

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF  
AYANDA CANNABIS CORPORATION  
OF THE TOWN OF NORWICH  
IN THE PROVINCE OF ONTARIO**

**REPORT OF THE PROPOSAL TRUSTEE ON THE  
FINANCIAL SITUATION OF THE DEBTOR AND THE PROPOSAL  
(Sections 50(5) and 50(10)(b) of the *Bankruptcy and Insolvency Act*)**

This report (the “**Proposal Report**”) provides an outline of the background and financial position of Ayanda Cannabis Corporation (“**Ayanda**” or the “**Company**”), including relevant information that should be of assistance to the Company’s creditors in considering their position with respect to the proposal being presented by the Company to its creditors.

Enclosed herewith are the following documents:

- Notice of Proposal to Creditors;
- Proposal under Part III Division I of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c.B-3, as amended (the “**BIA**”), lodged with Richter Inc. (formerly, Richter Advisory Group Inc.) (“**Richter**”), in its capacity as the proposal trustee of Ayanda (in such capacity, the “**Proposal Trustee**”) by the Company and filed with the Official Receiver on April 19, 2022 (the “**Proposal**”);
- The Company’s Statement of Affairs sworn April 19, 2022;
- A Proof of Claim form and general Proxy;
- A Voting Letter; and
- A Registration Form to attend the meeting of creditors to consider and vote on the Proposal.

In preparing this Proposal Report, the Proposal Trustee has relied upon unaudited financial information prepared by the Company’s representatives, its books and records, discussions with the Company’s representatives and its legal counsel. The Proposal Trustee has not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information.

Unless otherwise stated, monetary amounts contained herein are expressed in Canadian dollars. Capitalized terms not otherwise defined in the Proposal Report have the meanings attributed to such terms in the Proposal.

## Section A – Introduction and Background

The Company is a privately held licenced producer of cannabis. The Company was incorporated under the *Canada Business Corporations Act* in April 2016 as Ayanda Medical Marijuana Corporation. The Company changed its name to Ayanda Cannabis Corporation in November 2018. Mike Sioen (“**Sioen**”) is the Company’s Chief Executive Officer and largest shareholder.

The Company operates from leased premises in a 55,000 square foot single-story cultivation and processing facility (the “**Facility**”) located at 324-372 Burford-Delhi Townline Road, Norfolk County, Ontario. The Facility includes: (i) four cultivation rooms; (ii) five processing rooms; and (iii) secure storage. The Proposal Trustee understands that approximately 15,000 square feet of the Facility is used for cannabis cultivation, production, and processing. The remaining 40,000 square feet of the Facility is unused.

Health Canada has issued three licences to Ayanda: (i) a Standard Cultivation, Standard Processing, and Sale for Medical Purposes Licence; (ii) a Research Licence; and (iii) a Cannabis Licence (collectively, the “**Health Canada Licences**”).

Prior to its insolvency proceedings (as discussed below), Ayanda employed approximately four salaried and hourly individuals (the “**Employees**”). The Company did not provide a sponsored pension plan to the Employees and the Employees are not unionized.

The Company has two classes of common shares: Class A shares and Class B shares. The Proposal Trustee understands that the Class A common shares are voting shares issued to the Company’s founders: Sioen, Shanil (Shaun) Ramdhany (“**Ramdhany**”) and Susan Dagge (“**Dagge**”). The Proposal Trustee further understands that the Class B common shares, which are non-voting shares, were issued to various private investors through three “friends and family” equity financing rounds between March 2019 to May 2021.

## Events Leading to Ayanda’s Insolvency Proceedings

Ayanda has never earned revenue from the growth of cannabis. Ayanda has been solely dependent on funding from investors to finance the construction of the Facility and its ongoing operating costs, including establishing and maintaining the requisite infrastructure and operations to keep the Health Canada Licences in good standing.

The Proposal Trustee understands that several factors, including (i) competition in the cannabis industry, (ii) licencing delays, (iii) pandemic related set-backs and cost overruns, (iv) an inability to attract required capital to commercialize operations, and (v) a breakdown in the relationship among the co-founders of Ayanda (including threats of litigation), certain investors, and senior management, accelerated the deterioration of Ayanda’s financial position.

In the face of a looming liquidity crisis and having exhausted the option to seek additional investment from friends and family, in mid-2021, the Company commenced a process to seek alternative investment opportunities, and subsequently, soliciting interest in the acquisition of Ayanda. Following an extensive sale and investment solicitation process, the Company (with the approval of the Class A voting shareholders) entered into a transaction (the “**Transaction**”) for the sale of all of its issued and outstanding shares pursuant to a share purchase agreement dated February 2, 2022 (the “**SPA**”) between the Company, as vendor, and 12830353 Canada Inc., or its assignee (the “**Purchaser**”), as purchaser.

The Transaction, which requires certain approvals from Health Canada with respect to the Health Canada Licences, was initially proposed to be completed outside of a formal proceeding and structured such that the Class A shareholders would sell their Class A common shares to the Purchaser and engage the “drag-along” provisions in the Company’s shareholders agreement dated as of May 14, 2021 to effect the conveyance of all of the Class B common shares to the Purchaser, resulting in the Purchaser owning 100% of all issued and outstanding shares of Ayanda in exchange for the purchase price (the “**Original Transaction Structure**”).

Due to two contingent claims alleged by former shareholders of the Company, as discussed in greater detail below (the “**Alleged Contingent Claims**”), the Company viewed the potential for protracted litigation to defend the Alleged Contingent Claims created risks in respect of Ayanda’s ability to close the Transaction with the Purchaser on a timely basis under the Original Transaction Structure.

The Proposal Trustee understands that, upon the Purchaser becoming aware of the Alleged Contingent Claims, the Purchaser requested certain protections be provided by Ayanda to the Purchaser, such as: (i) a full indemnity from certain Class A shareholders, (ii) a material holdback of the purchase price, to be held in escrow as payment assurance pending the final determination of the Alleged Contingent Claims, and (iii) an additional holdback of the purchase price to fund the legal fees required to defend the Alleged Contingent Claims ((ii) and (iii) together, the “**Holdback**”). If provided, the Holdback would have tied up a significant portion of the purchase price for an indeterminate amount of time, thereby potentially causing significant delay in returning capital to Class B common shareholders. In addition, given the threats made in connection with the Alleged Contingent Claims, which included threats of litigation against Ayanda’s directors and officers (the “**Directors and Officers**”), the Directors and Officers were not inclined to pursue the Transaction under the Original Transaction Structure.

Given the circumstances, Ayanda considered it necessary and appropriate to commence insolvency proceedings to complete the Transaction and provide an efficient forum to address the Alleged Contingent Claims in the context of a court-supervised process. On February 4, 2022, (the “**Filing Date**”), Ayanda filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to section 50.4(1) of the BIA, and Richter was named as the Proposal Trustee under Ayanda’s NOI proceedings (the “**NOI Proceedings**”).

The primary objectives of the NOI Proceedings were to: (i) create a stabilized environment to allow the Company to complete the Transaction, and (ii) present a proposal to the Company’s creditors that intends to pay the Company’s creditors in full and make a distribution to certain of the Company’s Class B shareholders. The closing of the Transaction is conditional on, among other things, approval of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), Health Canada’s approval of the change in control in Ayanda arising from the Transaction, and the Health Canada Licences remaining in good standing immediately following closing.

On March 1, 2022, the Court issued an order, *inter alia*,

- (i) approving the Transaction, which provides for the incorporation of a new corporation (“**ResidualCo**”) to accept the transfer of the Excluded Assets and assume the Excluded Liabilities (each as defined in the SPA), and authorizes and directs the Company to take such steps as may be necessary or desirable to complete the Transaction; and
- (ii) certifying, upon the delivery of the Proposal Trustee’s certificate to the Purchaser (the “**Effective Time**”) that, among other things, all conditions to closing the Transaction have been satisfied or waived, the following will be deemed to have occurred concurrently:
  - a) the vesting of all of Ayanda’s right, title and interest in and to the Excluded Assets in ResidualCo;
  - b) the channeling, assuming and vesting in ResidualCo of the Excluded Liabilities (including the Excluded Contracts (as defined in the SPA);
  - c) the termination and cancellation of all issued and outstanding equity interests in the capital of Ayanda, other than the common shares of Ayanda and the New Common Shares (as defined herein);
  - d) the vesting of all of the right, title and interest in and to the New Common Shares in the Purchaser; and

- e) granting, at the Effective Time, a release in favour of: (i) Ayanda's current directors, officers, employees, and independent contractors that have provided legal or financial services to the Company, (ii) legal counsel and advisors of the Company, and (iii) the Proposal Trustee and its legal counsel.

On the same date, the Court issued a further order, *inter alia*,

- (i). authorizing the Company to obtain interim financing up to the maximum principal amount of \$400,000 (the "**DIP Facility**") pursuant to an interim facility term sheet dated February 16, 2022 between Ayanda and Cardinal Advisory Limited (the "**DIP Lender**");
- (ii). approving certain super-priority charges over all the Company's property, assets and undertakings; and
- (iii). extending the deadline by which Ayanda was required to file its proposal to April 20, 2022.

On April 19, 2022, the enclosed Proposal was filed with the Official Receiver.

### **Section B – Summary of the Proposal**

**The description of the Proposal in this Proposal Report is a summary only and is being provided solely for the purpose of assisting Creditors consider the Proposal terms. In the event there is any inconsistency between the summary in this Proposal Report and the Proposal, the terms of the Proposal shall govern. Reference should be made to the Proposal for its specific terms and Creditors are advised to read the Proposal in its entirety. All capitalized terms used in this Section B that are not otherwise defined herein are as defined in the Proposal.**

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

- (i) the Proposal is approved by a majority in number and two thirds in value of the Affected Creditors entitled to vote that are present, in person or by proxy, at the Creditors' Meeting;
- (ii) the Proposal is approved by the Court, in accordance with the provisions of the BIA, and the expiration of the appeal period in respect of the Proposal Approval Order; and
- (iii) the closing of the Transaction and the payment of the MSF Claim Amount by the Purchaser to Michael Sioen Farms pursuant to a direction from the Company to the Purchaser.

The date upon which the foregoing conditions are fulfilled or satisfied is hereinafter referred to as the "**Implementation Date**".

Subject to acceptance of the Proposal by the requisite majorities of the Affected Creditors and Court approval, the Proposal provides for a distribution of the Net Purchase Proceeds from the Transaction to Ordinary Unsecured Creditors with Proven Claims (less any levies payable to the Superintendent of Bankruptcy) with the expectation that Ordinary Unsecured Creditors with Proven Claims will derive a greater benefit from the distribution contemplated by the Proposal than they would otherwise receive from a bankruptcy of the Company.

As set out in the Proposal, the Proposal provides for the following:

- (i) A payment, by the Purchaser, of the Net Purchase Proceeds (the Transaction proceeds remaining after payment in full of the MSF Claim Amount), to the Proposal Trustee.

- (ii) Subject to the terms and conditions set forth in the 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 the Proposal.
- (iii) All goods supplied and services rendered to the Company after the Filing Date are to be paid, in full, by the Company in the ordinary course of business and on regular trade terms.
- (iv) Upon receipt of the Net Purchase Proceeds, the 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**").
- (v) On the Implementation Date, all Claims (other than Unaffected Claims) will be discharged, except for the obligations of ResidualCo to make distributions in accordance with Article 6 of the Proposal.
- (vi) For purposes of considering and voting on the Proposal, there will be one class of Affected Creditors – Ordinary Unsecured Creditors.
- (vii) In order to be eligible to vote at the Creditors' Meeting, each Affected Creditor shall file a Proof of Claim with the Proposal Trustee in accordance with the applicable provisions of the BIA and shall specify every Claim against Ayanda. Each Affected Creditor will be entitled to vote to the extent of the amount, which has been agreed to by the Proposal Trustee or by the chair of the Creditors' Meeting, for voting purposes at or prior to the Creditors' Meeting. Creditors with Secured Claims, Crown Claims or preferred claims, which are Unaffected Claims, shall not be entitled to vote these claims, as set out in more detail in the Proposal.
- (viii) 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 by the Proposal Trustee. Upon receipt of a completed Proof of Claim, the Proposal Trustee will examine the Proof of Claim and will deal with each filed Claim in accordance with the provisions of the BIA. The Proposal Trustee has the power and authority to determine the quantum, status, and validity of all Claims filed against the Company, including the validity of any security held by Persons claiming to be a Secured Creditor.
- (ix) Within seven (7) calendar days following the Implementation Date, the Proposal Trustee will give notice (the "**Final Dividend Notice**") pursuant to section 149 of the BIA by registered mail to every Person with a Claim (other than Unaffected Claims) of which the Proposal Trustee has notice or knowledge but who did not file a Claim that, if the Creditor does not file a Proof of Claim within thirty (30) days after the mailing of the Final Dividend Notice (the "**Claims Bar Date**"), the Proposal Trustee will proceed to declare a final distribution without regard to any Claim of such Person. In order to receive a distribution from the Net Purchase Proceeds, a Creditor must submit a Proof of Claim prior to the Claims Bar Date.

- (x) 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 in accordance with the BIA. An Affected Creditor with a Disputed Claim is not entitled to receive any distribution under the Proposal with respect to such Disputed Claim unless and until such Claim becomes a Proven Claim.
- (xi) The provisions of sections 95 to 101, inclusively, of the BIA and any other laws relating to preferences, fraudulent conveyances or transfers at undervalue shall not apply to the Proposal.
- (xii) Upon payment by the Proposal Trustee of the: (a) Crown Claims, (b) Preferred Claims, and (c) Proven Claims of the Ordinary Unsecured Creditors, and upon the Proposal Trustee issuing the Certificate of Full Performance, the Proposal Trustee will have discharged its duties as Proposal Trustee and will be entitled to apply for its discharge.
- (xiii) Following the distribution of the Net Purchase Proceeds as set out above, the Proposal Trustee will transfer the remaining Net Purchase Proceeds to the Company's legal counsel, Miller Thomson LLP, for the benefit of ResidualCo and distribution to Equity Claimants, as provided for in Section 6.4 of the Proposal.
- (xiv) Following the distribution of the Equity Fund, ResidualCo will be voluntarily dissolved pursuant to the provisions of the *Business Corporations Act* (Ontario).
- (xv) In the event that the Affected Creditors approve this Proposal but the Transaction does not close, the Proposal may be amended as follows:
  - (a) the Proposal Trustee will call a meeting (the "**Second Creditors' Meeting**") of Affected Creditors within 21 calendar days of receiving notice from the Company that the Transaction did not close;
  - (b) the Company will present an amended proposal (the "**Amended Proposal**") to the Affected Creditors no fewer than 10 calendar days prior to the Second Creditors' Meeting; and
  - (c) the Amended Proposal will be voted on by the Affected Creditors at the Second Creditors' Meeting and must be accepted by the Required Majorities.
- (xvi) The Proposal is offered in full and final satisfaction of the Claims against the Company (with the exception of the Unaffected Claims) and contemplates that, on the Implementation Date, all Claims (other than Unaffected Claims) shall be forever discharged, extinguished and released, save and except for the obligations of ResidualCo to make distributions in accordance with Article 6 of the Proposal. The distributions contemplated under the Proposal will be binding for all purposes upon each Affected Creditor, its heirs, executors, administrators, successors and assigns.
- (xvii) On the Implementation Date, each Affected Creditor will be deemed to have 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 the Proposal.
- (xviii) On the Implementation Date, each Affected Creditor will be deemed to have waived any default by the Debtor or ResidualCo, as applicable, in any provision, express or implied, in any agreement or other arrangement, whether 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. Each Affected Creditor will be deemed to have agreed that, to the extent that there is any conflict between the provisions of any such agreement or other arrangement and the provisions of the Proposal, the provisions of the Proposal take precedence and priority and the provisions of any such agreement or other arrangement are amended accordingly.

- (xix) On the Implementation Date, each Affected Creditor will be deemed to have 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, the Proposal or any of the matters therein.
- (xx) On the Implementation Date, the treatment of all Claims under the Proposal is 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 or in respect of all Affected Claims.

**Section C – Financial Position and Causes of Difficulties**

Summarized below are the Company's unaudited historical financial results for the fiscal years ended December 31, 2019 and 2020 and 2021.

<b>Ayanda Cannabis Corporation</b>			
<b>Historical P&amp;L</b>			
<b>For the Year Ended</b>			
<b>(in CAD; unaudited)</b>			
	<b>31-Dec-21</b>	<b>31-Dec-20</b>	<b>31-Dec-19</b>
<b>Sales</b>	-	-	-
<b>Expenses</b>			
Payroll Costs	154,467	104,704	736
Rent & Occupancy Costs	17,120	10,591	400
Selling, General & Administrative	305,222	151,299	24,807
Depreciation	234,436	173,747	-
Professional Fees	306,485	84,183	63,439
Bank Charges & Interest	23,896	27,006	3,318
Other Expense/(Income)	-	2,948	884
<b>Total Expenses</b>	<b>1,041,626</b>	<b>554,478</b>	<b>93,584</b>
<b>Net Income/(Loss)</b>	<b>(1,041,626)</b>	<b>(554,478)</b>	<b>(93,584)</b>

*Source: Unaudited financial statements provided by Ayanda*

As detailed above and as previously noted, Ayanda has never earned revenue and has been dependent on equity financing and shareholder loans to fund the operational expenses of the Company.

**Section D – Interim Receiver**

Not applicable.

## Section E – Identification and Evaluation of Assets

According to the Company’s Statement of Affairs, Ayanda’s assets consist of the following:

<b>Ayanda Cannabis Corporation</b>			
<b>Summary of Assets as at April 19, 2022</b>			
<b>(in CAD; unaudited)</b>			
<b>Asset Description</b>	<b>Book Value</b>	<b>Estimated Realizable Value per SOA</b>	
Cash	\$ 37,320	\$	37,320
Inventory	70,598		-
Machinery, equipment and plant, net	3,473,011		347,301
Prepays and deposits	133,278		89,000
HST receivable and other	140,377		140,377
<b>Total</b>	<b>\$ 3,854,585</b>	<b>\$</b>	<b>613,999</b>

### Cash

Includes the amounts held in the Company’s bank accounts as at April 19, 2022.

### Inventory

According to the Company’s books and records, the net book value of cannabis inventory, as of April 19, 2022, was approximately \$71,000. As Ayanda does not have a licence to sell cannabis products to retail consumers, the estimated realizable value of its cannabis inventory, as reported on its Statement of Affairs, is nil. The Proposal Trustee understands from discussions with management that third party distributors will not purchase such a small amount of inventory from the Company.

### Machinery, Equipment and Plant

According to the Company’s books and records, the net book value of the Company’s machinery, equipment and plant assets, as at April 19, 2022, was approximately \$3.5 million, primarily comprised of (i) capitalized costs incurred to construct the Facility, (ii) building infrastructure materials and equipment (greenhouse structure, HVAC, light fixtures, electrical equipment etc.), (iii) cultivation, processing and other equipment used in Ayanda’s cannabis production process, and (iv) office and computer equipment.

The values attributed to the Company’s machinery, equipment and plant assets in the Company’s Statement of Affairs were determined in consultation with an experienced liquidator and considered that recoveries can only be generated from materials and equipment that can be dismantled and/or removed from the Facility, which, for clarity, does not include capitalized construction costs related to design, engineering, legal services, excavation and concrete flooring, among others (such costs are expected to be unrecoverable). Only nominal value can be assigned to the Facility because the Company does not own the land that the Facility is located on and any prospective purchaser would be required to reach terms with the owner of the land.

### Prepaid Expenses and Deposits

According to the Company’s books and records, the net book value of the Company’s prepaid expenses and deposits, as at April 19, 2022, was approximately \$133,000.



The balance of the prepaid expenses and deposits includes: (i) approximately \$43,000 related to a refundable building deposit, (ii) approximately \$46,000 related to a refundable deposit in connection with an *Excise Tax Act* licence, (iii) approximately \$40,000 related to a retainer paid to the Proposal Trustee and its counsel, and (iii) approximately \$4,000 of other sundry prepaid expenses and deposits.

The Company has advised the Proposal Trustee that the estimated realizable value attributed to prepaid expenses and deposits in its Statement of Affairs reflects the Company's understanding that only certain of these amounts may be recoverable.

### HST Receivable and Other

According to the Company's books and records, the net book value of the Company's HST receivable and other assets, as at April 19, 2022, was approximately \$140,000, of which, approximately \$69,000 relates to HST and approximately \$71,000 relates to a receivable owing from the Purchaser for a reimbursement of operating costs. Pursuant to a Service Agreement dated March 1, 2022 between the Company and the Purchaser, among other things, the Purchaser agreed to reimburse the operating costs of Ayanda while the parties work to close the Transaction.

The Company advised the Proposal Trustee that the value attributed to HST receivable and other in the Company's Statement of Affairs reflects the Company's assessment that the full book balance is recoverable.

### Section F – Conduct of the Debtor

As part of its statutory duties under the BIA, the Proposal Trustee has performed a preliminary review of the Company's financial records, including bank statements for the 12-month period immediately preceding the Filing Date (the "**Review Period**") in order to identify: (i) any disbursements greater than \$25,000 that may be considered preferences pursuant to the BIA, and (ii) any transactions that may be considered transfers at undervalue pursuant to the BIA. In addition, the Proposal Trustee made inquiries with certain members of Ayanda's management, including individuals with knowledge of the Company's day-to-day financial transactions, to discuss the potential existence of any such transactions.

Based on its review of the Company's financial records and discussions with Ayanda's management, the Proposal Trustee has not identified any transactions in the Review Period that appear to be at undervalue or that would be otherwise reviewable in accordance with sections 95 to 101 of the BIA.

The Proposal Trustee may continue its review and will provide an update, if necessary, on its review of the Company's financial records at the Creditors' Meeting.

### Section G – Creditor Claims

The table below summarizes Ayanda's creditors, as reported on its Statement of Affairs:

Ayanda Cannabis Corporation (in CAD; unaudited)	
Creditor Classification	Estimated Claim per SOA
Secured	\$ 1,016,174
Preferred	2,000
Unsecured	16,455
Contingent	-
<b>Total</b>	<b>\$ 1,034,629</b>

## Secured Creditors

Based on the Company's books and records, the Company's only secured creditor is Michael Sioen Farm Ltd. ("**MSFL**"). Sioen is the sole owner of MSFL. Pursuant to a certified search of the *Personal Property Security Registration System* (Ontario) for Ayanda as of April 28, 2022, MSFL is the only secured creditor with a registration under the *Personal Property Security Act* (Ontario) of Ayanda.

As part of its review, the Proposal Trustee, with assistance from its counsel, received and reviewed the underlying loan and security documents from Ayanda evidencing the secured loan. Based on this review, the Proposal Trustee is satisfied that the loan and security documents are valid, and the Company received the cash amounts referred to in the loan agreements.

As the MSF Claim Amount is being paid by the Purchaser to MSFL pursuant to a direction from the Company to the Purchaser and the Proposal Trustee is not making the distribution, the Proposal Trustee did not solicit a security opinion from its counsel.

## Priority Creditors

As at the date of this Proposal Report and based on its review of the Company's financial records, the Proposal Trustee is not aware of any potential Priority Creditors.

## Preferred Creditors

According to the Company's Statement of Affairs, approximately \$2,000 is owed to Preferred Creditors in respect of outstanding wages earned within six months of the Filing Date.

Based on its review of certain of the Company's financial records, the Proposal Trustee is not aware of any other potential Preferred Claims.

## Unsecured Creditors

According to the Company's Statement of Affairs, unsecured creditors of Ayanda are owed approximately \$16,000.

## Contingent Creditors

The potential Alleged Contingent Claims are summarized as follows:

- (i) in late January 2022, Ayanda received correspondence from litigation counsel for Douglas James Cook ("**Cook**"), Ayanda's former Chief Medical Officer, claiming significant damages against the Company and advising that Cook would commence an action against Ayanda and others based on allegations of unjust enrichment and oppression in the amount of \$400,000. As of today's date, the Proposal Trustee is not aware that such an action was commenced by Cook; and
- (ii) on January 17, 2022, Ayanda was contacted by litigation counsel for Ramdhany, claiming that Ramdhany is owed approximately \$1.1 million by Ayanda, including \$183,618 on account of a purported share option exercise and a further \$965,000 for alleged services provided to the Company.

The Proposal Trustee notes that Ayanda denies the validity of the potential Alleged Contingent Claims. As of the date of this Proposal Report, the Proposal Trustee has not received any further information/documentation from Cook or Ramdhany in support of the potential Alleged Contingent Claims. If Proofs of Claim are received by the Proposal Trustee, the Proposal Trustee will review such potential Alleged Contingent Claims in accordance with the provisions of the BIA.

## **Section H – Previous Dealings with the Company**

The undersigned Proposal Trustee confirms that neither he nor the firm with which he is related has provided previous services to the Company in any capacity other than consulting with the Company in connection with a previous shareholder dispute. The Proposal Trustee further confirms that he does not have any knowledge of any conflict of interest situation arising from the acceptance of this appointment as Proposal Trustee under the Proposal.

## **Section I – Informal Meetings with Major Creditors**

Given the nature and number of Ayanda's known creditors, which comprises MSFL and one former employee, coupled with the Company's expectation that all Affected Claims are to be paid in full, the Proposal Trustee understands that no such meetings have taken place.

## **Section J – Remuneration of Proposal Trustee**

Payment of the fees and expenses of the Proposal Trustee, including the legal fees and disbursements of the Proposal Trustee, are provided for in the Proposal.

## **Section K - Cash Flow Statement**

In accordance with the BIA, the Proposal Trustee reviewed the cash flow statement and assumptions for the period April 17, 2022 to July 2, 2022 that were prepared by management of the Company (the "**Cash Flow Statement**") and that were filed with the Official Receiver. In reviewing the Cash Flow Statement, nothing has come to the Proposal Trustee's attention that would lead the Proposal Trustee to believe that the hypothetical and probable assumptions used by Ayanda in the preparation of the Cash Flow Statement are inconsistent with the purpose of the Cash Flow Statement.

## **Section L – Statement of Estimated Realizations**

### **Proposal Accepted**

Should the Proposal be approved by both the Creditors and the Court and implemented, it is anticipated that the Claims of Affected Creditors will be paid in full and the balance of the Net Purchase Proceeds will be made available to Ayanda's Class B Equity Claimants on a *pro rata* basis.

### **Proposal Not Accepted**

If the Proposal is not accepted, Ayanda would become bankrupt and its assets would vest with the trustee in bankruptcy, subject to the rights of the Company's secured creditors.

In such a scenario, the Transaction would not be completed, and it appears unlikely that there would be any funds from the liquidation of the Company's assets to support a distribution to the Company's Unsecured Creditors. As reported by the Company on its Statement of Affairs, absent the closing of the Transaction, the estimated realizations from the Company's assets would be insufficient to satisfy the secured claim of to MSFL. The Proposal Trustee prepared its own analysis of the estimated realizable values of Ayanda's assets. Based on that analysis, the Proposal Trustee is of the view that the recoverable values attributed to the Company's assets on its Statement of Affairs appear reasonable.

## **Section M – Recommendations**

Based on the analysis set out in this report, the Proposal Trustee is of the view that the Proposal is preferable to a bankruptcy, as it contemplates a full recovery to the Company's Affected Creditors and a significant distribution to Ayanda's Class B shareholders, both of which are estimated to receive no recoveries in a bankruptcy scenario.

Accordingly, based on all of the above, the Proposal Trustee strongly recommends the acceptance of the Proposal by Ayanda's Creditors.

**Section N – Meeting of Creditors**

In completing the Proof of Claim form enclosed herewith, Creditors should only include all amounts outstanding as at the Filing Date.

**It is expressly noted and should be clearly understood that Richter, acting solely in its capacity as Proposal Trustee, assumes no responsibility for any Claims against the Company before, on, or after the Filing Date.**

The Creditors' Meeting to consider and vote on the Proposal shall take place at 1:00 p.m. (Toronto time) on **May 9, 2022**. Due to COVID-19, the Creditors' Meeting shall be held both via online and teleconference. Creditors who wish to attend the Creditors' Meeting are required to complete a registration form and return it by email to the Proposal Trustee at the following email address: [claims@richter.ca](mailto:claims@richter.ca), no later than **5:00 PM (Toronto time) on May 8, 2022**.

The only Persons entitled to attend and speak at the Creditors' Meeting are representatives of the Company and its legal counsel and advisors, the Proposal Trustee and its legal counsel, the Official Receiver, and all other Persons entitled to vote at the Creditors' Meeting and their respective legal counsel and advisors. Any other Person may be admitted to the Creditors' Meeting on invitation of the Proposal Trustee and / or the chair of the Creditors' Meeting.

**Please note that in order for your vote to count in connection with the Proposal, it is necessary that you complete and submit the enclosed documents prior to the meeting.**

Creditors who do not wish to attend or be represented at the meeting but who wish to vote, may forward their Proofs of Claim and voting letters to the Proposal Trustee so as to be received prior to the Creditors' Meeting.

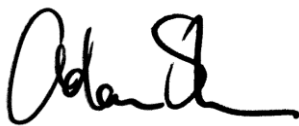
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Should you have any questions in connection with the Proposal or this report, please contact Mr. Adam Zeldin at (416) 646-7390 or via email at [azeldin@richter.ca](mailto:azeldin@richter.ca).

Dated at Toronto, Ontario, this 29<sup>th</sup> day of April, 2022

**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**

Per:



Adam Sherman, MBA, CIRP, LIT  
Senior Vice President