

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 PROPOSAL OF
AYANDA CANNABIS CORPORATION

AMENDED PROPOSAL

Ayanda Cannabis Corporation (the "**Debtor**") hereby submits the following Proposal to all of its Creditors pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the "**BIA**").

RECITALS

- A. The Debtor and 12830353 Canada Inc. (the "**Purchaser**") are parties to a binding term sheet dated as of January 7, 2022 (the "**Term Sheet**"), pursuant to which the Purchaser agreed to acquire 100% of the issued and outstanding shares of the Debtor (the "**Purchase Transaction**").
- B. The terms of the Term Sheet were formalized in a definitive share purchase agreement between the Debtor and the Purchaser dated February 2, 2022 (the "**Purchase Agreement**").
- C. On February 4, 2022 (the "**Date of Filing**"), the Debtor filed a Notice of Intention to Make a Proposal ("**NOI**") under the BIA and initiated these proposal proceedings for the purpose of facilitating the closing of the Purchase Transaction (the "**Closing**"). Richter Advisory Group Inc. was appointed as Proposal Trustee (in such capacity, the "**Proposal Trustee**") in the Debtor's NOI proceedings.
- D. On March 1, 2022, Madam Justice Conway of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued an order, among other things, approving the Purchase Transaction (the "**Approval and Vesting Order**").
- E. Pursuant to the Approval and Vesting Order, at Closing, among other things: (i) the Excluded Assets (as defined in the Purchase Agreement) shall vest absolutely and exclusively in a company to be incorporated ("**ResidualCo**"), (ii) all Excluded Contracts and Excluded Liabilities (each as defined in the Purchase Agreement) shall be channelled to, assumed by, and vested in, ResidualCo, and (iii) the net proceeds from the Purchase

Transaction shall stand in the place and stead of the Debtor's property, and all claims and encumbrances shall attach to the net proceeds. For greater certainty, the obligations of the Debtor under this Proposal shall transfer to ResidualCo at Closing, and ResidualCo shall be solely responsible for any and all obligations existing under this Proposal from and after Closing.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Proposal, the following defined terms shall have the following meanings:

- (a) **"Admin and DIP Order"** means the Order dated March 1, 2022, approving, among other things, the Administration Charge, the DIP Lender's Charge, and extending the time for the Debtor to file a proposal;
- (b) **"Administration Charge"** means the super-priority charge over the property of the Debtor in favour of counsel to the Debtor, the Proposal Trustee, and counsel to the Proposal Trustee, up to the maximum amount of \$300,000, as granted by the Court pursuant to the Admin and DIP Order;
- (c) **"Administrative Fees and Expenses"** means the fees and expenses, including legal fees and disbursements, of the Proposal Trustee and the Debtor for the Debtor's restructuring, including, without limitation, the negotiation, preparation, presentation, consideration and implementation of this Proposal, and all proceedings and matters relating to or arising out of this Proposal, any meeting or meetings of creditors to consider and vote on this Proposal, and any application for Court approval of this Proposal;
- (d) **"Affected Claim"** means all Claims that are not Unaffected Claims;
- (e) **"Affected Creditor"** means a Creditor having an Affected Claim;
- (f) **"Approval and Vesting Order"** has the meaning set out in the recitals hereto;
- (g) **"BIA"** has the meaning set out in the introductory paragraph hereto;
- (h) **"Business Day"** means a day, other than a Saturday, Sunday or statutory holiday or civic holiday, on which banks are generally open for business in Toronto, Ontario;
- (i) **"Certificate of Full Performance"** shall have the meaning given to it in Section 6.3 of this Proposal;
- (j) **"Claim"** means, collectively, any of the following:
 - (i) any right or claim of any Person that may be asserted or made in whole or in part, against the Debtor or any property or assets of the Debtor, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof (as previously agreed to between such Person and the Debtor), including by reason of the commission of a tort

(intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including without limitation the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action, whether existing at present or commenced in the future, which indebtedness, liability or obligation is based in whole or in part on facts that existed prior to or at the Date of Filing, and includes any other claims that would have been "claims provable" within the meaning of the BIA had the Debtor become bankrupt on the Date of Filing; and

- (ii) any right or claim of any Person against the Debtor in connection with any indebtedness, liability or obligation of any kind whatsoever owed by the Debtor to such Person arising out of the restructuring, repudiation, disclaimer, resiliation, termination, amendment or breach after the Date of Filing of any contract, lease, employment agreement or other agreement or obligation whether written or oral and whether such restructuring, disclaimer, resiliation, termination, amendment or breach took place or takes place before or after the Date of Filing;
- (k) **"Claims Bar Date"** shall have the meaning set out in Section 4.3 of this Proposal;
- (l) **"Class A Common Shares"** means all of the issued and outstanding Class A common shares in the capital of the Debtor;
- (m) **"Class B Common Shares"** means all of the issued and outstanding Class B common shares in the capital of the Debtor;
- (n) **"Class A Equity Claimant"** means a Person that held Class A Common Shares of the Debtor prior to the issuance of the Approval and Vesting Order;
- (o) **"Class B Equity Claimant"** means a Person that held Class B Common Shares of the Debtor prior to the issuance of the Approval and Vesting Order;
- (p) **"Closing"** has the meaning set out in the recitals hereto;
- (q) **"Court"** has the meaning set out in the recitals hereto;
- (r) **"Creditor"** means any Person having a Claim;
- (s) **"Creditors' Meeting"** means the meeting of the Affected Creditors, in person or virtually, called by the Proposal Trustee and held for the purpose of considering and voting on the Proposal in accordance with the provisions of the BIA including, for greater certainty, any adjournments of such meeting;

- (t) **"Creditors' Meeting Date"** means such date and time as may be called by the Proposal Trustee, provided that such date and time shall be no later than twenty-one (21) days following the filing of this Proposal with the Official Receiver;
- (u) **"Crown Claims"** means claims of Her Majesty in Right of Canada or a Province for all amounts that were outstanding as at the Date of Filing and are of a kind that could be subject to a demand under:
 - (i) subsection 224(1.2) of the Income Tax Act;
 - (ii) any provision of the Canada Pension Plan or of the Employment Insurance Act that refers to subsection 224(1.2) of the Income Tax Act and provides for the collection of a contribution, as defined in the Canada Pension Plan, or an employee's premium, or employer's premium, as defined in the Employment Insurance Act, and of any related interest, penalties or other amounts; or
 - (iii) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the Income Tax Act, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (A) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the Income Tax Act; or
 - (B) is of the same nature as a contribution under the Canada Pension Plan if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the Canada Pension Plan and the provincial legislation establishes a "provincial pension plan" as defined in that subsection;
- (v) **"Date of Filing"** has the meaning set out in the recitals hereto;
- (w) **"Debtor"** has the meaning set out in the recitals hereto;
- (x) **"Debtor's Counsel"** means Miller Thomson LLP;
- (y) **"DIP Lender"** means Cardinal Advisory Limited;
- (z) **"DIP Lender's Charge"** means the super-priority charge over the property of the Debtor in favour of the DIP Lender, up to the maximum amount of \$400,000, as granted by the Court pursuant to the Admin and DIP Order;
- (aa) **"Director"** and **"Officer"** means any person who is or was, or may be deemed to be, or has been, whether by statute, operation of law or otherwise, a director, *de facto* director, officer, or *de facto* officer of the Debtor;
- (bb) **"Disputed Claim"** means any Proof of Claim that has been received by the Proposal Trustee in accordance with the terms of this Proposal and the BIA, but has not been accepted as proven in accordance with section 135 of the BIA or

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which is being disputed in whole or in part by the Proposal Trustee, or any other Person entitled to do so and has not been resolved in accordance with the BIA;

- (cc) **"Employment Insurance Act"** means the *Employment Insurance Act*, S.C. 1996 c. 23, as amended;
- (dd) **"Equity Claimants"** means together, the Class A Equity Claimants and Class B Equity Claimants;
- (ee) **"Equity Fund"** shall have the meaning set out in Section 6.1(f) of this Proposal;
- (ff) **"Implementation Date"** means the date upon which the conditions set forth in Section 7.1 of this Proposal have been satisfied;
- (gg) **"Income Tax Act"** means the *Income Tax Act*, R.S.C. c. 1 (5th Supp), as amended;
- (hh) **"Inspectors"** means one or more inspectors appointed pursuant to the BIA, as provided for in this Proposal;
- (ii) **"MSF Claim Amount"** means the amount of the Secured Claim held by Michael Sioen Farms Ltd. which, for clarity, shall be paid from the Purchase Proceeds directly by the Purchaser to Michael Sioen Farms Ltd. pursuant to a direction from the Debtor to the Purchaser on Closing of the Transaction;
- (jj) **"Net Purchase Proceeds"** means the Purchase Proceeds less the MSF Claim Amount,;
- (kk) **"NOI"** has the meaning set out in the recitals hereto;
- (ll) **"Official Receiver"** shall have the meaning set out in the BIA;
- (mm) **"Ordinary Unsecured Creditors"** means those Persons with Proven Claims, except for those Claims:
 - (i) that are Secured Claims;
 - (ii) that are Crown Claims;
 - (iii) that have been finally and conclusively disallowed or found by the Court not to be provable claims; or
 - (iv) that are made by Preferred Creditors;
- (nn) **"Person"** is to be broadly interpreted and includes any individual, partnership, joint venture, trust, corporation, unincorporated organization, government authority or any agency, regulatory body, officer or instrumentality thereof or any other entity, wherever situated or domiciled, howsoever designated or constituted, and whether acting on their own or in a representative capacity;
- (oo) **"Preferred Creditors"** means those Persons with Proven Claims and which are required to be paid in priority to the Claims of Ordinary Unsecured Creditors in accordance with s. 136 of the BIA;

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- (pp) **“Proof of Claim”** means the proof of claim required by the BIA to be mailed to each known Creditor prior to the Creditors’ Meeting;
- (qq) **“Proposal”** means this proposal together with any amendment or additions thereto;
- (rr) **“Proposal Approval Order”** has the meaning set out in the recitals hereto;
- (ss) **“Proposal Date”** means April 19, 2022;
- (tt) **“Proposal Trustee”** has the meaning set out in the recitals hereto;
- (uu) **“Proven Claim”** of a Creditor means the amount of the Affected Claim of such Creditor as finally determined in accordance with the procedure set out in Section 135 of the BIA and Article 4 of this Proposal;
- (vv) **“Purchase Agreement”** has the meaning set out in the recitals hereto;
- (ww) **“Purchase Proceeds”** means the purchase price to be paid by the Purchaser to the Debtor in accordance with the terms of the Purchase Agreement;
- (xx) **“Purchase Transaction”** has the meaning set out in the recitals hereto;
- (yy) **“Purchaser”** has the meaning set out in the recitals hereto;
- (zz) **“ResidualCo”** has the meaning set out in the recitals hereto;
- (aaa) **“Secured Claim”** means a Claim related to a mortgage, hypothec, charge, pledge, or lien on or against the property or assets of the Debtor as security for a debt due or accruing;
- (bbb) **“Secured Creditors”** means a Person with a Secured Claim, including any Person who is the beneficiary of the Administration Charge or the DIP Lender’s Charge;
- (ccc) **“Required Majority”** means a majority in number representing two-thirds in value of all Proven Claims of Creditors entitled to vote, who are present and voting at the Creditors’ Meeting (whether in person, by proxy or by Voting Letter) in accordance with the voting procedures set out in the BIA;
- (ddd) **“Term Sheet”** has the meaning set out in the recitals hereto;
- (eee) **“Unaffected Claims”** means the claim of any Person for the payment of a Secured Claim, the payment of Crown Claims, or the payment of Claims made by Preferred Creditors;
- (fff) **“Unaffected Creditors”** means any Person with an Unaffected Claim;
- (ggg) **“Voting Claims”** shall have the meaning set out in Section 5.5 of this Proposal; and
- (hhh) **“Voting Letter”** means the voting letter required to be mailed to each known Creditor prior to the Creditors’ Meeting in accordance with s. 51(1) of the BIA.



1.2 Articles of Reference

The terms "hereto", "hereunder", "herein" and similar expressions refer to the Proposal and not to any particular article, section, subsection, clause or paragraph of the Proposal and include any agreements supplemental hereto. In the Proposal, a reference to an article, section, subsection, clause or paragraph will, unless otherwise stated, refer to an article, section, subsection, clause or paragraph of the Proposal.

1.3 Interpretation Not Affected by Headings

The division of the Proposal into articles, sections, subsections, clauses or paragraphs and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Proposal.

1.4 Date for any Action

In the event that any date on which any action is required to be taken hereunder is not a Business Day, such action will be required to be taken on the next succeeding day that is a Business Day.

1.5 Time

All times expressed herein are local time in Toronto, Ontario, Canada unless otherwise stipulated. Where the time for anything pursuant to the Proposal on a particular date is unspecified herein, the time shall be deemed to be 5:00 p.m. local time in Toronto, Ontario, Canada.

1.6 Numbers

In this Proposal, where the context requires, a word importing the singular number will include the plural and vice versa, and a word or words importing gender will include all genders.

1.7 Currency

Unless otherwise stated herein, all references to currency in this Proposal are references to lawful money of Canada.

1.8 Statutory References

Except as otherwise provided herein, any reference in the Proposal to a statute includes all regulations made thereunder, all amendments to such statute or regulation(s) in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulation(s).

1.9 Successors and Assigns

The Proposal will be binding upon and will enure to the benefit of the heirs, administrators, executors, legal personal representatives, successors and assigns of any Person named or referred to in the Proposal.

1.10 Including

The word "including", or any variation thereof means "including without limitation", and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it.

ARTICLE 2 GENERAL INTENT

2.1 Effect of Proposal

This Proposal provides for the restructuring of the Debtor's liabilities through a monetary distribution to Creditors with Proven Claims. Such distributions are anticipated to be funded by the Net Purchase Proceeds, which will be provided to the Proposal Trustee at Closing and distributed in accordance with the terms of this Proposal in full and final satisfaction of all Claims (other than Unaffected Claims) against the Debtor.

2.2 Persons Affected

This Proposal will, as of the Implementation Date, be binding on the Debtor, ResidualCo, all Creditors that are not Unaffected Creditors, and the Equity Claimants.

2.3 Post-Filing Goods and Services

All goods supplied and services rendered to the Debtor after the Date of Filing shall be paid for in full in the ordinary course of business by the Debtor on terms agreed to between the Debtor and the relevant Persons.

2.4 Assets Remain Vested in the Debtor

The assets of the Debtor shall not vest in the Proposal Trustee, but shall remain vested in the Debtor until the Closing of the Purchase Transaction, at which time such assets will vest in either the Purchaser or ResidualCo in accordance with the Approval and Vesting Order. For greater certainty, the Net Purchase Proceeds shall vest in ResidualCo and be available to satisfy the Proven Claims against the Debtor that are channeled to and assumed by ResidualCo, in accordance with the terms of this Proposal. The Proposal Trustee shall have no liability whatsoever for the Claims of any Creditors arising before, on or after the Date of Filing.

ARTICLE 3 CLASSIFICATION AND TREATMENT OF CREDITORS

3.1 Classes of Creditors

For the purposes of voting on this Proposal, the Affected Creditors of the Debtor shall be comprised of one class: Ordinary Unsecured Creditors.

3.2 Administration Fees and Expenses

On the Implementation Date, all Administrative Fees and Expenses incurred to that date which remain unpaid shall be paid by the Proposal Trustee in full from the Net Purchase Proceeds or any funds on hand. The Administration Charge secures such Administrative Fees and Expenses, in accordance with the terms of the Admin and DIP Order.

3.3 Binding Effect and Distribution

Pursuant to section 62 of the BIA, this Proposal shall become binding on all Affected Creditors in respect of the Debtor upon acceptance by the Affected Creditors pursuant to section 5.6 hereof and issuance of the Proposal Approval Order.



3.4 Interest on Claims

Interest will not accrue or be paid on Affected Claims after or in respect of the period following the Date of Filing and no Affected Creditor will be entitled to any interest in respect of its Claim accruing on or after or in respect of the period following the Date of Filing.

3.5 Treatment of Ordinary Unsecured Creditors

The Proven Claims of Ordinary Unsecured Creditors will be satisfied in accordance with Article 6 of this Proposal.

3.6 Treatment of Unaffected Creditors

This Proposal is not being made to Unaffected Creditors and does not affect or compromise the Unaffected Claims. Unaffected Claims shall be dealt with in accordance with the agreements between the relevant Unaffected Creditor and the Debtor, or as otherwise agreed between the relevant Unaffected Creditor and the Debtor, or as ordered by the Court.

3.7 Treatment of Equity Claimants

Equity Claimants are anticipated to receive distributions in accordance with Section 6.4 of this Proposal. For certainty, the Proposal Trustee shall have no involvement in such distributions and shall have been discharged in accordance with section 6.2 of this Proposal prior to such distributions being made.

3.8 Disputed Claims

An Affected Creditor with a Disputed Claim shall not be entitled to receive any distribution hereunder with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim. Distributions made pursuant to this Proposal shall be made in respect of any Disputed Claim that is finally determined to be a Proven Claim. The procedure for resolving any Disputed Claims will be as set forth in the BIA.

3.9 Superintendent of Bankruptcy Levy

The Office of the Superintendent of Bankruptcy shall be paid its prescribed levy as required by sections 60(4) and 147 of the BIA by the Proposal Trustee from any distributions made to any Person with a Proven Claim

3.10 Different Capacities

Persons who are affected by this Proposal may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person is entitled to participate hereunder in each such capacity. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless expressly agreed by the Person in writing or unless its Claims overlap or are otherwise duplicative.

ARTICLE 4 PROCEDURE FOR VALIDATION OF CLAIMS

4.1 Filing of Proofs of Claim

Each Ordinary Unsecured Creditor must file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the BIA and as instructed in the Proposal Trustee's mailing to the Ordinary Unsecured Creditors.

4.2 Allowance or Disallowance by the Proposal Trustee

Upon receipt of a completed Proof of Claim, the Proposal Trustee shall examine the Proof of Claim and shall deal with each claim in accordance with the provisions of the BIA. The Proposal Trustee shall have the power and authority to determine the quantum, status, and validity of all Claims filed against the Debtor, including the validity of any security held by Persons claiming to be a Secured Creditor.

4.3 Claims Bar Process

Within seven (7) calendar days following the Implementation Date, the Proposal Trustee shall give notice pursuant to section 149 of the BIA by registered mail to every Person with a Claim (other than Unaffected Claims) of which the Trustee has notice or knowledge of, but whose Claim has not been filed or proved that if such Person does not prove its Claim within a period of thirty (30) calendar days after the mailing of the notice (the "**Claims Bar Date**"), the Trustee will proceed to declare a final distribution without regard to any Claim of such Person.

Subject to any exceptions set out in sections 149(2), (3) and (4) of the BIA, any Creditor that does not prove its Claim (other than Unaffected Claims) by the Claims Bar Date shall be barred from making a Claim in connection with this Proposal or sharing in any distribution hereunder, and such Claim shall be forever barred, extinguished and released.

4.4 Valuation of Claims

The procedure for valuing Claims of Ordinary Unsecured Creditors (including for the purposes of voting at the Creditors' Meeting) and resolving disputes with respect to such Claims will be as set forth in the BIA. The Debtor and/or the Proposal Trustee reserve the right to seek the assistance of the Court in valuing the Claim of any Ordinary Unsecured Creditor, if required, to ascertain the result of any vote on this Proposal, or the amount payable or to be distributed to such Unsecured Creditor under this Proposal, as the case may be.

ARTICLE 5 MEETING OF CREDITORS

5.1 Creditors' Meeting

On the Creditors' Meeting Date, the Proposal Trustee shall hold the Creditors' Meeting in order for the Affected Creditors to consider and vote upon the Proposal.

5.2 Time and Place of Meeting

Unless otherwise ordered by the Court, the Creditors' Meeting shall be held at a time and place to be established by the Proposal Trustee, in consultation with the Official Receiver, or the nominee



thereof, and confirmed in the Trustee's notice of meeting to be mailed pursuant to the BIA. All Proofs of Claim shall be delivered in accordance with the provisions of the Proposal, the BIA, and any Order which may be issued by the Court in respect of the procedure governing the Creditors' Meeting, subject at all times to: (i) further Order of the Court, including any Order respecting COVID-19 related creditor meeting protocols; and (ii) any COVID-19 related creditor meeting directive issued by the Official Receiver.

5.3 Conduct of Meeting

The Official Receiver, or the nominee thereof, shall preside as the chair of the Creditors' Meeting and will decide all matters relating to the conduct of the Creditors' Meeting. The only Persons entitled to attend the Creditors' Meeting are those Affected Creditors, including the holders of proxies, entitled to vote at the Creditors' Meeting and their respective legal counsel, if any, the officers, directors, auditors and legal counsel of the Debtor, together with such representatives of the Proposal Trustee as the Proposal Trustee may appoint in its discretion, and such scrutineers as may be duly appointed by the chair of such meeting. Any other Person may be admitted on invitation of the chair of the Creditors' Meeting or with the consent of the Unsecured Creditors.

5.4 Adjournment of Meeting

The Creditors' Meeting may be adjourned in accordance with section 52 of the BIA.

5.5 Voting by Affected Creditors

To the extent provided for herein, and as prescribed in the BIA, each Affected Creditor will be entitled to vote to the extent of the amount which is equal to the amount accepted by the chair of the Creditors' Meeting for voting purposes or such amount as may be agreed to by the Proposal Trustee for voting purposes at or prior to the Creditors' Meeting (dollar amounts to be voted by Affected Creditors in accordance with the foregoing are referred to as "**Voting Claims**").

5.6 Approval by Creditors

In order that the Proposal be binding on the Affected Creditors in accordance with the BIA, it must first be accepted by Required Majority of the Affected Creditors.

5.7 Appointment of Inspectors

At the Creditors' Meeting, the Ordinary Unsecured Creditors may appoint up to five (5) Inspectors whose powers will be limited to:

- (a) advising the Proposal Trustee regarding any dispute that may arise with respect to the quantum, status, or validity of Claims; and
- (b) advising the Proposal Trustee from time to time with respect to any other matter that the Proposal Trustee may refer to them.

Any decision, direction or act of the Inspectors may be referred to the Court by the Proposal Trustee and the Court may confirm, reverse or modify the decision, direction or act and make such order as it thinks just. The authority and term of office of the Inspectors will terminate upon the discharge of the Proposal Trustee or such earlier time if the Inspector resigns by notifying the Proposal Trustee of such resignation in writing.

5.8 Valuation of Claims

The procedure for valuing Claims of Creditors and resolving disputes with respect to such Claims will be as set forth in Article 4 and the BIA.

ARTICLE 6 PROPOSAL TO CREDITORS

6.1 Payments under the Proposal

In connection with the Closing of the Purchase Transaction, the Purchaser shall transfer the Net Purchase Proceeds to the Proposal Trustee. Subject to the terms and conditions set forth in this Proposal, as soon as practicable following the Implementation Date, the following payments will be made from the Net Purchase Proceeds:

- (a) first, the amounts, if any, that are secured by the Administration Charge;
- (b) second, the amounts, if any, that are secured by the DIP Lender's Charge;
- (c) third, the amounts, if any, required to satisfy the Proven Claims of any Crown Claims;
- (d) fourth, the amounts, if any, required to satisfy the Proven Claims of the Preferred Creditors;
- (e) fifth, the amounts required to pay the Proven Claims of the Ordinary Unsecured Creditors, less the Superintendent's levy payable in respect thereof as required by the BIA, which shall be paid by the Proposal Trustee to the Superintendent; and
- (f) sixth, the balance of the Net Purchase Proceeds after the payments made in (a) to (e) above (the "**Equity Fund**"), shall be transferred to Debtor's Counsel, in trust, for the benefit of ResidualCo, and shall be distributed in accordance with Section 6.4 of this Proposal.

6.2 Discharge of Proposal Trustee

Upon distribution by the Proposal Trustee of the Crown Claims, the Preferred Claims, and the Proven Claims of the Ordinary Unsecured Creditors, and upon the Proposal Trustee having issued the Certificate of Full Performance, the Proposal Trustee shall have discharged its duties as Proposal Trustee and the Proposal Trustee shall be entitled to apply for its discharge as Proposal Trustee hereunder. For greater certainty, the Proposal Trustee will not be responsible or liable for any obligations of the Debtor before, on or after the Date of Filing and will be exempt from any personal liability in fulfilling any duties or exercising any powers conferred upon it by this Proposal unless such acts have been carried out in bad faith and constitute a willful or wrongful act or default.

6.3 Certificate of Full Performance

Upon receipt of the Net Purchase Proceeds, this Proposal shall have been fully performed and the Proposal Trustee shall be entitled to issue to the Debtor the certificate referred to in section 65.3 of the BIA (the "Certificate of Full Performance").

6.4 Post-Implementation Obligations

Within ten (10) calendar days following the distribution of the Net Purchase Proceeds in accordance with Section 6.1 of this Proposal, and subject to any ongoing or outstanding equity holder disputes, Debtor's Counsel, on behalf of ResidualCo, shall distribute the Equity Fund as follows:

- (a) first, to the Class B Equity Claimants, *pro rata*, based upon the number of Class B Shares each Class B Equity Claimant holds in the Debtor as at the Date of Filing; and
- (b) second, to the Class A Equity Claimants, *pro rata*, based upon the number of Class A Shares each Class A Equity Claimant holds in the Debtor as at the Date of Filing.

The books and records of the Debtor as at the calendar day immediately prior to the date that the Certificate of Full Performance is issued shall serve as *prima facie* evidence of such number of Class B Shares or Class A Shares held.

6.5 Dissolution

Following the distribution of the Equity Fund in accordance with Section 6.4, ResidualCo shall be voluntarily dissolved pursuant to the provisions of the *Business Corporations Act* (Ontario).

ARTICLE 7 CONDITIONS PRECEDENT

7.1 Conditions to Proposal Implementation

The implementation of the Proposal by the Debtor, ResidualCo, and the Proposal Trustee will be conditional upon the fulfillment or satisfaction of the following conditions:

- (a) acceptance of the Proposal by the Affected Creditors in accordance with Section 5.6 of this Proposal;
- (b) granting by the Court of the Proposal Approval Order in a form satisfactory to the Debtor and the Proposal Trustee, which shall not have been varied, amended, stayed, suspended or appealed as of the Implementation Date except with the consent of the Debtor and the Proposal Trustee;
- (c) the expiry of all appeal periods in respect of the Proposal Approval Order;
- (d) closing of the Purchase Transaction; and
- (e) payment of the MSF Claim Amount by the Purchaser to Michael Sioen Farms pursuant to a direction from the Debtor to the Purchaser.

ARTICLE 8 MISCELLANEOUS

8.1 Compromise Effective for all Purposes

On the Implementation Date, all Claims (other than Unaffected Claims) shall be forever discharged, extinguished and released, excepting only the obligations of ResidualCo to make distributions in accordance with Article 6 of this Proposal in the manner and to the extent provided for in this Proposal. The distributions contemplated hereunder will be binding upon each Affected Creditor, its heirs, executors, administrators, successors and assigns, for all purposes.

8.2 Modification of Proposal Prior to Approval by Affected Creditors

Prior to the vote on the Proposal, the Debtor or any Affected Creditor may propose an alteration or modification to the Proposal. If there are any variations, amendments, modifications or supplements to the Proposal made at or prior to the Creditors' Meeting that the Proposal Trustee determines are for the general benefit of the Affected Creditors, the Proposal Trustee shall be entitled to approve such variations, amendments, modifications or supplements.

8.3 Modification of Proposal after Approval by Affected Creditors

If Affected Creditors approve the Proposal but the Purchase Transaction does not close, the Proposal may be amended as follows:

- (a) the Proposal Trustee shall call a meeting of Affected Creditors within 21 days of receiving notice from the Debtor of the fact that the Purchase Transaction did not close;
- (b) the Debtor shall present an amended proposal to the Affected Creditors no fewer than 10 days before the meeting contemplated by Section 7.3(a) of this Proposal (the "**Amended Proposal**");
- (c) the Amended Proposal shall be voted upon by the Affected Creditors at the meeting contemplated by Section 7.3(a) of this Proposal; and
- (d) the Amended Proposal must be accepted by the Required Majorities of the Affected Creditors who vote on the Amended Proposal (in person or by proxy) pursuant to Section 5.5 of this Proposal at the meeting contemplated by Section 8.3(a) of this Proposal or by a Voting Letter.

8.4 Consents, Waivers, Agreements

As at 12:01 a.m. on the Implementation Date, each Affected Creditor shall be deemed to have:

- (a) executed and delivered to the Debtor or ResidualCo, as applicable, all consents, releases, assignments and waivers, statutory or otherwise, required to implement and carry out this Proposal in its entirety;
- (b) waived any default by the Debtor or ResidualCo, as applicable, in any provision, express or implied, in any agreement or other arrangement, written or oral,



existing between such Affected Creditor and the Debtor or ResidualCo, as applicable, that has occurred on or prior to the Implementation Date;

- (c) agreed, in the event that there is any conflict between the provisions, express or implied, of any agreement or other arrangement, written or oral, existing between such Affected Creditor and the Debtor or ResidualCo, as applicable, as at the Implementation Date (other than those entered into by the Debtor on, or with effect from, the Implementation Date) and the provisions of this Proposal, that the provisions of this Proposal shall take precedence and priority and the provisions of such agreement or other arrangement shall be amended accordingly; and
- (d) released the Debtor, ResidualCo, the Proposal Trustee and each of their respective affiliates, employees, agents, directors, officers, shareholders, advisors, consultants and solicitors from any and all demands, claims, actions, causes of action, counter-claims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens, set-off rights and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Person may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Implementation Date, relating to or arising out of or in connection with Claims, the filing of the Debtor's NOI and actions taken in furtherance thereof, the business and affairs of the Debtor, this Proposal or any of the matters herein.

8.5 Effect of Proposal Generally

As at 12:01 a.m. on the Implementation Date, the treatment of all Claims under the Proposal shall be final and binding on the Debtor and all Affected Creditors, along with their respective heirs, executors, administrators, legal personal representatives, successors and assigns, and the Proposal shall constitute: (i) a full, final and absolute settlement of all rights of Affected Creditors; and (ii) an absolute release and discharge of all indebtedness, liabilities and obligations of the Debtor and ResidualCo of or in respect of all Affected Claims.

8.6 Section 95 to 101 of the BIA

Sections 95 to 101 of the BIA and any other laws relating to preferences, fraudulent conveyances or transfers at undervalue shall not apply to this Proposal or to any payments or distributions made in connection with this Proposal or with the restructuring of the Debtor, whether made before or after the Date of Filing.

8.7 Notices

Any notices or communications to be made or given hereunder shall be in writing and shall refer to this Proposal and may, subject as hereinafter provided, be made or given by personal delivery, prepaid mail, or fax/email to the respective parties as follows:

- (a) If to the Debtor / ResidualCo:



Ayanda Cannabis Corporation
324 Burford-Delhi Townline Road
Norwich, ON N0J 1P0

Attention: Michael Sioen
Email: mike@ayandacanncorp.com

with a copy to:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, ON M5H 3S1

Attention: Larry Ellis
Email: lellis@millerthomson.com

- (b) If to an Affected Creditor, to the address or fax for such Affected Creditor specified in the Proof of Claim filed by such Affected Creditor or, if no Proof of Claim has been filed, to such other address at which the notifying party may reasonably believe that the Affected Creditor may be contacted; and
- (c) If to the Proposal Trustee:

Richter Advisory Group Inc.
181 Bay Street, #3510
Toronto, ON M5J 2T3

Attention: Adam Zeldin
Email: azeldin@richter.ca

with a copy to:

Thornton Grout Finnigan LLP
Suite 3200, 100 Wellington Street West
Toronto, ON M5K 1K7

Attention: Mitchell Grossell
Email: mgrossell@tgf.ca

or to such other address or email as any party may from time to time notify the others in accordance with this section. In the event of any strike, lock-out and other event which interrupts postal service in any part of Canada, all notices and communications during such interruption may only be given or made by personal delivery or fax and any notice or other communication given or made by prepaid mail within the five (5) Business Day period immediately preceding the commencement of such interruption will be deemed not to have been given or made. The unintentional failure to give a notice contemplated hereunder to any particular Creditor will not invalidate this Proposal or any action taken by any Person pursuant to this Proposal.



8.8 Assignment of Claims

No assignment of a Claim by an Affected Creditor is effective to give the assignee any rights in respect of the Proposal unless written notice of the assignment is given to the Debtor, ResidualCo, and the Proposal Trustee in accordance with the requirements of Section 8.7. The assignment of the Claim will not be effective for a period of five (5) Business Days from the date of effective receipt of the notice of assignment by the Debtor, ResidualCo, and by the Proposal Trustee as determined in accordance with Section 8.7.

8.9 Foreign Currency Obligations

For purposes of this Proposal, Claims denominated in a currency other than Canadian funds will be converted to Canadian Dollars at the closing spot rate of exchange of the Bank of Canada on the Date of Filing.

8.10 Applicable Law

This Proposal shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein and shall be treated in all respects as an Ontario contract.

8.11 Severability

It is intended that all provisions of this Proposal shall be fully binding on and effective between all Persons named or referred to in this Proposal and in the event that any particular provision or provisions of this Proposal is or are found to be void, voidable or unenforceable for any reason whatsoever, then the remainder of this Proposal and all other provisions shall be void and of no force or effect.

8.12 Deeming Provisions

In this Proposal the deeming provisions are not rebuttable, are conclusive and irrevocable.

DATED at the City of Norwich, in the Province of Ontario, this 9th day of May, 2022.

AYANDA CANNABIS CORPORATION

By: 

Name: Michael Sioef
Title: Chief Executive Officer

I have authority to bind the corporation.

The filing of this Proposal is consented to by Richter Inc. (formerly, Richter Advisory Group Inc.), in its capacity as trustee *in re* the Proposal of the Debtor, and not in its personal capacity.

**RICHTER INC. (formerly, RICHTER
ADVISORY GROUP INC., in its capacity
as trustee *in re* the Proposal of Ayanda
Cannabis Corporation And not in its
personal capacity**

By: Adam Sherman
Name: Adam Sherman
Title: Senior Vice President



By: _____
Name: Adam Zeldin
Title: Vice President