



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**

**SECOND REPORT TO COURT**

---

**January 3, 2025**

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## I. INTRODUCTION

1. On October 24, 2024 (the "**Filing Date**"), CannGroup 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 the Insolvency Act*, R.S.C.1985, c. B-3 (the "**BIA**"). Crowe MacKay and Company Ltd. was appointed as proposal trustee (in such capacity, the "**Proposal Trustee**") in these proceedings (the "**NOI Proceedings**").
2. By virtue of the filing of the NOI, and pursuant to section 50.4(8) of the BIA, the initial stay period in the NOI Proceedings was from October 24, 2024 to November 23, 2024 (the "**Stay Period**"). On November 18, 2024, the Court granted an extension of the Stay Period and deadline to file a proposal to January 7, 2025. On this same date, the Court also granted an order approving the sale of the Company's land and property (the "**Property**") pursuant to the contract of purchase and sale dated November 5, 2024 (the "**Sale**") between the Company, as vendor, and Brandt Rock Investments Corporations, as purchaser (the "**Purchaser**"), an administration charge up to a maximum of \$150,000 (the "**Administration Charge**"), and the transfer of these proceedings to the Vancouver registry.
3. This report (the "**Second Report**") should be read in conjunction with the Proposal Trustee's First Report to Court dated November 14, 2024 (the "**First Report**") and the Company's Notice of Application dated January 3, 2025 (the "**Application**").
4. The Proposal Trustee has made the materials related to these proceedings available on its website at: <https://crowemackayco.ca/project/canngroup-development-corp/>.

## II. PURPOSE OF REPORT

5. The purpose of this Second Report by the Proposal Trustee is to provide this Honourable Court and the Company's stakeholders with:
  - a. an update on the Company's activities since the date of the First Report;
  - b. a summary of the activities of the Proposal Trustee since the date of the First Report;
  - c. an update on the Sale;
  - d. an update on the Proposal Trustee's monitoring of the Company's weekly cashflows, and the Variance Analysis (defined below) of same;
  - e. the Proposal Trustee's recommendations with respect to the Application for an order (the "**Order**"), among other things:

- i. authorizing and empowering the Company to obtain and borrow under an interim financing facility (the "**Interim Facility**") from the Lender (as defined below) to finance the continuation of its business provided that, among other things, the borrowings under the Interim Facility shall not exceed \$100,000 unless permitted by further Order; and,
- ii. further extending the Stay Period from January 7, 2025 to February 21, 2025 (the "**Second Extension**").

### III. TERMS OF REFERENCE

6. In preparing this Second 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**"). Management of the Company consists of Ms. Nicole Chetwynd, Ms. Mary Carleen Roth, and Mr. Marlin Kirby Tobias (collectively, "**Management**").
7. 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 Second Report.
8. Certain of the information referred to in this Second Report consists of financial forecasts and/or projections prepared by the Company. An examination or review of the financial forecasts/projections and procedures as outlined by the Chartered Professional Accountants of Canada has not been performed by the Proposal Trustee. Readers are cautioned that since financial forecasts and/or projections are based upon assumptions of future events and conditions that are not ascertainable, actual results may vary and the variations could be material.

### IV. ACTIVITIES OF THE COMPANY

9. Since the First Report, the Company's Management has engaged in, among other things, the following activities:
  - a. continued to take steps to close the Sale with the Purchaser;
  - b. continued to maintain the Property;
  - c. prepared an amended projected cashflow statement for the 13-week period from October 25, 2024 to January 24, 2025 (the "**Amended Cash Flow Statement**") which, along with assumptions, was filed with the Office of the Superintendent of Bankruptcy on or around November 25, 2024; and,

- d. worked alongside its legal counsel, Fasken Martineau DuMoulin LLP ("**Fasken**") to prepare the Application for the Second Extension, and Interim Financing.

**V. ACTIVITIES OF THE PROPOSAL TRUSTEE**

10. Since the Filing Date, the Proposal Trustee has engaged in, among other things, the following activities:
  - a. assisted Management in preparing the Amended Cash Flow Statement;
  - b. engaged in various discussions with the Company and its legal counsel relating to, among other things, the Sale, distribution of the net sale proceeds from the Property, certain secured and priority claims, and several other matters;
  - c. engaged in various discussions with the Proposal Trustee's legal counsel McCarthy Tétrault LLP ("**McCarthy**"), relating to matters relevant to certain secured claims registered against the Property and priority payables;
  - d. maintained a public website for these proceedings at: <https://crowemackayco.ca/project/canngroup-development-corp/>;
  - e. prepared a Material Adverse Change Report dated January 3, 2025, a copy which is attached hereto as Appendix "**A**", in relation to the Sale; and
  - f. prepared this Second Report.

**VI. UPDATE ON THE SALE TRANSACTION**

11. As noted above, on or around November 18, 2024, the Court approved the Sale, with the order stipulating a closing date no later than December 17, 2024, but allowing for extensions if mutually agreed upon by the parties without requiring further Court approval.
12. The Company initially intended to conclude the Sale by December 17, 2024. However, as of the date of this Second Report, the Sale has not yet closed. The Proposal Trustee understands that the delay is primarily attributed to the Purchaser's funding not being readily available at the scheduled closing date or since. This has also impacted the Purchaser's ability to provide the \$50,000 deposit on or before November 27, 2024 as contemplated in the terms of the Sale and the sale approval order.
13. Management has indicated that they believe the Purchaser remains committed and capable to complete the Sale and that the funding issue has been largely resolved. The Company is now seeking the Second Extension to finalize the Sale, and intends to obtain Interim Financing to meet post-filing obligations during the extended Stay Period.

VII. 13-WEEK CASH FLOW PROJECTION TO JANUARY 24, 2025

14. The Company, with assistance of the Proposal Trustee, has prepared a 13-week cash flow for the period October 25, 2024 to January 25, 2025. A copy of the cash flow, along with the assumptions, is included in the First Report.
15. The Company, with assistance of the Proposal Trustee, subsequently amended the 13-week cashflow as the Sale completion date originally contemplated to be concluded on the week ending November 8, 2024 was rescheduled to the week ending December 20, 2024. A copy of the amended cash flow statement is attached hereto as Appendix “B”.
16. The Proposal Trustee and the Company prepared an actual to budget cashflow variance analysis (“**Variance Analysis**”) for the period of October 25, 2024 to December 27, 2024. The Variance Analysis is summarized in the following table:

	Budget	Actual	
	TOTAL	TOTAL	
<b>RECEIPTS</b>			
Sale of Asset	\$ 3,700,000	\$ -	Note 1
Sales from Operations	9,983	11,998	
Other receipts	3,000	-	Note 2
DIP Loan	-	-	
<b>TOTAL RECEIPTS</b>	<b>3,712,983</b>	<b>11,998</b>	
<b>DISBURSEMENTS</b>			
DIP Loan Fees & Expenses	-	-	
DIP Loan Interest	-	-	
Insurance	4,000	-	Note 3
Payroll and Contractors	-	-	
Property Tax	50,454	-	Note 4
Brokerage Fee	185,000	-	Note 1
Proposal/NOI costs	135,000	-	Note 5
Utilities	3,265	181	Note 2
Operating Costs	3,947	5,487	
Contingency	7,500	-	
<b>TOTAL DISBURSEMENTS</b>	<b>389,167</b>	<b>5,668</b>	
<b>NET CHANGE</b>	<b>3,323,816</b>	<b>6,330</b>	
Cash, beginning	245	245	
<b>Cash, ending</b>	<b>\$ 3,324,061</b>	<b>\$ 6,575</b>	

*Note 1 – As noted above, the Sale did not close as intended on December 17, 2024 and therefore the sale proceeds on the Property was not received nor was the expected brokerage fee incurred.*

*Note 2 – As noted in the Amended Cashflow Statement, the Company holds BC Hydro Credits which offset the monthly cost.*

*Note 3 – Insurance payment \$3,100 was paid on or around December 28, 2024.*

*Note 4 – Management advised that it expected to pay the estimated amount of property tax on the Property upon completion of the Sale. As the Sale did not yet complete the Property Tax has not yet been paid.*

*Note 5 – The Accrued Professional Fees (defined below) have not been paid in the ordinary course due to the lack of funds held by the Company. As noted above, the Court granted an administrative charge up to \$150,000 for the Accrued Professional Fees and this is currently being utilized by the Proposal Trustee, its legal counsel along with the Company's legal counsel.*

17. The Company lacks sufficient funds to pay the professional fees of the Proposal Trustee, McCarthy, and Fasken (the "**Accrued Professional Fees**"). These fees have been accruing to date and remain unpaid, pending the completion of the Sale or the approval of the Interim Facility, as discussed in greater detail below.
18. The Company currently lacks sufficient funds to settle the accrued property taxes on the Property (the "**Property Tax**"). Management has indicated that these taxes will be paid upon completion of the Sale.
19. Management has informed the Proposal Trustee that, aside from the Accrued Professional Fees, and the Property Tax, the Company has remained current with its post-filing obligations. The Proposal Trustee understands that the Company's ongoing obligations are primarily limited to costs associated with maintaining the Property, which mainly include insurance and utilities, and that these costs are minimal.
20. In view of the delay in closing the transaction of the Property, the Company, with the assistance of the Proposal Trustee, prepared a further revised cash flow projection for the period January 1, 2025 to February 21, 2025. A copy of the further amended cash flow projection is attached hereto as Appendix "**C**".

#### **VIII. COMPANY'S REQUEST FOR AN EXTENSION TO STAY OF PROCEEDINGS**

21. For the purposes of completing the Sale and subsequently seeking directions and orders as necessary to distribute the remaining proceeds of sale, the Company is seeking the Second Extension until February 21, 2025.
22. The Second Extension will mitigate the risks of an automatic bankruptcy occurring while the Company remains in custody and control of the Property. In the event of an automatic bankruptcy, the current Sale will no longer be capable of completion, and the Property will vest in the trustee in bankruptcy, subject to the rights and interests of the secured creditors. The Proposal Trustee understands the Company had undertaken an extensive sale process to secure a contract of purchase and sale with the Purchaser. Those efforts

will likely need to be undertaken again by the trustee in bankruptcy, and the time and costs of doing so may be significant. Accordingly, the Proposal Trustee is of the view that preserving the Sale, particularly if the closing is imminent, will maximize recoveries and is in the best interests of the stakeholders. The extension sought is short enough that, if the Sale does not close, and a bankruptcy follows, there will be no material prejudice to creditors from this extension.

23. The Proposal Trustee supports the Company's request for the Second Extension for the following reasons:
- a. the Company has acted in good faith and with due diligence;
  - b. the Company requires additional time to complete the Sale and administer the post-sale closing matters;
  - c. the Company has maintained its post filing obligations with its creditors, aside from the Accrued Professional Fees (which will be paid in full, or in part, following the approval of the Interim Financing), and the Property Tax (which will be paid in full after the completion of the Sale); and,
  - d. no creditor would be materially prejudiced if the extension is granted.

IX. **INTERIM FINANCING**

24. As noted above, the Company has kept current with its post filing obligations with its creditors, aside from the Accrued Professional Fees, and the Property Tax.
25. In order to finance ongoing operations during the Second Extension period, the Company requires interim financing. The Company is seeking \$100,000 in interim financing to satisfy its post-filing obligations as it relates to the preservation and maintenance of the Property in the ordinary course, and to pay down, in full or in part, the Accrued Professional Fees. Property taxes would not be paid at this time, but from the sale of the Property.
26. A debtor-in-possession facility term sheet (the "**DIP Term Sheet**") was executed by the Company and the lender, 5352 Investments Ltd. (the "**Lender**"), on or around January 3, 2025. The major terms noted in the DIP Term Sheet are set out as follows:
- a. after receiving Court approval, the Lender will advance up to \$100,000;
  - b. the Lender will be granted a super priority charge over the assets of the Company, ranking behind only the Administration Charge;
  - c. the Interim Facility will bear interest at the rate of 15% per annum, calculated monthly in arrears on any amounts disbursed to the Company, and with a three month minimum;



- d. the Interim Facility will mature at the earlier of July 10, 2025, the completion of the Sale, Court approval of a Proposal, or a default event;
- e. a commitment fee of \$5,000 to be paid by the Company to the Lender upon advancing of the funds; and,
- f. expenses relating to the Interim Facility, up to a maximum of \$1,000, will be paid by the Company.

A copy of the DIP Term Sheet is attached hereto as Appendix "D".

27. The Proposal Trustee is of the view that the above terms are reasonable, particularly in view of the quantum and timing of the Company's financing requirements.

**X. PROPOSAL TRUSTEE'S RECOMMENDATIONS**

28. Based on the information currently provided by Management, the Proposal Trustee supports the relief sought for the Second Extension and the Interim Facility, including:
- a. the Second Extension is necessary and appropriate as it will provide the Company with the best opportunity to complete the Sale of the Property, ensuring the maximum benefit for stakeholders; and,
  - b. the terms of the DIP Term Sheet are reasonable given the circumstances, and interim financing is necessary for the Company to remain liquid and continue maintaining the Property.
29. For the above reasons, the Proposal Trustee respectfully recommends that this Honourable Court grant the orders sought by the Company.

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

**Crowe MacKay & Company Ltd.**

in its capacity as Licensed Insolvency Trustee of the Proposal of  
CannGroup Development Corp. and not in its personal capacity

Per:



Mr. Derek Lai, CPA, CMA, CIRP, LIT, CFE  
(Chartered Insolvency & Restructuring Professional)

# APPENDIX A

Province: British Columbia  
Division No. 03 - Vancouver  
Court No. VER-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**

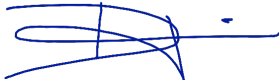
10. In view that the Company's cash flow projection and financial position initially contemplated the Sale completing in mid-December 2024, the Proposal Trustee is of the view that a material adverse change has occurred pursuant to section 50.4(7) of the BIA.
11. It is the Proposal Trustee's intended 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

# APPENDIX B

In the Matter of the Notice of Intention to File a Proposal of CannGroup Development Corp.  
For the period of October 25, 2024 to January 24, 2024  
Cash Flow Projections

Periods	1	2	3	4	5	6	7	8	9	10	11	12	13	TOTAL
Week Ending	1-Nov-24	8-Nov-24	15-Nov-24	22-Nov-24	29-Nov-24	6-Dec-24	13-Dec-24	20-Dec-24	27-Dec-24	3-Jan-25	10-Jan-25	17-Jan-25	24-Jan-25	
<b>RECEIPTS</b>														
Sale of Asset	2	-	-	-	50,000	-	-	3,650,000	-	-	-	-	-	3,700,000
Sales from Operations	3	-	-	9,983	-	-	-	-	-	-	-	-	-	9,983
Other receipts	4	-	1,500	-	-	-	1,500	-	-	-	-	-	-	3,000
DIP Loan	5	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL RECEIPTS</b>		-	1,500	-	9,983	50,000	1,500	3,650,000	-	-	-	-	-	3,712,983
<b>DISBURSEMENTS</b>														
DIP Loan Fees & Expenses	5	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Loan Interest	5	-	-	-	-	-	-	-	-	-	-	-	-	-
Insurance	6	-	-	-	4,000	-	-	-	-	-	-	-	-	4,000
Payroll and Contractors	7	-	-	-	-	-	-	-	-	-	-	-	-	-
Property Tax	8	-	-	-	-	-	-	50,454	-	-	-	-	-	50,454
Brokerage Fee	9	-	-	-	-	-	-	185,000	-	-	-	-	-	185,000
Proposal/NOI costs	10	-	-	-	-	40,000	-	-	95,000	-	-	-	70,000	205,000
Utilities	4	-	1,633	-	-	133	1,500	-	-	-	-	-	-	3,265
Operating Costs	11	125	-	-	3,822	-	-	-	-	-	-	-	-	3,947
Contingency		-	-	1,500	1,500	1,500	1,500	1,500	-	-	-	-	-	7,500
<b>TOTAL DISBURSEMENTS</b>		125	1,633	-	5,322	5,500	41,633	3,000	236,954	95,000	-	-	70,000	459,167
<b>NET CHANGE</b>		(125)	(133)	-	4,661	44,500	(41,633)	(1,500)	3,413,046	(95,000)	-	-	(70,000)	3,253,816
Cash, beginning		245	120	(13)	(13)	4,648	49,148	7,515	6,015	3,419,061	3,324,061	3,324,061	3,324,061	245
<b>Cash, ending</b>	12	120	(13)	(13)	4,648	49,148	7,515	6,015	3,419,061	3,324,061	3,324,061	3,324,061	3,254,061	3,254,061

*Marlin Tobias*

This statement of projected cash flow of CannGroup Development Corp. was prepared in accordance with Paragraph 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report.



in its capacity as Trustee under the Notice of Intention to Make a Proposal of CannGroup Development Corp. and not in its personal capacity

District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

-- FORM 29 --

Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

The attached statement of projected cash flow of CannGroup Development Corp., as of the 25th day of November 2024, consisting of Projected attached cash flow over the next 13 weeks, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:  management or  the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,

- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 25th day of November 2024.

Crowe MacKay & Company Ltd. - Licensed Insolvency Trustee  
Per:



---

Derek Lai - Licensed Insolvency Trustee  
1100 - 1177 West Hastings Street  
Vancouver BC V6E 4T5  
Phone: (604) 689-3928 Fax: (604) 687-5617



District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

\_FORM 29\_ - Attachment  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

Purpose:

The purpose of the Projected Cash Flow Statement for the period ending January 24, 2025, is to enable the creditors of CannGroup Development Corp. to assess their position regarding the filing of a Proposal pursuant to Section 50.4 of the Bankruptcy and Insolvency Act.

These Cash Flows Statements are amended versions of the Projected Cash Flow Statements that was filed on November 1, 2024. The amendment was made as the sale completion date originally contemplated for Week 2 is now expected to be closed in Week 8.

Projection Notes:

Hypothetical Assumption – means an assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent persons judgement, but are consistent with the purposes of the cash flow projection;

Probable assumption - means an assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash flow statement.

Assumptions:

The cash flow statement is to be read in conjunction with the Form 30 – Report on Cash Flow Statement by the Person Making the Proposal and Form 29 – Trustee’s Report on Cash Flow Statement.

- 1) The purpose of the Projected Cash Flow Statement is to estimate the cash requirements of CannGroup Development Corp. ("CannGroup" or the "Company").
- 2) On or around November 18, 2024 the Court granted an order approving the sale of the Company's premises. A deposit of \$50,000 is expected to be received by the Company's solicitor in trust by November 27, 2024 and will be made available to the Company for any post-filing obligations. The sale is expected to be closed and the remainder of the balance for the sale is expected to be received by December 17, 2024.
- 3) Management advised that some residual revenues from operations was received in Week 4.
- 4) Management advises that the Company holds \$7,000 of BC Hydro Credits and will offset the monthly cost of \$1500 per month. Also included in utilities are monthly amounts for Fortis BC, Telus and security.
- 5) Due to the anticipated quick closing of the sale, Debtor-In-Possession ("DIP") financing is not expected to be required prior to completion.
- 6) The current insurance policy expires on November 17, 2024, management has advised that they have secured extended coverage and the premiums are expected to be paid in Week 5.
- 7) Management advises that all employees have been previously terminated and there is no payroll going forward.
- 8) Property Tax is expected to be paid in full upon the sale completion date.
- 9) Brokerage fees are 3.5% of the sale price for the selling brokerage and \$1.5% for the listing brokerage.
- 10) Proposal and NOI Cost are professional fees for Proposal Trustee, its legal counsel, and the legal counsel for the Company.
- 11) The Company is no longer actively operating and Management does not believe there will be any significant costs going forward. An amount was incurred for cleaning the premises prior to sale in Week 4.
- 12) As of November 1, 2024, the Company held cash on hand with TD of 176.61 and a overdrawn balance with Valley First of \$(57).

Dated at the City of Vancouver in the Province of British Columbia, this 25th day of November 2024.

Crowe MacKay & Company Ltd. - Licensed Insolvency Trustee

Per:



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Derek Lai - Licensed Insolvency Trustee  
1100 - 1177 West Hastings Street  
Vancouver BC V6E 4T5  
Phone: (604) 689-3928 Fax: (604) 687-5617

District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

- FORM 30 -  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

The Management of CannGroup Development Corp., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 25th day of November 2024, consisting of Projected attached cash flow over the next 13 weeks.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 25th day of November 2024.

*Marlin Tobias*

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CannGroup Development Corp.  
Debtor

Marlin Tobias, President

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Name and title of signing officer

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Name and title of signing officer

District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

Purpose:

The purpose of the Projected Cash Flow Statement for the period ending January 24, 2025, is to enable the creditors of CannGroup Development Corp. to assess their position regarding the filing of a Proposal pursuant to Section 50.4 of the Bankruptcy and Insolvency Act.

These Cash Flows Statements are amended versions of the Projected Cash Flow Statements that was filed on November 1, 2024. The amendment was made as the sale completion date originally contemplated for Week 2 is now expected to be closed in Week 8.

Projection Notes:

Hypothetical Assumption – means an assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent persons judgement, but are consistent with the purposes of the cash flow projection;

Probable assumption - means an assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash flow statement.

Assumptions:

The cash flow statement is to be read in conjunction with the Form 30 – Report on Cash Flow Statement by the Person Making the Proposal and Form 29 – Trustee’s Report on Cash Flow Statement.

- 1) The purpose of the Projected Cash Flow Statement is to estimate the cash requirements of CannGroup Development Corp. ("CannGroup" or the "Company").
- 2) On or around November 18, 2024 the Court granted an order approving the sale of the Company's premises. A deposit of \$50,000 is expected to be received by the Company's solicitor in trust by November 27, 2024 and will be made available to the Company for any post-filing obligations. The sale is expected to be closed and the remainder of the balance for the sale is expected to be received by December 17, 2024.
- 3) Management advised that some residual revenues from operations was received in Week 4.
- 4) Management advises that the Company holds \$7,000 of BC Hydro Credits and will offset the monthly cost of \$1500 per month. Also included in utilities are monthly amounts for Fortis BC, Telus and security.
- 5) Due to the anticipated quick closing of the sale, Debtor-In-Possession ("DIP") financing is not expected to be required prior to completion.
- 6) The current insurance policy expires on November 17, 2024, management has advised that they have secured extended coverage and the premiums are expected to be paid in Week 5.
- 7) Management advises that all employees have been previously terminated and there is no payroll going forward.
- 8) Property Tax is expected to be paid in full upon the sale completion date.
- 9) Brokerage fees are 3.5% of the sale price for the selling brokerage and \$1.5% for the listing brokerage.
- 10) Proposal and NOI Cost are professional fees for Proposal Trustee, its legal counsel, and the legal counsel for the Company.
- 11) The Company is no longer actively operating and Management does not believe there will be any significant costs going forward. An amount was incurred for cleaning the premises prior to sale in Week 4.
- 12) As of November 1, 2024, the Company held cash on hand with TD of 176.61 and a overdrawn balance with Valley First of \$(57).

Dated at the City of Vancouver in the Province of British Columbia, this 25th day of November 2024.

*Marlin Tobias*

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CannGroup Development Corp.  
Debtor

# APPENDIX C

In the Matter of the Notice of Intention to File a Proposal of CannGroup Development Corp.  
For the period of January 1, 2025 to February 21, 2025  
Cash Flow Projections

Periods	1	2	3	4	5	6	7	8	TOTAL
Week Ending	8-Jan-25	15-Jan-25	22-Jan-25	29-Jan-25	5-Feb-25	12-Feb-25	19-Feb-25	21-Feb-25	
<b>RECEIPTS</b>									
Sale of Asset	-	-	-	-	-	-	-	3,700,000	-
Sales from Operations	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
DIP Loan	100,000	-	-	-	-	-	-	-	100,000
<b>TOTAL RECEIPTS</b>	<b>100,000</b>	-	-	-	-	-	-	<b>3,700,000</b>	<b>100,000</b>
<b>DISBURSEMENTS</b>									
DIP Loan Fees & Expenses	5,000	-	-	-	-	-	-	-	5,000
DIP Loan Interest	1,250	-	-	-	1,250	-	-	1,250	3,750
Insurance	3,111	-	-	-	3,111	-	-	-	6,222
Payroll and Contractors	-	-	-	-	-	-	-	-	-
Property Tax	-	-	-	-	-	-	-	50,454	50,454
Brokerage Fee	-	-	-	-	-	-	-	185,000	185,000
Proposal/NOI costs	70,000	-	-	-	-	-	-	135,000	205,000
Utilities	250	-	-	-	250	-	-	-	500
Operating Costs	1,095	240	240	240	240	240	240	240	2,775
Contingency	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	12,000
<b>TOTAL DISBURSEMENTS</b>	<b>82,206</b>	<b>1,740</b>	<b>1,740</b>	<b>1,740</b>	<b>6,351</b>	<b>1,740</b>	<b>1,740</b>	<b>373,444</b>	<b>470,701</b>
<b>NET CHANGE</b>	<b>17,794</b>	<b>(1,740)</b>	<b>(1,740)</b>	<b>(1,740)</b>	<b>(6,351)</b>	<b>(1,740)</b>	<b>(1,740)</b>	<b>3,326,556</b>	<b>(370,701)</b>
Cash, beginning	6,600	24,394	22,654	20,914	19,174	12,823	11,083	9,343	245
<b>Cash, ending</b>	<b>24,394</b>	<b>22,654</b>	<b>20,914</b>	<b>19,174</b>	<b>12,823</b>	<b>11,083</b>	<b>9,343</b>	<b>3,335,899</b>	

This statement of projected cash flow of CannGroup Development Corp. was prepared in accordance with Paragraph 50.4(2) of the Bankruptcy and Insolvency Act and should be read in conjunction with the Trustee's Report.

in its capacity as Trustee under the Notice of Intention to Make a Proposal of CannGroup Development Corp. and not in its personal capacity

District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

-- FORM 29 --

Trustee's Report on Cash-Flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

The attached statement of projected cash flow of CannGroup Development Corp., as of the 3rd day of January 2025, consisting of Projected attached cash flow over the next 7 weeks, has been prepared by the management of the insolvent person (or the insolvent debtor) for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied to us by:  the management and employees of the insolvent person or  the insolvent person. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the projection. We have also reviewed the support provided by:  management or  the insolvent person for the probable assumptions and preparation and presentation of the projection.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects,


- (a) the hypothetical assumptions are not consistent with the purpose of the projection;
- (b) as at the date of this report, the probable assumptions developed are not suitably supported and consistent with the plans of the insolvent person or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or
- (c) the projection does not reflect the probable and hypothetical assumptions.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the projection will be achieved.

The projection has been prepared solely for the purpose described in the notes attached, and readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 3rd day of January 2025.

Crowe MacKay & Company Ltd. - Licensed Insolvency Trustee  
Per:



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Derek Lai - Licensed Insolvency Trustee  
1100 - 1177 West Hastings Street  
Vancouver BC V6E 4T5  
Phone: (604) 689-3928 Fax: (604) 687-5617



District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

\_FORM 29\_ - Attachment  
Trustee's Report on Cash-flow Statement  
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

Purpose:

The purpose of the Projected Cash Flow Statement for the period ending February 21, 2025, is to enable the creditors of CannGroup Development Corp. to assess their position regarding the filing of a Proposal pursuant to Section 50.4 of the Bankruptcy and Insolvency Act.

These Cash Flows Statements are amended versions of the Projected Cash Flow Statements that was filed on November 25, 2024. The amendment was made as the sale completion date originally contemplated for mid-December 2024 is now expected to close sometime in January or February 2025.

Projection Notes:

Hypothetical Assumption – means an assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent persons judgement, but are consistent with the purposes of the cash flow projection;

Probable assumption - means an assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash flow statement.

Assumptions:

The cash flow statement is to be read in conjunction with the Form 30 – Report on Cash Flow Statement by the Person Making the Proposal and Form 29 – Trustee’s Report on Cash Flow Statement.

- 1) The purpose of the Projected Cash Flow Statement is to estimate the cash requirements of CannGroup Development Corp. ("CannGroup" or the "Company").
- 2) On or around November 18, 2024 the Court granted an order approving the sale of the Company's premises. The sale is expected to be closed and the remainder of the balance for the sale is expected to be received by mid-February.
- 3) To ensure the Company has adequate funds to address post-filing obligations and maintain the Property until the sale is completed, \$100,000 in Debtor-in-Possession ("DIP") financing is being sought. Terms are \$5,000 fee, 15% interest, and 3 month minimum.
- 4) Extended coverage for the Property and the premiums are approximately \$3,100 per month.
- 5) Management advises that all employees have been previously terminated and there is no payroll going forward.
- 6) Property Tax is expected to be paid in full upon the sale completion date.
- 7) Brokerage fees are 3.5% of the sale price for the selling brokerage and 1.5% for the listing brokerage.
- 8) Proposal and NOI Cost are professional fees for Proposal Trustee, its legal counsel, and the legal counsel for the Company.
- 9) The Company is no longer actively operating and Management does not believe there will be any significant costs going forward. An amount has been included weekly for the cost to visit the property to comply with the insurance policy.

Dated at the City of Vancouver in the Province of British Columbia, this 3rd day of January 2025.

Crowe MacKay & Company Ltd. - Licensed Insolvency Trustee  
Per:



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Derek Lai - Licensed Insolvency Trustee  
1100 - 1177 West Hastings Street  
Vancouver BC V6E 4T5  
Phone: (604) 689-3928 Fax: (604) 687-5617

District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

- FORM 30 -

Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

The Management of CannGroup Development Corp., has/have developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 3rd day of January 2025, consisting of Projected attached cash flow over the next 7 weeks.

The hypothetical assumptions are reasonable and consistent with the purpose of the projection described in the notes attached, and the probable assumptions are suitably supported and consistent with the plans of the insolvent person and provide a reasonable basis for the projection. All such assumptions are disclosed in the notes attached.

Since the projection is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projection has been prepared solely for the purpose described in the notes attached, using a set of hypothetical and probable assumptions set out in the notes attached. Consequently, readers are cautioned that it may not be appropriate for other purposes.

Dated at the City of Vancouver in the Province of British Columbia, this 3rd day of January 2025.



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CannGroup Development Corp.  
Debtor

Nicole Chetwynd

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Name and title of signing officer

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Name and title of signing officer

District of: British Columbia  
Division No. 04 - Vernon  
Court No. VER-S-B-58732  
Estate No. 11-3145114

FORM 30 - Attachment  
Report on Cash-Flow Statement by the Person Making the Proposal  
(Paragraphs 50(6)(c) and 50.4(2)(c) of the Act)

In the Matter of the Proposal of  
CannGroup Development Corp.  
of the City of Vernon, in the Province of British Columbia  
Crowe MacKay and Company Ltd., Trustee

Purpose:

The purpose of the Projected Cash Flow Statement for the period ending February 21, 2025, is to enable the creditors of CannGroup Development Corp. to assess their position regarding the filing of a Proposal pursuant to Section 50.4 of the Bankruptcy and Insolvency Act.

These Cash Flows Statements are amended versions of the Projected Cash Flow Statements that was filed on November 25, 2024. The amendment was made as the sale completion date originally contemplated for mid-December 2024 is now expected to close sometime in January or February 2025.

Projection Notes:

Hypothetical Assumption – means an assumption that assumes a set of economic conditions or courses of action that are not necessarily the most probable in the insolvent persons judgement, but are consistent with the purposes of the cash flow projection;

Probable assumption - means an assumption that the insolvent person believes reflects the most probable set of economic conditions and planned courses of action; they are suitably supported, consistent with the plans of the insolvent person and provide a reasonable basis for the cash flow statement.

Assumptions:

The cash flow statement is to be read in conjunction with the Form 30 – Report on Cash Flow Statement by the Person Making the Proposal and Form 29 – Trustee’s Report on Cash Flow Statement.

- 1) The purpose of the Projected Cash Flow Statement is to estimate the cash requirements of CannGroup Development Corp. ("CannGroup" or the "Company").
- 2) On or around November 18, 2024 the Court granted an order approving the sale of the Company's premises. The sale is expected to be closed and the remainder of the balance for the sale is expected to be received by mid-February.
- 3) To ensure the Company has adequate funds to address post-filing obligations and maintain the Property until the sale is completed, \$100,000 in Debtor-in-Possession ("DIP") financing is being sought. Terms are \$5,000 fee, 15% interest, and 3 month minimum.
- 4) Extended coverage for the Property and the premiums are approximately \$3,100 per month.
- 5) Management advises that all employees have been previously terminated and there is no payroll going forward.
- 6) Property Tax is expected to be paid in full upon the sale completion date.
- 7) Brokerage fees are 3.5% of the sale price for the selling brokerage and 1.5% for the listing brokerage.
- 8) Proposal and NOI Cost are professional fees for Proposal Trustee, its legal counsel, and the legal counsel for the Company.
- 9) The Company is no longer actively operating and Management does not believe there will be any significant costs going forward. An amount has been included weekly for the cost to visit the property to comply with the insurance policy.

Dated at the City of Vancouver in the Province of British Columbia, this 3rd day of January 2025.



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CannGroup Development Corp.  
Debtor

# APPENDIX D

## INTERIM LENDING FACILITY TERM SHEET

January 3, 2025

**WHEREAS** the Borrower (as defined below) has requested that the Interim Lender (as defined below) provide financing to fund certain of the Borrower's obligations during the pendency of the Borrower's proceedings (the "**NOI Proceedings**") under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 commenced before the Supreme Court of British Columbia under Court File No. B-240540 (the "**Court**") pursuant to the Notice of Intention to Make a Proposal filed with the Official Receiver of the Superintendent of Bankruptcy on October 25, 2024 under Estate No. 11-3145114 and in accordance with the terms and conditions set out herein;

**AND WHEREAS** Crowe MacKay & Company Ltd. was appointed as the Proposal Trustee of the Borrower (in such capacity, the "**Proposal Trustee**") in the NOI Proceedings;

**NOW THEREFORE** in consideration of the mutual covenants, terms and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### DEFINITIONS

Capitalized terms used (including the recitals above) but not otherwise defined herein shall have the meanings assigned to them in **Schedule "A"** hereto.

### INTERIM LENDER

5352 Investments Ltd. (the "**Interim Lender**").

### BORROWER

CannGroup Development Corp. (the "**Borrower**").

### INTERIM LENDING FACILITY

A single-draw non-revolving loan (the "**Interim Lending Facility**") in the principal amount of \$100,000 (the "**Principal Amount**").

### CURRENCY

Unless otherwise noted, the currency of the Interim Lending Facility shall be in Canadian Dollars.

### MATURITY DATE

The Interim Lending Facility shall be paid in full in cash on the date (the "**Maturity 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 the Borrower);

(b) the implementation of a proposal within the NOI Proceedings (a "**Proposal**") which has been approved by the requisite majorities of the Borrower'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 the Borrower 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.

The Interim Lender's commitment in respect of the Interim Lending Facility shall expire on the Maturity Date and all amounts outstanding under the Interim Lending Facility including accrued Interest, the Upfront Fee and Legal Fees (all as defined below, and collectively, the "**Obligations**") shall be repaid in full on the Maturity Date without the Interim Lender being required to make demand upon the Borrower or to give notice that the Interim Lending Facility has expired and the Obligations are due and payable.

## **AVAILABILITY**

Subject to the terms and conditions set forth in this Agreement, the Interim Financing Order (as defined below), and any other applicable order made in the NOI Proceedings, and the satisfaction by the Borrower or waiver by the Interim Lender of the conditions set out below under the heading **ADVANCE CONDITIONS**, the Interim Lender will make an advance available to the Borrower (the "**Interim Loan**") under the Interim Lending Facility in the Principal Amount to finance the Borrower's working capital and operating requirements.

Unless otherwise agreed to in writing in advance by the Interim Lender, in its sole direction, the Interim Loan shall be made by the Interim Lender to the Borrower as soon as practicable (and in any event within three (3) days) after delivery by the Borrower to the Interim Lender of a request in a form satisfactory to the Interim Lender.

## **ACCOUNT**

The Interim Loan shall be deposited into an account of the Borrower as confirmed by the Proposal Trustee and withdrawn to pay contemplated expenses in accordance with the terms hereof.

## **USE OF PROCEEDS**

The Interim Loan under the Interim Lending Facility shall be used to fund working capital and general corporate needs of the Borrower during, as well professional fees, costs and expenses incurred by the Borrower in connection with the NOI Proceedings.

No proceeds of the Interim Loan may be used for any purpose other than in accordance with the terms hereof, except with the prior written consent of the Proposal Trustee.

## **INTEREST RATE**

Interest ("**Interest**") on the principal outstanding amount of the Interim Loan (including the compounded interest referenced



below) from the date the Interim Loan is made (or, in the case of the compounded interest referenced below, the date that such interest is compounded), both before and after maturity, demand, default, or judgment until payment in full at a rate of 15% per annum, compounded and calculated monthly, shall accrue and be added to the principal amount of the Interim Lending Facility on the first day of each month..

All interest shall be computed on the basis of a 365-day (or 366 day, as applicable) year, in each case for the actual number of days elapsed.

All payments under or in respect of the Interim Lending Facility shall be made free and clear of any withholding, set-off or other deduction.

If any provision hereof would obligate the Borrower to make any payment of interest or other amount payable to the Interim Lender in an amount or calculated at a rate which would be prohibited by law or would result in receipt by the Interim Lender of interest at a criminal rate (as construed under the *Criminal Code* (Canada)) then, notwithstanding that provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or result in a receipt by the Interim Lender of interest at a criminal rate.

## **FEES**

The Borrower shall pay a commitment fee in the amount of \$5,000 (the "**Upfront Fee**") which shall be fully earned upon the granting of the Interim Financing Order (as defined below) and shall be paid from the first Interim Loan advance.

For certainty, the Upfront Fee shall be secured by the Interim Lender's Charge (as defined below).

## **COSTS**

The Borrower shall pay all reasonable and documented Legal Fees of the Interim Lender, to the maximum amount of \$1,000, inclusive of taxes, related to or in connection with the reasonable and documented costs and expenses incurred by the Interim Lender in connection with this Agreement, which shall be paid from the Interim Loan.

## **INTERIM LENDING SECURITY**

All of the Obligations shall be secured by a charge (the "**Interim Lender's Charge**") granted by an order of the Court in the NOI Proceedings over all present and after-acquired property, assets and undertakings of the Borrower (including for greater certainty and without limitation, insurance proceeds, intellectual property, goods, documents of title, investment property, securities now owned or hereafter owned or acquired by or on behalf of the Borrower and those assets

set forth on the financial statements of the Borrower), including all proceeds therefrom and all causes of action of the Borrower.

The Interim Lender's Charge shall be a super-priority charge which shall rank ahead of all existing, liens, claims, trusts and charges, but shall be subject to and shall rank behind: (i) an administration charge (the "**Administration Charge**") granted in the NOI Proceedings in the maximum amount of CAD \$150,000 to secure payment of the fees, expenses and disbursements of the Proposal Trustee, the Proposal Trustee's legal counsel, the Borrower's legal counsel; and (ii) any other charge or encumbrance which the Interim Lender, in its sole discretion, agrees may rank ahead of the Interim Lender's Charge (collectively, the "**Permitted Priority Liens**").

## **ADVANCE CONDITIONS**

The Interim Lender's obligation to make the Interim Loan hereunder is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

1. by no later than January 7, 2025, the Court shall have granted an order in the NOI Proceedings in form and substance acceptable to the Interim Lender (the "**Interim Financing Order**"), which order shall, among other things (i) approve this Agreement and the Interim Loan under the Interim Lending Facility; (ii) authorize the Borrower to borrow the Principal Amount; and (iii) grant the Interim Lender's Charge;
2. the Interim Lender's Charge shall have priority over all Liens granted by the Borrower against any of the undertakings, property, or assets of the Borrower (collectively, the "**Property**"), except for the Permitted Priority Liens;
3. The Interim Financing Order shall be in full force and effect and shall not have been reversed, modified, amended or stayed in a manner adverse to the interests of the Interim Lender;
4. the representations and warranties contained herein shall be true and correct; and
5. no Default or Event of Default shall have occurred and be continuing.

## **REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Interim Lender, upon which the Interim Lender relies in entering into this Agreement, that subject to the granting of the Interim

Financing Order, the obligations under this Agreement constitute legal, valid, and binding obligations of the Borrower.

## **AFFIRMATIVE COVENANTS**

The Borrower covenants and agrees to do the following:

1. use the proceeds of the Interim Lending Facility only for the purposes set out herein;
2. upon a sale of all or any part of the Borrower's assets, the net proceeds of any such sale will be paid to the Interim Lender up to the amounts secured by the Interim Lender's Charge;
3. upon receipt of any payments or refunds from any insurance provider, the Borrower will pay all such amounts to the Interim Lender up to the amounts secured by the Interim Lender's Charge;
4. comply with the provisions of any orders made by the Court in the NOI Proceedings;
5. take all actions necessary or available to defend any orders made by the Court in the NOI Proceedings from any appeal, reversal, modifications, amendment, stay or vacating not expressly consented to in writing in advance by the Interim Lender, (i) in its sole discretion in respect of any appeal, reversal, modification, amendment stay or vacating relating to the Interim Lending Facility or any other matter that adversely affects the Interim Lender and (ii) acting reasonably in respect of any other appeal, reversal, modification, amendment, stay or vacating
6. pay when due all amounts that are secured by statutory liens or trusts, including without limitation employee source deductions, goods and services taxes, municipal and linear taxes, workplace safety payments and employee salary;
7. maintain all insurance with respect to the Property in existence as of the date hereof;
8. forthwith notify the Interim Lender of any event or circumstance that, with the passage of time, may constitute a Default or an Event of Default;

9. forthwith notify the Interim Lender of the occurrence of any Default or Event of Default;
10. duly and punctually pay or cause to be paid to the Interim Lender all principal and interest payable by it under this Agreement on the dates, at the places and in the amounts and manner set forth herein; and
11. comply in all respects with all Applicable Laws.

## **NEGATIVE COVENANTS**

The Borrower covenants and agrees not to do the following, other than with the prior written consent of the Interim Lender and the Proposal Trustee, or order of the Court:

1. sell, assign, transfer, lease or otherwise dispose of all or any part of its assets, tangible or intangible, outside the ordinary course of business, except as permitted under any order of the Court in the NOI Proceedings;
2. terminate or repudiate any material contract or amend any material contract in any material manner;
3. enter into any material settlement agreement or agree to any material arrangements with any governmental authority or in connection with any litigation, arbitration, investigations, disputes, or other similar proceedings which are threatened or pending against the Borrower;
4. make any payment of principal or interest in respect of existing indebtedness, or declare or pay any dividends or other distributions;
5. transfer, distribute, lend, or otherwise use any advances or funds from the Interim Lending Facility to fund any other entity;
6. create or permit to exist any indebtedness for borrowed money other than existing debt, debt contemplated by this Interim Lending Facility and post-filing trade payables incurred in the ordinary course of business or otherwise authorized by the Court without objection from the Interim Lender;
7. create or permit to exist any Liens on any of the Property other than Permitted Liens;

8. enter into or agree to enter into any investments (other than cash equivalents) or acquisitions of any kind, direct or indirect, in any business;
9. assume or otherwise agree to be bound by any contingent liabilities or provide any guarantee or financial assistance to any Person;
10. enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly, or indirectly, all or any significant portion of the undertaking, property or assets of the Borrower would become the property of any other Person or Persons;
11. amend or seek to amend the Interim Financing Order (once granted); or
12. terminate or repudiate any agreement with the Interim Lender, solely in its capacity as lender under the Interim Lending Facility.

## **EVENTS OF DEFAULT**

The occurrence of any one or more of the following events shall constitute an event of default (“**Event of Default**”) under this Agreement:

1. failure of the Borrower to pay principal or interest when due under this Agreement;
2. any representation or warranty made under this Agreement, or any information otherwise provided to the Interim Lender, is untrue or incorrect in any material respect as of the date when made or deemed made;
3. any other material breach by the Borrower in the observance or performance of any provision, covenant (affirmative or negative) or agreement contained in this Agreement, provided, that, in the case of a breach of any affirmative covenant, such breach remains unremedied for longer than five (5) Business Days following receipt of notice thereof;
4. the Interim Financing Order has not been issued by the Court by January 7, 2025, or such later dates as the Interim Lender, acting reasonably, may agree;
5. (i) any order shall be entered or judgment rendered by the Court in the NOI Proceedings, or by any other court of competent jurisdiction, that has an adverse effect on

the interests of the Interim Lender, (ii) the Interim Financing Order (once granted) shall cease to be in full force and effect, or (iii) the Borrower shall fail to comply with any order granted by the Court in the NOI Proceedings in any material respect and which has an adverse effect on the interests of the Interim Lender;

6. this Agreement shall cease to be effective or shall be contested by the Borrower;
7. the issuance of an order of the Court or any other court of competent jurisdiction:
  - a. dismissing the NOI Proceedings, or lifting the stay in the NOI Proceedings to permit (A) the enforcement of any Lien against the Borrower, or a material portion of their respective property, assets or undertaking, or (B) the appointment of a receiver and manager, receiver, interim receiver or similar official, or substituting the Proposal Trustee, or the making of a bankruptcy order against the Borrower or the appointment of a trustee in bankruptcy in respect of the Borrower; granting any Lien which is senior to or pari passu with the Interim Lender's Charge, other than the Permitted Priority Liens; or
  - b. staying, reversing, vacating or otherwise modifying any order of the Court made in the NOI Proceedings without the prior consent of the Interim Lender in its sole discretion in respect of any order of the Court in the NOI Proceedings or amendment thereto relating to the Interim Lending Facility;
8. the Borrower makes any payments of any kind not permitted by this Agreement, or any order of the Court in the NOI Proceedings;
9. there is any adverse change in the financial condition of the Borrower, including with respect to the condition or value of any of their assets which, in the Proposal Trustee's view, is sufficiently material so as to impair the Interim Lender's security;
10. the Borrower ceases (or threatens to cease) to carry on business in the ordinary course, except where such cessation occurs in connection with a Proposal or Court-ordered sale which otherwise satisfies the terms and conditions contained herein; or

11. borrowings under the Interim Lending Facility exceed the Principal Amount.

## **REMEDIES**

Upon the occurrence and continuance of an Event of Default, the Interim Lender may, upon written notice to the Borrower and the Proposal Trustee:

1. terminate the Interim Lending Facility;
2. on prior written notice to the Borrower of no less than five (5) Business Days:
  - a. apply to the Court for the appointment of a monitor, an interim receiver or a receiver and manager of the Property or for a bankruptcy order in respect of the Borrower;
  - b. exercise the powers and rights of a secured party under any legislation; and
  - c. exercise all such other rights and remedies as may be available to the Interim Lender at law, by statute and pursuant to any orders of the Court in the NOI Proceedings.

## **INTERIM LENDER'S APPROVALS**

All consents of the Interim Lender hereunder shall be in writing. Any consent, approval, instruction, or other expression to be delivered by the Interim Lender may be delivered by any written instrument, including by way of electronic mail.

## **FURTHER ASSURANCES**

The Borrower shall, at its expense and from time to time, do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the Interim Lender may reasonably request for the purpose of giving effect to this Agreement and the Interim Lender's Charge, perfecting, protecting and maintaining the Liens created by the Interim Lender's Charge or establishing compliance with the representations, warranties and conditions of this Agreement.

## **ENTIRE AGREEMENT**

This Agreement, including all schedules hereto constitute the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Agreement, this Agreement shall govern. Neither this Agreement nor any terms hereof may be amended, unless such amendment is in writing signed by the Borrower and the Interim Lender, and approved by the Proposal Trustee.

**AMENDMENTS, WAIVERS,  
ETC.**

No waiver or delay on the part of the Interim Lender in exercising any right or privilege hereunder will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the Interim Lender. Any consent to be provided by the Interim Lender shall be granted or withheld solely in their respective capacities, and having regard to their interests, as Interim Lender.

**ASSIGNMENT**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

The Borrower may not assign its rights and obligations under this Agreement without the written consent of the Interim Lender.

The Interim Lender may assign this Agreement and its rights and obligations hereunder, in whole or in part, with the prior written consent of the Proposal Trustee. The Borrower hereby consents to the disclosure of any confidential information in respect of the Borrower to any potential assignee provided such potential assignee executes a confidentiality agreement, in a form acceptable to the Borrower and the Proposal Trustee, to keep such information confidential.

**SEVERABILITY**

Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

**COUNTERPARTS AND  
FACSIMILE SIGNATURES**

This Agreement may be executed in any number of counterparts and delivered by facsimile or e-mail transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

**NOTICES**

Any notice, request, or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

In the case of the Interim Lender:

5352 Investments Ltd.  
550 Burrard Street – Suite 2900  
Vancouver, BC V6C 0A3



Attention: Brent Lewis  
Email: [blewis5738@gmail.com](mailto:blewis5738@gmail.com)

In the case of the Borrower by delivery to:

Fasken Martineau DuMoulin LLP  
550 Burrard Street – Suite 2900  
Vancouver, BC V6C 0A3

Attention: Kibben Jackson and Heidi Esslinger  
Email: [kjackson@fasken.com](mailto:kjackson@fasken.com) and [hesslinger@fasken.com](mailto:hesslinger@fasken.com)

In either case, with a copy to the Proposal Trustee:

Crowe MacKay & Company Ltd.  
1177 W Hastings St - Suite 1100  
Vancouver, BC V6E 4T5

Attention: Derek Lai  
Email: [Derek.Lai@crowemackay.ca](mailto:Derek.Lai@crowemackay.ca)

In either case, with a copy to the Proposal Trustee's counsel:

McCarthy Tetrault LLP  
745 Thurlow Street – Suite 2400  
Vancouver, BC V6E 0C5

Attention: Lance Williams

Email: [lwilliams@mccarthy.ca](mailto:lwilliams@mccarthy.ca)

**GOVERNING LAW AND  
JURISDICTION**

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein. The Borrower irrevocably submits to the exclusive courts of the Province of British Columbia, waives any objections on the ground of venue or forum *non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.

**[SIGNATURE PAGE TO FOLLOW]**

**IN WITNESS HEREOF**, the parties hereby execute this Agreement as of the date first written above.

**BORROWER:**

CannGroup Development Corp.

DocuSigned by:

By: \_\_\_\_\_

*Marlin Tobias*

AA3785AA638D44B...

Name: Marlin Tobias

Title: Director

**INTERIM LENDER:**

5352 Investments Ltd.

DocuSigned by:

By: \_\_\_\_\_

*Brent Lewis*

B343C0211D0847A...

Name: Brent Lewis

Title: President

## SCHEDULE "A"

### Additional Definitions

“**Applicable Laws**” means all federal, provincial, municipal and local laws, statutes, regulations, codes, acts, permits, licenses, ordinances, orders, by-laws, guidelines, notices, protocols, policies, directions and rules and regulations, including without limitation environmental protection laws and regulations and those of any governmental or other public authority, which may now, or at any time hereafter, govern, be applicable to or enforceable against or in respect of the Borrower, the operation of their business or their property.

“**Business Day**” means a day on which banks in Vancouver, British Columbia are open for business.

“**Court Ordered Charges**” means the Administration Charge and the Interim Lender’s Charge

“**Default**” means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

“**Legal Fees**” means all reasonable and documented legal fees that the Interim Lender has incurred in any way in connection with any and all tasks related to this Agreement, the orders of the Court, the Interim Lending Facility.

“**Liens**” means all mortgages, pledges, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

“**material**” means of such a nature that knowledge of the item would affect a reasonable person’s decision making.

“**Permitted Liens**” means (i) the Court Ordered Charges; (ii) liens, if any, in respect of amounts payable by the Borrower for wages, vacation pay, source deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada), income tax and workers compensation claims; and (iii) valid and perfected Liens existing prior to the date hereof.

“**Person**” means an individual, partnership, corporation (including a business trust), joint venture, limited liability company or other entity, or governmental authority.