

FORCE FILED



District of British Columbia
Court No.: VER-S-B-240540
Estate No.: 11-3145114
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CANNGROUP DEVELOPMENT CORP.

NOTICE OF APPLICATION

Name of applicant: CannGroup Development Corp. (“CannGroup” or the “Applicant”)

To: The Service List, a copy of which is attached hereto as Schedule “A”

TAKE NOTICE that an application will be made by the applicant to the presiding judge in person at 800 Smithe Street, Vancouver BC on January 7, 2025 at 9:45 a.m. for the orders set out in Part 1 below.

The applicant estimates that the application will take one hour.

- This matter is within the jurisdiction of an associate judge
- This matter is not within the jurisdiction of an associate judge.

Part 1 ORDERS SOUGHT

1. An order substantially in the form attached hereto as Schedule “B”, among other things:
 - (a) extending the time for filing a proposal pursuant to subsection 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, (the “BIA”) by 45 days, from January 7, 2025 to February 21, 2025 (the “Extension”); and
 - (b) approving a credit facility (the “Interim Lending Facility”) by 5352 Investments Ltd. (the “Interim Lender”) to CannGroup, substantially in accordance with the terms of the term sheet (the “Interim Financing Term Sheet”) attached as Appendix “D” to the Second Report of the Proposal Trustee (the “Second Report”) dated January 3, 2025, and granting a priority charge in favour of the Interim Lender for all amounts owing under the Interim Financing Term Sheet (the

“**Interim Financing Charge**”) over the assets of CannGroup (the “**Interim Financing Order**”).

2. The Applicant may also seek such further and other relief as counsel may advise and this Honourable Court may allow.

Part 2 FACTUAL BASIS

A. OVERVIEW

1. On October 24, 2024, CannGroup initiated proceedings (the “**NOI Proceedings**”) under the BIA by filing a Notice of Intention to Make a Proposal pursuant to subsection 50.4(1) of the BIA, and appointing Crowe MacKay & Company Ltd. as proposal trustee (in such capacity, the “**Proposal Trustee**”).
2. The Applicant filed these NOI Proceedings to, among other things, sell its primary asset for the benefit of its creditors. Due to unforeseen delays, this transaction has not closed, and the Applicant now seeks an extension of the time to file a proposal to allow it more time to return to court to approve, and then conclude, the sale of lands. The Applicant also seeks the Interim Financing to provide it with sufficient liquidity to continue its business operations during these NOI Proceedings while completing such transaction, for the benefit of CannGroup and its stakeholders.

B. BACKGROUND

3. A detailed summary of CannGroup’s assets, liabilities and pre-filing sales process are set out in the Affidavit #1 of Marlin Tobias sworn November 13, 2024 (the “**Tobias Affidavit**”), and the First Report of the Proposal Trustee, made November 14, 2024.
4. The Applicant is a British Columbia company previously in the business of cannabis production and distribution, which specialized in premium cannabis products. Its primary asset is a warehouse and production facility located at 56 Hadow Road, Enderby, British Columbia (the “**Lands**”).

5. For the past several years, the company operated at a loss as a result of, among other things, significant market price reductions for cannabis products, difficulty accessing investment capital, substantial regulatory compliance burdens and fees, increased market competition from the legalization of recreational cannabis, and significant excise tax burdens.
6. CannGroup sought to resolve its financial difficulties by selling its business or assets. However, efforts to find equity partners or buyers from 2021 to 2024 were unsuccessful, with multiple potential deals falling through. As explained in detail in the Tobias Affidavit, during this time, CannGroup:
 - (a) engaged with over 20 targeted companies and individuals with a view to sell the Lands or all or part of CannGroup as a going concern business;
 - (b) launched an extensive email campaign that reached over 10,000 contacts; and
 - (c) in July 2024, engaged a third-party agent (the “**Realtor**”) to market the Lands, which promoted the solicitation of offers and interest from the broader market over the course of four months.
7. Despite its efforts to secure third-party investments or sell its operations, CannGroup ceased carrying on business around October 18, 2024, and sold its remaining inventory, retaining only the Lands and some accounts receivable. CannGroup has had no employees since April 22, 2024.
8. As a result of these severe and unresolvable liquidity issues, CannGroup initiated the NOI Proceedings to facilitate the sale of the Lands, in order to repay some secured creditors.
9. By November 5, 2024, CannGroup had agreed to sell the lands for a purchase price of \$3,700,000 pursuant to a contract of purchase and sale (the “**Sale Agreement**”) between CannGroup and Brandt Rock Investments Corporation (the “**Proposed Purchaser**”), who was the only party to submit a formal offer to purchase the Lands.
10. On November 18, 2024, CannGroup applied for and obtained:

an order, among other things, approving a charge on the assets, property and undertakings of CannGroup in the maximum aggregate amount of \$150,000 to secure the fees and disbursements of the Proposal Trustee, its counsel, and counsel

to CannGroup, and granting an extension of the period for filing a proposal until 11:59 p.m. on January 7, 2025 (the “**Stay Period**”); and

an order (the “**Sale Approval Order**”) approving the Sale Agreement.

11. The Proposed Purchaser failed to pay a deposit of \$50,000 to the Proposed Purchaser’s solicitor on or before November 27, 2024, as required by the Sale Agreement and the Sale Approval Order. As such, the transaction contemplated by the Sale Agreement did not close.
12. The Proposed Purchaser has advised that the funds for the deposit and the purchase price for the Lands are forthcoming, but have been delayed as a result of the processing time involved with transferring such funds from an international bank to a domestic bank.
13. CannGroup is actively working with the Proposed Purchaser to enter into a new sale agreement for the sale of the Lands once the Proposed Purchaser’s funds have cleared in an account in a domestic bank, which is expected to occur within the next two weeks.
14. The sale of the Lands to the Proposed Purchaser is in the best interests of CannGroup and its stakeholders as the Sale Agreement was the best and only offer received for the Lands to date. The Lands have continued to be marketed, but no other offers have been presented.

C. EXTENSION OF THE STAY OF PROCEEDINGS

15. CannGroup seeks an extension of the Stay Period by an additional 45 days to February 21, 2025 to allow CannGroup to, among other things, enter into and obtain approval of an amended contract of purchase and sale with the Proposed Purchaser, complete the transaction contemplated thereby (the “**Transaction**”), and seek court approval of a distribution plan with respect to the net proceeds arising from the Transaction.
16. The cash flow forecast, a copy of which is attached to the Second Report as Appendix “C”, reflects that CannGroup will have sufficient liquidity to meet its obligations, including its restructuring costs throughout the Extension, provided that the Interim Financing Term Sheet, as defined and described in greater detail below, is approved.

17. The Applicant has acted in good faith and with due diligence both prior to the commencement of, and during these proceedings. The Proposal Trustee and the Applicant are of the view that no creditor would be materially prejudiced if the Extension is granted.
18. The Proposal Trustee supports the Applicant's application for the Extension.

D. INTERIM FINANCING

19. CannGroup entered into the Interim Financing Term Sheet to provide stability and fund its operations and restructuring efforts while it seeks to complete the Transaction. The Interim Lending Facility is expected to provide CannGroup with sufficient liquidity to continue its business operations through to at least February 21, 2025.
20. A summary of the principal terms of the Interim Financing Term Sheet are as follows:

Term	Description
Interim Lending Facility	A single-draw non-revolving loan in the principal amount of \$100,000
Maturity date	The Interim Lending Facility shall be paid in full in cash on the date which is the earliest of: (a) July 10, 2025 (or such later date as the Interim Lender in its sole discretion may agree to in writing with CannGroup); (b) the implementation of a proposal within the NOI Proceedings which has been approved by the requisite majorities of the CannGroup's creditors and by an order entered by the Court; (c) the NOI Proceedings are terminated for any reason; (d) the date upon which a transaction for the sale of substantially all of the business and/or assets of CannGroup is completed; or (e) the occurrence of an event of default,

	provided that the Interim Lending Facility may not be paid out prior to April 15, 2025 unless interest through to such date is included in such payout.
Advance Conditions	(a) The Court grants the Interim Financing Order by January 7, 2024; (b) the Interim Financing Charge has priority over all liens granted by CannGroup, except for the permitted under the agreement. (c) the Interim Financing Order is in full force and effect; (d) the representations and warranties are true and correct; and (e) no events of default have occurred.
Interest rate	12% per annum, compounded and calculated monthly, which shall accrue and be added to the principal amount of the Interim Lending Facility on the first day of each month.

21. The Proposal Trustee has reviewed the Interim Financing Term Sheet and its terms and conditions and is satisfied that it is reasonable in the circumstances
22. The Proposal Trustee supports the approval of the Interim Financing Term Sheet and the granting of the Interim Financing Charge.

Part 3 LEGAL BASIS

1. The Applicant pleads and relies on:
 - (a) the BIA, Part III Division I;
 - (b) *Bankruptcy and Insolvency Rules*, C.R.C., c. 368, Rules 11 – 13;
 - (c) *Supreme Court Civil Rules*, B.C. Reg. 168/2009, as amended;
 - (d) the inherent jurisdiction of this Honourable Court; and
 - (e) such further and other legal basis as counsel may advise and this Honourable Court may allow.

Interim Financing

2. The Applicant seeks approval of the Interim Financing Term Sheet and the granting of the Interim Financing Charge.

3. Section 50.6(1) of the BIA provides:

On application by a debtor in respect of whom a notice of intention was filed under section 50.4 or a proposal was filed under subsection 62(1) and on notice to the secured creditors who are likely to be affected by the security or charge, a court may make an order declaring that all or part of the debtor's property is subject to a security or charge — in an amount that the court considers appropriate — in favour of a person specified in the order who agrees to lend to the debtor an amount approved by the court as being required by the debtor, having regard to the debtor's cash-flow statement referred to in paragraph 50(6)(a) or 50.4(2)(a), as the case may be. The security or charge may not secure an obligation that exists before the order is made.

BIA s. 50.6(1)

4. The Court may order that the security or charge rank in priority over the claim of any secured creditor of the debtor.

BIA s. 50.6(3)

5. In deciding whether to make an order, the Court is to consider, among other things, the following factors under BIA s. 50.6(5):

- (a) the period during which the debtor is expected to be subject to proceedings under this Act;
- (b) how the debtor's business and financial affairs are to be managed during the proceedings;
- (c) whether the debtor's management has the confidence of its major creditors;
- (d) whether the loan would enhance the prospects of a viable proposal being made in respect of the debtor;
- (e) the nature and value of the debtor's property;
- (f) whether any creditor would be materially prejudiced as a result of the security or charge; and

- (g) the trustee's report referred to in paragraph 50(6)(b) or 50.4(2)(b), as the case may be.

BIA s. 50.6(5)

- 6. CannGroup is in a liquidity crisis and, absent further funding, does not have sufficient liquidity to fund its operations while it negotiates and completes a transaction to sell the Lands, for the benefit of CannGroup and its stakeholders. The Interim Lending Facility is expected to provide CannGroup with sufficient liquidity to continue its business operations through to at least February 21, 2025.
- 7. The Interim Lender has agreed to provide the Interim Lending Facility to CannGroup pursuant to the terms of the Interim Financing Term Sheet.
- 8. No creditor will be materially prejudiced as a result of the Interim Financing Term Sheet. The Proposal Trustee supports the Interim Financing Term Sheet.

Extension of Time

- 9. The Applicant seeks the Extension to file a proposal in these proceedings to February 21, 2025.
- 10. Subsection 50.4(9) of the BIA provides that this court may grant an insolvent person an extension of time to file a proposal for a period not exceeding 45 days if satisfied that:
 - (a) the insolvent person has acted, and is acting, in good faith and with due diligence;
 - (b) the insolvent person would likely be able to make a viable proposal if the extension applied for were granted; and
 - (c) no creditor would be materially prejudiced if the extension applied for were granted.
- 11. The Applicant has acted in good faith and with due diligence both prior to the commencement of, and during these proceedings. It is working with the Proposal Trustee to finalize an agreement for the sale of the Lands and close the Transaction with a view of making distributions to creditors in a timely fashion.

12. The Proposal Trustee and the Applicant are of the view that no creditor would be materially prejudiced if the extension is granted.

Part 4 MATERIAL TO BE RELIED ON

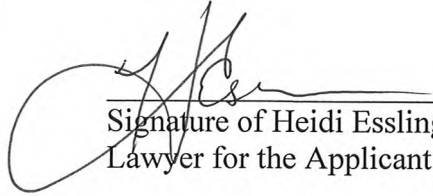
1. Affidavit #1 of Marlin Tobias, sworn November 13, 2024.
2. The First Report of the Proposal Trustee, made November 14, 2024.
3. Affidavit #1 Nicole Chetwynd (to be filed).
4. The Second Report of the Proposal Trustee, made January 3, 2025.
5. Such further and other materials as counsel may advise and this Honourable Court may allow.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this Notice of Application, you must, within 5 business days after service of this Notice of Application or, if this application is brought under Rule 9-7, within 8 business days after service of this Notice of Application,

- (a) file an Application Response in Form 33,
- (b) file the original of every affidavit, and of every other document, that
 - (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
 - (i) a copy of the filed Application Response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;

- (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Dated: 03-Jan-2025



 Signature of Heidi Esslinger
 Lawyer for the Applicant

To be completed by the court only:

Order made

in the terms requested in paragraphs of Part 1 of this Notice of Application

with the following variations and additional terms:

Date: _____

.....
 Signature of Judge Associate
 Judge

The Solicitors for the applicant are Fasken Martineau DuMoulin LLP, whose office address and address for delivery is 550 Burrard Street, Suite 2900, Vancouver, BC V6C 0A3 Telephone: +1 604 631 3131 Facsimile: +1 604 631 3232 E-mail: kjackson@fasken.com (Reference: KXJ/339917.00001)

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- other matters concerning document discovery
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts
- none of the above

SCHEDULE "A"

SERVICE LIST

District of British Columbia
Court No.: VER-S-B-240540
Estate No.: 11-3145114
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CANNGROUP DEVELOPMENT CORP.

SERVICE LIST

As at December 23, 2024

<p>Fasken Martineau DuMoulin LLP</p> <p>Address: Fasken Martineau DuMoulin LLP 2900 – 550 Burrard Street Vancouver, BC V6C 0A3</p> <p>Attention: Kibben Jackson Heidi Esslinger Suzanne Volkow</p> <p>Email: kjackson@fasken.com hesslinger@fasken.com svolkow@fasken.com jbeaulieu@fasken.com richeung@fasken.com</p> <p><i>Counsel for Canngroup Development Corp.</i></p>	<p>Canngroup Development Corp.</p> <p>Attention: Marlin Kirby Tobias Nicole Chetwynd Carleen Mary Roth</p> <p>Email: marlin@canngroupcorp.com nicole@canngroupcorp.com carleen@canngroupcorp.com</p> <p><i>Canngroup Development Corp.</i></p>
<p>Crowe Mackay & Company Ltd.</p> <p>Attention: Derek Lai Tetsu Takagaki</p> <p>Email: derek.lai@crowemackay.ca tetsu.takagaki@crowemackay.ca</p> <p><i>the Proposal Trustee</i></p>	<p>McCarthy Tetrault</p> <p>Address: 745 Thurlow Street Suite 2400, Vancouver BC V6E 0C5</p> <p>Attention: Lance Williams Ashley Bowron Sue Danielisz</p> <p>Email: lwilliams@mccarthy.ca abowron@mccarthy.ca sdanielisz@mccarthy.ca</p> <p><i>Counsel for the Proposal Trustee</i></p>

<p>Cox Taylor Lawyers Address: Cox Taylor Lawyers 3rd Floor, 26 Bastion Square Victoria, BC V8W 1H9</p> <p>Attention: Rajiv Ghandi</p> <p>Email: gandhi@coxtaylor.ca</p> <p><i>Counsel for the Builders Capital Mortgage Corp.</i></p>	<p>Boughton Law Address: Boughton Law Suite 700 – 595 Burrard Street P.O. Box 49290 Vancouver, BC V7X 1S8</p> <p>Attention: Martin Sennott Sherri Evans Lauren Morris</p> <p>Email: msennott@boughtonlaw.com sevans@boughtonlaw.com lmorris@boughtonlaw.com</p> <p><i>Counsel for Collin Roth</i></p>
<p>Deputy Attorney General Ministry of Attorney General PO Box 9290 Stn Prov Govt Victoria BC V8W 9J7</p> <p>Ministry of Finance, RMO, Collections Section PO BOX 9445 STN Prov Govt Victoria BC V8W 9V5</p> <p>Attention: Aaron Welch Email: Aaron.Welch@gov.bc.ca ; AGLSBRevTaxInsolvency@gov.bc.ca</p> <p><i>Counsel for The Crown in Right of British Columbia</i></p>	<p>British Columbia Regional Office Department of Justice Canada 900 - 840 Howe Street Vancouver, British Columbia V6Z 2S9</p> <p>Attention: Aminollah Sabzevari</p> <p>Email: aminollah.sabzevari@justice.gc.ca Rochelle.leung@justice.gc.ca Khanh.gonzalez@justice.gc.ca</p> <p><i>Counsel for The Crown in Right of Canada</i></p>
<p>Cassels Brock & Blackwell LLP</p> <p>Address: Suite 2200, RBC Place 885 West Georgia Street Vancouver, BC V6C 3E8</p> <p>Attention: Vicki Tickle</p> <p>Email: vtickle@cassels.com</p> <p><i>Counsel for Marlin Tobias and Carleen Roth</i></p>	<p>Ellis Business Lawyers</p> <p>Address: 400 – 1681 Chestnut Street Vancouver, BC V6J 4M6</p> <p>Attention: Meldon Ellis</p> <p>Email: meldon@ellislawyers.com valerie@ellislawyers.com</p> <p><i>Counsel for Allan Chabon</i></p>
<p>Pushor Mitchell LLP</p> <p>Address: 301 – 1665 Ellis Street Kelowna, BC V1Y 2B3</p> <p>Attention: Eric C.H. Ledding</p> <p>Email: ledding@pushormitchell.com nolan@pushormitchell.com service@pushormitchell.com</p> <p><i>Counsel for TruGro Limited (Thomas Groves)</i></p>	

E-Service List

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SCHEDULE "B"

DRAFT ORDER

District of British Columbia
Court No.: VER-S-B-240540
Estate No.: 11-3145114
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CANNGROUP DEVELOPMENT CORP.

ORDER MADE AFTER APPLICATION

BEFORE) THE HONOURABLE JUSTICE) 7/JAN/2025
)
)
)
)
)

ON THE APPLICATION OF CannGroup Development Corp. (the “**Applicant**” or “**CannGroup**”) coming on for hearing at Vancouver, British Columbia on the 7th day of January, 2025, AND ON HEARING Kibben Jackson and Heidi Esslinger, counsel for the Applicant, and those other counsel listed on Schedule “A” hereto, and no one else appearing although duly served; AND UPON READING the material filed, including the Affidavit #1 of Nicole Chetwynd made January [●], 2025 and the Second Report of Crowe MacKay & Company Ltd. (the “**Proposal Trustee**”), in its capacity as proposal trustee of the Applicant, dated January 3, 2025 (the “**Second Report**”).

THIS COURT ORDERS AND DECLARES that:

1. The time for service of the Notice of Application for this order and the supporting materials is hereby abridged and this application is returnable today and the need for any further service thereof is hereby dispensed with.

Extension of time to file a Proposal

2. The time for filing the Applicant's proposal under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"), be and is hereby extended to 11:59 p.m. on February 21, 2025.

Interim Financing

3. CannGroup is hereby authorized and empowered to obtain and borrow under a credit facility (the "**Interim Lending Facility**") from 5352 Investments Ltd. (the "**Interim Lender**") in order to fund working capital and general corporate needs of CannGroup, including professional costs, provided that borrowings under such credit facility shall not exceed \$100,000, unless permitted by further Order of this Court.
4. The Interim Lending Facility shall be on the terms and subject to the conditions set forth in the Interim Lending Facility Term Sheet made as between CannGroup and the Interim Lender dated as of January 3, 2025 (the "**Interim Financing Term Sheet**"), a copy of which is attached as Appendix "D" to the Second Report.
5. CannGroup is hereby authorized and directed to pay and perform all indebtedness, interest, fees, liabilities and obligations to the Interim Lender under and pursuant to the Interim Financing Term Sheet as and when the same become due and are to be performed, notwithstanding any other provision of this Order.
6. The Interim Lender shall be entitled to the benefit of and is hereby granted a charge (the "**Interim Lender's Charge**") on the on the assets, property and undertakings of the Applicant (the "**Property**"). The Interim Lender's Charge shall not secure an obligation that exists before this Order is made. The Interim Lender's Charge shall have the priority set out in paragraph 9 hereof.
7. Notwithstanding any other provision of this Order:
 - (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender's Charge, if any;
 - (b) upon the occurrence of an event of default under the Interim Financing Term Sheet, the Interim Lender, upon 5 days notice to the CannGroup and the Proposal Trustee,

may exercise any and all of its rights and remedies against CannGroup or the Property under or pursuant to the Interim Financing Term Sheet and the Interim Lender's Charge, including without limitation, to cease making advances to CannGroup and set off and/or consolidate any amounts owing by the Interim Lender to the CannGroup against the obligations of CannGroup to the Interim Lender under the Interim Financing Term Sheet or the Interim Lender's 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 Applicant and for the appointment of a trustee in bankruptcy of the Applicant; and

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

8. The Interim Lender, in such capacity, shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or any proposal filed by the Applicant under the BIA with respect to any advances made under the Interim Financing Term Sheet.

Validity and Priority of the Interim Lender's Charge

9. The Interim Lender's Charge shall constitute a mortgage, security interest, assignment by way of security and charge on the Property and such Interim Lender's Charge shall rank in priority to all other security interests, trusts, liens, mortgages, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any person, save and except the Administration Charge (as defined in the Second Report) granted in these proceedings.

10. Any security documentation evidencing, or the filing, registration or perfection of the Interim Lender's Charge shall not be required, and that the Interim Lender's Charge shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered or perfected subsequent to the Interim Lender's Charge coming into existence, notwithstanding any failure to file, register or perfect the Interim Lender's Charge.

11. Except as otherwise expressly provided herein, or as may be approved by this Court, the Applicant shall not grant or suffer to exist any Encumbrances over any Property that rank in priority to, or *pari passu* with the Interim Lender's Charge, unless the Applicant obtains the prior written consent of the Proposal Trustee and the Interim Lender.

12. The Interim Financing Term Sheet and the Interim Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the Interim Lender entitled to the benefit of the Interim Lender's Charge and the Interim Lender shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the 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, mortgage, security agreement, debenture, 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) the creation of the Interim Lender's Charge shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which it is a party;
 - (b) the Interim Lender shall not have any liability to any person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicant entering into the Interim Financing Term Sheet or the creation of the Interim Lender's Charge; and
 - (c) the payments made by the Applicant pursuant to this Order or the Interim Financing Term Sheet, and the granting of the Interim Lender's Charge, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

13. THIS COURT ORDERS that the Interim Lender's Charge created by this Order over leases of real property in Canada shall only be a charge in CannGroup's interest in such real property leases.

Miscellaneous

14. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada to give effect to this order and to assist the Applicant and 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 Applicant and to the Proposal Trustee, as an officer of this court, as may be necessary or desirable to give effect to this order, to assist the Applicant and the Proposal Trustee and their respective agents in carrying out the terms of this order.
15. The Applicant, the Proposal Trustee or any other party affected by this Order have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order.
16. Endorsement of this Order by counsel appearing on this application other than counsel for the Applicant is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Kibben Jackson
Lawyer for the Applicant

BY THE COURT

REGISTRAR

Schedule A – List of Counsel

Counsel	Party

Division No.: 04- Vernon
Court No.: VER-S-B-58732
Estate No.: 11-3145114
Vernon Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF CANNING
DEVELOPMENT CORP.

**ORDER MADE AFTER APPLICATION
(ADMINISTRATION CHARGE ET. AL.)**

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