



District of British Columbia
Division No. 3 – Vancouver
Court No. B-240063
Estate No. 11-3031837
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.

NOTICE OF APPLICATION

Name of applicant: MNP Ltd., Licensed Insolvency Trustee acting in the Proposal of Lotus Ventures Inc. (the “**Proposal Trustee**”)

To: The Notice Parties listed at Schedule “A”

TAKE NOTICE that an application will be made by the applicant to the Honourable Justice Brongers at the courthouse at 800 Smithe Street, Vancouver, BC on June 14, 2024 at 10:00 a.m. for the orders set out in Part 1 below.

The applicant estimates that the application will take a ½ day (in conjunction with the application of Lotus Ventures Inc. for an approval and vesting order).

This matter is not within the jurisdiction of an Associate Judge.

Part 3: ORDER(S) SOUGHT

1. An order substantially in the form attached hereto as Schedule “B” approving the proposal made by Lotus Ventures Inc. (“**Lotus**”) to its creditors.
2. Such further and other relief as this Honourable Court may deem just.

Part 4: FACTUAL BASIS

1. Lotus became an amalgamated corporation under the *Business Corporations Act* of British Columbia in 2014. Since that time, Lotus has been a licensed cannabis producer and has

grown premium cannabis for sale in retail locations across British Columbia and Ontario as well as through export markets.

2. Lotus reported net losses for the years ended August 31, 2022, and August 31, 2023, and had significant ongoing cash flow constraints which were projected to continue into 2024. As a result, Lotus lacked sufficient working capital to meet all of its obligations to its creditors.
3. As a result of its financial difficulties, Lotus filed a notice of intention to make a proposal (“**NOI**”) with the Official Receiver on January 17, 2024 pursuant to Part III, Division I of the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended (the “**BIA**”).
4. MNP Ltd. was appointed as the Proposal Trustee in respect of the NOI proceedings of Lotus.
5. On February 12, 2024, Lotus filed an application with the British Columbia Supreme Court seeking an extension of time to file its proposal to creditors and was granted an extension to April 1, 2024.
6. On March 28, 2024, Lotus filed a proposal with the Official Receiver (the “**Proposal**”), which was subsequently amended and then filed with the Official Receiver on April 5, 2024 (the “**Amended Proposal**”).
7. On April 18, 2024, the first meeting of Lotus’ creditors was held (the “**Meeting**”) to consider the Amended Proposal. At the Meeting, a motion was made and unanimously approved by the creditors, to adjourn the Meeting to May 3, 2024, for the purpose of further investigating Lotus’ affairs
8. On May 1, 2024, the Proposal Trustee issued a Material Adverse Change report of the same date (the “**MAC Report**”). The MAC Report noted that, on account of significantly lower revenues than forecasted, Lotus was not meeting certain of its post-NOI filing obligations as they came due.
9. The Meeting was reconvened on May 3, 2024 but further adjourned to May 8, 2024, to allow Lotus to complete additional amendments to the Amended Proposal which would improve the recovery of Lotus’ unsecured creditors.

10. On May 7, 2024, Lotus filed a further amended proposal with the Official Receiver (the “**Further Amended Proposal**”). The Further Amended Proposal provides the following:
 - (a) A transaction in which 5008679 Ontario Limited (the “**Purchaser**”) will acquire all of the issued and outstanding shares of Lotus (the “**Share Transaction**”) in exchange for a cash payment in the amount of \$2,538,398 (the “**Subscription Price**”);
 - (b) Certain amounts of the Subscription Price will be paid to the Company and the Proposal Trustee, depending on the amount of the Company’s obligations at the time of closing;
 - (c) All claims of creditors of Lotus will vest in a shell company (“**ResidualCo**”), a wholly owned subsidiary of Lotus that has no assets or liabilities and no operations;
 - (d) The creditors shall be entitled to receive a *pro rata* share of the distributions from the bankruptcy of ResidualCo and such distributions will be made out of the funds that will vest in ResidualCo pursuant to the reverse vesting order being sought by Lotus in respect of the Share Transaction; and
 - (e) After the payment of certain priority claims, approximately \$1,810,000 is expected to be available under the Further Amended Proposal (or approximately 36% of the claims), which is a better recovery for the creditors than would be expected in a bankruptcy of Lotus.
11. On May 8, 2024, at the reconvened Meeting, the Further Amended Proposal was accepted by the requisite majority of Lotus’s creditors. In fact, 100% in number and 100% in value of the creditors voted to accept the Further Amended Proposal at the Meeting.
12. Lotus is in the process of making certain revisions to the proposal to align with revisions made to the Subscription Agreement on June 4, 2024. The Proposal Trustee anticipates that the revisions will be non-substantive in nature and, as such, will be addressed in accordance with Article 7.2(a) of the Further Amended Proposal.
13. Lotus has acted in good faith through the NOI proceedings.
14. The Proposal Trustee supports the approval of the Further Amended Proposal.

Part 5: LEGAL BASIS

1. Section 54(2)(d) of the BIA governs the requisite creditor votes to approve a proposal and provides:

54(2) Voting system

(d) the proposal is deemed to be accepted by the creditors if, and only if, all classes of unsecured creditors – other than, unless the court orders otherwise, a class of creditors having equity claims – vote for the acceptance of the proposal by a majority in number and two-thirds in value of the unsecured creditors of each class present, personally or by proxy, at the meeting and voting on the resolution.

BIA, section 54(2)(d).

2. The Further Amended Proposal was unanimously accepted by the unsecured creditors of Lotus and therefore, has the votes required in accordance with section 54(2)(d) of the BIA.
3. Sections 59 and 60 of the BIA provide the criteria a court ought to consider when determining whether to sanction a proposal, after it has received the requisite approval from the creditors, namely:

59(1) Court to hear the report of trustee, etc.

The court shall, before approving the proposal, hear a report of the trustee in the prescribed form respecting the terms thereof and the conduct of the debtor, and, in addition, shall hear the trustee, the debtor, the person making the proposal, any opposing, objecting or dissenting creditor and such further evidence as the court may require.

59(2) Court may refuse to approve the proposal

Where the court is of the opinion that the terms of the proposal are not reasonable or are not calculated to benefit the general body of creditors, the court shall refuse to approve the proposal, and the court may refuse to approve the proposal whenever it is established that the debtor has committed any one of the offences mentioned in section 198 to 200.

Section 60(5) Power of the Court

Subject to subsections 60(1) to (1.7), the court may either approve or refuse to approve the proposal.

BIA, sections 59(1), 59(2) and 60(5).

4. In order for this Honourable Court to approve the Further Amended Proposal, it must be satisfied that:

- (a) the terms of the proposal are reasonable;
- (b) the terms of the proposal are calculated to benefit the general body of creditors; and
- (c) the proposal is made in good faith.

Re Kitchener Frame Ltd., 2012 ONSC 234 [*“Kitchener Frame”*] at para. 19.

5. In assessing these factors, courts have “generally taken into account the interests of the debtor, the interests of the creditors and the interests of the public at large in the integrity of the bankruptcy system”.

Kitchener Frame at para. 20.

6. The Proposal Trustee submits that all of the criteria outlined in section 59(2) and 60(1) to (1.7) of the BIA and the jurisprudence for the approval of the Further Amended Proposal have been met, as:

- (a) the terms of the Further Amended Proposal are reasonable and are capable of being completed by Lotus;
- (b) the statutory requirements set out in section 60(1) to (1.7), relating to preferred claims, Crown claims and prescribed employee claims have all been met;
- (c) the Further Amended Proposal provides an immediate benefit to the unsecured creditors of Lotus and the anticipated dividend is more than what would be achieved in a bankruptcy of Lotus; and
- (d) Lotus has acted in good faith throughout these NOI proceedings.

7. Further, courts “have accorded substantial deference to the majority vote of creditors at a meeting of the creditors” and courts have “accorded deference to the recommendation of the proposal trustee”.

Kitchener Frame at para. 21.

8. The creditors of Lotus have voted to approve the Further Amended Proposal by the required majority and the Proposal Trustee recommends the approval of the Further Amended Proposal.

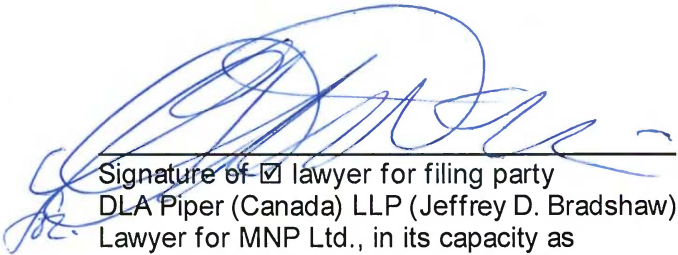
Part 6: MATERIAL TO BE RELIED ON

3. Affidavit #1 of Dale McClanaghan made February 13, 2024;
4. Affidavit #2 of Dale McClanaghan made June 4, 2024;
5. First Report of the Proposal Trustee dated April 8, 2024;
6. Second Report of the Proposal Trustee dated May 7, 2024; and
7. Form 40 Report of the Proposal Trustee dated June 3, 2024.

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).

Date June 5, 2024



Signature of lawyer for filing party
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)
Lawyer for MNP Ltd., in its capacity as
proposal trustee of Lotus Ventures Inc.

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 Master/
Associate

Judge

APPENDIX

The following information is provided for data collection purposes only and is of no legal effect.

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- oral 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**

<p>MNP Ltd. c/o 1133 Melville Street, Suite 2700 Vancouver, BC V6E 4E5</p> <p>Attention: Jeffrey Bradshaw/ Greg Ibbott/ Seamus Boyle Email: jeffrey.bradshaw@dlapiper.com/ greg.ibbott@mnp.ca/ seamus.boyle@mnp.ca</p> <p><i>Proposal Trustee</i></p>	<p>5008679 Ontario Limited c/o 550 Burrard Street, Suite 2900 Vancouver, BC V6C 0A3</p> <p>Attention: Glen Nesbitt/ Gavin Cameron Email: gneskitt@fasken.com / gcameron@fasken.com</p> <p><i>Purchaser</i></p>
<p>His Majesty the King in right of Canada 900 – 840 Howe Street Vancouver, BC V6Z 2S9</p> <p>Attention: Christine Matthews Email: christine.matthews@justice.gc.ca</p>	<p>Stratus Designs Ltd. 1 Winstanley Road Galiano Island, BC V0N 1P0</p> <p>Attention: Adam Clarke/ Eric Heel Email: adam@stratusdesigns.ca/ eric@stratusdesigns.ca</p> <p><i>Contract counterparty</i></p>
<p>C15 Solutions, Inc. 2904 South Sheridan Way, Suite 202 Oakville, ON L6J 7LJ</p> <p>Attention: Scott Samuel Email: scottsamuel104@gmail.com</p> <p><i>Contract counterparty</i></p>	<p>Elevated Signals 100 – 111 East 5th Avenue Vancouver, BC V5T 4L1</p> <p>Attention: Liam Polsky Email: liam@elevatedsignals.com/ help@elevatedsignals.com</p> <p><i>Contract counterparty</i></p>
<p>Armstrong Pro IT Ltd. c/o 81 Salmon River Road Salmon Arm, BC V1E 3E3</p> <p>Attention: Darryl Oram Email: darryl@armstrongproit.ca</p> <p><i>Contract counterparty</i></p>	<p>Greentec Holdings Ltd. 1632 Dickson Avenue, Suite 335 Kelowna, BC V1Y 7T2</p> <p>Attention: David Lynn Email: dl@avantbrands.ca</p> <p><i>Contract counterparty</i></p>

<p>Security Response Center 506 Christina Street North Sarnia, ON N7T 5W4</p> <p>Email: inquiries@src.net</p> <p><i>Contract counterparty</i></p>	<p>Olympia Trust Company 925 West Georgia Street Vancouver, BC V6C 3L2</p> <p>Attention: Helen Chai Email: chaih@olympiatrust.com</p> <p><i>Contract counterparty</i></p>
<p>ADP Inc. 3250 Bloor Street W, 16th Floor Etobicoke, ON M8X 2X9</p> <p>Attention: Mirriam Bulmer Email: mirriam.bulmer@adp.com</p> <p><i>Contract counterparty</i></p>	<p>Daniel McRobert 7 - 22280, 124th Avenue Maple Ridge, BC V2X 4J5</p> <p>Email: danielmcrobertt@gmail.com</p> <p><i>Contract counterparty</i></p>
<p>Bank of Montreal 250 Yonge Street Toronto, ON M5B 2L7</p> <p>100 King Street West, 18th Floor Toronto, ON M5X 1A3</p> <p>Attention: Charles Sanda Email: chares.sanda@bmo.com</p> <p><i>Contract counterparty and party with registered security interest</i></p>	<p>Kolab Project Inc. 777 Richmond Street West, Suite 002 Toronto, ON M6J 3N5</p> <p>c/o 666 Burrard Street, Suite 2500 Vancouver, BC V6C 2X8</p> <p>Attention: Jesse Mighton/ Andrew Froh Email: mightonj@bennettjones.com/ froha@bennetjones.com</p> <p><i>Party with registered security interest</i></p>
<p>Connect First Credit Union Ltd. P.O. Box 908 Calgary, AB T2P 2J6</p> <p>Attention: Craig Zaychkowsky Email: czaychkowsky@connectfirstcu.com</p> <p><i>Party with registered security interest</i></p>	<p>Health Canada Account Receivable Unit, P/L 1918B 18th Floor, Room 1804B 161 Goldenrod Driveway Ottawa, ON K1A 0K9</p> <p>Attention: Kelly Araujo Email: ac-cr@hc-sc.gc.ca/ Kelly.araujo@hc-sc.gc.ca</p> <p><i>Regulator</i></p>

<p>Canada Revenue Agency 9755 King George Blvd Surrey , BC V3T 5E1</p> <p>Attention: Paul Biln/ Sarah Wang Email: cannabis@cra-arc.gc.ca</p> <p><i>Regulator</i></p>	<p>Office of Superintendent in Bankruptcy 300 West Georgia Street, Suite 2000 Vancouver, BC , V6B 6E1</p> <p>Attention: Ann Chu Email: ann.chu@ised-isde.gc.ca</p>
<p>Lotus Ventures Inc. c/o 1201-1030 W Georgia Street Vancouver, BC V6E 2Y3</p> <p>Attention: Geoffrey Dabbs Email: gd@gdlaw.ca</p> <p><i>Company</i></p>	

SCHEDULE "B"
DRAFT ORDER

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.

ORDER MADE AFTER APPLICATION

BEFORE)
) THE HONOURABLE JUSTICE)
) BRONGERS) JUNE 14, 2024
)
)

ON THE APPLICATION of MNP Ltd., in its capacity as the licensed insolvency trustee under the proposal (in such capacity, the “**Proposal Trustee**”) of Lotus Ventures Inc. (the “**Company**”), coming on for hearing at 800 Smithe Street, Vancouver, British Columbia, on June 14, 2024; AND ON HEARING Jeffrey Bradshaw, counsel for the Proposal Trustee, and those other counsel listed in Schedule “A” hereto; and UPON READING the materials filed, including the First Report of the Proposal Trustee dated April 8, 2024, the Second Report of the Proposal Trustee dated May 7, 2024, the Form 40 Report of the Proposal Trustee dated June 3, 2024, Affidavit #1 of Dale McClanaghan made February 13, 2024, Affidavit #2 of Dale McClanaghan made June 4[●], 2024, and the Further Amended Proposal of Lotus Ventures Inc. dated June 4[●], 2024 (the “**Proposal**”) attached hereto as Schedule “B”; AND pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended (the “**BIA**”), and the *British Columbia Supreme Court Civil Rules*, BC Reg 168/2009;

THIS COURT ORDERS AND DECLARES that:

1. The Proposal, and the transactions contemplated thereby, are hereby approved pursuant to the provisions of the BIA.

2. The Proposal Trustee, the Company, and the directors of the Company, are each hereby authorized and directed to take all steps and actions necessary or appropriate to implement and complete the Proposal, including authorization and direction to make all payments and contributions required to be made pursuant to the Proposal and any necessary corporate steps and filings.
3. This Order shall have full force and effect in all provinces and territories in Canada, and as against all persons against whom it may otherwise be enforceable.
4. Endorsement of this Order by counsel appearing, other than counsel for the Proposal Trustee, 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:

Lawyer for the Proposal Trustee
DLA Piper (Canada) LLP (Jeffrey Bradshaw)

BY THE COURT

REGISTRAR

Schedule "A"

List of Counsel

Name of Counsel	Party Representing

Schedule "B"

Proposal

ESTATE NO. 11-3031837
COURT NO. B240063
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.**

FURTHER AMENDED PROPOSAL

OF

LOTUS VENTURES INC.

DATED FOR REFERENCE MAY 7, 2024

**MADE PURSUANT TO PART III DIVISION 1 OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, C. B-3, AS AMENDED**

**ARTICLE I
DEFINITIONS**

1.1 DEFINITIONS

In this Proposal, unless otherwise stated or the context otherwise requires:

“**Affected Claims**” means all Claims other than Unaffected Claims.

“**Affected Creditors**” means any Creditor having an Affected Claim, but only with respect to, and to the extent of, such Affected Claim.

“**Affected Creditors Class**” means the class consisting of the Affected Creditors established under and for the purposes of this Proposal, including voting in respect thereof.

“**Agreement**” means the Subscription Agreement between the Company and the Purchaser dated May 3, 2024, as such may be amended, supplemented, or modified from time to time in accordance with the terms of that agreement and the Approval and Reverse Vesting Order, a copy of which is attached to this Proposal at Schedule “A”.

“**Approval Order**” means the Order that, among other things, approves and directs the implementation of this Proposal and all actions and transactions set out herein, effective as of the Implementation Date in accordance with the terms of this Proposal.

“**Approval and Reverse Vesting Order**” has the meaning given to it in the Agreement.

“**BIA**” means the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 as amended.

“**Business Day**” means a date other than a Saturday, Sunday or statutory holiday in British Columbia.

“**Cash Consideration**” has the meaning given to it in the Agreement.

“**Claim**” means any right or claim of any Person against the Company which constitutes a “*claim provable in bankruptcy*” as that term is defined under the BIA, whether or not asserted in connection with any indebtedness, liability or obligation of any kind whatsoever owed to such Person, which indebtedness, liability or obligation was in existence at the Filing Date, as well as any interest that may accrue thereon, including any indebtedness, liability or obligation owed to such person as a result of any breach of duty (including any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to, or to a trust or deemed trust against, any of the property or assets of the Company, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including the right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose of action, whether existing at present or commenced in the future, which claim is based in whole or in part on facts which existed prior to the Filing Date and, for clarity, includes all Claims of the Crown, including Crown Claims.

“**Claims Bar Date**” has the meaning given to it in Article 4.1 of this Proposal.

“**Closing Date**” has the meaning given to it in the Agreement.

“**Company**” means Lotus Ventures Inc.

“**Conditions Precedent**” means those conditions precedent to the implementation of this Proposal as defined and enumerated in Article 6.1 of this Proposal.

“**Court**” means the Supreme Court of British Columbia in Bankruptcy and Insolvency.

“**Creditor**” means a Person having a Claim.

“**Crown**” means His Majesty the King in right of Canada, or a province.

“**Crown Claim**” means a Claim of the Crown for amounts that are outstanding as at the Filing Date and are subject to a demand under:

- (a) subsection 224(1.2) of the *Income Tax Act*;
- (b) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- (c) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - i. has been withheld or deducted by a Person from a payment to another Person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - ii. is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

"Director" means anyone who was, or is deemed to have been, a director of the Company at any time prior to the Implementation Date.

"Filing Date" means January 17, 2024, the date on which the Company filed a Notice of Intention to make a Proposal with the Office of the Superintendent of Bankruptcy Canada.

"Implementation Date" means the date on which all Conditions Precedent have been satisfied.

"Inspectors" has the meaning given to it in Article 5.1 of this Proposal.

"Meeting" means the meeting of the Affected Creditors held pursuant to Section 51(1) of the BIA for the purpose of considering, and if thought fit, voting to approve this Proposal and agreeing to the compromises and arrangements constituted thereby, includes any subsequent reconvened meeting should any meeting be adjourned.

"Notice to Prove Claim" means the notice made pursuant to Section 149 of the BIA to be sent by the Proposal Trustee to all known Persons having a Claim that have not yet filed a Proof of Claim with the Proposal Trustee, advising such Creditors that if their Claims are not proven within 30 days after the sending of such notice (i.e. the Claims Bar Date), the Proposal Trustee will proceed to declare a dividend or final dividend without regard to that Creditor's Claim.

"Officers" means, collectively, all current and former officers of the Company.

"Order" means an order of the Court made in the Proposal Proceedings.

“Person” means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status.

“Post-Filing Claim” means a Claim arising from the supply of goods or services to the Company after the Filing Date or a claim for sales or excise taxes, source deductions or assessments and premiums arising in relation to such Claims. Post-Filing Claims do not include claims in respect of an obligation incurred prior to the Filing Date but which is payable after the Filing Date.

“Post-Filing Creditor” means a Creditor having a Post-Filing Claim.

“Proof of Claim” means the form of document prescribed by the BIA to be filed with the Proposal Trustee to prove the Claim of a Creditor.

“Proposal” means this Proposal among the Company and the Affected Creditors, as from time to time amended, modified or supplemented pursuant to an Order, or pursuant to an agreement among the Company and the Affected Creditors as provided for herein, or at any Meeting.

“Proposal Proceeding” means the proceeding commenced by the Company under the BIA under Supreme Court of British Columbia Action No. B240063 (Vancouver Registry).

“Proposal Trustee” means MNP Ltd., in its capacity as proposal trustee of the Company.

“Proposal Trustee’s Costs” means all proper fees, expenses, and legal costs of the Proposal Trustee arising in any way in relation to this Proposal.

“Proven Claim” means a Claim which, after delivery of a Proof of Claim to the Proposal Trustee, has been: (a) admitted by the Proposal Trustee in whole or in part; or (b) disallowed by the Proposal Trustee and such disallowance has subsequently been: (i) resolved by agreement among the claimant, the Company and the Proposal Trustee; or (ii) set aside in whole or in part by the Court. Proven Claims shall not include any amounts due to a Post-Filing Creditor in respect of a Post-Filing Claim and shall not include any interest for the period subsequent to the Filing Date.

“Purchaser” means 5008679 Ontario Limited.

“Related Creditor” means any Person who is a *“related person”* as defined under Section 4 of the BIA having a Proven Claim, to the extent of their Proven Claim.

“Released Parties” means those persons released by the Affected Creditors, as defined and enumerated at Article [2.7](#) of this Proposal.

“Required Majority” means a majority in number and two-thirds in value of the Affected Creditors present, personally or by proxy, at the Meeting and voting on this Proposal in accordance with the voting procedures established hereby and under the BIA.

“ResidualCo” has the meaning given to it in the Agreement.

“Secured Claim” means a Claim that is secured by a Security Interest.

“Security Interest” means a mortgage, hypothec, prior claim, pledge, charge, lien or other security interest on or against the assets and property of the Company or any part thereof as security for a debt due or accruing due from the Company, or any negotiable instrument held as collateral security and on which the Company is only indirectly or secondarily liable.

“Unaffected Claim” means a Claim of an Unaffected Creditor.

“Unaffected Creditors” means: (a) Post-Filing Creditors; (b) Secured Creditors; (c) the Crown (to the extent of any Crown Claims, only); and (d) employees of the Company in respect of accrued but unpaid vacation pay as of the Filing Date.

“Voting Creditors” means all Affected Creditors in attendance at the Meeting in person or by proxy and who are entitled to vote at the Meeting. For clarity, this excludes all Related Creditors and Unaffected Creditors (to the extent of their Unaffected Claims).

ARTICLE II PURPOSE AND EFFECT OF THE PROPOSAL

2.1 PURPOSE OF THIS PROPOSAL

The purpose of this Proposal is to provide for distributions to be made to the Affected Creditors following the Closing of the Agreement in accordance with its terms and the Approval and Reverse Vesting Order. In this Article, capitalized terms used and not otherwise defined in this Proposal shall have the meanings given to them in the Agreement.

2.2 OVERVIEW OF THIS PROPOSAL

Under the Agreement, the Purchaser shall become the sole shareholder of the Company, and shall, among other things, cause the Cash Consideration to be paid to the Proposal Trustee, on behalf of the Company, in consideration therefor.

Pursuant to the Agreement and the Approval and Reverse Vesting Order, among other things: (a) all Claims shall be transferred from the Company to, and shall vest in, ResidualCo; (b) the Proposal Trustee shall receive and administer the Cash Consideration on behalf of ResidualCo; (c) the Claims shall attach to the Cash Consideration in ResidualCo; and (d) the Proposal Trustee may assign or file a voluntary assignment into bankruptcy of ResidualCo.

Affected Creditors shall receive distributions in accordance with this Proposal in the bankruptcy of ResidualCo, and shall recover to a materially greater extent than they would as compared to the bankruptcy of the Company.

Upon Closing, the Company shall cease to be a party to these Proposal Proceedings and shall be deemed to be released therefrom pursuant to the Approval and Vesting Order. This will allow the Company to carry on business as a going concern, to the benefit of stakeholders.

2.3 PROPOSAL TRUSTEE UNDER THE PROPOSAL

Subject to the provisions of the BIA, the Proposal Trustee shall act as the administrator for certain purposes connected with this Proposal, including administration of the Proof of Claims process and the Meeting, and shall also be empowered to administer the Cash Consideration on behalf of ResidualCo as bankruptcy trustee, all in accordance with this Proposal and the Approval and Reverse Vesting Order.

2.4 PERSONS AFFECTED BY THIS PROPOSAL

This Proposal provides for, among other things, the compromise, discharge and release of all Affected Claims against the Company and the Directors and Officers. Accordingly, on the Implementation Date, this Proposal will become effective and shall be binding on the Company, the Affected Creditors, the Directors and Officers, and all other Persons named or referred to in, or subject to, this Proposal.

2.5 UNAFFECTED CLAIMS

This Proposal does not affect Unaffected Claims. Persons with Unaffected Claims will not be entitled to vote on or receive any distributions under this Proposal in respect of such Claims. Nothing in this Proposal shall affect any of the Company's rights and defences, both legal and equitable, with respect to any Unaffected Claim, including all rights with respect to legal and equitable defences or entitlements to set-offs and recoupments against such Claims.

2.6 EQUITY CLAIMS

Persons having equity claims or equity interests (as those terms are defined in the BIA) shall not be entitled to receive a distribution under this Proposal or otherwise receive anything in respect of their shares or interest.

2.7 RELEASE OF COMPANY, DIRECTORS AND OFFICERS, AND PROPOSAL TRUSTEE BY THE AFFECTED CREDITORS

On the Implementation Date, and subject to the Company meeting its obligations to the Affected Creditors under this Proposal, each Affected Creditor hereby, and without the need for further action, releases:

- (a) the Company from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims;
- (b) Directors and Officers from all Claims that arose before the Filing Date and that relate to the obligations of the Company prior to the Filing Date, regardless of the date of crystallization of such Claims, where the Directors and Officers are, by law, liable in such capacity, provided however that nothing herein shall release any of the Directors or Officers from claims that may not be compromised under a proposal as set out in subsection 50(14) of the BIA; and
- (c) No Affected Creditor shall have any right, remedy or claim against the Proposal Trustee, the Purchaser, or the Company, and each of their respective past and present directors and officers, employees, financial advisors, legal counsel, representatives and agents, (each a “**Released Party**”, and collectively, the “**Released Parties**”) for anything arising in connection with this Proposal or these Proposal Proceedings. The Released Parties shall be fully and irrevocably released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, orders, including for injunctive relief or specific performance and compliance orders, expenses, executions, encumbrances and other recoveries on account of any liability, obligation, demand or cause of action of whatever nature which any Affected Creditor may be entitled to assert, whether known or unknown, matured or unmatured, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any omission, transaction, agreement, guarantee, surety, duty, responsibility, indebtedness, liability, obligation, dealing or other occurrence existing or taking place on or prior to the Implementation Date that are in any way relating to, arising out of or in connection with the Claims, as applicable, all to the full extent permitted by applicable law, provided that nothing herein shall release or discharge a Released Party for gross negligence, criminal, fraudulent or other wilful misconduct, if any such party is found liable or guilty, as the case may be, for such misconduct by the express terms of a judgment rendered on a final determination on the merits.

For clarity, nothing in this Proposal, including this Article, shall waive, discharge, release, cancel, bar or otherwise impact the claim filed in the Supreme Court of British Columbia on October 19, 2023, under action no. S-237106.

ARTICLE III TREATMENT OF CREDITORS

3.1 CLASSES OF CREDITORS

For the purposes of considering and voting on this Proposal, there shall be one class of Creditors, being the Affected Creditors Class.

3.2 AFFECTED CREDITORS

As soon as practicable after the Closing Date, the Proposal Trustee, on behalf of the Company, shall be authorized to assign or file a voluntary assignment into bankruptcy in respect of ResidualCo. Thereafter, pursuant to the administration of the bankruptcy of ResidualCo, and in accordance with the Approval and Reverse Vesting Order, distributions of the Cash Consideration will be made to Creditors having Proven Claims, as follows:

- First, to Unaffected Creditors that are not Post-Filing Creditors; and
- Second, the Affected Creditors will be paid an amount in cash equal to such Affected Creditor's *pro rata* share of the remainder of the Cash Consideration after the payment to the Unaffected Creditors (that are not Post-Filing Creditors) as set forth above.

3.3 UNAFFECTED CLAIMS

Unaffected Claims are not included under or are in any way affected by this Proposal. As above, Unaffected Claims that are not Post-Filing Claims will be paid: (a) in priority to the Claims of Affected Creditors in the bankruptcy of ResidualCo; (b) in accordance with existing agreements between the Unaffected Creditors and the Company; or (c) in accordance with alternative arrangements between those parties to be negotiated concurrently with the filing and implementation of this Proposal.

Unaffected Claims that are Post-Filing Claims will be unaffected by this Proposal, and will be paid by the Company in accordance with the Approval and Reverse Vesting Order.

3.4 CROWN CLAIMS AND PRIORITY CLAIMS

Crown Claims that are Proven Claims shall be paid in their entirety, without interest, within six months after the granting of the Approval Order.

Claims of Terminated Employees (as defined in the Agreement) shall be dealt with in accordance with the terms of the Agreement and the Approval and Reverse Vesting Order. Employees who are not Terminated Employees will be paid all wages, salaries, commission or compensation for services rendered from and after the Filing Date up to the date of the Approval Order, as soon as reasonably practicable after the grant thereof.

3.5 PROPOSAL TRUSTEE'S COSTS

The Proposal Trustee's Costs shall be paid by the Company in the ordinary course of business, and in accordance with the terms of the Agreement and the agreements between the Company and the Proposal Trustee. For clarity, the Proposal Trustee's Costs shall be subject to review and taxation by the Court.

3.6 NO OTHER ENTITLEMENTS

Following the implementation of this Proposal in accordance with its terms, no Creditor shall be entitled to any payment on or with respect to their Claims other than as provided herein.

**ARTICLE IV
PROOF OF CLAIMS**

4.1 PROVING CLAIMS

The procedure for dealing with the allowance, disallowance and resolution of Proof of Claims will be as set out in Section 135 of the BIA.

To be eligible to receive a distribution in accordance with this Proposal, Creditors must have filed a Proof of Claim such that it is actually received by the Proposal Trustee in accordance with the BIA and by no later than the date that is 30 days from the date on which the Proposal Trustee delivers the Notice to Prove Claim (the “**Claims Bar Date**”).

Affected Creditors that fail to file their Proof of Claim with the Proposal Trustee before the Claims Bar Date will NOT be eligible for participation in the proposed distribution under this Proposal and their Claims will be forever extinguished and barred as against the Company.

**ARTICLE V
MEETING OF THE CREDITORS**

5.1 GENERAL

At the Meeting the Voting Creditors may appoint one or more, but no more than five inspectors (the “**Inspectors**”). The Inspectors shall have only the following entitlements and powers:

- (a) the power to extend the date by which anything is to happen under this Proposal, including the Implementation Date;
- (b) the power to waive any default in the performance of any provision of this Proposal;
- (c) the power to approve interim and final statements of receipts and disbursements of the Proposal Trustee, including the power to approve proposed dividends and reasonable fees and disbursements of the Proposal Trustee;
- (d) the power to advise the Proposal Trustee in respect of any such matters as may be referred to the Inspectors by the Proposal Trustee; and

- (e) the power to advise the Proposal Trustee concerning any dispute that may arise as to the validity of a Proof of Claim filed by a Creditor.

The Proposal Trustee and the Inspectors, should any be appointed, shall be exempt from all personal liability in fulfilling any duties or exercising any powers conferred upon them by this Proposal or generally in carrying out of the terms of this Proposal by wrongful act, default or neglect, by any of them.

5.2 MEETING

The Meeting shall be conducted in accordance with Part III, Division I of the BIA.

5.3 VOTING

Each Voting Creditor will be entitled to vote the full amount of its Proven Claim at the Meeting. Each Voting Creditor shall have one vote for the purposes of determining a majority in number, and each Voting Creditor shall be entitled to one vote for every \$1.00 of its Proven Claim for the purposes of determining a majority in value.

Related Creditors and Unaffected Creditors (to the extent of their Unaffected Claims), shall not be entitled to vote at the Meeting.

Affected Creditors will be entitled to vote at the Meeting by proxy or voting letter. The particulars with respect to voting by proxy or voting letter will be detailed in the Proof of Claim package and will be binding upon all Affected Creditors.

5.4 ADJOURNMENT OF MEETING

The Meeting may be adjourned in accordance with Section 52 of the BIA.

ARTICLE VI CONDITIONS PRECEDENT

6.1 CONDITIONS PRECEDENT TO THE IMPLEMENTATION OF THIS PROPOSAL

The implementation of this Proposal by the Company on the Implementation Date is subject to the satisfaction of the following conditions precedent (collectively, the “**Conditions Precedent**”):

- (a) this Proposal shall have been approved by the Required Majority of the Affected Creditors in accordance with the provisions of the BIA;
- (b) the Approval Order sanctioning this Proposal and the Approval and Reverse Vesting Order shall have been made, and the effect of these orders shall not have

been stayed, revised, modified, reversed or amended, and these orders shall, among other things:

- i. declare that (1) this Proposal has been approved by the Required Majority of the Affected Creditors in conformity with the BIA; and (2) this Proposal, the Agreement, and the transactions contemplated thereby are fair and reasonable, and in the best interest of the Company, the Affected Creditors, and other stakeholders;
 - ii. order that this Proposal is sanctioned and approved pursuant to the BIA; and
 - iii. authorize and direct the Company and the Proposal Trustee to execute and deliver the agreements, documents, and instruments contemplated by this Proposal in order to effect all actions contemplated by this Proposal and the Agreement;
- (c) the Agreement shall have completed in accordance with the Closing Sequence and the Closing shall have occurred (as such terms are defined therein, and all in accordance with the provisions of the Agreement);
 - (d) ResidualCo shall have been assigned, or a voluntary assignment into bankruptcy shall have been filed in respect thereof; and
 - (e) all other actions, documents and agreements necessary to implement this Proposal as required herein shall have been effected and executed.

The non-fulfillment or non-satisfaction of any of the Conditions Precedent set forth in Article 8.1(a) through (c), above, shall constitute a default under this Proposal for the purposes of Section 62.1 of the BIA and otherwise under this Proposal.

ARTICLE VII AMENDMENTS AND MODIFICATIONS

7.1 AMENDMENT OF PROPOSAL BEFORE OR AT MEETING

The Company reserves the right, with the consent of the Proposal Trustee, to amend, modify, supplement, or restate this Proposal at any time prior to the Meeting, or at the Meeting, in which case the amended, modified, supplemented or restated proposal will be put before the Affected Creditors for approval at the Meeting.

7.2 MODIFICATION OF PROPOSAL AFTER MEETING

After the Meeting, this Proposal may be modified from time to time:

- (a) by the Company, if the amendment is considered by the Proposal Trustee and the Inspectors (if any) to be non-substantive in nature, and, with the approval of the Proposal Trustee and the majority of the Inspectors (if any); and
- (b) by the Court on application by the Company or the Proposal Trustee, and upon notice to those determined by the applicant to be directly affected by the proposed modification.

7.3 WAIVERS

Any provision of the Proposal may be waived, with the consent of the Proposal Trustee or by a Creditor if such provision affects only that Creditor.

**ARTICLE VIII
APPLICATION FOR APPROVAL ORDER**

8.1 APPLICATION FOR APPROVAL ORDER

Upon the conclusion of the Meeting, if the Proposal has been approved by the Affected Creditors by the Required Majority, the Proposal Trustee shall apply to the Court for the Approval Order. Subject only to the Approval Order being granted and the satisfaction of the Conditions Precedent enumerated in Article 6.1, this Proposal will be implemented by the Company and will be binding upon all Affected Creditors and all other Persons affected by this Proposal in accordance with its terms.

8.2 CONTINUATION OF THE STAY OF PROCEEDINGS

The stay of proceedings provided for in Section 69.1(1) of the BIA will be continued in full force and effect, save as is expressly provided herein.

**ARTICLE IX
NOTICE, UNDELIVERABLE DISTRIBUTIONS AND THE LEVY**

9.1 NOTICES AND PAYMENTS TO AFFECTED CREDITORS

Any notices, correspondence and distributions to Affected Creditors under or in relation to this Proposal shall be delivered to the address provided by each Affected Creditor unless the Company and the Proposal Trustee are notified by an Affected Creditor in writing of an alternative address for delivery.

9.2 UNDELIVERABLE DISTRIBUTIONS

If any distribution, delivery or correspondence to an Affected Creditor under this Proposal is returned to the sender as undeliverable, no further distributions, deliveries or correspondence shall be made to that Affected Creditor unless and until the sender is notified by such Affected Creditor, in writing, of their current address, at which time any missed deliveries, distributions

(without interest) and correspondence shall be delivered to such Affected Creditor. Undeliverable distributions shall be retained by the sender until they are claimed or until six months after the date of such distribution, after which they shall revert to the Company, free of any restrictions or claims thereon.

9.3 WITHHOLDING TAXES AND SUPERINTENDENT'S LEVY

All distributions to the Affected Creditors under this Proposal shall be made net of the levy imposed by the Superintendent of Bankruptcy under the BIA.

Notwithstanding any other provision of this Proposal, each Affected Creditor that receives a distribution pursuant to this Proposal shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes or tax obligations imposed by any governmental entity (including income, withholding and other tax obligations on account of such distribution).

ARTICLE X GENERAL

10.1 HEADINGS

The division of the Proposal into Sections and the insertion of headings are for convenience only and do not form part of the Proposal and will not be used to interpret, define or limit the scope, extent or intent of the Proposal.

10.2 SECTION REFERENCE

Unless otherwise specified, references in the Proposal to "Articles", "Sections" and "Schedules" are to sections, articles, and schedules to the Proposal.

10.3 STATUTORY REFERENCE

Unless otherwise specified, each reference to a statute is deemed to be a reference to that statute and to the regulations made under that statute, as amended or re-enacted from time to time.

10.4 NUMBER AND GENDER

Unless otherwise specified, words importing the singular include the plural and vice versa and words importing gender include all genders.

10.5 CURRENCY

All references to amounts of money mean lawful currency of the Dominion of Canada unless otherwise expressly indicated. All Proofs of Claim submitted by Creditors in U.S. dollars will be converted to Canadian dollars at the rate of exchange applicable at the Filing Date.

10.6 INTEREST

Interest shall not accrue or be paid on any Affected Claims after the Filing Date, and no Affected Claims shall be entitled to interest accruing on or after the Filing Date.

10.7 FURTHER ACTIONS

The Company will execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Proposal to give effect to the transactions contemplated hereby.

10.8 CONFLICTS BETWEEN THIS PROPOSAL AND OTHER AGREEMENTS

From and after the Implementation Date, any conflict between: (a) this Proposal; and (b) the covenants, warranties, representations, terms, conditions, provisions or obligations, express or implied, of any contract, purchase order, mortgage, security agreement, indenture, trust indenture, loan or other agreement, commitment letter, lease or other arrangement or undertaking, written or oral (including any and all amendments or supplements thereto) existing with, between or among one or more of the Affected Creditors and the Company as at the Implementation Date, will be deemed to be governed by the provisions of this Proposal and the Approval Order, which shall take precedence and priority. For greater certainty, all Affected Creditors shall be deemed to consent to all transactions contemplated in this Proposal.

For clarity, however, any conflict between the terms of this Proposal and the Agreement will be deemed to be governed by the provisions of the Agreement and the Approval and Reverse Vesting Order, which shall take precedence and priority to the extent of any conflict.

10.9 NOTICES

All notices, Proofs of Claim, and other correspondence relating to this Proposal and to be delivered to the Proposal Trustee shall be in writing and shall be delivered either personally, by e-mail, or by regular mail, registered or certified mail, return receipt requested, to the Proposal Trustee at the following address:

c/o MNP Ltd.
Licensed Insolvency Trustee in the Proposal
Proceedings of Lotus Ventures Inc.
Suite 1630 609 Granville Street
Vancouver, B.C. V7Y 1E7

Attention: Seamus Boyle

Telephone: (778) 372-5384

Facsimile: (604) 685-8594

E-mail: InsolvencyInfoTBG@mnp.ca/ Seamus.Boyle@mnp.ca

10.10 BIA SECTIONS 95 TO 99, AND SECTION 101

It is a term of a term of this Proposal that Sections 95 to 99, and Section 101, inclusive, of the BIA shall not apply with respect to this Proposal and the Company.

10.11 SEVERABILITY

If subsequent to the Implementation Date, any term or provision of this Proposal is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Proposal Trustee, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Proposal shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

10.12 GOVERNING LAW

This Proposal will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

10.13 SUCCESSORS AND ASSIGNS

The Proposal is binding upon the Company, the Affected Creditors and their respective heirs, executors, administrators, successors and assigns.

DATED at the City of Vancouver, Province of British Columbia this 7th day of May, 2024.

LOTUS VENTURES INC.

Per: 

Authorized Signatory

SCHEDULE “A”

Agreement

SUBSCRIPTION AGREEMENT

Between

Lotus Ventures Inc.

-and-

5008679 Ontario Limited

May 3, 2024

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THIS SUBSCRIPTION AGREEMENT is made as of May 3, 2024,

BETWEEN:

LOTUS VENTURES INC., a corporation incorporated pursuant to
the laws of British Columbia

(the “Company”)

- and –

5008679 Ontario Limited, a corporation incorporated pursuant to
the laws of Ontario

(the “Purchaser”)

RECITALS:

- A. On January 17, 2024 (the “Filing Date”), the Company initiated proceedings under the Bankruptcy and Insolvency Act (Canada) the (“BIA”) by filing a Notice of Intention to Make a Proposal pursuant to section 50.4(1) of the BIA (the “NOI Proceedings”) and MNP Ltd. consented to act as licensed insolvency trustee (in such capacity, the “Proposal Trustee”).
- B. On February 15, 2024, the time for filing the Company’s proposal was extended to April 1, 2024, by way of an order granted by the Supreme Court of British Columbia in Bankruptcy and Insolvency (the “Court”).
- C. On March 28, 2024, the Company made a proposal to its creditors of even date (the “Proposal”).
- D. On April 4, 2024, counsel for the Purchaser provided the Company with a draft binding offer for the Purchaser’s subscription for the Subscribed Shares (the “Proposed Binding Offer”), to be completed through a series of transactions between the Company and the Purchaser to proceed by way of reverse vesting order substantially in the form set forth in Schedule “A”, thereto, subject to all necessary approvals of the creditors and the Court and entering into a definitive subscription agreement.
- E. Following completion of the Transactions contemplated by this Subscription Agreement, the Subscribed Shares shall represent all of the existing equity of Company.
- F. The Company wishes to issue to the Purchaser, and the Purchaser has agreed to subscribe for and purchase from the Company, the Subscribed Shares, upon the terms and conditions set forth herein.

G. The Transactions contemplated by this Subscription Agreement are subject to the approval of the Court and will be consummated only pursuant to and in accordance with the approval of the Court pursuant to the Approval and Reverse Vesting Order.

NOW THEREFORE, in consideration of the covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (as defined below) agree as follows:

ARTICLE 1
DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

Whenever used in this Subscription Agreement the following words and terms shall have the meanings set out below:

“Act” means the Cannabis Act, S.C. 2018, c. 16, as amended;

“Action” means any claim, action, demand, lawsuit, arbitration, inquiry, audit, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory or otherwise, whether at law or in equity and by or before a Governmental Authority;

“Affiliate” means, with respect to any Person, any other Person who directly or indirectly controls, is controlled by, or is under direct or indirect common control with, such Person, and includes any Person in like relation to an Affiliate. A Person shall be deemed to “control” another Person if such Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of such other Person, whether through the ownership of voting securities, by contract or otherwise; and the term “controlled” shall have a similar meaning;

“Agreement Date” means the date of this Subscription Agreement as set forth on the first page of this Subscription Agreement;

“Approval and Reverse Vesting Order” means an order issued by the Court substantially in the form attached hereto as Schedule “A”, or otherwise acceptable to the Purchaser, the Company and the Proposal Trustee, each acting reasonably: (i) approving the Transactions; (ii) transferring out of the Company and vesting in ResidualCo all Excluded Assets, Excluded Contracts and Excluded Liabilities, and discharging all Claims and Encumbrances against the Company; (iii) providing for the Company’s retaining the Retained Assets (free and clear of all Claims and Encumbrances), Retained Contracts, Retained Liabilities, and Permitted Encumbrances; and (iv) vesting in the Purchaser all right, title and interest in and to the Subscribed Shares, free and clear of all Claims and Encumbrances;

“BIA” has the meaning set out in the recitals;

“Books and Records” means all books and records of Company and its subsidiaries, including minute books, annual returns filed with the corporate registry, books of account, ledgers, general, financial and accounting records, Tax Returns and other records in the possession and control of Company or its subsidiaries as of the Agreement Date;

“Business” means the business carried on by Company;

“Business Day” means any day, other than a Saturday or Sunday or any day on which banks are generally not open for business in the City of Vancouver, British Columbia;

“Cannabis Licenses” means, collectively, all of the licenses, permits, certificates, permissions or agreements granted by a governmental department, branch or agency, foreign or domestic, in favour of the Company, which authorize and permit the Company to carry on the Business, to cultivate and process cannabis and cannabis products, and to sell cannabis and cannabis products to the public.

“Cash Consideration” has the meaning set out in Section 2.1(b);

“Claims” means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of preemption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, indemnities, liabilities, debts, or other claims or obligations, of any nature or kind whatsoever, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

“Closing” means the completion of the Transactions pursuant to this Subscription Agreement;

“Closing Date” means the date on which the Closing occurs, which date shall be no later than four (4) Business Days from the date on which all conditions set out in Article 6 (other than those conditions that by their nature can only be satisfied on the Closing Date) have been satisfied or waived, or such other date as may be agreed to in writing by the Parties;

“Closing Sequence” has the meaning set out in Section 5.2;

“Closing Statement” has the meaning set out in Section 2.3(a);.

“Closing Time” means the time on the Closing Date at which Closing occurs, as evidenced by the Proposal Trustee’s Certificate;

“Company” has the meaning set out in preamble to this Subscription Agreement;

“Company Obligations” means, collectively, the: (i) Post-Filing Obligations; (ii) Cure Costs; and (iii) Terminated Employee Claims, to the extent existing and unsatisfied at Closing;

“Company Obligations Amount” has the meaning set out in Section 2.1(a);

“Conditions Certificates” has the meaning set out in Section 7.4.

“Contracts” means all contracts, agreements, deeds, licenses, leases, obligations, commitments, promises, undertakings, engagements, understandings or arrangements to which Company is a party, or by which Company is bound, including, without limitation, those under which Company has, or will have at Closing, any right, obligation, or Liability or contingent right, obligation, or Liability (in each case, whether written or oral, express or implied), or under which any Claims or Encumbrances against Company arise, including those which in anyway relate to the Business;

“Court” has the meaning set out in the recitals;

“CTO” means the cease trade order issued by the British Columbia Securities Commission dated April 8, 2024, relating to, among other issuers, the Company, and any other reciprocal Orders issued by any other securities commission relating to such cease trade order, automatically or otherwise;

“Cure Costs” means all monetary defaults in relation to the Retained Contracts as at the Closing Date, other than those arising by reason only of Company’s insolvency, the NOI Proceedings, the appointment of the Proposal Trustee, or the Company’s failure to perform a non-monetary obligation;

“Discharged” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, including all proceeds thereof, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof;

“Employees” means all individuals, and “Employee” means any one of them, who, as of Closing Time, are employed by the Company whether on a full-time or part-time basis, including all individuals who are on an approved and unexpired leaves of absence and all individuals who have been placed on temporary lay-off which has not expired, but, for certainty, excludes any Terminated Employees;

“Encumbrances” means any and all security interests (whether contractual, statutory, or otherwise), hypothecs, pledges, mortgages, liens, trusts or deemed trusts (whether contractual, statutory or otherwise), reservations of ownership, royalties, options, rights of pre-emption, privileges, interests, assignments, actions, judgments, executions, levies, taxes, writs of enforcement, charges, indemnities, liabilities, debts, or other claims or obligations, whether contractual, statutory, financial, monetary or otherwise, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise;

“Encumbrances to Be Discharged” means all Encumbrances on the Retained Assets, including without limitation the Encumbrances listed in Schedule “H”, an amended list of which may be delivered by the Purchaser no later than before the Closing Date and excluding only the Permitted Encumbrances;

“Equipment” has the meaning given to it in the PPSA;

“Equipment Assets” means all Equipment owned by the Company, including and in particular all Equipment located on the Lands;

“Equity Interest” means and includes any and all of the following as such relate to the Company: (i) any shares, interests, participations or other equivalents (however designated) of capital stock or share capital or related rights or interests; (ii) any phantom stock, phantom stock rights, stock appreciation rights or stock-based performance securities; (iii) any warrants, options, convertible, exchangeable or exercisable securities, subscriptions, rights (including any pre-emptive or similar rights), calls; (iv) any other rights or interests to purchase or acquire any of the foregoing; and (v) any interest that constitutes an “equity interest” as such term is defined in the BIA;

“Estimated Closing Statement” has the meaning set out in Section 2.2(a);

“Excluded Assets” means those assets listed in Schedule “C”, an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order;

“Excluded Contracts” those Contracts listed in Schedule “E” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order), as well as: (i) any and all Contracts disclaimed or resiliated by the Company prior to the Closing Date pursuant to section 65.11 of the BIA; and (ii) for clarity, any contracts of employment held by Terminated Employees;

“Excluded Liabilities” means all debts, obligations, Liabilities, Encumbrances (other than Permitted Encumbrances), indebtedness, Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or relating to any Retained Assets, Excluded Assets, or Excluded Contracts, as at the Closing Time, other than Retained Liabilities, including, among others: (i) the non-exhaustive list of those certain Liabilities set forth in Schedule “G” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order); (ii) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transactions and to which Company may be bound as at the Closing Time; (iii) all Liabilities relating to or under the Excluded Contracts and Excluded Assets; and (iv) all Liabilities to or in respect of Company’s Affiliates;

“Existing Equity Interests” for clarity, does not include the Subscribed Shares, but means and includes any issued and outstanding Equity Interest in the Company in existence prior to Closing;

“Filing Date” has the meaning set out in the recitals;

“Final Order” means the Approval and Reverse Vesting Order that satisfies the following conditions: (i) it is in full force and effect; (ii) it has not been reversed, modified or vacated and is not subject to any stay; and (iii) all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving the Approval and Reverse Vesting Order wholly operable;

“Governmental Authority” means any government, regulatory authority, governmental department, agency, agent, commission, bureau, official, minister, Crown corporation, court, body, board, tribunal or dispute settlement panel or other law or regulation-making organization or entity: (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (ii) exercising, or entitled to or purporting to exercise, any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“Intellectual Property” means: (i) domestic and foreign patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) information, including proprietary business information and non-public business information, inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, biological and genetic strains, sequences, information or materials, and any documentation relating to any of the foregoing; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) trade names, business names, corporate names, domain names, website names and world wide web addresses, social media accounts and identifiers, common law trademarks, trademark registrations, trademark applications, trade dress and logos, and the goodwill associated with any of the foregoing (including and in particular any registered, pending, statutory or common law rights in trademarks, business, or trade names related to the Company and the Business, and to the name and use of the “Lotus Ventures Inc.”, and “Lotus Cannabis Co.” brands); and (v) any other intellectual property and industrial property and applications and registrations therefor;

“Interim Period” means the period from the Agreement Date up to and until the Closing Time;

“Inventory” has the meaning given to it in the PPSA;

“Inventory Assets” means all Inventory owned by the Company, including and in particular all Inventory located on the Lands;

“Lands” means PID: 011-546-247, Lot 8, Section 16, Township 7, Osoyoos Division, Yale District, Plan 1558;

“Laws” means, with respect to any Person, property, transaction, event or other matter; all laws, statutes, by-laws, rules, regulations, treaties, Orders, ordinances or judgments, guidelines, directives or other requirements having the force of law, whether federal, provincial, state or municipal, relating or applicable to that Person, property, transaction, event or other matter, including without limitation, the Regulations and laws or requirements of stock exchanges and any consent decree or administrative order;

“Liability” means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person;

“NOI Proceedings” has the meaning set out in the recitals;

“Notice” has the meaning set out in Section 9.3;

“Orders” means orders, injunctions, judgments, administrative complaints, decrees, rulings, awards, assessments, directions, instructions, penalties or sanctions issued, filed or imposed by any Governmental Authority or arbitrator and includes any orders granted by the Court in the NOI Proceedings;

“Outside Date” means June 14, 2024, or such other date as the Parties agree in writing;

“Parties” means, collectively, the Company and the Purchaser, and “Party” means any one of them;

“Permits” means the permits, licenses, authorizations, approvals or other evidence of authority Related to the Business or issued to, granted to, conferred upon, or otherwise created for, Company;

“Permitted Encumbrances” means the Encumbrances related to the Retained Assets listed in Schedule “I”, an amended list of which may be agreed to by the Purchaser, Company and the Proposal Trustee prior to the granting of the Approval and Reverse Vesting Order;

“Person” means any individual, sole proprietorship, partnership, firm, entity, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, corporation, Governmental Authority, and where the context requires, any of the foregoing when they are acting as trustee, executor, administrator or other legal representative;

“Post-Filing Obligations” means any Claim or Liability of any kind owing by the Company arising out of or relating to the Business and becoming payable after the Filing Date;

“PPSA” means the Personal Property Security Act, R.S.B.C. 1996, c. 359;

“Production Facility” means the 22,500 square foot indoor cannabis production facility, which includes administrative offices, situate on the Lands, along with all other fixtures, structures and out-buildings connected with or related to such facility;

“Proposal” has the meaning set out in the recitals;

“Proposal Trustee” has the meaning set out in the recitals;

“Proposal Trustee’s Certificate” means the certificate, substantially in the form attached as Schedule “D” to the Approval and Reverse Vesting Order, to be delivered by the Proposal Trustee in accordance with Section 7.4, and thereafter filed by the Proposal Trustee with the Court;

“Proposed Binding Offer” has the meaning set out in the recitals;

“Purchase and Sale Transactions” means the transactions contemplated by this Subscription Agreement, which provide for, among other things: (i) the issuance by Company of the Subscribed Shares to the Purchaser in consideration for the Subscription Price; (ii) the transfer and assignment by the Company to ResidualCo of the Excluded Assets, Excluded Contracts, and the Excluded Liabilities, each on and subject to the terms set forth herein; and (iii) the transfer of: (1) the Company Obligations Amount to the Company in full payment and satisfaction of the Company Obligations; and (2) the Cash Consideration to ResidualCo, in full payment and satisfaction of the Excluded Liabilities, Excluded Assets and Excluded Contracts, all in full satisfaction of the Purchaser’s obligations under this Subscription Agreement;

“Purchaser” has the meaning set out in preamble to this Subscription Agreement;

“Purchaser Release” has the meaning set out in Section 5.3;

“Regulations” means the Cannabis Regulations, SOR/2018-144, as amended;

“Related to the Business” means primarily: (i) used in; (ii) arising from; or (iii) otherwise related to the Business or any part thereof;

“Released Parties” has the meaning set out in Section 5.3(e);

“Representative” when used with respect to a Person means each director, officer, employee, consultant, financial adviser, legal counsel, accountant and other agent, adviser or representative of that Person;

“ResidualCo” means Lotus Cannabis Alberta Incorporated, a corporation incorporated pursuant to the laws of Alberta, and a wholly owned subsidiary of the Company;

“Retained Assets” means all of the assets owned by the Company as at the Agreement Date and any assets acquired by it up to and including Closing, that are not the Excluded Assets, including (without limitation): (i) those assets listed at Schedule “B” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the

Approval and Reverse Vesting Order), and (ii) the Permits, Cannabis Licenses, Books and Records, Lands, Production Facility, Equipment Assets, Inventory Assets, and Intellectual Property;

“Retained Contracts” means all contracts held by the Company as at the Closing Date that are not Excluded Contracts, including, without limitation, those Contracts listed at Schedule “D”, an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order;

“Retained Liabilities” means: (a) Liabilities specifically and expressly designated by the Purchaser as Retained Liabilities in Schedule “F” (an amended list of which may be agreed to by the Purchaser and the Company prior to the grant of the Approval and Reverse Vesting Order); (b) the Company Obligations; and (c) the ordinary course obligations under the Retained Contracts, including all obligations in respect of the Employees. For clarity, the Retained Liabilities shall not include: (y) any debts, Liabilities, Claims, Encumbrances, or obligations arising from any breach of any of the Retained Contracts, or any negligence or willful misconduct by the Company arising prior to the Closing Date; or (z) any obligations relating to Terminated Employees that are not the Terminated Employee Claims;

“Subscribed Shares” means a number of common shares in the capital of the Company, to be advised by the Purchaser, which will be issued on Closing and which, after the Closing Time, will represent 100% of the Equity Interest in the Company;

“Subscription Agreement” means this Subscription Agreement, including all schedules, and all amendments or restatements, as permitted pursuant to the terms hereof, and references to “Article” or “Section” mean the specified Article or Section of this Subscription Agreement;

“Subscription Price” has the meaning set out in Section 2.1;

“Tax Act” means the Income Tax Act (Canada);

“Tax Liabilities” means the Liabilities arising from or related to the Transaction Taxes;

“Tax Returns” means all returns, reports, declarations, designations, forms, elections, notices, filings, information returns, and statements in respect of Taxes that are filed or required to be filed with any applicable Governmental Authority, including all amendments, schedules, attachments or supplements thereto and whether in tangible or electronic form;

“Taxes” or “Tax” means, with respect to any Person, all supranational, national, federal, provincial, state, local or other taxes, including income taxes, mining taxes, branch taxes, profits taxes, capital gains taxes, gross receipts taxes, windfall profits taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, franchise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, governmental pension plan premiums and

contributions, social security premiums, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person;

“Terminated Employees” means those individuals employed by the Company whose employment shall be terminated by the Company prior to the Closing Date pursuant to a list to be provided by the Purchaser to the Company prior to the Closing Date;

“Terminated Employee Claims” means claims of Terminated Employees that rank in priority pursuant to sections 81.3 and 81.4 of the BIA, to a maximum of \$2,000 per Terminated Employee;

“Transaction Taxes” means all documentary, stamp, transfer, sales and transfer taxes, registration charges and transfer fees, including HST, use, value added, and excise taxes and all filing and recording fees (and any penalties and interest associated with such taxes and fees) or any other Tax consequences arising from, or relating to, or in respect of the consummation of the Transactions; and

“Transactions” means all of the transactions contemplated by this Subscription Agreement, including the Purchase and Sale Transactions.

1.2 Certain Rules of Interpretation

In this Subscription Agreement:

- (a) Currency – Unless otherwise specified, all references to monetary amounts are to lawful currency of Canada.
- (b) Headings – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Subscription Agreement.
- (c) Including – Where the word “including” or “includes” is used in this Subscription Agreement, it means “including (or includes) without limitation”.
- (d) No Strict Construction – The language used in this Subscription Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (e) Number and Gender – Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

- (f) Statutory reference – A reference to a statute includes all regulations and rules made pursuant to such statute and, unless otherwise specified, the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation.
- (g) Time – Time is of the essence in the performance of the Parties’ respective obligations.
- (h) Time Periods – Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

1.3 Entire Agreement

This Subscription Agreement and the agreements and other documents required to be delivered pursuant to this Subscription Agreement constitute the entire agreement between the Parties and set out all the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Subscription Agreement and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise, with respect to the subject matter of this Subscription Agreement, including the Proposed Binding Offer.

1.4 Schedules

The schedules to this Subscription Agreement, listed below, are an integral part of this Subscription Agreement:

Schedule	Description
Schedule “A”	Approval and Reverse Vesting Order
Schedule “B”	Retained Assets
Schedule “C”	Excluded Assets
Schedule “D”	Retained Contracts
Schedule “E”	Excluded Contracts
Schedule “F”	Retained Liabilities
Schedule “G”	Excluded Liabilities
Schedule “H”	Encumbrances to be Discharged
Schedule “I”	Permitted Encumbrances

ARTICLE 2
SUBSCRIPTION PRICE FOR SUBSCRIBED SHARES

2.1 Subscription Price

The subscription price for the Subscribed Shares shall be the aggregate, all-inclusive amount of \$2,538,398.00 (the “Subscription Price”), which shall be satisfied as follows:

- (a) by wire transfer of an amount equal to the amount required to pay the Company Obligations (the “Company Obligations Amount”) and as set out in the Closing Statement, to the Company, in immediately available funds; and
- (b) by wire transfer of the Subscription Price, less the Company Obligations Amount, to the Proposal Trustee (the “Cash Consideration”), in immediately available funds.

The Company Obligations Amount shall be paid to the Company for payment by the Company to those parties entitled to the Company Obligations to satisfy such Company Obligations, including any counterparties under Retained Contracts in accordance with the Closing Sequence.

The Cash Consideration shall subsequently be transferred from the Proposal Trustee to ResidualCo pursuant to the Approval and Reverse Vesting Order, in full and final payment and satisfaction of the Purchaser’s obligations hereunder, on the Closing Date and in accordance with the Closing Sequence.

2.2 Estimated Closing Statement

- (a) At least three (3) Business Days prior to the anticipated Closing Date, the Company shall prepare and deliver to the Purchaser a statement, executed by an executive officer of the Company confirming and certifying the accuracy of the information therein (the “Estimated Closing Statement”), and setting forth in reasonable detail, the Company’s good faith estimate of:
 - (i) the aggregate amount of the Post-Filing Obligations as of 11:59 pm Pacific time on the day prior to the Closing Date, and a list of each separate Post-Filing Obligation, and, with respect to such Post-Filing Obligation, the Person owed such Post-Filing Obligation, the Contract applicable to such Post-Filing Obligation, the date or dates on which such Post-Filing Obligation became owing, and reasonable details on how such Post-Filing Obligation became owing;
 - (ii) the aggregate amount of the Cure Costs as of 11:59 pm Pacific time on the day prior to the Closing Date, including a list of each separate Cure Cost, and, with respect to such Cure Cost, the Person owed such Cure Cost, the Contract applicable to such Cure Cost, the date or dates on which such Cure Cost became owing, and reasonable details on how such Cure Cost became owing;

- (iii) the Terminated Employee Claims as of 11:59 pm Pacific time on the day prior to the Closing Date; and
 - (iv) the Company Obligations Amount and Cash Consideration calculated in accordance with the definitions herein.
- (b) Following delivery of the estimated Closing Statement, the Company shall provide the Purchaser (including its Representatives) with reasonable access to (and copies of) all Books and Records of the Business related to the Company Obligations as well as access to personnel of the Company, to enable the Purchaser to evaluate the accuracy of the Estimated Closing Statement. In the event that the Purchaser disputes one or more of the items to be contained in the Estimated Closing Statement, then the Purchaser shall notify the Company and the Parties shall attempt to resolve the dispute to the mutual satisfaction of the Parties. Upon resolution of such dispute, the Estimated Closing Statement shall be amended to reflect such resolution.

2.3 Closing Statement

- (a) At least one (1) Business Day prior to the anticipated Closing Date, the Company shall prepare and deliver to the Purchaser a statement, executed by an executive officer of the Company confirming and certifying the accuracy of the information therein (the “Closing Statement”), which shall be the same in all material respects to the Estimated Closing Statement, as amended pursuant to Section 2.2(b) or unless otherwise approved by the Purchaser, setting forth in reasonable detail:
- (i) the aggregate amount of the Post-Filing Obligations as of 11:59 pm Pacific time on the day prior to the Closing Date, and a list of each separate Post-Filing Obligation, and, with respect to such Post-Filing Obligation, the Person owed such Post-Filing Obligation, the Contract applicable to such Post-Filing Obligation, the date or dates on which such Post-Filing Obligation became owing, and reasonable details on how such Post-Filing Obligation became owing;
 - (ii) the aggregate amount of the Cure Costs as of 11:59 pm Pacific time on the day prior to the Closing Date, including a list of each separate Cure Cost, and, with respect to such Cure Cost, the Person owed such Cure Cost, the Contract applicable to such Cure Cost, the date or dates on which such Cure Cost became owing, and reasonable details on how such Cure Cost became owing;
 - (iii) the Terminated Employee Claims as of 11:59 pm Pacific time on the day prior to the Closing Date; and
 - (iv) the Company Obligations Amount and Cash Consideration calculated in accordance with its definitions herein,

which, for greater certainty, shall be in a form approved by the Purchaser, in its sole and absolute discretion, acting reasonably.

ARTICLE 3 TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

3.1 Transfer of Excluded Liabilities to ResidualCo

On the Closing Date, in accordance with the Closing Sequence and pursuant to the Approval and Reverse Vesting Order, the Excluded Liabilities shall be transferred to and assumed by ResidualCo. All of the Excluded Liabilities shall be discharged from the Company as of the Closing, pursuant to the Approval and Reverse Vesting Order.

3.2 Transfer of Excluded Assets and Excluded Contracts to ResidualCo

On the Closing Date, Company shall retain, free and clear of any and all Encumbrances, Claims, and Liabilities, other than Permitted Encumbrances, the Retained Assets and the Retained Contracts. For greater certainty, the Retained Assets shall not include the Excluded Assets or the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Closing Sequence, on the Closing Date, and same shall be vested in ResidualCo pursuant to the Approval and Reverse Vesting Order. For greater certainty, the Company (and not ResidualCo) shall be solely liable for all Tax Liabilities and Transaction Taxes, if any, arising in connection with or as a result of the transfer of the Excluded Assets and Excluded Contracts to ResidualCo.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Company

The Company represents and warrants as of the Agreement Date and the Closing Date the following to the Purchaser and acknowledges that the Purchaser is relying upon these representations and warranties in connection with the Transactions:

- (a) subject to the granting and terms of the Approval and Reverse Vesting Order, this Subscription Agreement is a legal, valid and binding obligation of Company, enforceable against it in accordance with its terms; and
- (b) Company is not a non-resident of Canada within the meaning of the Tax Act.

4.2 Representations and Warranties of the Purchaser

The Purchaser represents and warrants as of the Agreement Date and the Closing Date the following to the Company and acknowledges that the Company is relying upon the representations and warranties in connection with the Transactions:

- (a) the Purchaser is a corporation incorporated and existing under the Laws of its jurisdiction of incorporation and has the corporate power to enter into and perform its obligations under this Subscription Agreement;

- (b) the execution and delivery of and performance by the Purchaser of this Subscription Agreement has been authorized by all necessary corporate action on the part of the Purchaser;
- (c) the execution and delivery of and performance by the Purchaser of this Subscription Agreement:
 - (i) does not constitute or result in a violation or breach of, or conflict with, any of the terms or provisions of its constating documents or bylaws; and
 - (ii) does not result in the violation of any Laws;
- (d) no filing with, notice to or authorization of, any Governmental Authority is required on the part of the Purchaser as a condition to the lawful completion of the Transactions;
- (e) this Subscription Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against it in accordance with its terms, subject only to any limitation under Laws relating to: (i) bankruptcy, winding-up, insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar Laws of general application affecting creditors' rights; and (ii) the discretion that a court may exercise in the granting of equitable remedies including specific performance and injunction;
- (f) the Purchaser acknowledges that it has been encouraged to and should obtain independent legal, tax and investment advice with respect to its subscription for the Subscribed Shares, including, the applicable resale and transfer restrictions, and accordingly, has been independently advised, or has waived such independent advice, as to the meanings of all terms contained herein relevant to the Purchaser for purposes of giving representations, warranties and covenants under this Subscription Agreement;
- (g) the Purchaser is an informed and sophisticated buyer, has engaged expert advisors and is experienced in the evaluation and purchase of property and assets and assumption of liabilities such as the Subscribed Shares as contemplated hereunder, and has undertaken such investigations and has been provided with and has evaluated such documents and information as it has deemed necessary to enable it to make an informed and intelligent decision with respect to the execution, delivery and performance of this Subscription Agreement;
- (h) the Purchaser acknowledges that investment in the Subscribed Shares involves risk, and represents that it is able, without materially impairing its financial condition, to hold the Subscribed Shares for an indefinite period of time and to suffer a complete loss of its investment;
- (i) the Purchaser understands that the Subscribed Shares are being issued to it under an exemption from the prospectus requirements applicable under Canadian

securities Laws and that there are restrictions imposed on the Purchaser and the Subscribed Shares which limit the Purchaser's ability to resell the Subscribed Shares in Canada. The Purchaser further acknowledge that if an exemption from resale restrictions is available, it may be conditioned on various requirements including the time and manner of sale, the holding period for the Subscribed Shares, and on requirements relating to the Company which are outside of the Purchaser's control, and which the Company is under no obligation and may not be able to satisfy;

- (j) it is an "accredited investor", as such term is defined in National Instrument 45-106 - Prospectus Exemptions; and
- (k) the Purchaser understands that the investment in, or holding, acquisition or disposition of, the Subscribed Shares may have material tax consequences under Laws, and that it is the sole responsibility of the Purchaser to determine and assess such tax consequences as may apply to their particular circumstances.

4.3 As is, where is

Notwithstanding any other provision of this Subscription Agreement, the Purchaser acknowledges, agrees and confirms that:

- (a) except for the representations and warranties of Company set forth in Section 4.1, it is entering into this Subscription Agreement and acquiring its Subscribed Shares on an "as is, where is" basis as they exist as of the Closing Time;
- (b) it has conducted to its satisfaction and has relied on such independent searches, investigations, reviews and inspections of the Company and the Subscribed Shares as it deemed appropriate, and based thereon, has determined to proceed with the Transactions;
- (c) except as expressly stated in Section 4.1, the Company is not making, and the Purchaser is not relying on, any written or oral representations, warranties, statements, information, promises or guarantees, express or implied, statutory or otherwise, concerning the Transactions, Company, the Business, or the Subscribed Shares, including the right, title or interest of the Company in and to any assets relating to the Business, and any and all conditions, warranties or representations expressed or implied pursuant to any Laws in any jurisdiction, which the Purchaser confirms does not apply to this Subscription Agreement, are hereby waived in their entirety by the Purchaser;
- (d) the Company has not made any representation or warranty as to any regulatory approvals, permits, licenses, consents, registrations, filings or authorizations that may be needed to complete the Transactions or to obtain the benefit of the Subscribed Shares or any portion thereof, and the Purchaser is relying entirely on its own investigation, due diligence and inquiries in connection with such matters;

- (e) the obligations of the Purchaser under this Subscription Agreement are not conditional upon any additional due diligence;
- (f) except for the representations and warranties of Company set forth in Section 4.1, any information regarding or describing the Subscribed Shares, or in any other agreement or instrument contemplated hereby, is for identification purposes only, is not relied upon by the Purchaser, and no representation, warranty or condition, express or implied, has or will be given by the Company concerning the completeness or accuracy of such information or descriptions; and
- (g) except as otherwise expressly provided in this Subscription Agreement, and except for fraud on the part of the Company, the Purchaser hereby unconditionally and irrevocably waives any and all actual or potential rights or claims the Purchaser might have against Company pursuant to any warranty, express or implied, legal or conventional, of any kind or type, other than those representations and warranties of the Company expressly set forth in Section 4.1. Except as set out above in this Subsection (g), such waiver is absolute, unlimited, and includes, but is not limited to, waiver of express warranties, completeness of warranties, implied warranties, warranties of fitness for a particular use, warranties of merchantability, warranties of occupancy, strict liability and claims of every kind and type, including claims regarding defects, whether or not discoverable or latent, and all other claims that may be later created or conceived in strict liability or as strict liability type claims and rights; and the provisions of Section 4.3 shall survive and not merge on Closing.

ARTICLE 5 CLOSING

5.1 Closing

The Closing shall take place virtually by exchange of documents in PDF format on the Closing Date, in accordance with the Closing Sequence, and shall be subject to such escrow document release arrangements as the Parties may agree.

5.2 Closing Sequence

On the Closing Date, Closing shall take place in the following sequence (the “Closing Sequence”):

- (a) First, the Purchaser shall pay: (i) the Company Obligations Amount to the Company; and (ii) the Cash Consideration to the Proposal Trustee, to be held in escrow, and the entire Subscription Price shall be dealt with in accordance with this Closing Sequence;
- (b) Second, the Company shall transfer to and cause ResidualCo to assume the Excluded Assets, the Excluded Contracts, and the Excluded Liabilities, and all Claims and Encumbrances, other than the Permitted Encumbrances, shall be

Discharged from and against the Company, all in accordance with the Approval and Reverse Vesting Order;

- (c) Third, all of the Company's right title and interest in and to the Excluded Liabilities, all Claims and Encumbrances (but specifically excluding the Retained Liabilities and Permitted Encumbrances), shall be channeled to, assumed by and vest absolutely and exclusively in ResidualCo and: (i) such Excluded Liabilities, Claims, and Encumbrances shall continue to attach to the Excluded Assets, the Excluded Contracts, and all other property and assets of ResidualCo, with the same nature and priority as they had immediately prior to the Closing Date; (ii) such Excluded Liabilities, Excluded Contracts, Claims, and Encumbrances shall be transferred to and assumed by ResidualCo in consideration for the Cash Consideration (as and in the manner contemplated by this Section 5.2), such that the Excluded Liabilities, Excluded Contracts, and all Claims and Encumbrances (other than the Retained Liabilities and Permitted Encumbrances) shall become obligations of ResidualCo, which shall be deemed to have been party to the Contracts giving rise thereto and which shall stand in place and stead of the Company in respect of all such Liabilities or obligations, all of which shall no longer be Liabilities or obligations of the Company, and the Company shall be and is hereby forever released and discharged from such Excluded Liabilities, Excluded Contracts, Claims and Encumbrances (other than the Retained Liabilities and Permitted Encumbrances);
- (d) Fourth, all Existing Equity Interests shall be surrendered and cancelled and shall be of no further force or effect, and the obligations of the Company thereunder or in any way related thereto shall be satisfied and discharged, with no compensation or participation being provided or payable therefor, or in connection therewith, and any and all agreements, plans, indentures, deeds, certificates, subscription rights, conversion rights, pre-emption rights or other documents or instruments governing and/ or having been created, or granted in connection with the Existing Equity Interests, shall be deemed terminated and cancelled and shall be null and void in accordance with and pursuant to the Approval and Reverse Vesting Order;
- (e) Fifth, the Retained Assets and the Retained Contracts shall be retained by the Company free and clear of all Encumbrances and Claims, save and except Permitted Encumbrances and the Retained Liabilities;
- (f) Sixth, the Company shall issue the Subscribed Shares and the Purchaser shall subscribe for and purchase the Subscribed Shares free and clear of all Encumbrances and Claims, save and except for the Permitted Encumbrances;
- (g) Seventh, all of the right, title and interest in and to the Subscribed Shares issued by the Company to the Purchaser shall vest absolutely in the Purchaser free and clear of all Encumbrances and Claims, save and except for the Permitted Encumbrances;

- (h) Eighth, the Purchaser Release shall be released from escrow and shall become effective;
- (i) Ninth, notwithstanding any other provision in this paragraph, the Cash Consideration shall vest in ResidualCo, and all Excluded Liabilities, Excluded Contracts, Claims, and Encumbrances (save and except the Permitted Encumbrances and Retained Liabilities) shall attach to the Cash Consideration, in accordance with the Approval and Reverse Vesting Order;
- (j) Tenth, the Company shall pay, assume, or otherwise satisfy the Company Obligations in accordance with the terms of this Subscription Agreement and in the fashion contemplated by the Approval and Reverse Vesting Order; and
- (k) Eleventh, the Company shall cease to be a party to the NOI Proceedings and the Company shall be deemed to be released from the NOI Proceedings, save and except for the Approval and Reverse Vesting Order the provisions of which (as they relate to Company) shall continue to apply in all respects.

The Purchaser with the prior consent of Company and the Proposal Trustee, acting reasonably, may amend the Closing Sequence provided that such amendments to the Closing Sequence do not materially alter or impact the Transactions or the consideration which the Company or its stakeholders will benefit from, as part of the Transactions.

5.3 The Purchaser's Closing Deliveries

At or before the Closing (as applicable), the Purchaser shall deliver or cause to be delivered to Company (or to the Proposal Trustee, if so indicated below), the following:

- (a) a certificate dated as of the Closing Date and executed by the executive officer of the Purchaser confirming and certifying that each condition in Sections 6.1(a) and 6.1(b) has been satisfied;
- (b) a certificate of status, compliance, good standing or like certificate with respect to the Purchaser issued by an appropriate Governmental Authority;
- (c) the Subscription Price in accordance with Section 2.1;
- (d) a list of Terminated Employees;
- (e) an irrevocable release (the "Purchaser Release") by the Purchaser in favour of:
 - (i) Company's current and former directors, officers, employees, agents, representatives, and all of their respective advisors, including financial advisors and legal counsel; and
 - (ii) the Proposal Trustee and its current and former Affiliates, directors, officers and employees and all of their respective advisors, legal counsel and agents (such persons in (i) and (ii) above being collectively referred to herein as the "Released Parties") from any and all rights, actions, causes of action, suits, demands, debts, covenants, or claims of any nature whatsoever, whether contractual, extra-contractual, in law or in equity or

otherwise, past, present or future, direct or indirect, whether known or unknown (collectively, the “Purchaser Released Claims”) against any of the Released Parties, including in their capacity as equity holders of Company, as applicable; save and except: (1) for any and all Purchaser Released Claims arising out of or in connection with any gross negligence, fraud or willful misconduct, on the part of the Released Parties; and (2) for any claims related to, connected with, or arising from the claim filed in the Supreme Court of British Columbia on October 19, 2023 under Action No. S-237106; and

- (f) such other agreements, documents and instruments as may be reasonably required by Company to complete the Transactions provided for in this Subscription Agreement, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

5.4 **Company’s Closing Deliveries**

At or before the Closing (as applicable), Company shall deliver or cause to be delivered to the Purchaser, the following:

- (a) a copy of the Approval and Reverse Vesting Order;
- (b) share certificates representing the Subscribed Shares;
- (c) a certificate dated as of the Closing Date and executed by an executive officer of the Company confirming and certifying that each of the conditions in Section 6.2(a) has been satisfied; and
- (d) the Closing Statement.

ARTICLE 6 CONDITIONS PRECEDENT

6.1 Conditions for the Benefit of Company

The obligation of the Company to complete the Transactions is subject to fulfilment of each of the following conditions on the date stated for fulfilment thereof, and if not so stated on or before the Closing Time, each of which is acknowledged to be for the exclusive benefit of Company and may be waived by Company in whole or in part:

- (a) Representations and Warranties. The representations, warranties and agreements of the Purchaser in Section 4.2 and 4.3 shall be true and accurate in all material respects as at the Closing Time with the same force and effect as if made at and as of such time, and the Purchaser shall have executed and delivered a certificate to that effect;
- (b) Fulfilment of Purchaser’s Covenants. All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed by the Purchaser at or before the Closing Time shall have been complied with or

performed in all material respects and the Purchaser shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement; and

- (c) Delivery. The Purchaser shall have paid the Subscription Price and delivered the documents and other items referred to in 5.3.

6.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to complete the Transactions is subject to fulfilment of each of the following conditions on or before the Closing Time, each of which is included for the exclusive benefit of the Purchaser and may be waived by the Purchaser in whole or in part:

- (a) Fulfilment of Company's Covenants. All of the terms, covenants and conditions of this Subscription Agreement to be complied with or performed, by the Company at or before the Closing Time shall have been complied with or performed in all material respects and the Company shall not be in material breach of any agreement or covenant on its part contained in this Subscription Agreement.
- (b) Terminated Employees. The Company shall have terminated the employment of the Terminated Employees, as requested by the Purchaser, in its sole discretion, and all liabilities owing to any such Terminated Employees in respect of such terminations (except for the Terminated Employees Claims), including all amounts owing on account of statutory notice, termination payments, severance, vacation pay, benefits, bonuses or other compensation or entitlements, shall be and constitute Excluded Liabilities which, pursuant to the Approval and Reverse Vesting Order and the Closing Sequence, shall be discharged as against the Company and transferred to ResidualCo.
- (c) Delivery. The Proposal Trustee or the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing the documents and other items referred to in Section 5.4.
- (d) Cannabis Licenses. The Purchaser, in its sole and absolute discretion, shall have confirmed to its satisfaction that: (i) the Company has maintained and has in place all required Cannabis Licenses, and has maintained the employment of all Employees or other individuals required pursuant to the Act and Regulations to maintain the Cannabis Licenses; and (ii) it shall have no indication that the Cannabis Licenses shall not remain in full force and effect following the completion of the Transaction.
- (e) Closing Statement. The Purchaser, in its sole and absolute discretion, acting reasonably, shall have confirmed to its satisfaction that the Closing Statement accurately details the Company Obligations.
- (f) No Material Adverse Change. No material adverse change shall have occurred in regard to the Business, operations, assets, liabilities, or financial condition of the

Company between the date of the Purchaser's signing of this Subscription Agreement and the Closing Date, except as required in connection with the completion of the Transaction.

- (g) No Actions. No Actions shall be pending or, to the knowledge of the Company, be threatened wherein an unfavourable judgment, order, decree, stipulation or injunction would: (i) prevent completion of the Transactions (or any part thereof); or (ii) cause any part of the Transactions to be rescinded following completion.
- (h) No Inquiries. No inquiry or investigation in relation to the Transactions or the Company's directors, members, managers, or officers, as applicable, shall have been commenced or, to the knowledge of the Company, threatened by the Canadian Securities Exchange, any relevant securities commissions or other federal, state, provincial or local regulatory body having jurisdiction, such that the outcome of such inquiry or investigation would have a material adverse effect on the Purchaser.
- (i) Approvals. The Purchaser, in its sole and absolute discretion, shall have confirmed its or the Company's receipt of all required approval and consents in respect of the Transaction and all related matters.
- (j) CTO. The CTO shall be lifted, rescinded or revoked or shall otherwise, in the sole and absolute discretion of the Purchaser, not have: (i) the effect of making any of the Transactions illegal; or (ii) the effect of otherwise prohibiting, preventing or restraining the consummation of any of the Transactions contemplated by this Subscription Agreement.
- (k) Cease to be a Reporting Issuer. The Purchaser, in its sole and absolute discretion, shall have confirmed that the Company is not required to take any actions, other than filing an ordinary course application with each applicable securities commission in Canada, to obtain an order to cease to be a "reporting issuer" under applicable securities Laws in each applicable Canadian jurisdiction following the completion of the Transactions.

6.3 Mutual Conditions for the Benefit of Company and the Purchaser

The obligation of each of the Company and the Purchaser to complete the Transactions is subject to the fulfillment of each of the following conditions or before the Closing Time, each of which is included for the benefit of Company and the Purchaser and may be waived in whole or in part upon the mutual agreement of the Parties:

- (a) No Violation of Orders or Law. Prior to Closing, no Governmental Authority shall have enacted, issued or promulgated any final or non-appealable Order or Law which has: (i) the effect of making any of the Transactions illegal, or (ii) the effect of otherwise prohibiting, preventing or restraining the consummation of any of the Transactions contemplated by this Subscription Agreement;

- (b) No Bankruptcy. The Company shall not be deemed to have made an assignment, or become bankrupt within the meaning of the BIA;
- (c) No Default. The acquisition of the Subscribed Shares by the Purchaser shall not result in a default occurring under any Retained Contract or Cannabis License.
- (d) Approval and Reverse Vesting Order. The Approval and Reverse Vesting Order, in form and substance satisfactory to each of the Parties acting reasonably, shall have been issued and shall have become a Final Order.

6.4 Interim Period

- (a) During the Interim Period, except: (i) as contemplated or permitted by this Subscription Agreement; (ii) as necessary in connection with the NOI Proceedings; or (iii) as consented to by the Purchaser and the Company, such consent not to be unreasonably withheld, conditioned or delayed: (1) the Company shall continue to maintain its Business and operations in substantially the same manner as conducted on the date of this Subscription Agreement, including preserving, renewing and keeping in full force its corporate existence; and (2) the Company shall not transport, remove or dispose of, any of its assets out of its current locations outside of its ordinary course of Business.
- (b) During the Interim Period, except as contemplated or permitted by this Subscription Agreement, the Company shall not enter into any non-arms' length transactions involving the Company or its assets or the Business without the prior approval of the Purchaser.

6.5 Access During Interim Period

During the Interim Period, the Company shall give, or cause to be given, to the Purchaser, and its Representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such non-intrusive and non-destructive investigations of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize itself with the Business and the Retained Assets. Without limiting the generality of the foregoing, the Purchaser and its Representatives shall be: (a) permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Subscription Agreement and to the Employees; and (b) permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities, and the Company's customers and contractual counterparties. Such investigations shall be carried out at the Purchaser's sole and exclusive risk and cost, and without undue interference with the Company's operations and the Company shall co-operate reasonably in facilitating such investigations and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

6.6 Non-Satisfaction of Conditions

If any condition set out in Section 6.1, 6.2, or 6.3 is not satisfied or performed prior to the Outside Date, the Party for whose benefit the condition is inserted may:

- (a) in writing, waive compliance with the condition in whole or in part in its sole discretion by notice to the other Party and without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part; or
- (b) elect to terminate this Subscription Agreement, in which case neither of the Parties shall be under any further obligation to the other to complete the Transactions, except that if this Subscription Agreement is terminated by a Party because of a breach of this Subscription Agreement by the other Party or because a condition for the benefit of the terminating Party has not been satisfied because the other Party has failed to perform any of its obligations or covenants under this Subscription Agreement, the terminating Party's right to pursue all legal remedies will survive such termination unimpaired.

ARTICLE 7 COVENANTS OF THE PARTIES

7.1 Pre-Closing Covenants of the Purchaser

The Purchaser covenants to the Company that, during the Interim Period or the earlier termination of this Subscription Agreement, the Purchaser shall:

- (a) take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with Laws, to consummate and make effective as soon as possible the Transactions, provided that the foregoing shall not be construed as a requirement that the Purchaser waive any Closing condition set out in Sections 6.2 or 6.3 hereof;
- (b) take such actions as may be reasonably requested by Company to assist Company in obtaining the Court's entry of the Approval and Reverse Vesting Order and any other Order reasonably necessary to consummate the Transactions; and
- (c) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Subscription Agreement and the consummation of the Transactions, and make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Subscription Agreement and the Transactions required under any Laws.

7.2 Pre-Closing Covenants of the Company

The Company covenants to the Purchaser that, during the Interim Period or the earlier termination of this Subscription Agreement, the Company shall:

- (a) take, or cause to be taken, all commercially reasonable actions and to do, or cause to be done, all things necessary or proper, consistent with Laws, to consummate and make effective as soon as possible, the Transactions, provided that the foregoing shall not be construed as a requirement that the Company waive any Closing condition set out in Section 6.1 or 6.3.
- (b) use commercially reasonable efforts to maintain its Inventory Assets, Equipment Assets and other assets, and shall not dispose of any of the foregoing outside of the ordinary course of business;
- (c) use commercially reasonable efforts, in consultation with the Purchaser, to ensure that all current existing Cannabis Licenses and Permits as are required to continue the Business of the Company are maintained and preserved;
- (d) carry on its Business, in the ordinary course, substantially as presently conducted and substantially consistent with past practice and taking into account ordinary practices in the industry in which the Company operates its Business;
- (e) use all reasonable commercial efforts to preserve intact its Business and to preserve and maintain the assets of the Business; the Company shall not sell, transfer, lease, sublease, surrender or forfeit or otherwise dispose of any assets of the Business other than in the ordinary course of business consistent with past practice;
- (f) furnish the Purchaser with access to the Books and Records any financial and operating data and other information with respect to the Company or the Business as the Purchaser will reasonably request; and permit the Purchaser to make such reasonable inspections and copies thereof as the Purchaser may require;
- (g) answer reasonable questions from the Purchaser concerning operational matters relating to the Business and the Company's assets; and
- (h) subject to any Orders, comply in all material respects with any applicable Law.

7.3 Mutual Covenants

- (a) Each of the Parties shall use commercially reasonable efforts to: (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any applicable Law or otherwise to consummate and make effective the Transactions; (ii) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Subscription Agreement and the consummation of the Transactions; and (iii) make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the Parties, with respect to this Subscription Agreement and the Transactions required under any applicable Law.

- (b) The Parties shall use reasonable efforts to cooperate and consult with each other in connection with the making of any such filings and notices, including providing copies of all such documents to the non-filing Party and its advisors within a reasonable period of time prior to filing or the giving of notice. Each Party shall pay for its own filing fees and other charges arising out of the actions taken under this Section 7.3.
- (c) The Parties shall cause their respective Affiliates to, promptly provide all information, documents and data to Governmental Authorities as may be requested, required or ordered pursuant to statutory or non-statutory requests for information, supplemental information requests and any court orders in connection with the approvals and consents outlined in this Section 7.2.
- (d) The Parties hereto acknowledge and agree that, both prior to and after the Closing Date, the Company shall have sole and exclusive use of the Intellectual Property. Prior to the Closing Date, the Company shall instruct any and all third parties then using, or who may in the future wish to use the Intellectual Property, to immediately cease using same unless authorized in writing by the Purchaser.

7.4 Proposal Trustee's Certificate

When the conditions to Closing set out in Sections 6.1, 6.2 and 6.3 of this Subscription Agreement have been satisfied or waived by the Company or the Purchaser, as applicable, the Company and the Purchaser (or their respective counsel) shall each deliver to the Proposal Trustee confirmation in writing that such conditions of Closing, as applicable, have been satisfied or waived and that the Parties are prepared for the Closing Sequence to commence (the "Conditions Certificates").

Upon receipt of the Conditions Certificates and the Cash Consideration, the Proposal Trustee shall: (i) issue forthwith its Proposal Trustee's Certificate concurrently to the Company, and the Purchaser, at which time the Closing Sequence will be deemed to commence and be completed in the order set out in the Closing Sequence, and Closing will be deemed to have occurred; and (ii) file as soon as practicable a copy of the Proposal Trustee's Certificate with the Court (and shall provide a true copy of such filed certificate to the Company and the Purchaser). In the case of (i) and (ii) above, the Proposal Trustee will be relying exclusively on the Conditions Certificates without any obligation whatsoever to verify or inquire into the satisfaction or waiver of the applicable conditions, and the Proposal Trustee will have no liability to the Company or the Purchaser as a result of filing the Proposal Trustee's Certificate.

ARTICLE 8 TERMINATION

8.1 Grounds for Termination

- (a) This Subscription Agreement is irrevocable until the occurrence of any event contemplated under Section 8.1(b) below.

- (b) This Subscription Agreement may be terminated on or prior to the Closing Date:
- (i) by the mutual agreement of the Company and the Purchaser;
 - (ii) by the Purchaser or the Company upon notice to the other Party if the Court declines at any time to grant the Approval and Reverse Vesting Order, provided that the reason for the Approval and Reverse Vesting Order not being approved by the Court is not due to any act, omission, or breach of this Subscription Agreement by the Party proposing to terminate this Subscription Agreement;
 - (iii) by the Purchaser or the Company at any time following the Outside Date, if Closing has not occurred on or prior to 11:59 p.m. (Vancouver time) on the Outside Date, provided that the reason for the Closing not having occurred is not due to any act or omission, or breach of this Subscription Agreement, by the Party proposing to terminate this Subscription Agreement;
 - (iv) by the Company, if there has been a material violation or breach by the Purchaser of any agreement, covenant, representation or warranty of the Purchaser in this Subscription Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 6.21, as applicable, by the Outside Date and such violation or breach has not been waived by the Company or cured by the Purchaser within five (5) Business Days of the Company providing notice to the Purchaser of such breach, unless the Company is itself in material breach of its own obligations under this Subscription Agreement at such time; or
 - (v) by the Purchaser, if there has been a material violation or breach by the Company of any agreement, covenant, representation or warranty of the Company in this Subscription Agreement which would prevent the satisfaction of, or compliance with, any condition set forth in Section 6.12, as applicable, by the Outside Date and such violation or breach has not been waived by the Purchaser or cured by the Company within five (5) Business Days of the Purchaser providing notice to the Company of such breach, unless the Purchaser are themselves in material breach of their own obligations under this Subscription Agreement at such time.
- (c) Prior to the Company agreeing or electing to any termination pursuant to Section 8.1, the Company shall first obtain the prior written consent of the Proposal Trustee.

8.2 Effect of Termination.

If this Subscription Agreement is terminated pursuant to Section 8.1, all further obligations of the Parties under this Subscription Agreement will terminate and no Party will have any Liability or further obligations hereunder, except as contemplated in Sections 9.1 (Proposal Trustee's

Capacity), 9.2 (Expenses), 9.3 (Indemnity), 9.3 (Notices) 9.5 (Successors and Assigns), 9.6 (Assignment), 9.7 (Amendment), 9.8 (Waiver), 9.9 (Survival), 9.11 (Severability), and 9.12 (Governing Law), which shall survive such termination.

ARTICLE 9
GENERAL

9.1 Proposal Trustee's Capacity

The Purchaser acknowledges and agrees that the Proposal Trustee will have no liability whatsoever in connection with this Subscription Agreement or the Transactions, whether in its capacity as Proposal Trustee, in administering ResidualCo, in its personal capacity or otherwise, and that the representations, covenants, obligations and agreements of Company pursuant to this Subscription Agreement and any related or ancillary document shall be those of Company exclusively and shall not constitute, or be deemed to constitute, representations, covenants, obligations or agreements of the Proposal Trustee.

9.2 Expenses

Each of the Parties shall pay their respective legal, accounting, and other professional advisory fees, costs and expenses incurred by them in connection with this Subscription Agreement and the Transactions, including in connection with the review, negotiation, preparation, execution and performance of this Subscription Agreement, except as otherwise contemplated in this Subscription Agreement.

9.3 Notices

Any notice, direction, approval, consent or other communication given regarding the matters contemplated by this Subscription Agreement (each a "Notice") shall be in writing and shall be sufficiently given if delivered by courier service, personal delivery or electronic mail:

- (a) in the case of a Notice to Company, to:

Lotus Ventures Inc.



Attention: Dale McClanaghan
Email: dalemccclanaghan@gmail.com

with a copy to:

Gehlen Dabbs Cash LLP

Attention: Geoffrey Dabbs
E-mail: gd@gdlaw.ca

- (b) in the case of a Notice to the Purchaser, to:

5008679 Ontario Inc.
1662 Valley Close, Burlington, Ontario, L7P 4W4

Attention: Albert Duwyn
E-mail: albertduwyn@gmail.com

with a copy to:

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

Attention: Glen Nesbitt/ Gavin Cameron
E-mail: gnesbitt@fasken.com/ gcameron@fasken.com

(c) in the case of a Notice to the Proposal Trustee, to:

MNP Ltd.

Attention: Greg Ibbott/ Seamus Boyle
Email: greg.ibbott@mp.ca/ seamus.boyle@mp.ca

with a copy to:

DLA Piper (Canada)
Suite 2700, 1133 Melville Street, Vancouver, BC V6E 4E5

Attention: Jeffrey Bradshaw
E-mail: Jeffrey.bradshaw@dlapiper.com

Any Notice delivered or transmitted to a party as provided above shall be deemed to have been given and received on the day it is delivered or transmitted, provided that it is delivered or transmitted on a Business Day prior to 5:00 p.m. local time in the place of delivery or receipt. However, if the Notice is delivered or transmitted after 5:00 p.m. local time or if such day is not a Business Day then the Notice shall be deemed to have been given and received on the next Business Day. Any party may, from time to time, change its address by giving Notice to the other parties in accordance with the provisions of this Section 9.3.

9.4 Time of Essence

Time shall be of the essence of this Subscription Agreement in all respects.

9.5 Successors and Assigns

This Subscription Agreement shall become effective only when executed by each of the Parties and shall thereafter be binding on and enure to the benefit of the Parties and their respective successors and permitted assigns.

9.6 Assignment

Neither this Subscription Agreement nor any of the rights or obligations under this Subscription Agreement may be assigned or transferred, in whole or in part, by any Party without the prior written consent of the other Party.

9.7 Amendment

This Subscription Agreement may only be amended, supplemented or otherwise modified by written agreement by the Parties.

9.8 Waiver

No waiver of any of the provision of this Subscription Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Subscription Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

9.9 Survival

Other than those representations, warranties, covenants or other agreements which by their terms contemplate performance after Closing or unless otherwise expressly provided in this Subscription Agreement (including Section 4.3), the representations, warranties, covenants and other agreements contained in this Subscription Agreement shall not survive Closing.

9.10 Further Assurances

The Parties shall, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the Transactions, and each Party shall provide such further documents or instruments required by any other Party as may be reasonably necessary or desirable to effect the purpose of this Subscription Agreement and carry out its provisions, whether before or after the Closing provided that the costs and expenses of any actions taken after Closing at the request of a Party shall be the responsibility of the requesting Party.

9.11 Severability

If any covenant or other provision of this Subscription Agreement is invalid, illegal or incapable of being enforced by reason of any rule of Law or public policy, then such covenant or other

provision will be severed from and will not affect any other provision of this Subscription Agreement and this Subscription Agreement will be construed as if such invalid, illegal or unenforceable provision had never been contained in this Subscription Agreement. All other covenants and provisions of this Subscription Agreement will, nevertheless, remain in full force and effect and no covenant or provision will be deemed dependent upon any other covenant or provision unless so expressed herein.

9.12 Governing Law and Jurisdiction

This Subscription Agreement, the rights and obligations of the Parties hereunder, and any claim based upon or arising out of this Subscription Agreement or the Transactions shall be governed by and interpreted and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each Party irrevocably attorns and submits to the exclusive jurisdiction of the Court in any action, application, reference or other proceeding arising out of or relating to this Subscription Agreement or the Transactions and consents to all claims in respect of any such action, application, reference or other proceeding being heard and determined in the Court.


9.13 Execution and Delivery

This Subscription Agreement may be executed in any number of counterparts, each of which is deemed to be an original, and such counterparts together constitute one and the same instrument. Transmission of an executed signature page by email or other electronic means is as effective as a manually executed counterpart of this Subscription Agreement.

[Remainder of page intentionally left blank. Signature page follows.]


IN WITNESS OF WHICH the Parties have executed this Subscription Agreement as of the date first written above.

LOTUS VENTURES INC.

Per: 

Dale McCreath
Director & CEO

5008679 ONTARIO INC.

Per: 

ALBERT DUWYN
PRESIDENT

Schedule "A"

Approval and Reverse Vesting Order

District of British Columbia
Division No.: 03 - Vancouver
Court No.: B-240063
Estate No: 11-3031837
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 LOTUS VENTURES INC.

ORDER MADE AFTER APPLICATION
(APPROVAL AND REVERSE VESTING ORDER)

BEFORE THE HONOURABLE)
[●]) May [●], 2024
)

ON THE APPLICATION of Lotus Ventures Inc. (the “**Applicant**”, or the “**Company**”) coming on for hearing at Vancouver, British Columbia on this [●] day of May, 2024; AND ON HEARING Geoffrey Dabbs, counsel for the Company, and those other counsel listed at Schedule “A[●]” hereto; AND UPON READING the material filed, including the Affidavit #1 of Dale McClanaghan, made May [●], 2024; and the Second Trustee’s Report to Creditors filed May [●], 2024 (the “**Second Report**”), by MNP Ltd. in its capacity as proposal trustee of the Company (in such capacity, the “**Proposal Trustee**”); AND PURSUANT TO the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”), the British Columbia *Supreme Court Civil Rules*, BC Reg 168/2009, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES THAT:

SERVICE

1. The time for service of the notice of application and supporting materials for this Order is hereby abridged and deemed good and sufficient, such that the Notice of Application is properly returnable today, and service thereof upon any interested party other than those listed at Schedule “B[●]” to this Order is hereby dispensed with.

DEFINITIONS

2. Capitalized terms used and not otherwise defined in this Order shall have the meanings given to them in the Subscription Agreement dated April [●], 2024, between the Company and 5008679 Ontario Limited (the “**Purchaser**”) a copy of which is attached as Schedule “C[●]” to this Order (and as such may be amended, supplemented or modified from time to time in accordance with the terms of that agreement and this Order, the “**Agreement**”).

APPROVAL AND VESTING

3. The Agreement be and is hereby approved and is declared to be commercially reasonable. The Company and ResidualCo (together, the “**NOI Parties**”) are hereby authorized and directed to enter into the Agreement and to take such additional steps and to execute such additional documents as may be necessary or desirable for the completion of the pre-closing reorganization transactions (the “**Pre-Closing Reorganization**”), and the purchase and sale and other transactions contemplated therein (the “**Purchase and Sale Transactions**”, and together with the Pre-Closing Reorganization, the “**Transactions**”).

4. This Order shall constitute the only authorization required by the NOI Parties to proceed with the Transactions, and no shareholder or regulatory approval, if applicable, shall be required in connection therewith.

5. In completing the Transactions contemplated by the Agreement, the Transactions shall occur and shall be deemed to have occurred in the sequence set out therein.

6. Upon the issuance by the Proposal Trustee to the Purchaser of a certificate substantially in the form attached as Schedule “D[●]” hereto (the “**Proposal Trustee’s Certificate**”) confirming that the Proposal Trustee has received written confirmation from the Company and the Purchaser, or their respective counsel, that all conditions precedent to the Agreement have been satisfied or waived, all right, title and interest in and to the Subscribed Shares shall vest absolutely in the Purchaser in fee simple, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and

whether secured, unsecured or otherwise (collectively, the “**Claims**”) including, without limiting the generality of the foregoing, all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act*, R.S.B.C. 1996, c. 359, as amended (the “**PPSA**”) of British Columbia or any other personal property registry system (all of which are collectively referred to as the “**Encumbrances**”), and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Subscribed Shares are hereby expunged and discharged as against the Subscribed Shares.

7. The Proposal Trustee shall file with the Court a copy of the Proposal Trustee’s Certificate forthwith after issuance and delivery thereof in connection with the Transactions. The Proposal Trustee may rely on written notice from the Company and the Purchaser regarding the satisfaction or waiver of conditions to closing under the Agreement, and shall have no liability with respect to issuance and delivery of the Proposal Trustee’s Certificate.

8. Upon the issuance of the Proposal Trustee’s Certificate and in accordance with the terms of the Agreement:

- (a) all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, Claims, and undertakings of any kind or nature whatsoever of the Company, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise (collectively, “**Obligations**”) other than the Retained Liabilities (as defined in the Agreement, and all such Obligations that are not expressly identified in the Agreement as Retained Liabilities shall be referred to as “**Excluded Liabilities**”) shall be transferred to, assumed by and vest absolutely and exclusively in, ResidualCo, such that, at the time provided for in the Pre-Closing Reorganization and before the Closing Date, the Excluded Liabilities shall be novated and become obligations of ResidualCo and not obligations of the Company, and the Company shall be forever released and discharged from such Excluded Liabilities, and all Encumbrances securing Excluded Liabilities shall, subject to paragraph 8(e) [●] hereof, be forever released and discharged, it being understood that nothing in this Order shall be

deemed to cancel any of the Permitted Encumbrances, as applicable to the Company;

- (b) the nature and priority of the Excluded Liabilities, including, without limitation, their amount and their unsecured or unsecured status, shall not be affected or altered as a result of their transfer to and assumption by ResidualCo;
- (c) the commencement or prosecution, whether directly, indirectly, derivatively or otherwise of any demands, Claims, actions, counterclaims, suits, judgements, or other remedy or recovery with respect to any indebtedness, liability, obligation or cause of action against the Company in respect of the Excluded Liabilities shall be permanently enjoined;
- (d) any person that, prior to the Closing Date, had a valid right or Claim against the Company in respect of the Excluded Liabilities, shall no longer have such Claim against the Company, but shall have an equivalent Claim against ResidualCo in respect of the Excluded Liabilities from and after the Closing Date in its place and stead, and, nothing in this Order limits, lessens or extinguishes the Excluded Liabilities or the Claim of any person as against ResidualCo, in accordance with their legal priorities;
- (e) all Excluded Assets and Excluded Contracts shall be transferred to, assumed by and vest absolutely and exclusively in ResidualCo in accordance with the Agreement; and
- (f) the nature of the Retained Liabilities including, without limitation, their amount and their secured and unsecured status, shall not be affected or altered as a result of the Agreement, the Transactions, or the steps and actions taken in accordance with the terms thereof.

9. The designation of any Claim as Retained Liability is without prejudice to the Company's right to dispute the existence, validity, or quantum of any such Retained Liability, and nothing in this Order or the Agreement shall affect or waive the Company's rights and defences, both legal

and equitable, with respect to any Retained Liability, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments as against such Retained Liability.

10. For the purposes of determining the nature and priority of Claims, from and after the delivery of the Proposal Trustee's Certificate, all Claims and Encumbrances shall attach to the Excluded Assets and the Excluded Contracts (including, for greater certainty, the Cash Consideration), with the same priority as they had with respect to the Retained Assets and the Retained Contracts immediately prior to the Transactions, as if the Excluded Assets, the Excluded Contracts and the Excluded Liabilities had not been transferred to ResidualCo, as applicable, and remained liabilities of the Company immediately prior to the foregoing transfer.

11. Upon the issuance of the Proposal Trustee's Certificate, the Existing Equity Interests, together with any agreement, plan, indenture, deed, certificate, subscription right, conversion rights, pre-emption rights or other document or instrument governing and/ or having been created, or granted in connection with the Existing Equity Interests, shall be deemed to be cancelled and shall be of no further force or effect.

12. Upon presentation of the required form, along with a true copy of this Order and the Proposal Trustee's Certificate, the Registrars appointed under the PPSA shall be and are hereby directed to strike the PPSA registrations against the Company listed in Schedule "H[]" of the Agreement.¹

13. Pursuant to Section 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act* or Section 18(10)(o) of the *Personal Information Protection Act* of British Columbia, the Company or the Proposal Trustee, as the case may be, is hereby authorized, permitted, and directed to disclose to the Purchaser all human resources and payroll information in the Company's records pertaining to the Company's past and current employees, including personal information of those employees. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Company.

¹ [] [NTD: To be confirmed that the Company holds no assets outside of BC].

14. Upon the issuance of the Proposal Trustee's Certificate, and without limiting the provisions of paragraph 8[●] of this Order, the Purchaser and the Company shall both be deemed released from any and all claims, liabilities (direct, indirect, absolute or contingent) or obligations with respect to any taxes (including penalties and interest thereon) of, or that relate to, the Company, including without limiting the generality of the foregoing, all taxes that could be assessed against the Company or the Purchaser (including its affiliates and any predecessor corporations) pursuant to section 160 of the *Income Tax Act* (Canada), or any provincial equivalent, in connection with the Company, provided, as it relates to the Company, such release shall not apply to: (a) taxes arising from the Transactions; or (b) taxes in respect of the business and operations of the Company conducted after the Closing Date.

15. Upon the issuance of the Proposal Trustee's Certificate, all persons shall be deemed to have waived any and all defaults of the Company then existing or previously committed by the Company, or caused by the Company, directly or indirectly, or non-compliance with any covenant, positive or negative pledge, warranty, representation, term, provision, condition or obligation, express or implied, in any contact, credit agreement, agreement for sale, lease or other agreement, written or oral, and any and all amendments or supplements thereto, existing between such person and the Company arising from the filing by the Company under the BIA of these proceedings (the "**NOI Proceedings**"), including the Notice of Intention to Make a Proposal dated January 17, 2024, or the completion of the Transactions, and any and all notices of default and demands for payment under any instrument, including any guarantee arising from such default, shall be deemed to have been rescinded.

16. Except to the extent expressly contemplated by the Agreement, or otherwise agreed by the Purchaser: (a) all Retained Contracts to which the Company is a party upon issuance of the Proposal Trustee's Certificate shall be and remain in full force and effect; and (b) upon the issuance of the Proposal Trustee's Certificate, no counterparty under any Retained Contract, nor any other person shall make or pursue any demand, claim, action or suit, or exercise any right or remedy under any Retained Contract relating to:

- (a) the Company having sought or obtained relief under the BIA; or
- (b) the Company having been insolvent prior to the Closing Date,

and all such counterparties and persons shall be forever barred and estopped from taking such action.

17. The implementation of the Transactions shall be deemed not to constitute a change in ownership or change in control under any financial instrument, loan, or financing agreement, executory contract or unexpired lease, contract, or agreement in existence on the Closing Date to which the Company is a party.

18. The Company, with the consent of the Purchaser and the Proposal Trustee, shall be at liberty to extend the Closing Date and the Outside Date under the Agreement to such later dates as those parties may agree without the necessity of a further Order of this Court.

PRE-CLOSING REORGANIZATION

19. In completing the transactions contemplated in the Pre-Closing Reorganization, the NOI Parties be and are hereby authorized:

- (a) to execute and deliver any documents and assurances governing or giving effect to the Pre-Closing Reorganization as the NOI Parties, in their discretion, may deem reasonably necessary or advisable to conclude the Pre-Closing Reorganization, including the execution of such deeds, contracts or documents, as may be contemplated in the Agreement and all such deeds, contracts or documents are hereby ratified, approved and confirmed; and
- (b) to take such steps as are, in the opinion of the NOI Parties, necessary or incidental to the implementation of the Pre-Closing Reorganization.

20. The NOI Parties be and are hereby permitted to execute and file articles of amendment, amalgamation, continuance or reorganization or such other documents or instruments as may be required to permit or enable and effect the Pre-Closing Reorganization and such articles, documents or other instruments shall be deemed to be duly authorized, valid and effective notwithstanding any requirement under federal or provincial law to obtain director or shareholder approval with respect to such actions or to deliver any statutory declarations that may otherwise be required under corporate law to effect the Pre-Closing Reorganization.

21. This Order shall constitute the only authorization required by the NOI Parties to proceed with the Pre-Closing Reorganization and no director, shareholder or regulatory approval shall be required in connection with any of the steps contemplated pursuant to the Pre-Closing Reorganization save for those authorizations contemplated in the Agreement.

22. The Directors appointed pursuant to the *Business Corporations Act* (British Columbia) and the *Business Corporations Act* (Alberta) shall be and are hereby authorized and directed to accept and receive any articles of amendment, amalgamation, continuance or reorganization, or such other documents or instruments as may be required to permit or enable and effect the Pre-Closing Reorganization contemplated in the Agreement, as the same are filed by either the Company or ResidualCo, as the case may be.

PROPOSAL TRUSTEE

23. The Proposal Trustee is authorized to undertake and perform such activities and obligations as are contemplated to be undertaken or performed by the Proposal Trustee pursuant to this Order, the Agreement, or any ancillary agreements or documents related thereto, and shall incur no liability in connection therewith, save and except for liability arising from the gross negligence or willful misconduct of the Proposal Trustee.

24. In addition to its prescribed rights and obligations under the BIA, the Proposal Trustee is authorized, entitled, and empowered to:

- (a) receive and administer on behalf of ResidualCo such funds as may be payable to the Proposal Trustee in accordance with the Agreement (the “**Purchaser Funds**”), including to pay such obligations of ResidualCo as the Proposal Trustee deems appropriate, provided that the Proposal Trustee shall at all times reserve from the Purchaser Funds sufficient funds to pay up to \$25,000[●] to fund any bankruptcy trustee (the “**Trustee**”) appointed in the event of the bankruptcy of ResidualCo; and
- (b) at any time after the Closing Date, assign or file a voluntary assignment into bankruptcy in respect of ResidualCo, and, in that regard, sign such documents and do such things in the name of ResidualCo, and to take all such steps necessary to

make the assignments into bankruptcy. For greater certainty, no resolutions or other authorizations from directors, officers, or shareholders of ResidualCo will be required to commence bankruptcy proceedings in respect of ResidualCo, and MNP Ltd. shall be entitled but not obligated to act as trustee in bankruptcy of ResidualCo.

25. Upon satisfaction of the obligations of ResidualCo, if any, and payment to the Trustee, if ResidualCo becomes bankrupt, ResidualCo shall pay any balance of the Purchaser Funds remaining in its possession to the Purchaser.

26. The Proposal Trustee, and its employees and representatives, shall incur no liability as a result of acting in accordance with this Order, including by administering ResidualCo, other than any liability arising out of or in connection with the gross negligence or willful misconduct of the Proposal Trustee. No action lies against the Proposal Trustee by reason of this Order, or the performance of any act authorized by this Order, except by leave of the Court following a motion brought on not less than fifteen (15) days' notice to the Proposal Trustee and its legal counsel. The entities related or affiliated with the Proposal Trustee or belonging to the same group as the Proposal Trustee (including, without limitation, any agents, employees, legal counsel or other advisors retained or employed by the Proposal Trustee) shall benefit from the protection granted to the Proposal Trustee under this paragraph.

27. The Proposal Trustee shall not, as a result of this Order or any matter contemplated hereby: (a) be deemed to have taken part in the management or supervision of the management of the NOI Parties, or to have taken or maintained possession or control of the business or property of the NOI Parties, or any part thereof; or (b) be deemed to be in possession of any property of the NOI Parties within the meaning of any applicable environmental legislation or otherwise.

RELEASES

28. Effective upon the delivery of the Proposal Trustee's Certificate: (a) all present and former directors, officers, employees, legal counsel and advisors of the Company; (b) the Proposal Trustee and its legal counsel, and their respective present and former directors, officers, partners, employees and advisors; and (c) the Purchaser, its directors, officers, employees, legal counsel and advisors (the Persons listed in (a), (b) and (c) being collectively, the "**Released Parties**") shall be

deemed to be forever irrevocably released and discharged from any and all present and future claims whatsoever (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part and in connection with the Transactions, and in respect of the NOI Parties or these NOI Proceedings (collectively, the “**Released Claims**”), which Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, and are not vested nor transferred to ResidualCo or to any other entity and are extinguished, provided that nothing in this paragraph shall waive, discharge, release, cancel or bar any claim for gross negligence, fraud or wilful misconduct or any claim that is not permitted to be released pursuant to section 50(14) of the BIA.

29. Nothing in paragraph 28[●] of this Order shall waive, discharge, release, cancel, bar or otherwise impact the claim filed in the Supreme Court of British Columbia on October 19, 2023 under Action No. S-237106, provided however that the defendants in that action shall have no recourse against the NOI Parties or their assets as of and after the Closing Date (including, without limitation, in respect of claims for contribution and indemnity), but shall be bound by paragraph 28[●] of this Order.

30. Notwithstanding: (a) the pendency of these NOI Proceedings; (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA in respect of the NOI Parties and any bankruptcy order issued pursuant to any such applications; and (c) any assignment in bankruptcy made in respect of the NOI Parties; the implementation of the Pre-Closing Reorganization (including the transfer of the Excluded Liabilities to ResidualCo) and the implementation of the Purchase and Sale Transactions under and pursuant to the Agreement: (i) shall be binding on any trustee in bankruptcy that may be appointed in respect of the NOI Parties and shall not be void or voidable by creditors of the Company, or ResidualCo, as applicable; (ii) shall not constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue or other reviewable transaction under the BIA or any other

applicable federal or provincial legislation; and (iii) shall not constitute nor be deemed to be oppressive or unfairly prejudicial conduct by the NOI Parties or the Released Parties pursuant to any applicable federal or provincial legislation.

COMPANY OBLIGATIONS

31. All Company Obligations payable in accordance with the Agreement shall be paid by or on behalf of the Company to the relevant counterparty on or before the Closing Date, or such later date as may be agreed to by the Company and the relevant counterparty.

RESIDUAL CO

32. As of the Closing Date:

- (a) Lotus Cannabis Alberta Incorporated (“**ResidualCo**”) shall be added in place of the Company as the insolvent person in respect of which these NOI Proceedings are made, and the style of cause in these NOI Proceedings shall be changed by deleting reference to the Company and adding reference to ResidualCo;
- (b) all references in any Order of this Court in respect of these NOI Proceedings to “Lotus Ventures Inc.” shall refer to and include ResidualCo, *mutatis mutandis*; and
- (c) the Company shall cease to be the insolvent person in respect of which these NOI Proceedings were made and shall be deemed to be released from the purview of all Orders of this Court granted in these proceedings and from the NOI Proceedings, generally, save and except for this Order, the provisions of which (as they relate to the Company) shall continue to apply in all respects.

33. The administration of ResidualCo shall remain subject to the Court’s oversight and these proceedings.

34. ResidualCo shall be deemed to be the former employer of any former employees of the Company who were terminated between January 17, 2024, and the Closing Date whose claims against the Company (save and except for the Terminated Employee Claims) are transferred to ResidualCo pursuant to this Order, provided that such deeming: (a) shall be effective immediately

after the Closing Date; and (b) shall be solely for the purposes of termination and severance pay pursuant to the Wage Earner Protection Program.

GENERAL

35. Following the Closing Date, the Purchaser and the NOI Parties shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the Subscribed Shares, the Retained Assets, and the Retained Contracts.

36. This Order shall have full force and effect in all provinces and territories in Canada.

37. The NOI Parties shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States or elsewhere, for orders which aid and complement this Order. All courts and administrative bodies of all such jurisdictions are hereby respectfully requested to make such orders and to provide such assistance to the Company and the Proposal Trustee as may be deemed necessary or appropriate for that purpose.

38. This Court shall retain exclusive jurisdiction to, among other things, interpret, implement and enforce the terms and provisions of this Order, the Agreement and all amendments thereto, in connection with any dispute involving the Company or ResidualCo, and to adjudicate, if necessary, any dispute concerning the Company or ResidualCo related in any way to the Transactions.

39. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body, wheresoever located, to give effect to this Order and to assist the Company, 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 Company and the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Company, the Proposal Trustee and their respective agents in carrying out the terms of this Order.

40. 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:

Geoffrey Dabbs

Lawyer for the Applicant

BY THE COURT

REGISTRAR IN BANKRUPTCY

SCHEDULE "A" TO APPROVAL AND REVERSE VESTING ORDER

Schedule of Counsel Appearing

Jeffrey Bradshaw	Counsel for MNP Ltd., in its capacity as proposal trustee of Lotus Ventures Inc.
Glen Nesbitt	Counsel for 5008679 Ontario Limited

SCHEDULE "B" TO APPROVAL AND REVERSE VESTING ORDER

Notice Parties

1. [●]. [TBC].

SCHEDULE "C" TO APPROVAL AND REVERSE VESTING ORDER

Agreement

SCHEDULE "D" TO APPROVAL AND VESTING ORDER

Form of Proposal Trustee's Certificate

District of British Columbia
Division No.: 03 - Vancouver
Court No.: B-240063
Estate No: 11-3031837
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 LOTUS VENTURES INC.

PROPOSAL TRUSTEE'S CERTIFICATE

- A. Pursuant to the Notice of Intention to Make a Proposal of Lotus Ventures Inc. (the "**Company**") dated and filed by the Company on January 17, 2024, pursuant to section 50.4(1) the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3 as amended (the "**BIA**"), MNP Ltd. was appointed licensed insolvency trustee (in such capacity, the "**Proposal Trustee**") of the Company.
- B. Pursuant to an Order of the Court dated May [●], 2024 (the "**Approval and Reverse Vesting Order**"), the Court approved the Subscription Agreement between 5008679 Ontario Limited (the "**Purchaser**") and the Company dated April [●], 2024 (the "**Agreement**"). Capitalized terms used and not otherwise defined herein have the meanings given to them in the Approval and Reverse Vesting Order.

THE PROPOSAL TRUSTEE CERTIFIES that:

1. The Purchaser has paid the Subscription Price (as defined in the Agreement) in accordance with the Agreement; and
2. It has been advised by the Company and the Purchaser that: (a) the conditions precedent to the closing of the Transactions as set out in the Agreement have been satisfied or waived by the Company and the Purchaser, as applicable; and (b) the Transactions contemplated in the Agreement have now closed.

This Certificate was delivered by the Proposal Trustee at _____ [TIME] on _____ [DATE].

**MNP Ltd. in its capacity as Proposal
Trustee of Lotus Ventures Inc. and not in its
personal or corporate capacity**

Per: _____
Name:
Title:

District of British Columbia
Division No.: 03 - Vancouver
Court No.: B-240063
Estate No: 11-3031837
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 LOTUS VENTURES INC.

**ORDER MADE AFTER APPLICATION
(APPROVAL AND REVERSE VESTING ORDER)**

Schedule "B"

Retained Assets

1.

Schedule "C"

Excluded Assets

1. Cash Consideration.

Schedule "D"

Retained Contracts

1.

Schedule “E”

Excluded Contracts

1. Any and all employment agreements with Terminated Employees.
2. Any and all Contracts with the following Persons or their Affiliates:
 - (a) Auxly Cannabis Group Inc.;
 - (b) Kolab Project Inc.;
 - (c) Dale McClanaghan;
 - (d) Lillian McClanaghan;
 - (e) McClanaghan & Associates Ltd.;
 - (f) SDI Holdings Ltd.;
 - (g) Stephen K. Winters;
 - (h) Stephen K. Winters Law Corp.;
 - (i) Terra Housing Consultants Ltd.,
 - (j) Doneraile Holdings Inc.;
 - (k) Legacy Holdings Ltd.;
 - (l) Crezo Construction Inc.;
 - (m) Stephen Phillips; and
 - (n) William Spratt.

Schedule “F”

Retained Liabilities

1. Liabilities which relate to the Business under the Retained Contracts, Permits and Cannabis Licenses (in each case, to the extent forming part of the Retained Assets).

Schedule "G"

Excluded Liabilities

1.

Schedule “H”

Encumbrances to Be Discharged

All financial charges and Encumbrances in respect of the Company, including (without limitation), the following charges registered in the B.C. Personal Property Registry, identified by their base registration numbers:

1. 982184K registered August 24, 2018, in favour of the Bank of Montreal;
2. 008502L registered on September 6, 2018, in favour of Kolab Project Inc.;
3. 487229N registered on January 19, 2022, in favour of Connect First Credit Union Ltd.;
4. 487233N registered on January 19, 2022, in favour of Connect First Credit Union Ltd.;
and
5. 788742P registered on September 14, 2023, in favour of 5008679 Ontario Limited.

Schedule "I"

Permitted Encumbrances

1. None.

District of British Columbia
Division No. 3 – Vancouver
Court No. B-240063
Estate No. 11-3031837
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.

ORDER MADE AFTER APPLICATION

DLA Piper (Canada) LLP
Barristers & Solicitors
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Vancouver, BC V6E 4E5

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No.: 016155-00042

JDB/day

District of British Columbia
Division No. 3 – Vancouver
Court No. B-240063
Estate No. 11-3031837
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY**

IN THE MATTER OF THE PROPOSAL OF
LOTUS VENTURES INC.

NOTICE OF APPLICATION

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