book value of approximately \$3.8 million as at September 30, 2021, which, given the nature of its business, is principally comprised of property, plant and equipment. The book value of Junction's total liabilities as at September 30, 2021 was approximately \$4.2 million. The single largest creditor is Farm Credit Canada ("FCC"), which was owed approximately \$0.8 million as at September 30, 2021 (as discussed in further detail below). As at September 30, 2021, the date of the most recent internal financial statements, the book value of Junction's total liabilities exceeded the book value of its total assets.

Secured Creditors

21. A copy of the creditor list included as part of Junction's NOI filing is attached hereto as **Appendix "C"**.

FCC

22. The Trustee understands that on June 28, 2017, Junction, as borrower, and FCC, as lender, entered into a loan agreement, as amended (the **"First FCC Loan Agreement"**). The First FCC Loan Agreement provides for up to \$1,000,000 (subject to certain limits as imposed by the terms of the First FCC Loan Agreement) in non-revolving credit to Junction for the purposes of funding Junction's acquisition of certain property, plant and equipment to be used in its operations.
23. The Trustee further understands that on September 11, 2017, the Company and FCC entered into a second loan agreement (the **"Second FCC Loan Agreement"**, and together with the First FCC Loan Agreement, the **"FCC Loan Agreements"**). In connection with the Second FCC Loan Agreement, FCC advanced approximately \$100,000 in non-revolving credit to the Company, which was to be repaid by April 1, 2019. The loans advanced under the FCC Loan Agreements are referred to herein as the **"FCC Loans"**.
24. The Trustee understands that in order to secure advances made under the FCC Loans, Junction granted security in favour of FCC in all of its present and after-acquired personal property, including certain of the Company's assets that include brewhouse equipment, fermenters, brite tanks and other various smaller items to be used in the brewing process (collectively, the **"FCC Security"**). The FCC Security does not extend to any of the property or assets of JCBB.
25. On October 6, 2021, counsel to FCC on its behalf issued a demand letter and a Notice of Intent to Enforce Security pursuant to Section 244 of the BIA (the **"244 Notice"**) to the Company. According to the 244 Notice, the outstanding balance, including principal and interest, owing by Junction to FCC under the FCC Loan Agreements was \$842,962. A copy of the 244 Notice is attached as Exhibit "F" to the Wheldon Affidavit.
26. The Trustee has not yet received a written opinion from its independent legal counsel, Aird & Berlis, confirming that, subject to typical qualifications and assumptions, the FCC Security is valid and enforceable in accordance with its terms in the province of Ontario. A review of the validity of the FCC Security is underway.

Leasing Creditors

27. In addition to the FCC Security, the Trustee is aware of certain other registrations in respect of specific leased assets made pursuant to the *Personal Property Security Act* (Ontario) (the “PPSA”). A copy of the PPSA search results is attached as Exhibit “D” to the Wheldon Affidavit.

Shareholder Loans

28. As noted in the Wheldon Affidavit and as set out above, the Company has relied on loans from certain of its shareholders to fund operations. The Company has granted general security agreements in favour of five (5) of the Company’s shareholders who have filed registrations against the Company under the PPSA. As further noted in the Wheldon Affidavit, the total amount of loans made by these five shareholders to the Company is approximately \$0.8 million.

TD Bank

29. The Trustee understands that the Company had an authorized line of credit revolving by overdraft with Toronto Dominion Bank (“**TD Bank**”) to a maximum of \$20,000, and a VISA credit card facility. Junction also has its business bank account with TD Bank. The Trustee further understands that on November 1, 2021, TD Bank withdrew the Company’s line of credit and cancelled the Company’s VISA credit card facility. As noted in the Wheldon Affidavit, TD Bank has filed a registration under the PPSA against all of the Company’s personal property.

Governmental Agencies

30. In April 2020, the Ministry of Finance filed a registration under the PPSA against all of the Company’s property (excluding motor vehicles) in connection with beer tax owing in the amount of \$20,318. In April 2021, pursuant to the PPSA, the Ministry of Finance amended the quantum of its registration against the Company to \$114,814. The Trustee understands that approximately \$150,000 is owing from the Company to the Ministry of Finance as at the Filing Date.
31. The Trustee understands that between August 2019 to December 2020, Mr. Wheldon did not receive wages from Junction in the normal course. During that period, Junction instead provided Mr. Wheldon with a loan for the approximate amount he would have received net of taxes had payments been made to him as wages. As a result of these arrangements, the Trustee understands there may be amounts owing in respect of unpaid source deductions to CRA or, alternatively, amounts owing as wages and source deductions to Mr. Wheldon to address his taxes payable as a result of deemed income to him from any loan forgiveness.
32. The Trustee further understands that the Company owes (i) approximately \$27,500 to the Receiver General for Canada in connection with unremitted excises taxes, and (ii) approximately \$50,600 to CRA with respect to harmonized sales tax collected but not remitted.

33. On April 2020, the Company received \$40,000 (the “**First CEBA Loan**”) pursuant to the Canada Emergency Business Account program (“**CEBA**”). On January 2021, the Company received a further \$20,000 (the “**Second CEBA Loan**”, and together with the First CEBA Loan, the “**CEBA Loans**”). As at the date of this First Report, no repayments have been made with respect to the CEBA Loans.

Unsecured Creditors

Landlord

34. As at the date of this First Report, the Trustee understands that Junction owes approximately \$293,000 to its landlord, Symesbridge Inc. (the “**Landlord**”), in connection with rent arrears of the Facility.

Other Unsecured Creditors

35. In addition to the aforementioned amounts owing by Junction, the Company estimates that it had arms-length unsecured obligations totaling approximately \$2.3 million as at the Filing Date.

V. EVENTS LEADING TO THE COMPANY’S NOI PROCEEDINGS

36. As noted in the Wheldon Affidavit, Junction has been experiencing financial difficulties since it first occupied the Facility in 2018. The Trustee understands that the move to the Facility was necessary for Junction to expand its business and to generate additional revenue. However, the Trustee understands that the Company incurred significant unforeseen costs in connection with the move and fit-out of the Facility. As further noted in the Wheldon Affidavit, Junction reported net losses in excess of \$1.0 million for the 2018 calendar year and \$842,973 for the 2019 calendar year.
37. As noted in the Wheldon Affidavit, as a result of the Company’s inability to repay the amounts owing under the Second FCC Loan Agreement (which originally matured in April 2019), on February 12, 2020, FCC demanded payment of the FCC Loans from the Company in the total amount of \$970,062.94 and sent a notice of its intention to enforce its security under the BIA. In April 2020 and August 2020, FCC agreed to amend the Company’s payment schedule as described in the Wheldon Affidavit.
38. The COVID-19 pandemic has significantly impacted Junction as it relies upon the hospitality industry for a substantial portion of its income. Due to the closure of many bars and restaurants as a result of government-imposed health mandates and restrictions, a significant portion of Junction’s customers reduced the quantum and/or frequency of their orders from the Company. As a further result of the COVID-19 pandemic, the Company has been unable to hold large events at the Facility while such restrictions were/are in place. This has had a deleterious impact on the Company’s ability to generate revenue. As noted in the Wheldon Affidavit, notwithstanding its concerted efforts to pivot to online

sales and deliveries, Junction has experienced declining sales due to the closure of the Taproom, cancellations of events at the Facility, and reduction in production and operations due to pandemic-related governmental restrictions.

39. As noted in the Wheldon Affidavit, Junction has been dependent on support from certain of the Company's shareholders and creditors to fund its ongoing losses and continue operations. As further noted in the Wheldon Affidavit, from April 15, 2019 to April 26, 2021, the Company received loans from certain shareholders totalling approximately \$807,000 and, and as noted above, in April 2020 and August 2020, FCC agreed to amend the Company's payment schedule with respect to the First FCC Loan Agreement to provide for interest only payments for two three-month periods.
40. In addition to the support received from certain of the Company's shareholders and FCC, the Trustee understands that the Landlord has agreed to a number of rent payment deferrals in connection with amounts owing by the Company with respect to its occupation of the Facility. As noted in the Wheldon Affidavit, as a result of the deferrals, Junction currently owes approximately \$293,000 to the Landlord for rent arrears.
41. However, and notwithstanding the accommodations provided by the Company's shareholders and creditors, in light of the unfavourable impacts of COVID-19, the Company's financial performance continued to decline, such that, Junction reported a net loss of approximately \$0.9 million for the fiscal year ended December 31, 2020, and approximately \$0.6 million for the nine-month period ending September 30, 2021. Given the continuing financial and liquidity deterioration of the Company, Junction was not in a position to repay amounts owing to FCC as agreed.
42. As noted earlier in this First Report, FCC issued the 244 Notice on October 6, 2021. As a result of the 244 Notice, the Company determined that, in the circumstances, the best course of action for Junction was to file an NOI to provide the Company with the necessary time to stabilize its business and pursue a restructuring.

VI. SALE PROCESS

43. The purpose of the Sale Process is to solicit interest in the Company while providing the certainty of a transaction through the Stalking Horse Agreement to ensure that the business will emerge as a going concern in the event that there are no superior offers. A copy of the Sale Process is attached as Exhibit "J" to the Wheldon Affidavit
44. The Sale Process is to be administered by the Trustee on behalf of Junction.
45. A summary of the proposed Sale Process is as follows (capitalized terms not otherwise defined in this section have the meanings provided to them in the Sale Procedures, which are provided in Schedule "F" to the Stalking Horse Agreement):

- (i) Subject to Court approval, the following table sets out the Sale Process timeline:

Milestone	Key Dates
Commencement of Sale Process	November 8, 2021
Distribution of Teaser Letter & Data Room to be opened	November 9, 2021
Offer Deadline	December 9, 2021
Auction (if required)	December 14, 2021
Approval and Sale Order hearing	As soon as practicable after determination of the Winning Bid
Outside Closing Date Deadline	December 29, 2021

- (ii) The Sale Process is proposed to commence immediately on the date the Court issues the Sale Process Order (the “**Commencement Date**”).
- (iii) As soon as practicable following the Commencement Date, the Trustee will distribute an initial offering summary (the “**Teaser Letter**”) detailing the opportunity to potential interested parties (the “**Prospective Participants**”) identified by the Trustee and the Company. Attached to the Teaser Letter will be a form of non-disclosure agreement (“**NDA**”), which Prospective Participants must execute in order to participate in the Sale Process and receive further information.
- (iv) As soon as practicable after the Commencement Date, the Trustee will (a) have arranged for an advertisement of the acquisition opportunity in the National Post and/or such other newspaper and/or trade publications or other publications as the Trustee may deem appropriate or advisable, and (b) post the Teaser Letter and other relevant information concerning the acquisition opportunity on the Trustee’s Website (as defined herein).
- (v) The Prospective Participants, upon execution of an NDA, will be provided with access to a virtual data room (the “**Data Room**”) to be maintained by the Trustee. The Data Room will contain various financial and other information concerning the Company for purposes of performing diligence on the acquisition opportunity.
- (vi) The Trustee will facilitate due diligence efforts by, *inter alia*, arranging meetings between key employees and Prospective Participants, including by video conference due to the ongoing COVID-19 pandemic.
- (vii) Prospective Participants will be provided with a copy of a template share purchase agreement and template asset purchase agreement (either such agreement being referred to as the “**Template Purchase Agreement**”). Prospective Participants will be required to submit offers in the form of the Template Purchase Agreement, with a blackline comparison illustrating any changes.

(viii) Offers will be required to be submitted to the Trustee by no later than 5:00 pm (Toronto time) on December 9, 2021 (the “**Offer Deadline**”), being approximately 31 days from the return date of the motion for approval of the Sale Process.

Qualified Offer

46. To be a “Qualified Offer”, an offer must be submitted by the Offer Deadline and must, at a minimum, include, *inter alia*, the following requirements, unless such requirement is waived by the Trustee:

- (i) a cash purchase price equal to or greater than:
 - (a) the sum of \$400,000, being the cash consideration under the Stalking Horse Agreement; plus
 - (b) any and all amounts secured under the DIP Charge at Closing; plus
 - (c) an amount equal to the Priority Amounts; plus
 - (d) an amount equal to the Bankruptcy Costs; plus
 - (e) \$50,000, representing the Break Fee; plus
 - (f) \$25,000, representing the Costs Amount; plus
 - (g) \$50,000, representing the overbid amount (the “**Overbid Amount**”, and together with the Break Fee and the Cost Amount, the “**Bid Protections**”) as set out in the Stalking Horse Agreement;
- (ii) a provision stating that the offer is irrevocably open for acceptance until five days after the Auction;
- (iii) a cash deposit in the form of a certified cheque or bank draft (or confirmed wire payment if in the form of an electronic payment) of not less than 10% of the offer purchase price;
- (iv) it may only contemplate an acquisition on a “as is, where is” basis and must include an acknowledgement that the prospective purchaser has relied solely on its own independent review and investigation and that it has not relied on any representation by Junction, the Trustee or their respective agents, employees, or advisors;
- (v) it must not contain any condition or contingency relating to due diligence or financing or any other material conditions precedent to the offeror’s obligation to complete the transaction (save and except for approval by the Court); and
- (vi) it must include written evidence, satisfactory to the Trustee, that the prospective purchaser has the financial means to complete the proposed acquisition.

47. The Stalking Horse Purchaser, as the stalking horse bidder, is deemed to have made a Qualified Offer.
48. Offers for all or part of the business, assets and undertakings of Junction will be considered, including liquidation offers.

Auction

49. If no Qualified Offers are submitted by the Offer Deadline, the Stalking Horse Purchaser will be deemed to have made the Winning Bid. Junction is requesting that the Court issue a provisional approval and vesting order of the offer from the Stalking Horse Purchaser (the “**Approval and Vesting Order**”), to become in effect in the event no Qualified Offers are received.
50. If more than one Qualified Offer is received by the Offer Deadline (other than that submitted by the Stalking Horse Purchaser):
- (i) the Trustee will notify all bidders who submitted a Qualified Offer, that the Auction shall be held at 10:00 am (Toronto time) on the second Business Day after the Offer Deadline at the offices of the Trustee or by teleconference, video conference or other form of electronic telecommunications, as the Trustee may deem fit;
 - (ii) the Trustee will conduct the Auction; and
 - (iii) the bidding will begin initially with the highest Qualified Offer and subsequently continue in multiples of \$50,000, or such other amounts as the Trustee determines to facilitate the Auction. Additional consideration in excess of the amount set forth in the highest Qualified Offer must be comprised only of cash consideration (which, for clarity, may be satisfied by way of credit bid). Notwithstanding the foregoing, in the event that all secured debt is to be satisfied by one or more Qualified Offers, additional consideration constituting such offer may include non-cash consideration. The format and other procedures for the Auction will be determined by the Trustee in its sole discretion.
51. The Winning Bid shall be, either:
- (i) in the event that no other Qualified Offer is received by the Offer Deadline, the Stalking Horse Purchaser's offer;
- or,
- (ii) in the event that multiple Qualified Offers are received, following the conclusion of the Auction (if applicable), the party submitting the highest and best offer through the Auction, which the Trustee is satisfied, acting reasonably, is capable of being completed in accordance with the Sale Process Order.

The Stalking Horse Agreement

52. In the days leading up to and following the Filing Date, the Company, in consultation with its counsel and the Trustee, engaged in discussions with 3509 and its counsel, whereby 3509 expressed an interest in acquiring substantially all of the Property of the Company with a view to continuing operating the business as a going concern.
53. These discussions culminated in the Stalking Horse Agreement between the Company and the Stalking Horse Purchaser, pursuant to which Junction agrees, subject to Court approval, the terms of the Sale Process, and the terms and conditions of the Stalking Horse Agreement, to issue new shares (the “**New Class A Shares**”) to the Stalking Horse Purchaser, and the Stalking Horse Purchaser agrees to subscribe for and purchase the New Class A Shares from Junction, as fully paid and non-assessable shares free and clear of all encumbrances, in exchange for the payment of the Purchase Price (as defined below).
54. In accordance with the Stalking Horse Agreement, Junction will incorporate an Ontario corporation (“**ResidualCo.**”) as a wholly-owned subsidiary of the Company for the purposes of accepting the transfer of all Excluded Assets and assumption of all Excluded Liabilities (each as defined below). Immediately following closing, ResidualCo. will make an assignment in bankruptcy. The costs of administration of the bankruptcy of ResidualCo. are proposed to be funded from the Purchase Price.
55. A copy of the Stalking Horse Agreement is attached as **Appendix “D”**.
56. The key terms and conditions of the Stalking Horse Agreement are provided below.
 - (i) **Stalking Horse Purchaser:** 1000003509 Ontario Limited
 - (ii) **Amendment to Articles and Cancellation of Common Shares:** immediately following the issuance of the New Class A Shares to the Stalking Horse Purchaser at the Closing Time, Junction and the Stalking Horse Purchaser will take the following steps in the following sequence, which sequence may be modified on written notice to the Trustee by each of Junction and the Stalking Horse Purchaser:
 - (a) **Amendment to Articles:** Junction’s articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for a total aggregate amount of \$660.96 (the “**Redemption Cost**”); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Stalking Horse Purchaser, in its sole and unfettered discretion.

- (b) **Redemption & Cancellation:** Junction will (i) redeem all of the issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost – a nominal amount to effect the redemption (which Redemption Cost will be funded by the Stalking Horse Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares (the “**Redemption and Cancellation**”).

Following the Redemption and Cancellation, the Stalking Horse Purchaser will be the sole owner of the New Class A Shares, which will represent 100% of Junction’s issued and outstanding equity. For greater clarity, there will be no preferred shares in the capital of Junction issued and outstanding after the Closing Time.

- (iii) **Purchase Price:** estimated to be \$1,155,000 (the “**Purchase Price**”), comprising the following amounts:

- (a) \$400,000 (the “**Cash Payment**”);
- (b) any and all amounts secured by the DIP Charge at Closing (the “**DIP Loan Amount**”);
- (c) an amount equal to the Priority Amounts; and
- (d) an amount equal to the Bankruptcy Costs (to fund the ResidualCo. bankruptcy).

- (iv) **Deposit:** contemporaneously with the execution and delivery of the Stalking Horse Agreement by the Stalking Horse Purchaser, the Stalking Horse Purchaser must deliver a deposit payable to the order of the Trustee, in trust, in the amount of \$400,000 (the “**Deposit**”). Upon closing, the Deposit is to be applied against the Cash Payment.

- (v) **Retained Assets:** all of Junction’s properties, assets and rights other than the Excluded Contracts, including, without limitation, the following:

- (a) cash, bank balances, moneys in possession of banks, the Trustee and other depositories, term or time deposits and similar cash items, owned or held by or for the account of Junction;
- (b) the Accounts Receivable relating to the Company and the benefit of all security (including cash deposits), guarantees and other collateral held by Junction relating thereto;
- (c) all Prepaid Amounts;
- (d) the Personal Property;
- (e) the Books and Records;
- (f) the Retained Contracts;

- (g) the Intellectual Property;
 - (h) the Goodwill;
 - (i) the Governmental Authorizations, except to the extent consent to change of control is required;
 - (j) the AGCO Licenses;
 - (k) Canadian Food Inspection Agency license and the Canada Revenue Agency licenses enumerated in Schedule "D" of the Stalking Horse Agreement;
 - (l) all of the issued and outstanding shares of JCBB owned by Junction; and
 - (m) properties, assets and rights that are added as Retained Assets pursuant to section 4.3 of the Stalking Horse Agreement.
- (vi) **Retained Liabilities:** the Company's obligations:
- (a) arising from or in connection with the performance of the Retained Contracts after the Filing Date;
 - (b) arising from or in connection with the AGCO Licenses; and
 - (c) that are added as Retained Liabilities pursuant to section 4.3 of the Stalking Horse Agreement.
- (vii) **Excluded Assets**, includes (collectively, the "**Excluded Assets**"):
- (a) the Excluded Contracts, as set out in Schedule "B" to the Stalking Horse Agreement, or which may be added as Excluded Contracts pursuant to section 4.2 of the Stalking Horse Agreement; and
 - (b) any assets that are added to the Excluded Assets pursuant to section 4.2 of the Stalking Horse Agreement.
- (viii) **Excluded Liabilities**, all of Junction's obligations other than the Retained Liabilities, including (collectively, the "**Excluded Liabilities**"):
- (a) those arising from or in connection with the conduct of the Business and the operation of the Retained Assets prior to the Filing Date (other than those specifically included in the Retained Liabilities);
 - (b) those arising from, in connection with or otherwise accruing before or after the Filing Date relating to any of the Excluded Assets;

- (c) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which Junction may be bound as at the Closing Time; and
 - (d) obligations that are added as Excluded Liabilities pursuant to section 4.2 of the Stalking Horse Agreement.
- (ix) **Representations and Warranties:** consistent with the standard terms of an insolvency transaction, i.e. on an “as is, where is” basis, with limited representations and warranties.
- (x) **Closing Date:** the date that is ten (10) Business Days after the date the Approval and Vesting Order is granted, or such other date that the Parties, acting reasonably, may mutually agree.
- (xi) **Material Conditions:**

For the Benefit of both Parties

- (a) the Administration Order and the Sale Process Order must be issued by the Court not later than November 8, 2021;
- (b) the Stalking Horse Purchaser is selected as the Winning Bidder;
- (c) the Approval and Vesting Order shall have been issued and entered and shall not have been stayed, amended, modified, reversed or dismissed as at the Closing Date; and
- (d) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the transactions contemplated by the Stalking Horse Agreement.

For the Benefit of the Stalking Horse Purchaser

- (a) Junction shall have executed and delivered or caused to have been executed and delivered to the Stalking Horse Purchaser at the Closing all definitive documents required to complete the transaction, as set out in Section 7.3 of the Stalking Horse Agreement;
- (b) the representations and warranties of the Company contained in the Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
- (c) the Company shall have fulfilled or complied with all covenants contained in the Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date;
- (d) pursuant to the Approval and Vesting Order, (i) all of the Excluded Assets and the Excluded Liabilities will have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities will have attached to the Excluded

Assets, and (iii) Junction and its business and property will have been released and forever Discharged of all Claims and Encumbrances (other than the Permitted Encumbrances and Retained Liabilities) such that, from and after Closing the business and property of Junction will exclude the Excluded Assets and will not be subject to any Excluded Liabilities;

- (e) upon Closing, the NOI Proceedings will be terminated in respect of Junction and its business and property, as set out in the Approval and Vesting Order; and
- (f) the Trustee will have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Stalking Horse Purchaser and Junction.

For the Benefit of the Company

- (a) the Stalking Horse Purchaser will have executed and delivered to Junction at the Closing all the documents and payments contemplated in Section 7.4 of the Stalking Horse Agreement;
 - (b) the representations and warranties of the Stalking Horse Purchaser contained in the Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
 - (c) the Stalking Horse Purchaser shall have fulfilled or complied with all covenants contained in the Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date; and
 - (d) the Trustee will have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Stalking Horse Purchaser and Junction.
- (xii) **Termination:** the Stalking Horse Agreement can be terminated if:
- (a) the Administrative Order or Sale Process Order has not been obtained by November 8, 2021;
 - (b) the Approval and Vesting Order has not been issued by the Outside Date (i.e. December 29, 2021);
 - (c) the Court declines at any time to grant the Approval and Vesting Order; in each case for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement; or
 - (d) the conditions to closing in favour of the Stalking Horse Purchaser are not met by the Outside Date.

Stalking Horse Agreement Recommendation

57. The Trustee has considered whether the Stalking Horse Purchaser's offer warrants it being structured as a stalking horse bid, as opposed to the Stalking Horse Purchaser simply being a bidder in the process. The Trustee is of the view that the stalking horse structure is superior to the alternative for the following reasons:
- (i) the Stalking Horse Agreement provides certainty to the Company's customers, employees and other stakeholders that a going concern transaction will be completed;
 - (ii) the Stalking Horse Purchaser is not being approved as making the Winning Bid at this time, but is subject to the outcome of the Sale Process;
 - (iii) the Trustee is of the view that the Stalking Horse Offer is not prejudicial to FCC and provides greater value to FCC than what FCC would otherwise receive in a liquidation of its security;
 - (iv) the structure of the Stalking Horse Agreement, which contemplates the purchase of shares using the concept of a "reverse vesting order", provides an efficient mechanism to transfer licenses needed to operate the business, thereby avoiding a lengthy and potentially disruptive "re-licensing" process and preserving going-concern value of the business; and
 - (v) the Stalking Horse Agreement sets a minimum bid amount, which will avoid the Company's time and resources being spent on below market offers.

Sale Process Recommendation

58. The Trustee recommends that this Court issue an order approving the Stalking Horse Agreement and the Sale Process for the following reasons:
- (i) the Sale Process provides for a wide marketing of the Company's business by the Trustee, which has extensive experience selling distressed assets and businesses;
 - (ii) stalking horse sale processes are a recognized mechanism in restructuring processes to maximize recoveries, while creating stability for the business;
 - (iii) the Sale Procedures allow for a fair, efficient and transparent market test for the benefit of all stakeholders, and provide an opportunity to complete a transaction with greater value than the Stalking Horse Agreement, should one materialize;

- (iv) it is in the best interests of the Company and its stakeholders that the Stalking Horse Agreement be preserved in order to have the opportunity to maximize value and to protect downside risk in the event that a superior offer is not submitted;
- (v) the proposed timelines of the Sale Process are sufficient to allow interested parties to perform diligence and submit offers;
- (vi) the terms of the Stalking Horse Agreement are commercially reasonable; and
- (vii) the Company is supportive of the Sale Process and the Stalking Horse Agreement.

59. The Trustee has also considered the reasonableness of the Break Fee and the Cost Amount. The Trustee and its counsel have reviewed recent comparable stalking horse agreements wherein bid protections have been approved in transactions of this nature. Based on this comparison, the Trustee is of the view that, in the circumstances, the Bid Protections are fair and reasonable to compensate the Stalking Horse Purchaser for costs and expenses in relation to entering into the Stalking Horse Agreement and will not unduly “chill” bidding on the Company’s assets and/or business as part of the Sale Process.
60. In addition to the foregoing, the Company has advised FCC of the proposed Sale Process and Stalking Horse Agreement. While FCC has not formally advised of its support for the Sale Process and the Stalking Horse Agreement, it has not, as of the date of this report, objected to or otherwise opposed the structure of the proposed process. FCC did, however, request that the Cash Payment be paid in trust to the Trustee at the Commencement Date, which the Stalking Horse Purchaser has agreed to do, subject to the Court granting the Sale Process Order.

VII. REVERSE VESTING ORDER

61. As set out above, the Stalking Horse Agreement contemplates that the Stalking Horse Purchaser will purchase shares of the Company’s business through a “reverse vesting order”. The Sale Process further provides that this structure is available to other bidders.
62. The Trustee is of the view that a reverse vesting order is both necessary and appropriate for two primary reasons:
- (i) First, the Company’s business depends upon the Licenses. The Trustee has been in contact with the issuing authorities for the Licenses and has confirmed the information set out in the Licenses chart appended as Exhibit “C” to the Wheldon Affidavit. In particular, the Trustee has confirmed that those licenses identified as “non-transferable” would present a significant impediment to the sale of the business as a going concern, if an alternative sale structure were to be utilized; and

(ii) Second, as noted in the Wheldon Affidavit, Junction reported net losses in excess of \$1.0 million for the 2018 calendar year, which are in addition to the net losses incurred during the Reporting Period. These losses, which may include business losses for tax purposes, if preserved, may be carried forward to offset against future taxable income of the Company. The potential future benefit to Junction of preserving these potential tax losses would not otherwise be available through a sale of Junction's assets. The Trustee notes that tax losses may be reduced by any amount of debt forgiveness, however, the amount of debt forgiveness will not be known until the completion of a transaction.

63. For these reasons, the Trustee is of the view that a share sale effected by way of a reverse vesting order represents the transaction structure that will best preserve the Company's value and will permit a seamless continuation of the Company's business as a going concern.

VIII. CASH FLOW FORECAST

64. The Company, with the assistance of the Trustee, prepared the Cash Flow Forecast, which, in accordance with Section 50.4(2) of the BIA, was filed with the Official Receiver on October 24, 2021. A copy of the Cash Flow Forecast is attached hereto as **Appendix "E"** and is summarized below:

Junction Craft Brewing Inc. Cash Flow Forecast For the Period October 17, 2021 to January 15, 2022 (in CAD, \$000)	
Total Receipts	480
Disbursements	
Payroll & Tax Expenses	346
Rent, Leases, Insurance Expenses	114
Bank Fees, Subscriptions & Dues	7
Production Costs	172
Distribution Costs	17
Taproom Costs	12
Events, Sales & Marketing Expenses	20
Professional Services Fees	1
Utilities Costs	28
NOI Legal & Professional Fees	300
Contingency Costs	100
Total Disbursements	1,117
Net Cash Flow	(637)
Opening Cash Balance	1
DIP Drawdown	650
Ending Cash Balance	14
<i>Source: Information provided by Management</i>	

65. The Cash Flow Forecast projects that the Company will experience a net cash outflow of approximately \$0.6 million (before any DIP drawdown) over the Forecast Period, comprised of:

- (i) cash receipts of approximately \$0.5 million, primarily related to the sale of craft beer; and
 - (ii) cash disbursements of approximately \$1.1 million, primarily consisting of operating expenses, payroll expenses and costs in connection with the NOI Proceedings.
66. The Cash Flow Forecast projects borrowings under the DIP Facility of \$0.65 million during the Forecast Period, which are to be advanced under the DIP Term Sheet and will be subject to the terms and conditions thereof.
67. As evidenced by the Cash Flow Forecast, without access to the DIP Facility, the Company lacks sufficient liquidity to maintain operations. The DIP Facility is expected to provide the Company with sufficient funding during the Forecast Period and to ensure Junction's continued operations during the NOI Proceedings.
68. Management's report on the Cash Flow Forecast as required by Section 50.4(2)(c) of the BIA and the Trustee's report on the Cash Flow Forecast as required by Section 50.4(2)(b) of the BIA are attached hereto as **Appendix "F"** and **Appendix "G"**, respectively.

IX. DIP FACILITY

69. As discussed above, absent access to the DIP Facility, the Company will be (i) without the liquidity needed to fund ongoing operations and the professional costs of these proceedings and (ii) subject to enforcement action by creditors and consequently, a cessation of operations.
70. The principal terms of the DIP Term Sheet include (capitalized terms in the table below not otherwise defined have the meanings given to them in the DIP Term Sheet):

Basic Provisions	Description
Availability	\$650,000
Lender	1000003509 Ontario Limited
Borrowers	Junction Craft Brewing Inc.
Purpose	To fund (i) working capital needs in accordance with the cash flow projections approved by the Trustee and the DIP Lender from time to time; (ii) the DIP Lender's Fees and Expenses (as defined below), (iii) professional fees and expenses incurred by the Company and the Trustee in respect of the NOI Proceedings, and (iv) such other costs and expenses of the Company as may be agreed to by the DIP Lender, in writing.
Interest Rate	0% per annum.
Repayment Date	The earlier of: (i) the occurrence of an Event of Default (as defined below), (ii) the date on which the period for the Company to file a proposal in the NOI Proceedings is not extended or is terminated, (iii) the date on which the Company becomes bankrupt, (iv) the date upon which a sale of substantially all of the business and assets of the Company is completed, and (v) January 15, 2022 (or such other date as the DIP Lender may agree).

Security	A court-ordered super-priority charge (i.e. the DIP Charge) on all of the existing and after-acquired property of the Company.
Conditions	<p>The obligation of the DIP Lender to make the DIP Facility available to the Company is subject to and conditional upon the satisfaction (or waiver thereof) of each of the following conditions:</p> <ul style="list-style-type: none"> (a) receipt of the entered Interim Financing Order in a form satisfactory to the DIP Lender, which, among other things, approves the DIP Charge, including its priority ranking; (b) receipt of the Sale Process Order; (c) the Interim Financing Order and the Sale Process Order shall not have been amended or varied in a manner adverse to the DIP Lender, or stayed, without the consent of the DIP Lender, and shall continue to be in full force and effect; (d) receipt of a duly executed copy of the DIP Term Sheet; and (e) delivery by the Company to the DIP Lender of any such further security or documentation that the DIP Lender and its lawyers may reasonably require to give effect to the foregoing.
Event of Default	<p>The DIP Lender has the right to demand payment at any time (but cannot exercise any rights and remedies without Court approval, sought on at least five days' notice), if any one or more of the following events (an "Event of Default") has occurred and is continuing:</p> <ul style="list-style-type: none"> (a) the Company fails to pay when due any principal, fees or other amounts due under the DIP Term Sheet; (b) the Company breaches any covenant, term, condition or other provision of the DIP Term Sheet or any other document delivered to the DIP Lender in respect thereof; (c) if the Interim Financing Order or the Sale Process Order is stayed, set aside or varied in a manner adverse to the DIP Lender, without the consent of the DIP Lender, in its sole discretion, or any other order of the Court in the NOI Proceedings is made, which is or may be prejudicial to the DIP Lender's interests; (d) the stay of proceedings resulting from the NOI Proceedings is terminated or lifted in whole or in part without the consent of the Company and the DIP Lender; (e) substantially all of the business or assets of the Company are sold, except pursuant to a transaction resulting from the Sale Process or as may be otherwise approved by the DIP Lender in writing in advance; (f) any default or failure by the Company to make any payment of any Priority Claims due and payable arising from and after the commencement of the NOI Proceedings; and (g) the Company becomes bankrupt or the appointment of a receiver, receiver and manager, or other officer of the Court is made, all or any significant part of the assets of the Company.

DIP Facility Recommendation

71. In consideration of the factors set out in subsection 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto, the Trustee is of the view that the terms of the DIP Facility are reasonable and appropriate for the following reasons:
- (i) the DIP facility enhances the prospect that the Company will be able to successfully restructure;
 - (ii) the Company is facing an imminent liquidity crisis and is without the cash needed to fund operations, these proceedings and the Sale Process – short term funding is needed urgently;
 - (iii) the Trustee believes that approval of the DIP Facility is in the best interests of the Company's stakeholders and will advance the Company's restructuring process. The Trustee does not believe that creditors will be prejudiced as a result of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value as compared to the alternative, which is the discontinuation of Junction's operations and the potential liquidation of its assets;
 - (iv) the Trustee has compared the principal financial terms of the DIP Facility to a number of other recent DIP financing packages approved by the Canadian courts, with respect to pricing, loan availability and certain security considerations. Based on this comparison, the Trustee is of the view that, in the circumstances, the terms of the DIP Facility appear to be reasonable;
 - (v) it is unlikely that any other DIP financing would be available on terms that are equal or more favourable than what is offered under the DIP Facility; and
 - (vi) in the Trustee's view, there is virtually no prospect of restructuring the Company's business under these proceedings absent funding under the DIP Facility.

X. COURT ORDERED CHARGES

72. As part of the within motion, the Company is seeking the Administration Order, which would grant, among other things, the following Court-ordered charges against the Property: the Administration Charge, the DIP Charge, and the Directors' Charge (collectively, the "**Charges**").

Administration Charge

73. The Company is seeking the Administration Charge against the Property, to secure the fees and disbursements incurred in connection with services rendered to the Company or in furtherance of the NOI Proceedings both before and after the Filing Date by the Trustee, Aird & Berlis and Chaitons.

74. The quantum of the Administration Charge sought by the Company was determined in consultation with the Trustee.
75. The Administration Charge will rank in priority to all other security interests, including the DIP Charge and Directors' Charge. The Trustee understands that the DIP Lender has consented to the Administration Charge.
76. The creation of the Administration Charge is typical in similar proceedings as is the proposed priority of the Administration Charge as set out in the form of order filed with the Court. The Trustee is of the view that the Administration Charge (both the amount and the priority ranking) is required and reasonable in the circumstances and, as such, supports the granting and the proposed ranking of the Administration Charge.

DIP Charge

77. Junction requires further funding immediately to continue operations and pursue its restructuring during the NOI Proceedings, as evidenced by the Cash Flow Forecast.
78. It is a fundamental condition of the DIP Term Sheet that the DIP Lender receives the benefit of the DIP Charge to the maximum amount of the aggregate of any and all advances made by the DIP Lender to the Company under the DIP Facility.
79. The DIP Term Sheet provides the Company with access to the financing required to fund operations and undertake its restructuring activities, including the Sale Process, and complete its NOI Proceedings. The Trustee recommends that the Court approve the DIP Term Sheet, and accordingly, the Trustee also supports the granting of the DIP Charge, and the proposed priority ranking thereof.

Directors' Charge

80. The Company is also seeking the Directors' Charge against the Property in the maximum aggregate amount of \$150,000 to indemnify Junction's directors and officers for liabilities incurred by the Company that result in post-filing claims against the directors and officers, as the Company does not have directors' and officers' liability insurance in place.
81. The amount of the Directors' Charge was estimated by taking into consideration employee payroll and related expenses (including source deductions), other employment related liabilities that may be a statutory liability for directors and officers, vacation pay and sales tax.
82. The Trustee has been informed that due to the potential for personal liability, the directors and officers of the Company are unwilling to continue their services and involvement in the NOI Proceedings without the protection of the Directors' Charge. As the Company will require the participation and experience of its directors and officers to facilitate the

successful completion of the NOI Proceedings, including participating in the Sale Process, the Trustee believes that the Directors' Charge (both the amount and priority ranking) is required and reasonable in the circumstances.

83. The Directors' Charge is proposed to rank third in priority against the Property after the Administration Charge and the DIP Charge.

Summary and Proposed Ranking of the Court Ordered Charges

84. The priorities of the Charges sought by the Company are as follows:

- (i) First – the Administration Charge;
- (ii) Second – the DIP Charge; and
- (iii) Third – the Directors' Charge.

85. The Administration Order provides that the Charges will rank in priority to the security interest of the Company's secured creditors.

86. As noted above, the Trustee believes that the Charges and rankings are required and reasonable in the circumstances and, as such, supports the granting and the proposed ranking of the Charges.

XI. EXTENSION OF THE PROPOSAL PERIOD

87. The Company is seeking an order from the Court granting an extension of the Proposal Period to December 29, 2021 (the "**Stay Extension**").

88. The Trustee supports the Company's request for the Stay Extension for the following reasons:

- (i) the Stay Extension will provide the Trustee, with the assistance of the Company and legal counsel, the opportunity to run the Sale Process, and provide the Company with the opportunity to potentially develop a viable proposal to its creditors;
- (ii) the Company is acting in good faith and with due diligence;
- (iii) it is the Trustee's view that the Stay Extension will not materially prejudice or adversely affect any group of creditors, as the Company is projected to have sufficient funds to pay post-filing services and supplies, as contemplated in the Cash Flow Forecast; and

(iv) granting the extension now, in connection with the Company's motion to approve the Sale Process, will eliminate the need to incur the additional professional costs associated an additional Court attendance.

89. While it is too early to determine whether a viable proposal will be presented by the Company to its creditors, in the Trustee's view, the Company's request for the Stay Extension is appropriate in the circumstances.

XII. ACTIVITIES OF THE TRUSTEE

90. The Trustee's activities since the Filing Date have included, *inter alia*, the following:

- (i) sending a notice, within five days of the Filing Date, of the NOI Proceedings to all known creditors of the Company with claims of \$250 or more, in accordance with the BIA. Notice was also sent to certain other persons, including creditors with claims less than \$250, applicable tax authorities and any other party that requested a copy;
- (ii) establishing and maintaining a website at: <https://www.richter.ca/insolvencycase/junction-craft-brewing-inc/> (the "Trustee's Website") where material documents pertaining to the NOI Proceedings are available in electronic form;
- (iii) implementing procedures for the monitoring of the Company's sales and cash flows and for ongoing reporting of variances to the Cash Flow Forecast;
- (iv) assisting the Company with preparing the Cash Flow Forecast and filing same with the Office of the Superintendent of Bankruptcy pursuant to the BIA;
- (v) meeting and corresponding with the Company and its legal counsel regarding the Cash Flow Forecast, the Sale Process, the Stalking Horse Agreement, the DIP Facility, cash management, supplier issues, creditor matters and various other matters in connection with the Company's operations and its NOI Proceedings;
- (vi) corresponding with the Company's primary secured lender, FCC;
- (vii) working with the Company, and its legal counsel, to design the Sale Process;
- (viii) corresponding with the Stalking Horse Purchaser and its counsel in connection with the Stalking Horse Agreement and the Sale Process;
- (ix) corresponding with the DIP Lender and its counsel regarding the DIP Term Sheet, the Sale Process, the Cash Flow Forecast and the NOI Proceedings generally;
- (x) responding to calls and enquiries from creditors and other stakeholders in connection with the NOI Proceedings;
- (xi) reviewing materials filed with the Court in respect of the NOI Proceedings; and

(xii) drafting this First Report.

XIII. CONCLUSION AND RECOMMENDATION

91. Based on all of the foregoing, the Trustee respectfully recommends that this Honourable Court grant the relief requested by the Company as set out in paragraph 5(ix) of this First Report.

All of which is respectfully submitted this 2nd day of November 2021.

**Richter Advisory Group Inc.
in its capacity as Trustee *in re* the Proposal of
Junction Craft Brewing Inc.
And not in its personal capacity**

Per:



Karen Kimel, MAcc, CPA, CA, CIRP, LIT



Adam Zeldin, CPA, CA, CIRP, LIT

Appendix “F”

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

JUNCTION CRAFT BREWING INC.

**SUPPLEMENT TO THE FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.**

NOVEMBER 5, 2021

TABLE OF CONTENTS

I.	INTRODUCTION	2
II.	PURPOSES OF THE SUPPLEMENTARY FIRST REPORT	2
III.	TERMS OF REFERENCE	3
IV.	THE AMENDED AND RESTATED STALKING HORSE AGREEMENT	3
V.	ESTIMATED LIQUIDATION ANALYSIS.....	4
VI.	CONCLUSION AND RECOMMENDATION	6

APPENDICES

APPENDIX “A” – Amended and Restated Stalking Horse Agreement

APPENDIX “B” – Blackline of the Amended and Restated Stalking Horse Agreement to the Stalking Horse Agreement

CONFIDENTIAL APPENDICES

CONFIDENTIAL APPENDIX “1” – Liquidation Analysis

CONFIDENTIAL APPENDIX “2” – Appraisal Report

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED
AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT BREWING
INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

SUPPLEMENT TO THE FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.

NOVEMBER 5, 2021

I. INTRODUCTION

1. On October 15, 2021 (the **"Filing Date"**), Junction Craft Brewing Inc. (**"Junction"** or the **"Company"**) filed a Notice of Intention to Make a Proposal (an **"NOI"**) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the **"BIA"**), and Richter Advisory Group Inc. (**"Richter"**) was appointed as trustee (in such capacity, the **"Trustee"**) under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy in respect of the Company's NOI is attached as Appendix "A" to the Trustee's First Report dated November 2, 2021 (the **"First Report"**), filed in support of the Company's motion returnable November 8, 2021 (the **"November 8 Motion"**) seeking, *inter alia*, approval of the Sale Process (as defined below). The NOI proceedings of Junction are referred to herein as the **"NOI Proceedings"**.
2. The primary objective of the Company's NOI Proceedings is to create a stabilized environment to allow the Company to enter into a transaction for the sale of its business and/or assets by implementing a court-supervised sale solicitation process (the **"Sale Process"**). The Sale Process, which is to be conducted by the Trustee, is contemplated to include the approval of a "stalking horse bid", as discussed below. Additional information with respect to the Sale Process, the Stalking Horse Agreement (as defined below) and the NOI Proceedings is contained in the First Report.
3. As outlined in the First Report, certain of the Company's shareholders have submitted a share purchase agreement (the **"Stalking Horse Agreement"**), pursuant to which 1000003509 Ontario Limited (**"3509"**), a newly formed entity controlled by those shareholders, has agreed to act as a stalking horse bidder (the **"Stalking Horse Purchaser"**). The closing of the purchase transaction contemplated by the Stalking Horse Agreement is conditional on, among other things: (i) the Stalking Horse Purchaser being declared the Winning Bidder (as defined in the Sale Process); and (ii) Court approval.

II. PURPOSES OF THE SUPPLEMENTARY FIRST REPORT

4. The purpose of this supplement to the first report (the **"Supplementary First Report"**) of the Trustee is to provide the Ontario Superior Court of Justice (Commercial List) (the **"Court"**) with information pertaining to the following:
 - (i) the amendments to the Stalking Horse Agreement (the **"Amended and Restated Stalking Horse Agreement"**);
 - (ii) an overview of the Trustee's analysis setting out the estimated recoveries to the Company's primary senior secured creditor, Farm Credit Canada (**"FCC"**) from a liquidation of its assets; and
 - (iii) the Trustee's recommendation that this Court make orders, as requested by the Company, *inter alia*:
 - (a) approving the Amended and Restated Stalking Horse Agreement; and

- (b) sealing the confidential appendices to the Supplementary First Report until further order of this Court.

III. TERMS OF REFERENCE

5. In preparing this Supplementary First Report, the Trustee has relied upon certain unaudited, draft, and / or internal financial information prepared by representatives of the Company, the Company's books and records, and discussions with representatives of the Company and the Company's legal counsel (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in this Supplementary First Report, the Trustee has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants of Canada Handbook* and, as such, the Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
6. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the First Report.
7. Parties using this Supplementary First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
8. Unless otherwise noted, all monetary amounts contained in this Supplementary First Report are expressed in Canadian dollars.

IV. THE AMENDED AND RESTATED STALKING HORSE AGREEMENT

9. As noted in the First Report, the Company had advised FCC of the proposed Sale Process and Stalking Horse Agreement. As further noted in the First Report, FCC requested that 100% of the Cash Payment be paid in trust to the Trustee at the Commencement Date, which the Stalking Horse Purchaser agreed to do, subject to the Court granting the Sale Process Order. The Cash Payment is equivalent to the Deposit under the Stalking Horse Agreement.
10. However, following service of the materials in support of the November 8 Motion, which included a copy of the finalized and executed Stalking Horse Agreement, FCC expressed concerns regarding the treatment of the Cash Payment should Closing not occur. Under the terms of the Stalking Horse Agreement, in the event that Closing does not occur, and depending on whether the failure to close is a result of an uncured default or otherwise, the Cash Payment would either be paid to and become property of Junction, or repaid to the Stalking Horse Purchaser.
11. In this scenario, and all else being equal, FCC raised the concern that, following the Sale Process, it may find itself in a worse collateral position given the proposed super-priority Court-ordered charges, including the DIP Charge, that would

prime its security, while risking certainty of payment from the Cash Payment to offset against Junction's secured obligations owing to it.

12. In consideration of the foregoing, and following discussions among FCC, the Company, the Stalking Horse Purchaser, the Trustee and their respective counsel, FCC and the Stalking Horse Purchaser agreed to amend the Stalking Horse Agreement and to make alternative arrangements that would come into effect in the event the Stalking Horse Purchaser fails to close, as follows:
 - (i) the deposit requirement will be removed from the Stalking Horse Purchase Agreement;
 - (ii) upon Court approval of the Sale Process Order, the Stalking Horse Purchaser will advance an amount equivalent to the Cash Payment to its counsel, to be held, in trust (the "**Escrow Amount**");
 - (iii) if the Stalking Horse Purchaser is the Winning Bidder, upon Closing, the Escrow Amount will be paid to the Trustee, in trust, to satisfy the Cash Payment portion of the Purchase Price; and
 - (iv) in the event that Closing does not occur by reason of the uncured default of the Stalking Horse Purchaser, the Escrow Amount shall be dealt with in accordance with a separate agreement entered into between FCC and the Stalking Horse Purchaser.
13. A copy of the Amended and Restated Stalking Horse Agreement is attached hereto as **Appendix "A"**. A blackline of the Amended and Restated Stalking Horse Agreement to the Stalking Horse Agreement is attached hereto as **Appendix "B"**.
14. Upon Court approval, the Company and the Stalking Horse Purchaser intend to enter into the Amended and Restated Stalking Horse Agreement.
15. The Trustee understands that the Amended and Restated Stalking Horse Agreement is agreeable to FCC.
16. The Trustee notes that it is not unusual for stalking horse agreements to omit any deposit requirement. As FCC had effectively demanded the deposit requirement by requesting that the Trustee hold an amount equivalent to the Cash Payment, and as FCC is now agreeable to the removal of the deposit requirement, the Trustee is not opposed to the removal of the deposit requirement.

V. ESTIMATED LIQUIDATION ANALYSIS

17. In order to understand the collateral position of FCC and to ascertain the benefit of the Amended and Restated Stalking Horse Agreement and the Sale Process to the Company and its stakeholders, the Trustee prepared an analysis (the "**Liquidation Analysis**") setting out the estimated realizations that would be obtained upon a disposition of the

Company's assets under a forced liquidation, whereby all production / operations would be terminated immediately. A copy of the Liquidation Analysis is attached hereto as **Confidential Appendix "1"**.

18. As noted on the Company's September 30, 2021 balance sheet, which is summarized in the First Report, given the nature of the Company's business, Junction's assets are primarily comprised of property, plant and equipment. The Company's assets also comprise limited accounts receivable, inventory, prepaid expenses and deposits, and its investment in JCBB.
19. On September 10, 2021, Richter, as financial advisor to the Company, retained Leveredge Assets Solutions Inc. to provide an appraisal report (the "**Appraisal Report**") with respect to certain fixed assets of the Company (the "**Assets**"). A copy of the Appraisal Report is attached hereto as **Confidential Appendix "2"**.
20. Based on the Liquidation Analysis, which, among other things, considers the findings from the Appraisal Report, the Trustee estimates that the recoveries from the Company's assets in a liquidation, net of any costs of realization, would result in a significant shortfall to FCC.
21. Consequently, the Trustee estimates that, in a liquidation scenario, there would be no funds available from realizing on the Company's assets to satisfy obligations owing to any of Junction's creditors ranking subordinate to FCC, its unsecured creditors, or its shareholders. As a result, the Trustee is of the opinion that the Company's shares have no value on a liquidation analysis.
22. In consideration of the foregoing, and the reasons set out in the First Report, the Trustee is of the view that the proposed Sale Process provides the best opportunity in the circumstances for the Company to maximize value for its stakeholders, and to achieve a greater recovery than what is available in a liquidation scenario. The Sale Process serves the dual purpose of exposing the Company to the market for sale as a going concern, while also providing certainty that a transaction will be completed, in the form of the Amended and Restated Stalking Horse Agreement, in the event that there are no superior offers.

Sealing Order

23. As the Liquidation Analysis and Appraisal Report contain sensitive commercial and competitive information, the Trustee is of the view that it is appropriate for the Liquidation Analysis and Appraisal Report to be filed with the Court on a confidential basis and sealed, by order of the Court (the "**Sealing Order**"), until further order of this Court. If the Liquidation Analysis and Appraisal Report are not sealed, prospective bidders in the Sale Process will have access to information that could prejudice the Sale Process, including estimates of the valuation of the Company's assets.

24. The Trustee is not aware of any party that would be prejudiced by the proposed Sealing Order, and therefore, the Trustee believes the proposed Sealing Order is appropriate in the circumstances.

VI. CONCLUSION AND RECOMMENDATION

25. Based on all of the foregoing, the Trustee respectfully recommends that this Honourable Court grant the relief requested by the Company as set out in paragraph 4(iii) of this Supplementary First Report.

All of which is respectfully submitted this 5th day of November 2021.

**Richter Advisory Group Inc.
in its capacity as Trustee *in re* the Proposal of
Junction Craft Brewing Inc.
And not in its personal capacity**

Per:



Karen Kimel, MAcc, CPA, CA, CIRP, LIT



Adam Zeldin, CPA, CA, CIRP, LIT

Appendix “G”




Junction Craft Brewing Inc.
Cash Flow Forecast for the period Oct 17, 2021 to January 15, 2022
(in CAD's)

Week Ending	10/23/21 1	10/30/21 2	11/6/21 3	11/13/21 4	11/20/21 5	11/27/21 6	12/4/21 7	12/11/21 8	12/18/21 9	12/25/21 10	1/1/22 11	1/8/22 12	1/15/22 13	Total 13 Weeks
Total Receipts	76,373	41,948	24,974	36,290	21,843	50,000	34,500	49,000	31,000	28,500	32,250	30,500	23,000	480,178
Disbursements														
Payroll & Tax	47,044	-	57,500	2,500	64,500	-	58,500	-	61,500	5,500	-	48,500	-	345,544
Rent, Leases, Insurance	612	3,400	30,090	2,323	-	-	30,090	2,323	-	-	4,399	40,823	-	114,060
Bank Fees, Subscriptions & Dues	450	1,122	810	-	450	-	910	810	450	-	350	1,820	-	7,172
Production	17,137	9,000	13,900	17,038	20,000	13,400	20,500	13,000	9,400	18,000	5,000	2,900	12,800	172,075
Distribution	-	1,150	2,200	1,150	1,000	1,150	2,450	1,150	1,000	1,150	2,200	1,150	1,000	16,750
Taproom	1,475	-	1,994	-	1,475	-	1,744	250	1,644	-	1,744	-	1,475	11,801
Events, Sales & Marketing	2,072	-	3,110	1,550	2,200	2,400	10	2,800	2,900	200	110	1,400	1,500	20,252
Professional Services	-	-	250	-	250	-	250	-	250	-	-	250	-	1,250
Utilities	380	-	9,095	-	116	-	9,295	-	-	116	7,095	2,200	-	28,297
NOI Legal & Professional Fees				100,000			100,000			100,000				300,000
Contingency			10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000		100,000
Total Disbursements	69,170	14,672	128,949	134,561	99,991	26,950	233,749	30,333	87,144	134,966	30,898	109,043	16,775	1,117,201
Net Cash Flow	7,203	27,276	(103,975)	(98,271)	(78,148)	23,050	(199,249)	18,667	(56,144)	(106,466)	1,352	(78,543)	6,225	(637,023)
Opening Cash Balance	1,346	8,549	35,825	31,850	33,579	5,431	28,481	29,232	47,899	41,755	35,289	36,641	8,098	1,346
Interim Financing			100,000	100,000	50,000		200,000		50,000	100,000		50,000		650,000
Ending Cash Balance	8,549	35,825	31,850	33,579	5,431	28,481	29,232	47,899	41,755	35,289	36,641	8,098	14,323	14,323
DIP Facility														
DIP Drawn - Opening Balance	-	-	-	100,000	200,000	250,000	250,000	450,000	450,000	500,000	600,000	600,000	650,000	
DIP Draw down	-	-	100,000	100,000	50,000	-	200,000	-	50,000	100,000	-	50,000	-	
DIP Drawn - Ending Balance	-	-	100,000	200,000	250,000	250,000	450,000	450,000	500,000	600,000	600,000	650,000	650,000	

The projected statement of cash flow has been prepared pursuant to the requirements of section 50.4(2) of the *Bankruptcy and Insolvency Act* and solely for that purpose.

Dated this 22nd day of October, 2021.


Junction Craft Brewing Inc.


Stuart Wheldon, CEO

The projected statement of cash flow has been prepared pursuant to the requirements of section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the attached Trustee's Report on the Cash-Flow Statement dated October 22, 2021 and the Report on Cash-Flow Statement by the Person Making the Proposal dated October 22, 2021.

Richter Advisory Group Inc. in its capacity as Trustee
Acting in re the proposal of
Junction Craft Brewing Inc.
And not in its personal capacity

per:


Karen Kimel, MAcc, CA, CPA, CPA(IL), CIRP, LIT

Appendix “H”

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT
BREWING INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

AFFIDAVIT OF KAREN KIMEL
(sworn December 14, 2021)

I, Karen Kimel, of the City of North York, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am a Senior Vice President at Richter Advisory Group Inc. ("**Richter**"), the trustee (in such capacity the "**Trustee**") in the Notice of Intention to Make a Proposal ("**NOI**") proceedings (the "**NOI Proceedings**") pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 of Junction Craft Brewing Inc. (the "**Company**") and, as such, I have knowledge of the matters hereinafter deposed to, except where stated to be on information and belief and whereso stated I verily believe it to be true.
2. This affidavit is filed in connection with a motion of the Company, seeking, *inter alia*, approval of the accounts of the Trustee and its counsel, Aird & Berlis LLP ("**Aird & Berlis**").
3. Unless otherwise stated, all monetary amounts contained herein (including exhibits) are expressed in Canadian dollars.
4. Attached as **Exhibit "A"** hereto is a summary listing of Richter's invoices for the within matter for the period from August 30, 2021, to December 9, 2021 (the "**Period**"), including the dates of the invoices and the amount of the invoices (the "**Accounts**"). Richter was previously retained by the Company to provide financial advisory services, including, among other things, reviewing the Company's current financial circumstances and cash flow projections, and supporting the Company with discussions / negotiations with certain of its key stakeholders. In addition, Richter's mandate also included a focus on advising on the structure of these proceedings and assisting

the Company with preparing a cash flow forecast and other statutory documents required to file an NOI. As shown in the summary listing, Richter's total fees and disbursements for the Period are \$135,665.00 and \$2,558.31, respectively, each excluding applicable taxes.

5. Richter, in its capacity as Trustee has filed three (3) reports (including the supplementary first report) with the Court (including the Trustee's second report to Court (the "**Second Report**"), to be served, in connection with the within motion; collectively, the "**Court Reports**"). Details of the activities undertaken and services provided by the Trustee, as applicable, in the NOI Proceedings are described in the Court Reports and incorporated herein by reference.
6. In the course of performing its duties as Trustee and financial advisor, Richter's staff has expended a total of 303.45 professional hours during the Period at an average blended hourly rate of \$447.08. Attached as **Exhibit "B"** is a table detailing the billing rates and total hours of each of the professionals at Richter who performed services during the Period.
7. Attached as **Exhibit "C"** hereto are true copies of Richter's invoices, which include a fair and accurate description of the services provided along with hours and applicable rates claimed by Richter, in its capacities as Trustee and financial advisor, , for the within matter. These invoices has been submitted to the Company and paid by the Company.
8. The Trustee requests that this Court approve its Accounts for the Period, in the total amount of \$156,192.34, inclusive of applicable taxes, for services rendered and recorded during the Period.
9. Aird & Berlis has provided legal services to the Trustee throughout the NOI Proceedings in a manner consistent with the instructions of the Trustee. Aird & Berlis has prepared an affidavit with respect to its fees charged in connection with services rendered during the period from October 18, 2021, to November 30, 2021. The Trustee has reviewed the invoices rendered by Aird & Berlis during the period and believes the services performed are consistent with the instructions given by the Trustee. The Trustee is also seeking approval of Aird & Berlis' fees and disbursements in connection with the within motion in the amount of \$30,140.47, inclusive of applicable taxes.
10. The Trustee's and Aird & Berlis' fees and disbursements for the period from and after December 10, 2021, to the completion of all works relating to the NOI Proceedings will be calculated and billed at the standard rates currently in effect. Barring any delays, disputes or unforeseen circumstances in connection with the matter, and taking into

account the remaining work to be done in connection with this matter, I estimate that those fees and disbursements will not exceed \$50,000 (excluding applicable taxes) (the “**Remaining Fees and Disbursements**”), as follows:

- a) Richter - \$30,000; and
- b) Aird & Berlis - \$20,000.

11. The above estimates take into consideration the reasonable professional and legal fees required to complete all work relating to the NOI Proceedings up to the effective date of the Trustee’s discharge. If the actual Remaining Fees and Disbursements are less than the above estimates, no further Court approval of fees and disbursements is required. If the actual Remaining Fees and Disbursements exceed the estimates, the Trustee will seek the consent of the Company to pay same, without further Order of the Court.
12. For clarity, the Remaining Fees and Disbursements are not inclusive of fees and disbursements to be incurred in connection with Richter’s role as trustee in bankruptcy of ResidualCo (as defined in the Second Report), which fees will be funded in accordance with the Amended and Restated Stalking Horse Agreement (as defined in the Second Report).
13. To the best of my knowledge, the rates charged by Richter and Aird & Berlis are comparable to the rates charged by other firms for the provision of similar restructuring services.
14. I verily believe that the fees and disbursements incurred by Richter and Aird & Berlis are fair and reasonable in the circumstances.
15. This Affidavit is sworn in connection with a motion for an Order of this Court to, among other things, approve the fees and disbursements of the Trustee and those of Aird & Berlis and for no improper purpose.

SWORN BEFORE ME over videoconference on this 14th day of December 2021. The affiant was located in the City of North York, in the Province of Ontario and the Commissioner was located in the City of Toronto, in the Province of Ontario. This Affidavit was commissioned remotely as a result of COVID-19 and was commissioned in accordance with Ontario Regulation 431/20.



~~Commissioner of oaths and affidavits~~
Miranda Spence

in the Province of Ontario



Karen Kimel

This is Exhibit "A" referred to in the Affidavit of
Karen Kimel, sworn on December 14, 2021

A handwritten signature in black ink, appearing to read 'MS', is positioned above a horizontal line.

Miranda Spence
Commissioner of oaths and affidavits
in the Province of Ontario

**Richter Advisory Group Inc.
in its capacity as Trustee of
Junction Craft Brewing Inc.
Statement of Account**

Exhibit A

<u>Invoice #</u>	<u>Period</u>	<u>Fees</u>	<u>Disbursements</u>	<u>Total Before HST</u>	<u>HST</u>	<u>Total</u>
20406769	August 30, 2021 to October 10, 2021	11,249.25	2,062.46	\$ 13,311.71	1,730.52	15,042.23
20406924	October 12, 2021 to November 5, 2021	74,010.25	495.85	\$ 74,506.10	9,685.79	84,191.89
20406987	November 6, 2021 to November 30, 2021	31,916.75	-	\$ 31,916.75	4,149.18	36,065.93
20406998	December 1, 2021 to December 9, 2021	18,488.75	-	\$ 18,488.75	2,403.54	20,892.29
Total		\$ 135,665.00	\$ 2,558.31	\$ 138,223.31	\$ 17,969.03	\$ 156,192.34

This is Exhibit "B" referred to in the Affidavit of
Karen Kimel, sworn on December 14, 2021

A handwritten signature in black ink, appearing to read 'MS', is positioned above a horizontal line.

Miranda Spence
Commissioner of oaths and affidavits
in the Province of Ontario

**Richter Advisory Group Inc.
in its capacity as Trustee of
Junction Craft Brewing Inc.
Statement of Account**

Exhibit B

Staff Member	Number of Hours	Hourly Rate	Amount
Senior Vice President			
K. Kimel	51.85	\$795.00	\$41,220.75
Diana Tsonos	2.00	\$700.00	\$1,400.00
Phil Nadler	0.50	\$700.00	\$350.00
Vice-President			
A. Zeldin	75.95	\$550.00	\$41,772.50
Senior Manager			
Andreea Norocel	5.90	\$410.00	\$2,419.00
Analyst			
S. Connolly	146.35	\$295.00	\$43,173.25
Administration			
C. O' Donnell	20.90	\$255.00	\$5,329.50
Total	303.45		\$135,665.00
Blended average hourly rate:	\$ 447.08		

This is Exhibit "C" referred to in the Affidavit of
Karen Kimel, sworn on December 14, 2021

A handwritten signature in black ink, appearing to read 'MS', is positioned above a horizontal line.

Miranda Spence
Commissioner of oaths and affidavits
in the Province of Ontario

RICHTER

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Date: 14/10/2021
Invoice No.: 20406796
Engagement No.: 2022357
Payment Terms: Due on Receipt

Professional services rendered to October 10, 2021 \$ 11,249.25

Disbursements 1,500.00

Sub-Total 12,749.25

Technology and Administrative Fees 562.46

GST/HST #885435842 RT0001 1,730.52

Total Due CAD **\$ 15,042.23**

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

Invoice No.: 20406796
Date: 14/10/2021

Fees			
Name	Hours	Rate	Amount
Karen Kimel	14.15	\$ 795.00	\$ 11,249.25
	14.15		\$ 11,249.25
Disbursements			
Contractor			\$ 1,500.00
			\$ 1,500.00

Invoice No.: 20406796
Date: 14/10/2021

Fee and Disbursement Details

Date	Name and Description	Hours	Rate	Amount
30/08/2021	Karen Kimel Review of info sent by company re weekly cash flow and trade AP list. Revisions re same.	2.50	\$ 795.00	\$ 1,987.50
31/08/2021	Karen Kimel Call with A. Gangopadhyay	1.00	795.00	795.00
01/09/2021	Karen Kimel Call with Junction team E. Lycklama, T. Schmidt and S. Wheldon re FCC discussions, guarantees and options, review of updated weekly cash flow, review of trade creditor analysis and informal option, review of proposal costs vs receivership etc.	1.25	795.00	993.75
02/09/2021	Karen Kimel Call with A. Gangopadhyay re update on options, equipment list and appraisers.	0.50	795.00	397.50
03/09/2021	Karen Kimel Email with Junction team re call with A. Gangopadhyay, options and next steps. Draft email to A. Gangopadhyay re next steps and equipment list.	0.40	795.00	318.00
07/09/2021	Karen Kimel Call T. Schmidt.	0.50	795.00	397.50
08/09/2021	Karen Kimel Call with A. Gangopadhyay. Call with R. Brown. Call with T. Schmidt. Email correspondence re same.	0.70	795.00	556.50
14/09/2021	Karen Kimel Call with R Brown. Email to S Rappos re PPSA and call with T. Schmidt.	0.75	795.00	596.25
15/09/2021	Karen Kimel Call with A Sherman re Junction appraisal and offer to FCC. Prepare est. realization analysis and email re same. Prepare draft email to FCC on offer and email to Junction team.	2.50	795.00	1,987.50
17/09/2021	Karen Kimel Email to FCC as per discussion with Junction.	0.25	795.00	198.75
20/09/2021	Karen Kimel Call re equipment query from FCC. PPSA from Chaitons. Email correspondence re same to FCC.	0.50	795.00	397.50
21/09/2021	Karen Kimel Call and email to FCC re offer.	0.20	795.00	159.00
30/09/2021	Karen Kimel Meeting with T. Schmidt re sale process.	0.50	795.00	397.50
07/10/2021	Karen Kimel	1.80	795.00	1,431.00

Invoice No.: 20406796
Date: 14/10/2021

Date	Name and Description	Hours	Rate	Amount
08/10/2021	Call with A. Gangopadhyay and email to Junction team re same. Call with T. Schmidt re same. Email options to Junction team. Karen Kimel Call with team to discuss options from email.	0.80	795.00	636.00
Fees Total		14.15		\$ 11,249.25
Date	Name and Description	Hours	Rate	Amount
15/09/2021	Contractor 15/09/2021: Leveredge Asset Solutions Inc. Invoice #1617			\$ 1,500.00
Disbursements Total				\$ 1,500.00

Invoice No.: 20406796
Date: 14/10/2021

Remittance Form

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Invoice Summary

Sub-Total		\$ 12,749.25
Technology and Administrative Fees		562.46
GST/HST #885435842 RT0001		1,730.52
Total Due	CAD	\$ 15,042.23

Payment Options

**At this time, we ask that payment not be made by cheque.
Please use one of the payment options below. We appreciate your collaboration.**

Wire Transfer Toronto Dominion Bank
Commercial Banking Center
525 Av. Viger Ouest, Montréal (Qc) H2Z 0B2
Bank Institute No.: 004
CAD Account no.: 5300836 Transit no.: 41601 Swift code: TDOMCATTTOR
USD Account no.: 7332090 Transit no.: 41601 Swift code: TDOMCATTTOR

Email payment details, including invoice number and amount paid to:
ClientService@richter.ca

Credit Card payments can be made by contacting us as indicated below.

Inquiries: please call our general line 416.488.2345 or e-mail ClientService@richter.ca

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

RICHTER

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Date: 11/23/2021
Invoice No.: 20406924
Engagement No.: 2022397
Payment Terms: Due on Receipt

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

Professional services rendered for the period October 12 to November 5, 2021 \$ 74,010.25

Disbursements 495.85

Sub-Total 74,506.10

GST/HST #885435842 RT0001 9,685.79

Total Due CAD **\$ 84,191.89**

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

Invoice No.: 20406924
Date: 11/23/2021

Fees

Name	Hours	Rate	Amount
Adam Zeldin	44.70	\$ 550.00	\$ 24,585.00
Andreea Norocel	5.90	410.00	2,419.00
Carol O'Donnell	17.60	255.00	4,488.00
Diane Tsonos	2.00	700.00	1,400.00
Karen Kimel	30.00	795.00	23,850.00
Phil Nadler	0.50	700.00	350.00
Shane Connolly	57.35	295.00	16,918.25
	158.05		\$ 74,010.25

Disbursements

Photocopies and postage	\$ 495.85
	\$ 495.85

Invoice No.: 20406924
Date: 11/23/2021

Fee and Disbursement Details

Date	Name and Description	Hours	Rate	Amount
10/12/2021	Karen Kimel Call with S. Wheldon re s.244 notice received and other matters.	0.50	\$ 795.00	\$ 397.50
10/13/2021	Karen Kimel Call with S. Rappos, T. Schmidt, S. Wheldon, E. Lycklama, A. Marsh and A. Sherman re NOI filing. Prepare for NOI filing on October 15, 2021, and discussions with A. Zeldin re same.	2.50	795.00	1,987.50
10/13/2021	Adam Zeldin Email to S. Wheldon re preparation of NOI filing documents/related matters. Discussions with K. Kimel re NOI filing and related matters.	1.40	550.00	770.00
10/14/2021	Carol O'Donnell Prepare list of creditors in Ascend/statutory forms re NOI filing and discussions with A. Zeldin re same.	1.80	255.00	459.00
10/14/2021	Karen Kimel Calls/emails with Company re NOI filing. Call with S. Rappos, T. Robson and A. Gangopadhyay re NITES. Call with S. Rappos, T. Schmidt, E. Lycklama, S. Wheldon re FCC call. Draft and send email re financial info to A. Gangopadhyay/T. Robson and call with S. Wheldon re same.	2.50	795.00	1,987.50
10/14/2021	Adam Zeldin Emails with S. Wheldon/T. Schmidt re status of various NOI filing documents/information needed re same. Review of emails re NOI filing matters/docs. Review of/discussions with C. O'Donnell re filing docs. Draft third party deposit agreement.	2.20	550.00	1,210.00
10/15/2021	Carol O'Donnell Prepare creditor list/update NOI filing documents/e-file same with OSB and communications with Richter team re same. Verify bank for wire transfer, update third party deposit agreement.	4.40	255.00	1,122.00
10/15/2021	Karen Kimel Call with T. Schmidt re leased equipment. Review and execute various documents re NOI filing and responding to calls re same. Call with S. Wheldon re wages. Review, complete documentation to file NOI and communications with Richter team re same.	2.50	795.00	1,987.50
10/15/2021	Adam Zeldin Review of filing documents, emails with Richter team/Company re same and other filing matters. Emails/calls with OSB re NOI filing/certificate of appointment/other matters.	2.30	550.00	1,265.00

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
10/16/2021	Karen Kimel Calls with T. Schmidt re NOI proceedings. Prepare agenda for call with Company/Loopstra Nixon/Chaitons/A&B/Richter team re NOI next steps.	1.50	795.00	1,192.50
10/18/2021	Carol O'Donnell Prepare Trustee's website for NOI proceedings, research missing addresses for creditors. Set up reminders of key dates re NOI proceedings.	0.90	255.00	229.50
10/18/2021	Karen Kimel Call with M Spence re NOI proceedings. Planning call with S. Rappos, G. Phoenix, M. Spence, S. Wheldon, T. Schmidt, E. Lycklama, A. Marsh and Richter team.	1.50	795.00	1,192.50
10/18/2021	Adam Zeldin Update call with Company/Loopstra Nixon/Chaitons/A&B/Richter team. Emails with OSB re certificate of filing. Emails with Chaitons/Loopstra Nixon/A&B re proposed Sale Process timeline/related matters. Review of creditor notice/discussions with S. Connolly re same.	2.40	550.00	1,320.00
10/18/2021	Shane Connolly Draft notice to creditors and communications with A. Zeldin re same/next steps.	1.10	295.00	324.50
10/19/2021	Carol O'Donnell Translation of notice to creditors. Prepare supplementary mailing list and communications with Richter team re same/escrow bank account. Update missing addresses on creditor list.	1.10	255.00	280.50
10/19/2021	Karen Kimel Call with S. Rappos, T. Robson and A. Gangopadhyay re NOI proceedings.	0.50	795.00	397.50
10/19/2021	Adam Zeldin Review of creditor and supplementary mailing lists, emails with S. Wheldon/Richter team re same.	1.00	550.00	550.00
10/19/2021	Shane Connolly Draft Trustee's First Report. Calls/emails with Company re information requests and review of documents re same. Communications with Richter team re set-up of escrow bank account/creditor mailing.	3.75	295.00	1,106.25

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
10/20/2021	Carol O'Donnell Prepare notice for mailing. Reconcile new creditor list with list filed with OSB/discussions with A. Zeldin re same. Prepare wire transfer. Open new escrow bank account.	1.60	255.00	408.00
10/20/2021	Karen Kimel Review Stalking Horse Agreement and call with M. Spence and A. Zeldin re same. Review CF forecast and communications with S. Connolly re same.	2.50	795.00	1,987.50
10/20/2021	Adam Zeldin Review of updated creditors list, discussions with C. O'Donnell re same and other matters re creditor notice. Review/comment on draft Stalking Horse Agreement, call with A&B/K. Kimel re same.	2.80	550.00	1,540.00
10/20/2021	Shane Connolly Communications with Company re shareholder information/corporate structure. Calls/emails with Company re creditor queries/legal proceedings/historical financials. Revise CF forecast and communications with K. Kimel re same.	4.00	295.00	1,180.00
10/21/2021	Carol O'Donnell Update creditor list/prepare creditor's email list/update supplementary creditor list and communications with Richter team re same. Prepare labels and envelopes for mailing of creditor package.	3.20	255.00	816.00
10/21/2021	Andreea Norocel Communications with K. Kimel and S. Wheldon re forgiveness of loan.	1.30	410.00	533.00
10/21/2021	Karen Kimel Call with S. Connolly/Company re CF forecast and review of same. Call with S. Rappos re NOI proceedings. Call with T. Schmidt re Stalking Horse Agreement.	1.00	795.00	795.00
10/21/2021	Adam Zeldin Emails with Junction re amended creditors list and emails/discussions with Richter team re same. Review of updated creditors list. Discussions with Richter team re creditor mailing.	1.20	550.00	660.00
10/21/2021	Shane Connolly Call with K. Kimel/Company re CF forecast/assumptions re same. Communications with Company re outstanding information requests. Prepare Form 29/Form 30. Communications with Company/Richter team re notices to creditors.	3.25	295.00	958.75

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
10/22/2021	Carol O'Donnell Prepare creditor mailing, email NOI notice to creditors/employees and discussions with A. Zeldin re same. Post documents to Trustee's website and email NOI notice to OSB.	2.70	255.00	688.50
10/22/2021	Andreea Norocel Call and emails with S. Wheldon re director loan/bonus and tax impacts of same.	1.00	410.00	410.00
10/22/2021	Karen Kimel Call with G. Phoenix/S. Rappos re structure of Sale Process. Call with S. Dobronyi re Sale Process.	1.00	795.00	795.00
10/22/2021	Adam Zeldin Review/approve creditor notice/ mailing lists and discussions with C. O'Donnell re same. Review of emails re sale approval motion/other matters. Review/respond to creditor enquiries.	1.30	550.00	715.00
10/22/2021	Shane Connolly Calls with various licensing agencies re transferability of licences and communications with Richter team/A&B/Chaitons/Loopstra Nixon re same. Calls/emails with creditors/CRA re status of NOI proceedings and amounts owing.	3.50	295.00	1,032.50
10/23/2021	Shane Connolly Call with Company/Richter team/A&B/Loopstra Nixon/Chaitons re structure of proposed Sale Process.	1.00	295.00	295.00
10/25/2021	Carol O'Donnell Prepare mail affidavit and e-file same with OSB. Prepare Form 29 and Form 30 in Ascend. E- file statutory CF forecast, Form 29 and Form 30.	1.40	255.00	357.00
10/25/2021	Andreea Norocel Review tax implications of director loan/bonus.	2.00	410.00	820.00
10/25/2021	Karen Kimel Review Stalking Horse agreement. Create CF forecast variance analysis template. Call with T. Schmidt re Sale Process.	2.00	795.00	1,590.00
10/25/2021	Adam Zeldin Review/comment on sale procedures. Review of emails re Sale Process matters, Stalking Horse Agreement matters. Discussions with S. Connolly re Trustee's First Report. Review of licences/loans/other documents. Respond to emails/enquiries from creditors.	2.40	550.00	1,320.00

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
10/25/2021	Shane Connolly Draft Trustee's First Report/discussions with A. Zeldin re same. Calls/emails with Company and creditors re pre-filing amounts outstanding/continued supply of goods/status of NOI Proceedings.	3.50	295.00	1,032.50
10/26/2021	Karen Kimel Review Sale Process procedures.	0.50	795.00	397.50
10/26/2021	Adam Zeldin Review of emails re Sale Process matters, motion, other matters. Respond to creditor enquiries.	0.50	550.00	275.00
10/26/2021	Shane Connolly Communications with Company re information requests/CF Forecast. Update Trustee's First Report.	2.25	295.00	663.75
10/27/2021	Andreea Norocel Communications with Diane Tsonos re employee loan.	0.30	410.00	123.00
10/27/2021	Adam Zeldin Review/update NDA and discussions with S. Connolly re same. Review data room info request tracker and call with S. Connolly re same. Respond to creditor enquiries.	1.60	550.00	880.00
10/27/2021	Shane Connolly Call with Company re CF forecast variance analysis. Draft NDA/discussions with A. Zeldin re same. Update Trustee's First Report. Prepare information request tracker and discussions with Company/A. Zeldin re same.	5.00	295.00	1,475.00
10/28/2021	Andreea Norocel Review/research employee loan matters.	1.30	410.00	533.00
10/28/2021	Diane Tsonos Review A. Norocel emails on DAS loan.	1.00	700.00	700.00
10/28/2021	Karen Kimel Review S. Wheldon's wage tax analyses and emails re same. Call with Richter team/A&B/Chaitons re Court materials/next steps.	2.00	795.00	1,590.00
10/28/2021	Adam Zeldin Call with S. Connolly/Junction re data room info request. Discussions with Richter team. Review of emails re Sale Process matters, motion materials etc. Call with Richter team/Chaitons/A&B re Court materials and Sale Process matter.	2.50	550.00	1,375.00

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
10/28/2021	Shane Connolly Call/emails with Company/A. Zeldin re data room information request and review/revise same. Communications with Company re CF forecast variance analysis and review/update of same.	4.25	295.00	1,253.75
10/29/2021	Karen Kimel Review affidavit and DIP term sheet and call with G. Phoenix and T. Schmidt re same. Calls/emails with S. Connolly re CF forecast variance analysis.	1.50	795.00	1,192.50
10/29/2021	Adam Zeldin Review/update Trustee's First Report and calls/emails with S. Connolly re same. Review/comment on affidavit, emails with A&B/Richter team re same. Review of various emails re SHA/Sale Process/motion materials. Review of draft order.	4.80	550.00	2,640.00
10/29/2021	Shane Connolly Communications with Company/K. Kimel re CF forecast variance analysis and review of same. Update Trustee's First Report/communications with A. Zeldin re same	4.75	295.00	1,401.25
10/30/2021	Karen Kimel Call with G. Phoenix re DIP term sheet. Emails re various matters.	0.50	795.00	397.50
10/30/2021	Shane Connolly Update Trustee's First Report.	1.00	295.00	295.00
10/31/2021	Karen Kimel Review Trustee's First Report.	1.00	795.00	795.00
10/31/2021	Adam Zeldin Review/update Trustee's First Report. Review of updates to affidavit and emails re same/related matters.	1.50	550.00	825.00
11/01/2021	Phil Nadler Call K. Kimel/D. Tsonos re director's loan and review calculations re same.	0.50	700.00	350.00
11/01/2021	Diane Tsonos Review K. Kimel email re alternatives to director's bonus and call with K. Kimel/P. Nadler re same. Draft schedule re pro forma options to illustrate issue.	1.00	700.00	700.00
11/01/2021	Karen Kimel Calls/emails with Richter team/A&B/Chaitons/Loopstra Nixon re court materials and review of same. Call with P. Nadler/D. Tsonos re tax implications of S. Wheldon bonus/director's loan.	2.00	795.00	1,590.00

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
11/01/2021	Adam Zeldin Review of counsel comments on First Report/update same. Review of various emails re Sale Process/Stalking Horse Agreement/motion materials. Review of motion materials/draft orders and calls/emails with A&B/Chaitons//Loopstra Nixon/Richter team re same.	4.20	550.00	2,310.00
11/01/2021	Shane Connolly Calls/emails with Company/suppliers re continuation of service/amounts owing. Revise Trustee's First Report/communications with Company/Richter team re same. Review/update information request list/discussions with Company re same.	3.25	295.00	958.75
11/02/2021	Carol O'Donnell Post documents to Trustee's website and e-file same with OSB.	0.50	255.00	127.50
11/02/2021	Karen Kimel Review Trustee's report and email correspondence re same.	2.00	795.00	1,590.00
11/02/2021	Adam Zeldin Review/update/finalize Trustee's First Report, calls/emails with Richter team/A&B re same.	4.30	550.00	2,365.00
11/02/2021	Shane Connolly Revise Trustee's First Report/prepare appendices and calls/emails with Richter team/A&B/Company re same. Communications with Company re supplier/cash-flow matters.	4.50	295.00	1,327.50
11/03/2021	Adam Zeldin Review of/respond to emails from prospective buyers. Call with Junction re data room info request/other Sale Process matters and discussions with S. Connolly re same.	1.50	550.00	825.00
11/03/2021	Shane Connolly Calls/emails with Company re CF variance analysis/review of same. Communications with Company/A. Zeldin re outstanding data room information and review of same.	3.75	295.00	1,106.25
11/04/2021	Karen Kimel Call with FCC re DIP issue and email/calls re same. Calls/emails with S. Rappos/Richter team re Trustee's Supplement to the First Report.	1.50	795.00	1,192.50

Invoice No.: 20406924
Date: 11/23/2021

Date	Name and Description	Hours	Rate	Amount
11/04/2021	Adam Zeldin Emails with Junction re Sale Process matters/payroll audit matters. Emails with Loopstra Nixon/A&B re Sale Process matters. Review/update Trustee's Supplement to the First Report and call/emails with Richter team re same.	2.30	550.00	1,265.00
11/04/2021	Shane Connolly Communications with Company re outstanding information request/cash-flow position/landlord matters. Draft Supplement to the Trustee's First Report and communications with Richter team re same.	4.50	295.00	1,327.50
11/05/2021	Karen Kimel Prepare/review of liquidation analysis. Review of Trustee's Supplement to the First Reports and communications with Richter team re same.	1.00	795.00	795.00
11/05/2021	Adam Zeldin Review/comment on/finalize Liquidation Analysis, Trustee's Supplement to the First Report, teaser and discussions with Richter team re same. Emails with A&B/Chaitons/Junction re Sale Process/Sale Process approval motion/Supp. First Report/other matters.	4.50	550.00	2,475.00
11/05/2021	Shane Connolly Finalize Teaser/communications with Company/A. Zeldin re same. Finalize Supplement to the Trustee's First Report/appendices and communications with Richter team/Company/A&B re same. Calls/emails with Company/suppliers re outstanding amounts.	4.00	295.00	1,180.00

Fees Total	158.05	\$ 74,010.25
-------------------	---------------	---------------------

Date	Name and Description	Hours	Rate	Amount
10/22/2021	Photocopies and postage 22/10/2021: 17 pages X 133 Copies @ 0.10; Notice of Intention to Make a Proposal			\$ 226.10
10/22/2021	Photocopies and postage 22/10/2021: Postage: Notice of Intention to make a Proposal			269.75

Disbursements Total	\$ 495.85
----------------------------	------------------

Invoice No.: 20406924
Date: 11/23/2021

Remittance Form

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Invoice Summary

Sub-Total		\$ 74,506.10
GST/HST #885435842 RT0001		9,685.79
Total Due	CAD	\$ 84,191.89

Payment Options

**At this time, we ask that payment not be made by cheque.
Please use one of the payment options below. We appreciate your collaboration.**

Wire Transfer Toronto Dominion Bank
Commercial Banking Center
525 Av. Viger Ouest, Montréal (Qc) H2Z 0B2
Bank Institute No.: 004
CAD Account no.: 5300836 Transit no.: 41601 Swift code: TDOMCATTTOR
USD Account no.: 7332090 Transit no.: 41601 Swift code: TDOMCATTTOR

Email payment details, including invoice number and amount paid to:
ClientService@richter.ca

Credit Card payments can be made by contacting us as indicated below.

Inquiries: please call our general line 416.488.2345 or e-mail ClientService@richter.ca

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

RICHTER

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Date: 12/08/2021
Invoice No.: 20406987
Engagement No.: 2022397
Payment Terms: Due on Receipt

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

Professional services rendered for the period November 6, 2021, to November 30, 2021 \$ 31,916.75

Sub-Total		31,916.75
GST/HST #885435842 RT0001		4,149.18
Total Due	CAD	\$ 36,065.93

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

Invoice No.: 20406987
Date: 12/08/2021

Fees			
Name	Hours	Rate	Amount
Adam Zeldin	16.40	\$ 550.00	\$ 9,020.00
Carol O'Donnell	3.30	255.00	841.50
Karen Kimel	5.20	795.00	4,134.00
Shane Connolly	60.75	295.00	17,921.25
	85.65		\$ 31,916.75

Invoice No.: 20406987
Date: 12/08/2021

Fee and Disbursement Details

Date	Name and Description	Hours	Rate	Amount
11/08/2021	Carol O'Donnell Post NOI documents to website and e-file same with OSB. Arrange for notice to be placed in the Globe & Mail. Set up reminders for statutory NOI deadlines.	1.60	\$ 255.00	\$ 408.00
11/08/2021	Karen Kimel Attend court re Sale Process hearing.	0.50	795.00	397.50
11/08/2021	Adam Zeldin Respond to enquiries from creditors/other stakeholders/interested parties. Review Sale Process marketing/other materials and discussions with Richter team re same. Review of Justice Penny's endorsement.	2.50	550.00	1,375.00
11/08/2021	Shane Connolly Attend court re Sale Process hearing. Update interested party tracker and discussions with Richter team re same. Review/update information request list/teaser and calls/emails with Company/Richter team re same. Draft Globe & Mail notice.	5.50	295.00	1,622.50
11/09/2021	Carol O'Donnell Communications with Niwri Media re Globe & Mail notice/verify proof and costs re same. Communication with creditor re NOI Proceedings.	0.90	255.00	229.50
11/09/2021	Karen Kimel Emails with Richter team re Sale Process matters.	0.30	795.00	238.50
11/09/2021	Adam Zeldin Emails with Loopstra Nixon/Chaitons re Sale Process matters/DIP matters. Emails/discussions with Richter team re Sale Process matters. Respond to enquiries from creditors/interested parties.	2.75	550.00	1,512.50
11/09/2021	Shane Connolly Finalise teaser/communications with Richter team re same. Contact interested parties re Sale Process and update interested party tracker re same. Update Data Room and communications with Company/Richter team re same.	5.25	295.00	1,548.75
11/10/2021	Carol O'Donnell Post NOI documents to website.	0.30	255.00	76.50
11/10/2021	Karen Kimel Call with S. Dobronyi re Sale Process. Call with S. Carrier re cash flow matters. Call with potential purchaser re Sale Process. Various email correspondence re Sale Process/NOI Proceedings.	1.50	795.00	1,192.50
11/10/2021	Adam Zeldin	1.50	550.00	825.00

Invoice No.: 20406987
Date: 12/08/2021

Date	Name and Description	Hours	Rate	Amount
	Review/comment on revised version of template APA/SPA and emails with A&B re same.			
11/10/2021	Shane Connolly Contact potential interested parties re Sale Process/Teaser/NDAs and communications with Company re same. Update Data Room and calls/emails with Company re same.	4.00	295.00	1,180.00
11/11/2021	Adam Zeldin Review/comment on template APA/SPA, emails/calls with A&B re same. Discussions with S. Connolly re NOI Proceedings/Sale Process.	2.25	550.00	1,237.50
11/11/2021	Shane Connolly Calls/emails with Company re CF variance analysis and review/update same. Contact potential interested parties re Sale Process. Calls/emails with interested parties re NDAs/Data Room/NOI Proceedings and communications with A. Zeldin re same.	3.75	295.00	1,106.25
11/12/2021	Adam Zeldin Review of interested party tracker. Emails with CRA re payroll audit.	0.80	550.00	440.00
11/12/2021	Shane Connolly Calls/emails with Company re future DIP drawdowns. Contact potential interested parties re Sale Process. Communications with interested parties re NDAs/Data Room information. Communications with Company re outstanding information requests/review of same.	4.25	295.00	1,253.75
11/15/2021	Carol O'Donnell Communication with Niwri Media re Globe & Mail notice.	0.10	255.00	25.50
11/15/2021	Shane Connolly Communications with Chaitons/Company re Data Room information/review of same. Calls/emails with interested parties re Sale Process/Data Room/NDAs. Call/emails with CRA re payroll audit.	3.75	295.00	1,106.25
11/16/2021	Carol O'Donnell Review CRA proof of claim.	0.20	255.00	51.00
11/16/2021	Karen Kimel Call with T. Schmidt re Sale Process. Call/emails with A. Gangopadhyay re Sale Process.	1.00	795.00	795.00
11/16/2021	Shane Connolly	3.25	295.00	958.75

Invoice No.: 20406987
Date: 12/08/2021

Date	Name and Description	Hours	Rate	Amount
	Communications with interested parties re additional Data Room information requests. Calls/emails with Company re CF variance analysis and review/revise same. Calls/emails with potential interested parties re Sale Process/NDAs.			
11/17/2021	Karen Kimel Call with Stalking Horse Purchaser and G. Phoenix re FCC call. Review CF variance analysis and communications with S. Connolly re same.	0.50	795.00	397.50
11/17/2021	Adam Zeldin Review of emails re Sales Process, interested parties, pre-filing obligations and other matters. Emails re template APA/SPA.	0.90	550.00	495.00
11/17/2021	Shane Connolly Communications with Company/K. Kimel/FCC re CF variance analysis and finalize same. Calls/emails with interested parties re Data Room information/NDAs/Sale Process.	4.00	295.00	1,180.00
11/18/2021	Adam Zeldin Review of enquiries from interested parties. Review of CF variance analysis.	0.70	550.00	385.00
11/18/2021	Shane Connolly Calls/emails with interested parties/Company/K. Kimel re additional information requests/NDAs/Data Room. Communications with Company re DIP drawdown/cash-flow matters/queries from creditors.	3.75	295.00	1,106.25
11/19/2021	Carol O'Donnell Prepare purchase order for Niwri Media re Globe & Mail notice.	0.20	255.00	51.00
11/19/2021	Shane Connolly Communications with Company re creditor/cash-flow matters. Calls/emails with interested parties re Data Room information/NDAs/NOI Proceedings. Communications with creditors re amounts outstanding/continuation of service by creditors.	2.25	295.00	663.75
11/22/2021	Adam Zeldin Review of court decision re levies in NOIs, Review/respond to enquiries from interested parties. Review of updated interested party tracker. Emails with A&B re security review.	1.00	550.00	550.00
11/22/2021	Shane Connolly	3.50	295.00	1,032.50

Invoice No.: 20406987
Date: 12/08/2021

Date	Name and Description	Hours	Rate	Amount
	Communications with interested parties re outstanding information requests/NDAs. Calls/emails with Company re information requests/review of documentation re same. Follow-up with potential interested parties re NDAs/Data Room.			
11/23/2021	Karen Kimel Call with A&B re construction lien.	0.50	795.00	397.50
11/23/2021	Adam Zeldin Review of enquiries from interested parties. Call with interested party re Sale Process.	0.50	550.00	275.00
11/23/2021	Shane Connolly Calls/emails with Company re information requests/site visit. Communications with interested parties re NDAs/Data Room information/site visit.	2.25	295.00	663.75
11/24/2021	Karen Kimel Review CF variance analysis and communications with S. Connolly re same. Various email correspondence re Sale Process.	0.20	795.00	159.00
11/24/2021	Adam Zeldin Review of CRA notice re HST audit/proposed reversal of ITCs. Review of claim filed by CRA re pre-filing HST. Review of emails re creditor enquiry re equipment leases.	1.10	550.00	605.00
11/24/2021	Shane Connolly Communications with CRA/Company re payroll/HST audits and review of information requests re same. Calls/emails with Company/K. Kimel/FCC re CF variance analysis and review of same. Communications with Company re information requests/due diligence.	4.25	295.00	1,253.75
11/25/2021	Karen Kimel Calls with interested party/A&B re beverage liabilities. Communications with S. Connolly re site visit.	0.70	795.00	556.50
11/25/2021	Adam Zeldin Review of emails re CRA payroll/HST audit, other CRA matters. Respond to creditor enquiry re Sale Process.	0.50	550.00	275.00
11/25/2021	Shane Connolly Calls/emails with interested parties re Data Room/information requests/Sale Process/NOI Proceedings. Communications with Loopstra Nixon/K. Kimel/interest party/Company re site visit. Communications with Company re Data Room queries.	4.00	295.00	1,180.00
11/26/2021	Shane Connolly	1.75	295.00	516.25

Invoice No.: 20406987
Date: 12/08/2021

Date	Name and Description	Hours	Rate	Amount
	Communications with interested parties re Data Room/Sale Process/NDAs. Calls/emails with Company/creditors re amounts outstanding/NOI Proceedings.			
11/29/2021	Adam Zeldin Emails/calls with interested party. Respond to creditor enquiry re NOI Proceedings.	0.50	550.00	275.00
11/29/2021	Shane Connolly Calls/emails with Company re DIP drawdown/review of same. Communications with Company/interested party re Data Room information/Sale Process/outstanding information.	2.75	295.00	811.25
11/30/2021	Adam Zeldin Call/emails with interested party re ale procedures, other Sale Process matters. Discussions with Richter team. Review of emails re tank lease.	1.40	550.00	770.00
11/30/2021	Shane Connolly Communications with creditors re amounts outstanding/NOI Proceedings. Calls/emails with Company re CRA audits/outstanding information requests. Emails with interested parties re due diligence queries/site visit.	2.50	295.00	737.50
Fees Total		85.65		\$ 31,916.75

Invoice No.: 20406987
Date: 12/08/2021

Remittance Form

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Invoice Summary

Sub-Total	\$ 31,916.75
GST/HST #885435842 RT0001	4,149.18
Total Due	CAD \$ 36,065.93

Payment Options

**At this time, we ask that payment not be made by cheque.
Please use one of the payment options below. We appreciate your collaboration.**

Wire Transfer Toronto Dominion Bank
Commercial Banking Center
525 Av. Viger Ouest, Montréal (Qc) H2Z 0B2
Bank Institute No.: 004
CAD Account no.: 5300836 Transit no.: 41601 Swift code: TDOMCATTTOR
USD Account no.: 7332090 Transit no.: 41601 Swift code: TDOMCATTTOR
Email payment details, including invoice number and amount paid to:
ClientService@richter.ca

Credit Card payments can be made by contacting us as indicated below.

Inquiries: please call our general line 416.488.2345 or e-mail ClientService@richter.ca

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

RICHTER

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Date: 12/10/2021
Invoice No.: 20406998
Engagement No.: 2022397
Payment Terms: Due on Receipt

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

Professional services rendered for the period December 1, 2021, to December 9, 2021 \$ 18,488.75

Sub-Total	18,488.75
GST/HST #885435842 RT0001	2,403.54
Total Due	CAD \$ 20,892.29

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

Invoice No.: 20406998
Date: 12/10/2021

Fees

Name	Hours	Rate	Amount
Adam Zeldin	14.85	\$ 550.00	\$ 8,167.50
Karen Kimel	2.50	795.00	1,987.50
Shane Connolly	28.25	295.00	8,333.75
	45.60		\$ 18,488.75

Invoice No.: 20406998
Date: 12/10/2021

Fee and Disbursement Details

Date	Name and Description	Hours	Rate	Amount
12/01/2021	Karen Kimel Call with FCC re update on Sale Process, DIP Facility and other matters. Correspondence with interested party re JCBBI debt.	1.50	\$ 795.00	\$ 1,192.50
12/01/2021	Adam Zeldin Discussions with S. Connolly re enquiries from interested party. Review of CF variance analysis/emails re same. Emails with interested party re Sale Process. Review of emails from FCC re CF matters.	0.90	550.00	495.00
12/01/2021	Shane Connolly Communications with Company/FCC re CF variance analysis and review/revise same. Communications with Company/A&B re leased assets. Attending Company premise/overseeing site visit/meeting with Company and interested party.	6.00	295.00	1,770.00
12/02/2021	Adam Zeldin Review of emails re lien claim. Review of emails from interested party.	0.50	550.00	275.00
12/02/2021	Shane Connolly Calls/emails with Company/interested parties re due diligence requests and review of same. Communications with interested parties re NDAs/Data Room/information requests. Communications with Company re leases/review of same.	3.25	295.00	958.75
12/03/2021	Adam Zeldin Review of emails re lien claim, Sale Process and CF matters. Emails with interested party re Sale Process and call with K. Kimel re same.	1.30	550.00	715.00
12/03/2021	Shane Connolly Communications with Company/interested parties re due diligence requests. Calls/emails with Company/K. Kimel/FCC re JCBBI funds. Communications with interested parties re information requests.	2.50	295.00	737.50
12/06/2021	Karen Kimel Call with interested party re Sale Process. Call with M. Spence re Sale Process and other matters.	0.50	795.00	397.50
12/06/2021	Adam Zeldin Emails/discussions with S. Connolly re CRA payroll audit, lien claim, Sale Process, Second Report and AVO. Emails/call with interested party re Sale Process.	1.10	550.00	605.00
12/06/2021	Shane Connolly	4.25	295.00	1,253.75

Invoice No.: 20406998
Date: 12/10/2021

Date	Name and Description	Hours	Rate	Amount
12/07/2021	Communications with Company/interested parties re due diligence requests and review of documentation re same. Calls/emails with A. Zeldin/CRA/Company re HST/payroll audits. Draft Trustee's Second Report. Adam Zeldin Review of emails re CF matters and review of CF variances to date. Emails with interested party re Sale Process. Discussions with S. Connolly re Trustee's Second Report. Review lien claim matters.	1.30	550.00	715.00
12/07/2021	Shane Connolly Draft Trustee's Second Report and communications with A. Zeldin re same. Calls/emails with interested parties/Company re due diligence requests and review of information re same.	5.50	295.00	1,622.50
12/08/2021	Adam Zeldin Review of letter from CRA re payroll audit and emails with S. Connolly re same. Respond to enquiry from interested party. Review/update Trustee's Second Report, including review of draft AVO.	4.55	550.00	2,502.50
12/08/2021	Shane Connolly Communications with A. Zeldin/Company/CRA re payroll and HST audits. Prepare appendices re Trustee's Second Report and communications with A. Zeldin re same. Calls/emails with interested party re NDA/Data Room access.	3.25	295.00	958.75
12/09/2021	Karen Kimel Calls/emails with interested party re Sale Process and Offer Deadline.	0.50	795.00	397.50
12/09/2021	Adam Zeldin Update Trustee's Second Report, emails/calls with Richter team/A&B re same. Call with interested parties re Sale Process and discussions with Richter team re same. Review of weekly CF variance analysis/emails re same.	5.20	550.00	2,860.00
12/09/2021	Shane Connolly Communications with Company/interested parties re due diligence requests. Call/emails with Company re CF variance analysis and review/revise same. Calls with Company/CRA re payroll/HST audits. Discussions with Richter team/Aird & Berlis re Offer Deadline.	3.50	295.00	1,032.50
Fees Total		45.60		\$ 18,488.75

Invoice No.: 20406998
Date: 12/10/2021

Remittance Form

Junction Craft Brewing Inc.
150 Symes Road
Toronto, ON M6N 0B1

Invoice Summary

Sub-Total		\$ 18,488.75
GST/HST #885435842 RT0001		2,403.54
Total Due	CAD	\$ 20,892.29

Payment Options

**At this time, we ask that payment not be made by cheque.
Please use one of the payment options below. We appreciate your collaboration.**

Wire Transfer Toronto Dominion Bank
Commercial Banking Center
525 Av. Viger Ouest, Montréal (Qc) H2Z 0B2
Bank Institute No.: 004
CAD Account no.: 5300836 Transit no.: 41601 Swift code: TDOMCATTTOR
USD Account no.: 7332090 Transit no.: 41601 Swift code: TDOMCATTTOR

Email payment details, including invoice number and amount paid to:
ClientService@richter.ca

Credit Card payments can be made by contacting us as indicated below.

Inquiries: please call our general line 416.488.2345 or e-mail ClientService@richter.ca

TORONTO

Richter Advisory Group Inc.
181 Bay St., #3510
Bay Wellington Tower
Toronto ON M5J 2T3
416.488.2345

MONTRÉAL

1981 McGill College
Montréal QC H3A 0G6
514.934.3400

CHICAGO

200 South Wacker, #3100
Chicago IL 60606
312.828.0800

RICHTER.CA

Appendix “I”

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF JUNCTION CRAFT BREWING INC.**

AFFIDAVIT OF MIRANDA SPENCE
(sworn December 13, 2021)

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

1. I am a partner at Aird & Berlis LLP and, as such, I have knowledge of the matters to which I hereinafter depose. Aird & Berlis LLP is acting as counsel for Richter Advisory Group Inc. in its capacity as proposal trustee of Junction Craft Brewing Inc. (in such capacity, the “**Proposal Trustee**”).
2. Aird & Berlis LLP has prepared statements of account in connection with its mandate as counsel to the Proposal Trustee, detailing its services rendered and disbursements incurred, namely:
 - (a) an account dated November 18, 2021 in the amount of \$24,385.40 in respect of the period from October 18, 2021 to November 11, 2021; and
 - (b) an account dated November 30, 2021 in the amount of \$5,755.07 in respect of the period from November 14, 2021 to November 30, 2021;

(the “**Statements of Account**”). Attached hereto and marked as **Exhibit “A”** to this Affidavit is a copy of the Statements of Account. The average hourly rate of Aird & Berlis LLP is \$499.71.

3. Attached hereto and marked as **Exhibit “B”** to this Affidavit is a chart detailing the lawyers, law clerks and articling students who have worked on this matter.
4. This Affidavit is made in support of a motion to, *inter alia*, approve the attached accounts of Aird & Berlis LLP and the fees and disbursements detailed therein, and for no improper purpose whatsoever.

SWORN remotely by Miranda Spence)
stated as being located in the City of)
Toronto in the Province of Ontario, before)
me at the City of Toronto in the Province of)
Ontario, on the 13th day of December, 2021,)
in accordance with O. Reg 431/20,)
Administering Oath or Declaration)
Remotely.)



Commissioner for Taking Affidavits (or as)
may be))



MIRANDA SPENCE

Linh Nguyen, Licensed Paralegal
LSUC No. P11792

Attached is Exhibit “A”

Referred to in the

AFFIDAVIT OF MIRANDA SPENCE

Sworn before me

this 13th day of December, 2021

—  —

Commissioner for taking Affidavits, etc

Linh Nguyen, Licensed Paralegal
LSUC No. P11792

IN ACCOUNT WITH:

AIRD BERLIS

Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Ontario, Canada M5J 2T9
T 416.863.1500 F 416.863.1515
airdberlis.com

Richter Advisory Group Inc.
3320-181 Bay Street
Toronto, ON
M5J 2T3

Attention: Ms. Karen Kimel

Invoice No.: 729991

PLEASE WRITE INVOICE NUMBERS
ON THE BACK OF ALL CHEQUES
File No.: 45169/169064
Client No.: 45169
Matter No.: 169064

November 18, 2021

Re: Insolvency proceedings involving Junction Craft Brewing Inc. o/a Junction Craft Brewery

FOR PROFESSIONAL SERVICES RENDERED on your behalf throughout the period ended November 11, 2021

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
SRM	18/10/21	\$395.00	0.20	\$79.00	Review emails and respond re same
MES	18/10/21	\$550.00	2.50	\$1,375.00	Telephone call with K. Kimel re background; Conference call with clients, professionals re next steps; Exchange emails with S. Rappos, K. Kimel providing relevant documents for proceeding, security review
MES	20/10/21	\$550.00	2.50	\$1,375.00	Review of emails re SISF timeline, stalking horse agreement; Review stalking horse agreement; Conference call with K. Kimel and A. Zeldin re review of stalking horse agreement; Further revise stalking horse agreement and circulate to counsel
MES	21/10/21	\$550.00	0.90	\$495.00	Review emails re revised stalking horse agreement, transfer of licences, form of sale
MES	22/10/21	\$550.00	0.20	\$110.00	Review emails re licences to be assigned or acquired for change of control

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
MES	23/10/21	\$550.00	0.80	\$440.00	Call re transaction structure
SRM	24/10/21	\$395.00	0.50	\$197.50	Review and report on searches
MES	24/10/21	\$550.00	0.20	\$110.00	Exchange emails with S. Rappos re documents for security opinion
SRM	25/10/21	\$395.00	0.70	\$276.50	Review emails re security documents; Download no-reg
MES	25/10/21	\$550.00	1.00	\$550.00	Exchange emails re loan and security documentation, lease documentation, revisions to stalking horse agreement
MES	26/10/21	\$550.00	1.30	\$715.00	Review further revised stalking horse and sale procedures; Exchange emails with K. Kimel, A. Zeldin re same; Exchange emails re court date; Recirculate stalking horse and sale procedures
MES	27/10/21	\$550.00	0.50	\$275.00	Exchange emails with Richter re draft NDA; Exchange emails with S. Rappos re delivery of materials
SRM	28/10/21	\$395.00	0.10	\$39.50	Review and respond to email regarding FCC Security
MES	28/10/21	\$550.00	0.50	\$275.00	Review emails re FCC security, affidavit to be prepared by S. Rappos
MES	29/10/21	\$550.00	1.80	\$990.00	Exchange emails with K. Kimel, A. Zeldin re First Report of the Trustee; Review and revise Affidavit of S. Wheldon, DIP Term Sheet; Discussion with K. Kimel re revisions; Exchange emails with all professionals re revisions to Affidavit, DIP Term Sheet
MES	30/10/21	\$550.00	1.10	\$605.00	Review emails among professionals re finalizing materials for sale process approval motion; Review revisions to DIP term sheet and sale agreement, and exchange emails with K. Kimel re same
MES	31/10/21	\$550.00	2.30	\$1,265.00	Exchange emails re finalizing documents for sale process

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
					approval motion; Revise First Report and exchange emails with Richter re same
MES	01/11/21	\$550.00	2.70	\$1,485.00	Telephone calls with A. Zeldin, K. Kimel re revisions to First Report; Review revisions to First Report; Review and revise stalking horse sale process order, exchange emails with Chaitons, Richter re same; Review and revise Sale Procedures; Review draft orders; Exchange further emails with Richter, Chaitons, Loopstra Nixon re finalizing materials to be served
MES	02/11/21	\$550.00	1.60	\$880.00	Review and revise First Report; Exchange emails with K. Kimel, A. Zeldon, S. Connolly re same; Telephone call with K. Kimel re finalizing First Report
MES	03/11/21	\$550.00	0.20	\$110.00	Review email from K. Kimel re share structure
KBP	04/11/21	\$550.00	1.00	\$550.00	Review and draft NDA.
MES	04/11/21	\$550.00	2.10	\$1,155.00	Telephone calls and exchanges of emails with K. Kimel, S. Rappos, G. Phoenix re FCC payment; Review emails from S. Rappos, G. Phoenix re proposed revisions to stalking horse agreement; Telephone call and exchange of emails with K. Kimel re supplemental First Report; Exchange emails with A. Zeldin re draft SPA and APA for data room
LEM	05/11/21	\$675.00	0.10	\$67.50	Telephone call with S. Newman re: draft Asset Purchase Agreement
SHN	05/11/21	\$350.00	4.40	\$1,540.00	Telephone call M. Spence re instruction on drafting APA for insolvency matter; Communication with L. Moreau re same; Draft APA
MES	05/11/21	\$550.00	3.20	\$1,760.00	Instruct S. Newman re drafting of precedent APA; Review emails exchanged between S. Rappos, Justice Penny re scheduling of hearing; Revise supplement to the

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
					First Report of the Trustee; Review and revise appendices; Exchange numerous emails with Richter team re same; Exchange emails with S. Rappos, G. Phoenix re various issues; Finalize, serve and arrange for filing of Supplement to the First Report and confidential appendices
PLW	05/11/21	\$225.00	0.40	\$90.00	Submitted First Report of Proposal Trustee
MES	07/11/21	\$550.00	0.70	\$385.00	Review emails from S. Rappos re scheduling of court hearing; Review factum filed by Junction for November 8 hearing
LEM	08/11/21	\$675.00	0.60	\$405.00	Review draft Asset Purchase Agreement; Telephone call with S. Newman; Related correspondence
SHN	08/11/21	\$350.00	1.60	\$560.00	Revise and finalize APA; Communication with L. Moreau re same; Send same to M. Spence for review; Various revisions to APA
MES	08/11/21	\$550.00	3.10	\$1,705.00	Prepare for and attend court hearing re DIP, stay extension, sale process; Review orders and endorsements and email to Richter team re same; Revise NDA and circulate to Richter team; Revise template APA and SPA for data room
MES	09/11/21	\$550.00	0.70	\$385.00	Review draft newspaper notice and exchange emails with S. Rappos, Richter team re same; Review emails from counsel, K. Kimel re sale process
SHN	10/11/21	\$350.00	0.10	\$35.00	Communication with M. Spence re revising APA and SPA re client comments and irrevocability
MES	10/11/21	\$550.00	1.30	\$715.00	Revise template APA and SPA for data room; Exchange emails with A. Zeldin, K. Kimel re proposed revisions to template APA and SPA; Revise template APA and SPA per K. Kimel and A. Zeldin comments;

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
					Instruct S. Newman re further revisions to templates
SHN	11/11/21	\$350.00	0.40	\$140.00	Revise APA and SPA per M. Spence instructions; Send M. Spence for review
MES	11/11/21	\$550.00	0.80	\$440.00	Review further revised template APA and SPA and circulate to Richter, S. Rappos; Telephone call with S. Connolly and review emails re Organic certification; Telephone call and exchange of emails with A. Zeldin re revisions to template APA and SPA
TOTAL:			42.10	\$21,580.00	

OUR FEE
HST at 13%

\$21,580.00
\$2,805.40

AMOUNT NOW DUE

\$24,385.40

THIS IS OUR ACCOUNT HEREIN
Aird & Berlis LLP



Miranda Spence

E.&O.E.

PAYMENT OF THIS ACCOUNT IS DUE ON RECEIPT

IN ACCORDANCE WITH THE SOLICITORS ACT, ONTARIO, INTEREST WILL BE CHARGED AT THE RATE OF 1.0% PER ANNUM ON UNPAID AMOUNTS CALCULATED FROM A DATE THAT IS ONE MONTH AFTER THIS ACCOUNT IS DELIVERED.

GST / HST Registration # 12184 6539 RT0001

NOTE: This account may be paid by wire transfer in Canadian funds to our account at The Toronto-Dominion Bank, TD Centre, 55 King Street West, Toronto, Ontario, M5K 1A2. Account number 5221521, Transit number 10202, Swift Code TDOMCATTTOR. Please include the account number as reference.

IN ACCOUNT WITH:

AIRD BERLIS

Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Ontario, Canada M5J 2T9
T 416.863.1500 F 416.863.1515
airdberlis.com

Richter Advisory Group Inc.
3320-181 Bay Street
Toronto, ON
M5J 2T3

Attention: Ms. Karen Kimel

Invoice No.: 731552

PLEASE WRITE INVOICE NUMBERS
ON THE BACK OF ALL CHEQUES
File No.: 45169/169064
Client No.: 45169
Matter No.: 169064

November 30, 2021

Re: Insolvency proceedings involving Junction Craft Brewing Inc. o/a Junction Craft Brewery

FOR PROFESSIONAL SERVICES RENDERED on your behalf throughout the period ended November 30, 2021

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
MES	14/11/21	\$550.00	0.40	\$220.00	Address revisions to SPA and APA, and recirculated to Richter, S. Rappos; Review email from S. Rappos re same
MES	16/11/21	\$550.00	0.20	\$110.00	Telephone call with K. Kimel re various issues re sale process
MES	17/11/21	\$550.00	0.20	\$110.00	Exchange emails with K. Kimel, A. Zeldin re final form of template APA, SPA
SRM	21/11/21	\$395.00	2.30	\$908.50	Begin review of non-negotiable security provided to Farm Credit Canada, TD and shareholders; Prepare a high level summary of review; Order updated profile and PPSA searches
SRM	22/11/21	\$395.00	0.20	\$79.00	Review updated PPSA searches; Email from M. Spence re moving forward; Email to Richter re missing loan agreement
MES	22/11/21	\$550.00	0.20	\$110.00	Review and consider correspondence from L. Corne

LAWYER	DATE	RATE/ HOUR	TIME	VALUE	DESCRIPTION
					requesting lifting of stay to perfect construction lien
SRM	23/11/21	\$395.00	0.10	\$39.50	Review additional loan agreement
MES	23/11/21	\$550.00	0.50	\$275.00	Telephone call with K. Kimel re lifting stay to perfect construction lien; Exchange emails with counsel for lien claimant re same, provide revised draft language
SRM	24/11/21	\$395.00	1.70	\$671.50	Continue review of FCC security; Prepare draft security opinion and circulate same for comments
SRM	25/11/21	\$395.00	2.80	\$1,106.00	Review loan and security documents granted by JCB Beverages Inc. and prepare report on same
MES	25/11/21	\$550.00	0.40	\$220.00	Telephone call with K. Kimel re outstanding debt owing by JCBBI, instruct S. Morris re review of same
MES	26/11/21	\$550.00	0.60	\$330.00	Review summary of Junction Beverages loans; Telephone call with K. Kimel re same; Exchange emails with G. Phoenix re proposed call
MES	27/11/21	\$550.00	0.20	\$110.00	Telephone call with G. Phoenix re Junction Beverages indebtedness
MES	29/11/21	\$550.00	0.70	\$385.00	Exchange emails with K. Kimel and telephone call with G. Phoenix re Junction Beverages debt; Exchange emails re sale approval hearing date; Review and respond to emails re lift stay motion
MES	30/11/21	\$550.00	0.60	\$330.00	Telephone call with K. Kimel re status of sale process, various issues; Review emails from S. Rappos re court time, lift stay motion; Review emails from L. Corne, D. Nunes re lift stay motion
TOTAL:			11.10	\$5,004.50	

OUR FEE
HST at 13%

\$5,004.50
\$650.59

DISBURSEMENTS

COST INCURRED ON YOUR BEHALF AS AN AGENT

Due Diligence-Gov Fee	\$16.00
Search Under P.P.S.A.	\$32.00

Total Agency Costs	\$48.00
--------------------	---------

Subject to HST

Due Diligence	\$20.00
Service Provider Fee	\$26.00

Total Disbursements	\$46.00
HST at 13%	\$5.98

AMOUNT NOW DUE

\$5,755.07

THIS IS OUR ACCOUNT HEREIN
Aird & Berlis LLP



Miranda Spence
/dcm
E.&O.E.

PAYMENT OF THIS ACCOUNT IS DUE ON RECEIPT

IN ACCORDANCE WITH THE SOLICITORS ACT, ONTARIO, INTEREST WILL BE CHARGED AT THE RATE OF 1.0% PER ANNUM ON UNPAID AMOUNTS CALCULATED FROM A DATE THAT IS ONE MONTH AFTER THIS ACCOUNT IS DELIVERED.

GST / HST Registration # 12184 6539 RT0001

NOTE: This account may be paid by wire transfer in Canadian funds to our account at The Toronto-Dominion Bank, TD Centre, 55 King Street West, Toronto, Ontario, M5K 1A2. Account number 5221521, Transit number 10202, Swift Code TDOMCATTOR. Please include the account number as reference.
46774021.1

Attached is Exhibit "B"

Referred to in the

AFFIDAVIT OF MIRANDA SPENCE

Sworn before me

this 13th day of December, 2021

_____  _____

Commissioner for taking Affidavits, etc

Linh Nguyen, Licensed Paralegal
LSUC No. P11792

STATEMENT OF RESPONSIBLE INDIVIDUALS

Aird & Berlis LLP's professional fees herein are made with respect to the following individuals

Lawyer	Call to Bar	Hrly Rate	Total Time	Value
Moreau, L. E.	1999	\$675.00	0.7	\$472.50
Spence, M. E	2011	\$550.00	36.0	\$19,800.00
Plunket, K. B.	2011	\$550.00	1.0	\$550.00
Newman, S.H.	2019	\$350.00	6.5	\$2,275.00
Clerk/Student	Call to Bar	Avg Hrly Rate	Total Time	Value
Morris, S. R.	N/A	\$395.00	8.6	\$3,397.00
Williams, P.	N/A	\$225.00	0.4	\$90.00

**Standard hourly rates listed. However, in certain circumstances adjustments to the account were made.*

**IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL
OF JUNCTION CRAFT BREWING INC.**

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

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

AFFIDAVIT OF FEES

AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
181 Bay Street, Suite 1800
Toronto, ON M5J 2T9

Miranda Spence (LSO # 60621M)

Tel: (416) 865-3414

Email: mspence@airdberlis.com

Fax: (416) 863-1515

Lawyers for the Proposal Trustee