

COUNSEL SLIP

COURT FILE

March 1, 2022

NO.: BK-22-02802344-0035

DATE: _____

NO. ON LIST 3

TITLE OF
PROCEEDING

AYANDA CANNABIS CORP

COUNSEL FOR:

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JUDICIAL NOTES:

Conway J. Endorsement

Ayanda, a niche cannabis company that has filed an NOI, brings this motion for approval of a share purchase transaction with 12830353 Canada Inc. (the “**Transaction**”), structured as a reverse vesting order (“**RVO**”). Ayanda also seeks a stay extension order with various ancillary orders. The motion is unopposed, except as set out below.

I am satisfied that the Transaction should be approved. While no formal sales process was conducted, Ayanda conducted a process through a professional sale advisor and cannabis consultant (Hyde Advisory) for several months. The evidence before me is that the purchase price represents the highest realizable price achievable and materially exceeds the liquidation value of the company’s assets. The Proposal Trustee supports the Transaction. All of the secured and unsecured creditors’ claims will be covered by the proceeds of the Transaction, with additional left over for shareholders. My consideration of the factors set out in s. 65.13 of the BIA and the *Soundair* principles support the conclusion that the Transaction should be approved. In particular, the sales process was reasonable, the Proposal Trustee supports the Transaction, stakeholders were consulted during the sales process, and both the company and the Proposal Trustee consider that the purchase price is fair and reasonable under the circumstances.

With respect to the structure of the Transaction as an RVO, I have considered the factors set out in the recent case of *Harte Gold (Re)*, 2022 ONSC 653. In particular, the RVO structure will preserve the company’s licenses that are critical to its business. The purchase price reflects the value of these licenses. Further, and as noted, all of the creditors will be paid from the sale proceeds, with money left over for the shareholders. I approve the RVO structure.

The remaining relief is satisfactory to me. Specifically, the releases are in favour of parties that substantially contributed to the restructuring and the released claims are rationally connected to the purpose of the Transaction. The DIP funding is required to enable the company to continue to operate and complete the NOI proceeding. The requested charges are acceptable. The stay extension to April 20, 2022 is approved. Ayanda is acting in good faith and with due diligence and no creditor will be prejudiced by the extension.

Finally, the references to the purchase price in the confidential appendices are properly subject to a sealing order pending the closing of the Transaction. The *Sierra Club/Sherman Estates* tests have been met for sealing this limited information pending closing.

A former employee, Ms. Natalie Cain, attended the hearing today. She has certain Ayanda records in her possession. She says that she has a claim against the company. Counsel advised her that her claims would be considered. Nonetheless, I told her that she must return the records to the company quite apart from any claims she may have.

I have signed the Stay Extension Order and the AVO. They are attached to this endorsement. The orders are effective from today's date and are enforceable without the need for entry and filing.

A handwritten signature in blue ink, appearing to read "Conway J.", with a stylized flourish at the end.