

Province: British Columbia  
Division No. 03 - Vancouver  
Court No. VLC-S-B-240540  
Estate No. 11-3145114



**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.**

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**CROWE MACKAY & COMPANY LTD., PROPOSAL TRUSTEE  
MATERIAL ADVERSE CHANGE REPORT**

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**January 3, 2025**

## I. INTRODUCTION

1. On October 24, 2024 (the "**Filing Date**"), Cannngroup Development Corp. (the "**Company**") filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* R.S.C. 1985, c. B-3 (the "**BIA**") and Crowe MacKay & Company Ltd. consented to act as Proposal Trustee under the Proposal (the "**Proposal Trustee**").
2. Pursuant to section 50.4(8) of the BIA, the initial stay period in the proposal proceedings was from October 24, 2024 to November 23, 2024 (the "**Initial Stay Period**").
3. On November 14, 2024, the Company filed an application to, among other things, approve the granting of an extension of the Initial Stay Period and the deadline for the filing of a proposal to January 7, 2025. The extension was largely sought to give the Company sufficient time to facilitate the sale of the Property (defined below) which was set to close in mid-December 2024. The extension was granted by the Court on November 18, 2024. The sale of the Property did not close as scheduled and the Proposal Trustee understands that the Company intends to seek another extension.

## II. PURPOSE

4. The purpose of this material adverse change report (the "**MAC Report**") is to:
  - a) provide the Official Receiver, the Court and other interested parties with notice, pursuant to Section 50.4(7) of the BIA that the Proposal Trustee has determined that a material adverse change in the financial circumstances of the Company; and
  - b) provide the Proposal Trustee's intended course of action.

## III. TERMS OF REFERENCE

5. In preparing this MAC Report, the Proposal Trustee has necessarily relied upon unaudited financial and other information provided by the Company, the Company's books and records, and discussions with management of the Company (collectively, the "**Information**"), namely Ms. Nicole Chetwynd, Ms. Mary Carleen Roth, and Mr. Marlin Kirby Tobias (collectively, "**Management**").
6. The Proposal Trustee has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards pursuant to the Chartered Professional Accountants Handbook. Accordingly, the Proposal Trustee expresses no opinion and does not provide any other form of assurance on the accuracy and/or completeness of any information used to prepare this MAC Report.
7. All monetary amounts contained in this MAC Report are expressed in Canadian dollars unless otherwise noted.

## IV. MATERIAL ADVERSE CHANGE

8. The Proposal Trustee has determined that a material adverse change in the financial circumstances of the Company has occurred as a result of the following:
  - a) The Company intended to complete the sale of its land and property (the "**Property**") in mid-December 2024 for a total sale price of \$3,700,000 (the "**Sale**"). The Sale was approved by the Court on November 18, 2024. However, as of the date of this MAC Report, the Sale has not

been completed, and the Company has not received any portion of the \$3,700,000 purchase price, including the \$50,000 deposit which was due on November 27, 2024 as contemplated in the purchase and sale agreement.

- b) Management advised that the Company has remained current with its post-filing obligations to creditors, with the exception of professional fees related to the NOI, which are owed to the Proposal Trustee, its legal counsel, and the Company's legal counsel (the "**Accrued Professional Fees**"), and property taxes owed on the Property (the "**Property Tax**"). The Accrued Professional fees were to be paid from the proceeds of the Sale and are secured by an administrative charge. The Property Tax are also expected to be paid in full with the proceeds of the Sale.
9. Management advised that the Company has been working diligently with the purchaser to finalize the Sale and remains confident in the purchaser's commitment and ability to complete the transaction. The Company intends to apply to the Court for a further extension of the stay of proceedings until February 21, 2025, and to secure interim financing of \$100,000. This financing will be used to cover operating costs and partially pay down the Accrued Professional Fees while the Sale is concluded.

**V. PROPOSAL TRUSTEE'S INTENDED COURSE OF ACTION**

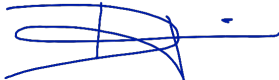
10. In view that the Company's cash flow projection and financial position initially contemplated the Sale completing in mid-December 2024, the Proposal Trustee is of the view that a material adverse change has occurred pursuant to section 50.4(7) of the BIA.
11. It is the Proposal Trustee's intended course of action to:
- a) file this MAC Report with the Court and the Official Receiver without delay pursuant to section 50.4(7) of the BIA;
  - b) advise all known creditors of the Company that this MAC Report will be filed, and is available on the Proposal Trustee's website;
  - c) continue to monitor the cash flows and financial position of the Company; and
  - d) advise the stakeholders of future developments.

DATED AT the City of Vancouver, in the Province of British Columbia, the 3<sup>rd</sup> day of January, 2025.

**CROWE MACKAY & COMPANY LTD.**

in its capacity as Proposal Trustee of Cannngroup Development Ltd. and not its personal capacity

Per:



Derek Lai, CPA, CMA, CIRP, LIT, CFE  
Senior Vice President