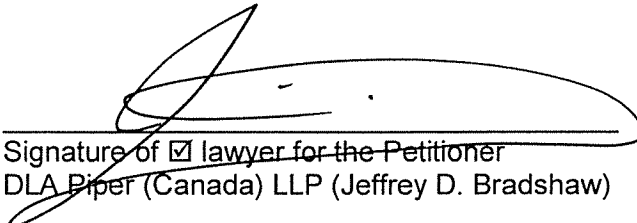


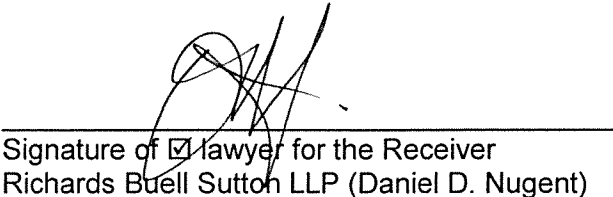
2022, (the "Receiver's Affidavit") is hereby abridged and so that this application is properly returnable today and hereby dispenses with further service thereof.

2. The Sales Solicitation Procedures (the "SSP") attached hereto as **Schedule "B"** are hereby approved.
3. The agreement of purchase and sale to sell the assets of Cavallo Winery Ltd. to 1264597 B.C. Ltd., or its assignee, attached hereto as **Schedule "C"** is hereby approved as a "Stalking Horse Bid" as defined in the SSP.
4. Endorsement of this order by counsel other than counsel for the Petitioner and the Receiver is hereby dispensed with.

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



Signature of lawyer for the Petitioner
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)



Signature of lawyer for the Receiver
Richards Buell Sutton LLP (Daniel D. Nugent)

BY THE COURT



REGISTRAR





SCHEDULE "A"

Counsel Appearing

Name of Counsel	Party Representing

SCHEDULE "B"

Sale Solicitation Procedures

SALES SOLICITATION PROCEDURE

Preamble

1. These Sales Solicitation Procedures (the "**SSP**") will be implemented in the receivership proceedings initiated on October 3, 2022 (the "**Receivership Proceedings**") by 1264597 B.C. Ltd. (the "**Petitioner**" or the "**Stalking Horse Bidder**") in respect of the assets and undertaking of Cavallo Winery Ltd. ("**Cavallo**" or the "**Company**") under which The Bowra Group Inc. has been appointed as receiver (the "**Receiver**") of all the assets and undertaking of the Company. This SSP was approved by an order (the "**Approval Order**") on application by the Petitioner and the Receiver to the Supreme Court of British Columbia (the "**Court**") on November 2, 2022.
2. The Approval Order, *inter alia*, approved this SSP together with the entering into of an asset purchase agreement between the Receiver and the Petitioner pursuant to which the Petitioner made an offer to purchase the undertaking, property, and assets of the Company (the "**Stalking Horse Bid**").
3. The Approval Order, the procedures in respect of the SSP as contained herein (the "**SSP Procedures**") and any subsequent order issued by the Court pertaining to the SSP Procedures shall exclusively govern the process for soliciting and selecting bids for the sale of the assets of the Company.
4. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.
5. Capitalized terms used herein and not otherwise defined shall have the meaning ascribed to them in the Stalking Horse Bid (as defined herein).

Stalking Horse Bid

6. Pursuant to the Stalking Horse Bid, the Petitioner has agreed to pay the Purchase Price on the date that is ten (10) Business Days after the date the Vesting Order is pronounced by the Court, or any other date as may be agreed by Petitioner and the Receiver (the "**Completion Date**").
7. The purpose of these SSP Procedures is to determine whether a higher and better offer than the Stalking Horse Bid may be obtained by the Receiver in a formal marketing process undertaken in the Receivership Proceedings and approved by the Court. For the purposes of these SSP Procedures, a "**Superior Offer**" shall mean:
 - (a) a credible, reasonably certain and financially viable offer made by a Qualified Bidder (as defined herein) to acquire the assets of the Company, the terms of which offer are no less favourable and no more burdensome or conditional than the terms contained in the Stalking Horse Bid; and
 - (b) that provides for consideration payable to the creditors of the Company equal to or in excess of the consideration payable to the creditors of the Company pursuant to the Stalking Horse Bid, having regard to all of the elements of the respective bids, including the cash consideration, any assumption of liabilities, the Break Fee

(as defined in the Stalking Horse Bid), and any other factors having a bearing on the consideration received by the secured and unsecured creditors of Cavallo.

8. Any offer made by any Person pursuant to these SSP Procedures shall not constitute a Superior Offer unless it provides for the indefeasible payment in full and in cash of the Purchase Price plus the Break Fee (as defined in the Stalking Horse Bid) (the "**Minimum Consideration**").
9. The Stalking Horse Bid has been designated as a "stalking horse bid" under the Approval Order. No deposit is required in connection with the Stalking Horse Bid.
10. The Receiver and the Petitioner may make any changes to the Stalking Horse Bid without Court order provided that such changes do not materially change the economic terms of the Stalking Horse Bid. The Receiver or the Petitioner may apply to Court, on notice to any interested parties, in case either party wishes to make a material change to the terms of the Stalking Horse Bid.

Conduct of SSP

11. The Receiver shall conduct the SSP as outlined herein. In the event that there is a disagreement or clarification required as to the interpretation or application of the SSP or the responsibilities of any Person hereunder, the Court will have the jurisdiction to hear such matter and provide advice and directions upon application of the Company, the Receiver, the Petitioner or any other interested Person.

"As Is, Where Is"

12. Any transaction involving the assets of the Company will be on an "**as is, where is**" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Company, the Receiver or any of its agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the Person who is a counterparty to such a transaction.

Free of Any and All Claims and Interests

13. All of the right, title and interest of the Company in and to any assets sold or transferred within the Receivership Proceedings will, at the time of such sale or transfer, be sold or transferred free and clear of any security, charge or other restriction (collectively, the "**Claims and Interests**") pursuant to approval and vesting orders made by the Court. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests shall attach to the net proceeds of the sale of such assets (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant agreement with the Person who is a counterparty to such a transaction and approved the Court.

Solicitation of Interest

14. As soon as reasonably practicable after the granting of the Approval Order, the Receiver will prepare a list of potential bidders (the "**Known Potential Bidders**"), which shall include wineries, growers, hospitality groups, and other related industries which may have an interest in the Property. Such lists will include both strategic and financial parties who,

in the reasonable business judgment of the Receiver may be interested in and have the financial capacity to make a Superior Offer. Concurrently, the Receiver will prepare an initial offering summary (the "**Teaser Letter**") notifying Known Potential Bidders of the existence of the SSP Procedures and inviting the Known Potential Bidders to express their interest in making an offer to purchase the assets, undertakings, and business of the Company (an "**Asset Bid**").

15. No later than five (5) Business Days after the issuance of the Approval Order (the "**Commencement Date**"), the Receiver shall;
 - (a) cause a notice regarding the SSP Procedures and such other relevant information which the Receiver considers appropriate to be published online on the Receiver's website;
 - (b) distribute to the Known Potential Bidders the Teaser Letter, as well as a draft form of confidentiality agreement that is satisfactory to the Receiver, and which shall enure to the benefit of any Person who completes an Asset Bid (the "**Confidentiality Agreement**"); and
 - (c) publicly list the assets and undertaking of the Company for sale.

Participation Requirements

16. Unless otherwise ordered by the Court, any Person who wishes to participate in this SSP must deliver the following to the Receiver:
 - (a) an executed Confidentiality Agreement with the Receiver;
 - (b) a specific indication of the anticipated sources of capital and / or credit for such Person and satisfactory evidence of the availability of such capital and / or credit so as to demonstrate that such Person has the financial capacity to complete a transaction pursuant to a Superior Offer; and
 - (c) an executed letter acknowledging receipt of a copy of the Approval Order (including these SSP Procedures) and agreeing to accept and be bound by the provisions contained therein.
17. If, in the opinion of each of the Receiver, a Person has complied with each of the requirements described in section 16, such Person shall be deemed a "**Potential Bidder**" hereunder.
18. The Receiver shall establish a data room (the "**Data Room**") containing all due diligence materials that a) have been provided to the Stalking Horse Bidder, and b) the Receiver considers to be appropriately included in the Data Room.
19. Each Potential Bidder shall have access to the Data Room.
20. The Receiver shall market the Company and its assets, as follows:
 - (a) Creating a marketing package;

- (b) Delivery of notices to industry lists described above; and
 - (c) Posting of notices in Western Investor, and any appropriate industry-specific publications or web sites.
21. The Receiver is not responsible for, and will have no liability with respect to, any information obtained by any Potential Bidder. The Receiver and its respective advisors do not make any representations or warranties whatsoever as to the information or the materials provided.

Bid Deadline

22. A Potential Bidder must deliver a binding and definitive agreement to the Receiver (a "**Qualified Bid**") by no later than 4:00 p.m. (Vancouver time) on **December 16, 2022** (the "**Bid Deadline**"). A binding offer will only qualify as a Qualified Bid in the event that it contains, meets or includes all of the following:
- (a) it is received by the Receiver on or before the Bid Deadline;
 - (b) it includes a fully binding and definitive agreement, duly authorized and executed purchase and sale agreement, together with all exhibits and schedules thereto, and such ancillary agreements as may be required with all exhibits and schedules thereto (a "**Definitive Asset Purchase Agreement**");
 - (c) it provides for the payment in full of at least the Minimum Consideration;
 - (d) it is irrevocable until the Receiver has brought a Court application to approve such Qualified Bid;
 - (e) it provides for the completion of the transactions contemplated therein on or before the Completion Date;
 - (f) it is not conditional on (i) the outcome of unperformed due diligence and/or (ii) obtaining any credit, capital or other form of financing;
 - (g) it is accompanied by a refundable deposit (the "**Deposit**") in the form of a wire transfer (to a trust account specified by the Receiver), payable to the Receiver in trust, in an amount equal to ten percent (10%) of the cash consideration to be paid pursuant to the Qualified Bid, to be held and dealt with in accordance with these SSP;
 - (h) it includes written evidence of a firm and irrevocable commitment for all required funding and/or financing from a creditworthy Person to consummate the proposed transaction;
 - (i) it fully discloses the identity of each Person that is bidding or otherwise that will be sponsoring or participating in the Qualified Bid, including the identification of the Qualified Bidder's direct and indirect owners and their principals and the full and complete terms of any such participation;

- (j) it includes evidence, in form and substance reasonably satisfactory to the Receiver, of compliance or anticipated compliance with any and all applicable regulatory approvals, the anticipated time frame for such compliance and any anticipated impediments for obtaining such approvals; and
 - (k) such other information reasonably requested by the Receiver.
23. The Receiver, acting reasonably, may waive non-compliance with any one or more of the requirements specified in section 22 and deem any non-compliant Definitive Asset Purchase Agreement to be a Qualified Bid.
24. The Receiver shall not advise the Stalking Horse Bidder of the content of any Qualified Bids, but may advise the Stalking Horse Bidder of the submission of a Qualified Bid. The Stalking Horse Bidder may submit a Qualified Bid.
25. Should a qualified bid come in, the Stalking Horse Bidder will have until 4:00 p.m. (Vancouver time) on December 19, 2022, to submit a revised bid.
26. The Receiver will assess any Definitive Asset Purchase Agreement that has qualified as a Qualified Bid and will determine whether any such Definitive Asset Purchase Agreement constitutes a Superior Offer. The Receiver shall make such assessment as promptly as practicable but no later than two (2) Business Days after the Bid Deadline (the "**Qualified Bid Assessment Deadline**").
27. In the event that each of the Receiver determines that one or more Qualified Bids constitutes a Superior Offer, the Receiver shall (to the extent that there is more than one Qualified Bid) select to the highest and best Qualified Bid and apply to the Court to approve such Qualified Bid within three (3) Business Days of the Qualified Bid Assessment Deadline. The Receiver shall thereafter complete the transactions contemplated by such selected Qualified Bid in accordance with the terms thereof and any order issued by the Court.
28. If there are no Qualified Bids submitted, or if no Qualified Bids constitute a Superior Offer, then:
- (a) the Receiver shall forthwith terminate the SSP, apart from completing the transaction contemplated by the Stalking Horse Bid;
 - (b) the Receiver shall, within ten (10) Business Days of the Qualified Bid Assessment Deadline, file an application with the Court seeking approval by the Court, after notice and hearings, to implement the purchase agreement contemplated by the Stalking Horse Bid; and
 - (c) in completing the transaction contemplated by the Stalking Horse Bid, the Receiver shall, unless otherwise inconsistent with its duties arising under the Appointment Order or any applicable statute, complete the transaction and effect any payments to secured creditors as such secured creditors may direct.

Deposits

29. All Deposits shall be retained by the Receiver and invested in an interest bearing trust account in a Schedule I Bank in Canada. If there is a Qualified Bid that constitutes a Superior Offer, the Deposit (plus accrued interest) paid by the Person making such Qualified Bid shall be applied to the consideration to be paid by such Person upon closing of the transaction constituting the Qualified Bid.
30. The Deposit(s) (plus applicable interest) of all Persons not making the Qualified Bid that constitutes a Superior Offer shall be returned to such Persons within five (5) Business Days of the earlier of the date that: (a) the Court approves a Qualified Bid as a Superior Offer; or (b) the Court approves the Stalking Horse Bid.
31. If the Person making a Qualified Bid selected as a Superior Offer breaches or defaults on its obligation to close the transaction in respect of Qualified Bid it shall forfeit its Deposit to the Receiver; provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Receiver has in respect of such breach or default.

Notice

32. The addresses used for delivering documents as prescribed by the terms and conditions of these SSP Procedures are set out in Schedule "A" hereto. A bid and all associated documentation shall be delivered to the Receiver by electronic mail, personal delivery or courier. Persons requesting information about the SSP should contact the Receiver at the contact information contained in Schedule "A".

Reservation of Rights by Receiver

33. The Receiver may reject, at any time, any bid, offer or proposal made in respect of the Company or its assets (other than the Stalking Horse Bid).

No Amendment

34. There shall be no amendments to the SSP set out herein, unless otherwise ordered by the Court upon application and appropriate notice.

Further Orders

35. At any time during the SSP, the Receiver may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

Schedule "A"

Address for Notices and Deliveries

To the Receiver:

The Bowra Group Inc.
Suite 430, 505 Burrard Street
Vancouver, B.C. V7X 1M3

Attention: Mario Mainella and Gordon Brown
Email: mmainella@bowragroup.com; gbrown@bowragroup.com

SCHEDULE "C"

Stalking Horse Bid

**PURCHASE AND SALE AGREEMENT
(CAVALLO WINERY)**

THIS AGREEMENT is dated for reference October 31, 2022 and is made

BETWEEN:

**THE BOWRA GROUP INC., in its capacity as Court Appointed Receiver
of CAVALLO WINERY LTD., a British Columbia corporation formed
under the *Business Corporations Act* (British Columbia), In
Receivership**

(the "Vendor")

AND:

1264597 B.C. LTD.

(the "Purchaser")

BACKGROUND:

- A. Cavallo Winery Ltd. ("Cavallo") carries on the business of a commercial winery and retail tasting room (the "Business") from premises in Surrey, British Columbia.
- B. On October 7, 2022 (the "Appointment Date") the Supreme Court of British Columbia (the "Court") made an order (the "Appointment Order") appointing The Bowra Group Inc. (the "Receiver") as receiver of the assets, undertakings and properties of the Business.
- C. The Receiver intends to make application to the Court for an order approving a sale solicitation process (the "Sales Process Order") to be conducted by the Receiver for the solicitation of offers to acquire the Vendor's assets.
- D. The Purchaser has submitted this offer to purchase the Purchased Assets (as hereafter defined) representing all or substantially all of the assets of Cavallo and the Receiver wishes to accept this offer for the Vendor as the Stalking Horse Bid (as defined below), and in accordance with the sales process established under the Sales Process Order.
- E. Accordingly, the Vendor and the Purchaser have entered into this Agreement for the purpose of setting out the terms and conditions upon which they are prepared to complete the purchase and sale of the Purchased Assets (the "Sale Transaction"), the consummation of which will be subject, inter alia, to approval of the Court and issuance by the Court of a Vesting Order (as defined below) approving the Sale Transaction and vesting the Purchased Assets in the Purchaser.

FOR CONSIDERATION, the receipt and sufficiency of which is acknowledged by each of the parties, the parties agree as follows:

ARTICLE 1 - INTERPRETATION

1.1 Definitions. In this Agreement:

- (a) **"Accounting Standards"** means at any time the accounting standards for private enterprises so described and established by the Accounting Standards Board which are applicable at such time.
- (b) **"Accounts Payable"** means trade accounts payable owed by the Vendor in respect of the Business.
- (c) **"Accounts Receivable"** means all accounts receivable, trade accounts receivable, notes receivable, book debts and other debts due or accruing due to the Vendor in respect of the Business, and the full benefit of any related security, net of applicable reserves in accordance with the Accounting Standards.
- (d) **"Approved Contracts"** means those Contracts which the Purchaser has approved in writing on or before the Closing Date.
- (e) **"Assignment Order"** means an order or orders of the Court, in form and substance satisfactory to the Purchaser, acting reasonably, authorizing and approving (i) the assignment of any Consent Required Contract for which a consent, approval or waiver necessary for the assignment of such Consent Required Contract has not been obtained, (ii) the prevention of any counterparty to such Consent Required Contracts from exercising any right or remedy under such Consent Required Contracts by reason of any defaults arising from the receivership of the Vendor and (iii) the vesting in the Purchaser of all right, title and interest of the Vendor in such Consent Required Contracts.
- (f) **"Assumed Obligations"** means:
 - (i) all debts, liabilities and obligations under the Contracts (to the extent assigned or transferred to the Purchaser on Closing) for the period from and after the Closing Date; and
 - (ii) all debts, liabilities and obligations arising from ownership and use of the Purchased Assets for the period from and after the Closing Time.
- (g) **"Break Fee"** has the meaning set out in Section 2.6.
- (h) **"Buildings"** means all building(s) and improvements located on the Lands.
- (i) **"Business Day"** means any day that is not a Saturday, Sunday, Boxing Day, Easter Monday or statutory holiday in British Columbia.
- (j) **"Business Records"** means all documents, files, records, reports, agreements, plans, specifications, drawings, surveys, correspondence, licenses and permits in the possession or control of the Vendor relating to the Business or any of the Purchased Assets, including without limitation: all digital records; client data; wine club databases and membership contact lists; login and password details for membership portals; login and password details for software, emails and websites; copies of all

Contracts; copies of the Permits and Licenses; tax notices and assessments; plans and surveys of the Property; copies of all Warranties; list of all Vehicles; a non-itemized description of all Chattels; a list of all Intellectual Property including registration details in respect of all Intellectual Property for which registration in any public office has been made; details of capital expenditures made in the most recent two fiscal periods; building condition reports, environmental reports or assessments; inventory analyses; notices or orders received from any agency having authority over the Property, the Purchased Assets or the Business; reasonable evidence of the Vendor's insurance relating to the Property, the Purchased Assets or the Business; copies of the Vendor's budget for the current operating year; current accounts receivable reports in respect of the Business; a year to date statement to the last fiscal year end setting out actual gross revenues and operating costs of the Business; financial statements pertaining to the Vendor's operation of the Business for the past two complete operating years, plus a year to date statement of expenditures and other capital items and items of income and expense pertaining to the operation and recoveries of the Business.

- (k) *"CASL" means An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act, S.C. 2010, c. 23.*
- (l) *"Chattels" means all of the personal property owned by the Vendor including without limitation, all fixtures, leasehold improvements, personal property, plant, and equipment, Inventory Assets including spare parts, furniture whether moveable or built-in, computer hardware, point of sale equipment, tools and supplies.*
- (m) *"Closing" means the successful completion of the Sale Transaction.*
- (n) *"Closing Date" means the date that is ten Business Days after the date the Vesting Order is pronounced by the Court, or any other date as may be agreed by the Vendor and Purchaser.*
- (o) *"Closing Cash Payment" means an amount to be determined with the Receiver which will be sufficient to pay (i) any outstanding Priority Payables, and (ii) the reasonable costs of administration of the receivership. An estimate of the Closing Cash Payment amount will be provided to the Purchaser by the Receiver not less than one week prior to the Closing Date.*
- (p) *"Closing Documents" has the meaning given to it in Section 10.5.*
- (q) *"Contracts" means all contracts or agreements relating to the use or operation of the Property, the Purchased Assets, or any part thereof or the operation of the Business, including, without limitation, purchase and sale agreements, options to purchase, contracts relating to the operation, maintenance, cleaning, security, signage, fire protection or servicing of the Property or any part thereof made by or on behalf of the Vendor.*

- (r) "Consent Required Contract" has the meaning set out in Section 7.2.
- (s) "Court" means the Supreme Court of British Columbia.
- (t) "Credit Bid Amount" means the amounts owing by Cavallo to the Purchaser as of 10:00 am on the Closing Date pursuant to the Debenture, the Interim Financing Facility, the Forbearance Agreement as amended and extended, and any amount secured by the Security.
- (u) "Current Assets" means the Inventory Assets, Accounts Receivable, prepaid expenses, GST/HST receivables, and accrued revenue as shown on the balance sheet of Cavallo. For clarity Current Assets excludes cash and cash equivalents, income tax receivables and balances due from shareholders and related parties.
- (v) "Debenture" means the Debenture dated October 18, 2018, as amended and extended, originally made granted by Cavallo as borrower in favour of Fred Kaiser as lender, and subsequently assigned by Mr. Kaiser to the Purchaser;
- (w) "Employee Documents" has the meaning given to it in Section 3.1;
- (x) "Employees" means an individual who is employed by the Vendor, whether on a full-time or a part-time basis, whether active or inactive as of the Closing Date, and includes an employee on short term or long term disability leave.
- (y) "Encumbrance" means 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 including, without limiting the generality of the foregoing:
 - (i) any encumbrances or charges created by the Appointment Order;
 - (ii) all charges, security interests or claims evidenced by registrations pursuant to the Personal Property Security Act of British Columbia or any other personal property registry system;
 - (iii) any legal notation, charge, lien, interest or other encumbrance or title defect of whatever kind or nature, regardless of form;
 - (iv) any agreement, lease, license, option or claim, easement, right of way, restriction, execution or other encumbrance (including any notice or other registration in respect of any of the foregoing) affecting title to or the ownership of the Purchased Assets or any part thereof or interest therein.
- (z) "ETA" has the meaning given to it in Section 11.1.
- (aa) "Execution Date" means the date that this Agreement is executed by the Vendor.
- (bb) "Excluded Assets" means: (i) Contracts which are not Approved Contracts; (ii) the rights of the Vendor under this Agreement; (iii) corporate income taxes receivable and

GST refunds except to the extent arising out of the Priority Payables; and (v) any proceedings, claims or causes of action for the benefit of the Vendor.

- (cc) “Excluded Liabilities” means any Liabilities of Cavallo that are not expressly assumed by the Purchaser under this Agreement including without limitation:
- (i) any taxes of or relating to the Business or the Purchased Assets, including statutory deductions and remittances, GST, and BC liquor and sales taxes, in respect of any period prior up to and including the Closing Date;
 - (ii) any Liabilities or Encumbrances in respect of any litigation involving the Vendor, the Purchased Assets or the Business commenced or threatened or resulting from any event or circumstance prior to the Closing Date;
 - (iii) any other Encumbrances made, filed, claimed, perfected or otherwise arising or resulting from any event or circumstance prior to the Closing Date;
 - (iv) any Liabilities owing to or Encumbrances claimed by or in favour of any Employees that relate to any period prior to and including the Closing Date, including without limitation outstanding salaries, wages and bonuses owing to any Employees, any severance or other termination obligations, including payment in lieu of notice, and any Liability for employer health tax payable.
- (dd) “Forbearance Agreement” means collectively the agreement entered into between Cavallo and Fred Kaiser on December 15, 2021 in respect of amounts outstanding under the Debenture, as extended and modified, and as assigned by Mr. Kaiser to the Purchaser pursuant to an assignment agreement dated September 28, 2022.
- (ee) “Governmental Authority” means (i) any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise), (ii) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government, (iii) any court, tribunal, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions, and (iv) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association.
- (ff) “GST” has the meaning given to it in Section 11.1.
- (gg) “GST Certificate” has the meaning given to it in Section 11.1.
- (hh) “Intellectual Property” means all intellectual property and proprietary rights of any kind currently owned by the Vendor, including the following: (a) trademarks, service marks, trade names, slogans, logos, designs, symbols, trade dress, internet domain names, uniform resource identifiers, rights in design, brand names, any fictitious names, d/b/a’s or similar filings related thereto, or any variant of any of them, and other similar designations of source or origin, together with all goodwill, registrations

and applications related to the foregoing; (b) copyrights and copyrightable subject matter (including any registration and applications for any of the foregoing); (c) trade secrets and other confidential or proprietary business information (including manufacturing and production processes and techniques, research and development information, technology, intangibles, drawings, specifications, designs, plans, proposals, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans, customer and supplier lists and information), know how, proprietary processes, formulae, algorithms, models, industrial property rights, and methodologies; (d) computer software, computer programs, and databases (whether in source code, object code or other form); (e) all rights to sue for past, present and future infringement, misappropriation, dilution or other violation of any of the foregoing and all remedies at law or equity associated therewith; and (f) all websites and all telephone and facsimile numbers.

- (ii) "Interim Period" means the period commencing on the Execution Date until and including the Closing Date.
- (jj) "Interim Financing Facility" means the revolving credit facility provided by the Purchaser to the Receiver in the principal amount of \$800,000.00 as approved by the Appointment Order.
- (kk) "Inventory Assets" means all inventories, including bulk and bottled wines, knickknacks, bottles, screw caps, wine raw materials, vineyard grapes, and purchased grapes, spare parts, replacement parts, and all other raw materials and supplies to be used or consumed by the Vendor in the production of goods for resale in the Business, net of reserves to be maintained in accordance with the Accounting Standards.
- (ll) "Lands" means the lands and premises used by the Vendor in the Business and which are located at the civic addresses set out in, and are legally described in, Part 1 of Schedule A.
- (mm) "LCRB" means the Liquor and Cannabis Regulation Branch of the Province of British Columbia.
- (nn) "Leases" means collectively:
 - (i) the lease dated February 5, 2020, made between Cavallo, as tenant, and DePaul Holdings Inc. and Melim Holdings Ltd as landlord in respect of those lands and premises located at 19288 22nd Ave, Surrey, British Columbia; and
 - (ii) the lease dated August 21, 2018 made between Cavallo as the Tenant and Bridon Developments ltd. as landlord in respect of those lands and premises located at 2076 192nd Street, Surrey, British Columbia.

as the same may be amended, renewed or extended from time to time.

- (oo) "Liability" means, any debts, claim, liability, duty, responsibility, obligations, commitment, assessment, cost, expense, loss, expenditure, charge, fee, penalty, fine, contribution or premium of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute or contingent, direct or indirect, or due or

to become due and regardless of when sustained, incurred or asserted or when the relevant events occurred or circumstances existed.

- (pp) **“Material Loss”** means the loss or damage to or destruction of the Purchased Assets or any part of them to such an extent that the replacement or repair of it cannot be substantially completed: (i) at a cost of less than \$250,000.00 or (ii) within three months of the occurrence.
- (qq) **“Monetary Purchase Price”** means the sum of the Credit Bid Amount and the Closing Cash Payment.
- (rr) **“Non-Assignable Interests”** means any Purchased Assets which, by their nature cannot be legally or practically sold and assigned by the Vendor to the Purchaser hereunder, including without limitation any Consent Required Contracts for which an Assignment Order or counterparty consent has not been obtained.
- (ss) **“Permitted Encumbrances”** means the Encumbrances set out in Part 2 of Schedule A.
- (tt) **“Permits and Licenses”** licenses, approvals, permits, consents or other rights entered into or obtained by the Vendor from any Governmental Authority, including the Winery Licence, and used in connection with the Business or in respect of any of the Purchased Assets.
- (uu) **“Priority Payables”** means the amounts payable by the Vendor which are secured by liens in favour of a Governmental Authority (including deemed trusts) that encumber the Purchased Assets and rank prior to the interests of the Purchaser, arising by operation of any applicable statutory law.
- (vv) **“Property”** means the Vendor’s leasehold interest in the Lands and the Buildings pursuant to the Leases.
- (ww) **“PST”** has the meaning given to it in Section 11.2.
- (xx) **“PST Clearance Certificate”** has the meaning given to it in Section 11.2.
- (yy) **“Purchase Price”**.
 - (i) means the Monetary Purchase Price; plus
 - (ii) the Assumed Obligations.
- (zz) **“Purchased Assets”** means all the Vendor’s right, title and interest, in and to all assets and properties of the Vendor used or held in the Business, excluding the Excluded Assets, but including, without limitation:
 - (i) the Leases;
 - (ii) the Chattels;
 - (iii) the Current Assets;

- (iv) the Approved Contracts;
 - (v) the Permits and Licenses;
 - (vi) the Warranties;
 - (vii) the Vehicles;
 - (viii) the Intellectual Property;
 - (ix) any consents related to the Business obtained by the Vendor from a third person which permit or purport to permit communication with the third person in compliance with CASL and
 - (x) the Business Records.
- (aaa) "Purchaser's Solicitors" means DLA Piper (Canada) LLP or such other firm of solicitors or agents as are retained by the Purchaser from time to time and written notice of which is provided to the Vendor.
 - (bbb) "Sale Transaction" has the meaning set out in Recital E.
 - (ccc) "Security" means the general security agreement granted by Cavallo in favour of Fred Kaiser and dated October 17, 2018, granting Mr. Kaiser a security interest in all of the present and after acquired property of Cavallo, as assigned by Mr. Kaiser to the Purchaser pursuant to an assignment agreement dated September 28, 2022.
 - (ddd) "Vendor's Solicitors" means such firm of solicitors as are retained by the Vendor from time to time and written notice of which is provided to the Purchaser.
 - (eee) "Vendor's Accounts Payable" means liabilities of the Vendor incurred after the date of the Appointment Order;
 - (fff) "Vehicles" means all motor vehicles owned by the Vendor.
 - (ggg) "Vesting Order" has the meaning given to it in Section 9.2.
 - (hhh) "Warranties" means all subsisting warranties and guarantees benefiting any of the Purchased Assets or any part thereof that are assignable without consent and in effect on the Closing Date.
 - (iii) "Winery Licence" means licence #307155 issued by the LCRB.

ARTICLE 2 – PURCHASE AND SALE

- 2.1 Agreement of Purchase and Sale.** Subject to the terms and conditions of this Agreement and based on the representations and warranties contained in this Agreement, the Vendor agrees to sell and the Purchaser agrees to purchase the Purchased Assets for the Purchase Price on the Closing Date free and clear of all Excluded Liabilities and Encumbrances, except for the Permitted Encumbrances.

- 2.2 **As Is, Where Is.** The Purchaser is purchasing the Purchased Assets “as is, where is” as of the Closing Date. Neither the Vendor, nor anyone on its behalf, represents or warrant the condition or state of repair of any of the Purchased Assets. The Purchaser must satisfy itself, and accept the Purchased Assets on a strictly “as is, where is” basis on the terms of this Agreement.
- 2.3 **Payment of Purchase Price.** Provided that all conditions precedent to Closing have been satisfied or waived in accordance with Section 9.1, the Purchase Price for the Purchased Assets will be paid by the Purchaser as follows:
- (a) as to the amount of the Credit Bid Amount, by the crediting and set off of the Credit Bid Amount against an amount of the Monetary Purchase Price equal to the amount of the Credit Bid Amount;
 - (b) as to the Closing Cash Payment, as adjusted in accordance with ARTICLE 6, by solicitors trust cheque or wire transfer paid to the Receiver on the Closing Date as provided in ARTICLE 10;
 - (c) as to the dollar value of the Assumed Obligations, by the assumption by the Purchaser of the Assumed Obligations.

For avoidance of doubt, the Purchaser will not assume any liability in respect of the Excluded Liabilities.

- 2.4 **Allocation of Purchase Price.** The parties agree to use reasonable efforts to agree prior to the Closing Date on an allocation of the Monetary Purchase Price among the components of the Purchased Assets in accordance with the fair market value of such components on the Closing Date. However, the parties further agree that failure to agree on such an allocation prior to the Closing Date will not render this Agreement unenforceable or result in a termination of this Agreement, and in such case each of the Vendor and the Purchaser will make its own determination of allocation.
- 2.5 **Bidding Procedures.**
- (a) The Vendor and the Purchaser acknowledge that this Agreement and the transactions contemplated hereby are subject to Court approval.
 - (b) The Vendor and the Purchaser acknowledge and agree that the Receiver shall apply to the Court for the Sale Process Order, inter alia, recognizing this Agreement, and in particular the Purchase Price, as a baseline or “stalking horse bid” (the “**Stalking Horse Bid**”) and approving the bidding procedures, the payment of the Break Fee in the circumstances set out in Section 2.6, and the parties will use commercially reasonable efforts to have the Sale Process Order issued. The Purchaser acknowledges and agrees that the bidding procedures to be approved under the Sale Process Order are in contemplation of determining whether a superior bid can be obtained for the Purchased Assets.
- 2.6 **Break Fee**
- (a) In consideration for the Purchaser’s expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this

Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to an expense reimbursement amount not to exceed \$125,000.00 (inclusive of HST) (the "Break Fee"), payable by the Vendor to the Purchaser only in the event that a successful bid other than the Stalking Horse Bid is accepted by the Vendor, approved by the Court and completed. The payment of the foregoing amounts shall be approved in the Sale Process Order and shall be payable to the Purchaser out of the sale proceeds derived from and upon completion of the successful bid. Each of the parties hereto acknowledges and agrees that the foregoing amounts represent a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of non-completion of this Agreement and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Assets or the Business.

- (b) The Break Fee shall be paid by the Vendor to the Purchaser without deduction or withholding for taxes (a "Tax Deduction"), unless a Tax Deduction is required by applicable law. In the event that the Vendor determine that a Tax Deduction is required by applicable law to be made in respect of the payment of the Break Fee, or any portion thereof, the Vendor shall pay such additional amount (the "Additional Amount") as shall be required to result in the Purchaser receiving an amount equal to the amount which it would have received if no Tax Deduction had been required.

ARTICLE 3- DOCUMENTS AND INSPECTION

- 3.1 **Business Documents.** The Vendor covenants that it has made and until the Closing Date will make available to the Purchaser full, accurate and complete copies of all Business Records within the Vendor's possession or control, and the Purchaser will be entitled to make photocopies of such of the material in those files as the Purchaser may reasonably request. The Vendor further covenants to make available to the Purchaser all employment agreements, contracts, collective agreements (if any), letters or correspondence (collectively, the "Employee Documents") with respect to any employee of the Vendor for inspection by the Purchaser in relation to its assessment of the Purchased Assets. If for any reason the Sale Transaction contemplated in this Agreement is not completed, then the Purchaser will promptly return any such Business Records or Employee Documents without retaining any copies.
- 3.2 **Inspection.** The Purchaser and its advisors will be entitled upon reasonable notice to the Vendor and in accordance with the Vendor's reasonable requirements as to security to enter the Property and carry out tests and inspections of the Purchased Assets, provided that such access for such purposes will be at reasonable times scheduled by the Vendor at the Purchaser's request and, at the option of the Vendor, subject to the Vendor's supervision. The Purchaser will be responsible for and indemnify the Vendor for all costs, injuries or damages to the Purchased Assets, or to the Vendor, its agents or employees, directly arising out of such entry by the Purchaser and such indemnity will survive the completion of the transactions contemplated herein or earlier termination of this Agreement. In carrying out such tests and inspections and entry the Purchaser will not disrupt or unduly interfere with the Business carried out on the Property.
- 3.3 **Authorization.** The Vendor hereby authorizes the Purchaser and its agents, consultants and advisors to meet with or correspond with appropriate statutory or governmental authorities having jurisdiction over the Purchased Assets, the Property, or the Vendor for the purposes

of this transaction, including but not limited to inquiries with respect to compliance with laws, by laws, regulations and assessments. The Vendor will promptly, at the Purchaser's request, execute and deliver any authorizations reasonably required by the Purchaser to authorize the statutory or governmental authorities to release information to the Purchaser, provided such authorizations explicitly do not authorize or request any inspections with respect to the Property.

ARTICLE 4 – GENERAL COVENANTS

4.1 Covenants of the Vendor. The Vendor:

- (a) throughout the Interim Period will keep, maintain and repair the Purchased Assets in their present condition, reasonable wear and tear excepted, and will operate the Business in a professional and diligent manner as a going concern and as a careful and prudent owner would do in accordance with its current management practices in compliance with all applicable laws, regulations and orders;
- (b) throughout the Interim Period will notify the Purchaser of any material changes to the information delivered or made available to the Purchaser under or in connection with this Agreement;
- (c) throughout the Interim Period will maintain in full force and effect all existing policies of insurance currently maintained by the Vendor and maintain insurance on all the Assets at least to the levels as they are insured on the date of this Agreement, and following the Closing Date, will maintain adequate general liability insurance policies for such tail periods as may be required to reasonably insure against Liabilities that relate to any period prior to and including the Closing Date;
- (d) during the Interim Period, the Vendor will duly and promptly perform all obligations under the Leases, including payment of rent, and keep the Leases in good standing;
- (e) throughout the Interim Period will not enter into any commitment or agreement or contract, any agreement to lease, offer to lease or lease the Purchased Assets or modify any material terms or terminate any of the Contracts, Permitted Encumbrances, Permits and Licenses or any mortgage or charge relating to the Purchased Assets or that would form an Encumbrance on the Purchased Assets without the prior written consent of the Purchaser, which the Purchaser may withhold in its sole discretion, or without Order of the Court;
- (f) throughout the Interim Period, will continue to carry on the operations of the Business in the ordinary course consistent with past practice, subject to changes in the business practice arising from any public health emergency, or arising by the appointment of a receiver over the Business;
- (g) throughout the Interim Period will not enter into any arrangements or agreements with any of the Employees altering the terms of employment (other than terminating on employee) or materially increasing their compensation, benefits or severance entitlements or altering any union contract or collective agreement without the consent in writing of the Purchaser, acting reasonably;

- (h) will observe and perform all of its obligations under the Contracts and the Permitted Encumbrances, and enforce the terms of all Contracts and Permitted Encumbrances as would a prudent owner, subject to the Receiver's powers and obligations under the Appointment Order, the Sales Process Order, and any other Court order or statute;
- (i) will promptly notify the Purchaser if the Vendor becomes aware that, after the date of this Agreement, any of its representations or warranties in this Agreement become untrue or incorrect or if any covenants, terms or conditions in this Agreement are breached or cannot be performed;
- (j) will promptly forward to the Purchaser any search results from government offices which are directed to the Vendor in response to any due diligence inquiries made by or at the request of the Purchaser;
- (k) will use any cash on hand or cash the Vendor receives from the collection of an Account Receivable or sale of Inventory Assets to pay ongoing operational costs of the Vendor including Excluded Liabilities.

ARTICLE 5 – RISK

- 5.1 **Risk.** The Purchased Assets will be at the risk of the Vendor until completion of closing on the Closing Date and thereafter at the risk of the Purchaser.
- 5.2 **Material Loss Damage.** If there is any Material Loss prior to the passing of risk as set out in Section 5.1, the Purchaser will, within seven days following such Material Loss, by notice in writing at its option either:
- (a) terminate this Agreement, in which case neither party will be under any further obligation to the other; or
 - (b) elect to complete the purchase of the Purchased Assets, in which case the insurance proceeds and the right to receive the proceeds of all insurance will be assigned by the Vendor to the Purchaser on the Closing Date.

Failure by the Purchaser to so elect within the period set out above will be deemed to be an election not to complete the purchase of the Purchased Assets. The Vendor will promptly notify the Purchaser if it becomes aware of any Material Loss.

- 5.3 **Repair of Damage.** The Vendor will diligently repair at its sole expense any material damage caused to the Purchased Assets while the Purchased Assets are at the risk of the Vendor, unless such damage is related to the Purchaser's access rights pursuant to Section 3.1. Subject to the Purchaser's right to terminate in Section 5.2(a), the amount of any insurance proceeds for material damage will be assigned to the Purchaser on the Closing Date, and applied on account of such repair.

ARTICLE 6 – ADJUSTMENTS AND RELATED MATTERS

- 6.1 **Adjustments.** The Purchase Price payable by the Purchaser to the Vendor for the Purchased Assets will be subject to adjustment. All adjustments with respect to the Purchased Assets and the Business, including taxes, utilities, rents, deposits and interest on deposits (if any),

common area and operating expenses, common area and operating expense reconciliations owing to the Vendor as tenant, and other items normally adjusted between a vendor and purchaser in the sale of similar businesses and properties in British Columbia will be adjusted as of the Closing Date. The Vendor will cause any water, gas, or electrical meter readings required to make the adjustments herein. The parties agree that there will be no adjustment for working capital.

- 6.2 **Purchase Price Adjustments.** At a mutually convenient time, not less than three Business Days prior to the Closing Date, representatives of the Vendor and the Purchaser will meet to determine any adjustments to the Purchase Price required by Section 6.1, in each case estimated as at the Closing Date in order to determine the Purchase Price as adjusted pursuant to this Agreement (the "Adjusted Purchase Price"). The Vendor and the Purchaser will act reasonably and bona fide in such attempt. The Adjusted Purchase Price as agreed upon by them will be recorded in a statement of adjustments (the "Closing Statement") signed by each of such representatives.

ARTICLE 7 – POSSESSION

- 7.1 **Possession Date.** The Purchaser will, upon completion of the purchase and sale have possession of the Property and all Purchased Assets as of the Closing Date free and clear of all Encumbrances subject only to Permitted Encumbrances.
- 7.2 **Non-assignable Assets.** In the event that there are any Approved Contracts (including the Leases) which are not assignable in whole or in part without the consent, approval or waiver of another party or parties to them and such consents, approvals or waivers have not yet been obtained as of the Closing Date, then:
- (a) nothing in this Agreement will be construed as an assignment of any such Contract (each a "Consent Required Contract");
 - (b) until the Vesting Order is granted, the Vendor shall use its commercially reasonable efforts to obtain any such consent, approval or waiver and the Purchaser shall provide its reasonable cooperation to assist the Vendor in obtaining any such consent, approval or waiver;
 - (c) if any consent, approval or waiver is not obtained for any Consent Required Contract prior to the service of the motion for the Vesting Order, the Purchaser may request that the Receiver bring a motion to the Court for issuance of an Assignment Order with respect to such Consent Required Contracts together with the motion for the Vesting Order, or at such later date as may be designated by the Purchaser;
 - (d) pending obtaining consent or Assignment Order, the Vendor shall hold the Consent Required Contract in trust for the exclusive benefit of the Purchaser as a Non-Assignable Interest, and shall use commercially reasonable efforts to continue to perform its obligations under the Consent Required Contract and to continue to seek consent, approval or waiver; and
 - (e) once the consent, approval or waiver to the assignment of a Consent Required Contract is obtained or the assignment of such Contract has been ordered by the

Court, such Consent Required Contract shall be deemed to be assigned to the Purchaser on Closing.

ARTICLE 8 – REPRESENTATIONS AND WARRANTIES

- 8.1 **Purchaser's Representations and Warranties.** The Purchaser represents and warrants to the Vendor, regardless of any independent investigation that the Vendor may cause to be made that:
- (a) the Purchaser is a corporation incorporated and existing under the laws of British Columbia;
 - (b) the Purchaser has the corporate power and authority to enter into this Agreement and to perform its obligations under this Agreement;
 - (c) neither the Purchaser's entering into this Agreement nor the performance of its terms will result in the breach of or constitute a default under any term or provision of any indenture, mortgage, deed of trust or other agreement to which the Purchaser is bound or subject.

ARTICLE 9 – CONDITIONS PRECEDENT

- 9.1 **Closing Conditions Precedent in favour of the Purchaser.** The obligation of the Purchaser to complete the Sale Transaction is subject to the Vendor having performed in all material respects each of its obligations under this Agreement to the extent required to be performed at or before the Closing Date, including the delivery of each of the items required pursuant to Section 10.3.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.1 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

- 9.2 **Mutual Condition.** The obligation of the parties to complete the transactions contemplated by this Agreement will be subject to the mutual condition, for the benefit of both the Vendor and the Purchaser, that on or before the Closing Date, the Vendor will have obtained (at the sole cost of the Vendor) an Order or Orders of the Court substantially in the form set out in Schedule B and satisfactory to the Vendor and the Purchaser (collectively, the "Vesting Order"): (i) approving the sale of the Purchased Assets to the Purchaser on the terms of this Agreement; and (ii) on completion of the Sale Transaction under this Agreement, vesting title to the Purchased Assets in and to the Purchaser, free and clear of all Encumbrances except the Permitted Encumbrances.

ARTICLE 10– CLOSING

- 10.1 **Closing.** The closing of the Sale Transaction will commence at 10:00 a.m. (Vancouver time) on the Closing Date in the offices of the Purchaser's Solicitors.

- 10.2 **Court Order.** The Sale Transaction will complete pursuant to the terms of this Agreement and pursuant to the terms of the Sales Process Order, and in accordance with the sales process established thereunder.
- 10.3 **Vendor's Closing Documents.** On or before the Closing Date, the Vendor will deliver, or cause the Vendor's Solicitors to deliver, to the Purchaser's Solicitors in trust to be held in escrow as provided in this Agreement, the following documents duly executed as applicable and all in a form satisfactory to the Purchaser, acting reasonably:
- (a) Court certified copy of the Vesting Order and any other Orders of the Court as are necessary, all in a form registerable in all necessary offices required to effect the transfer of the Purchased Assets to the Purchaser;
 - (b) the Closing Statement;
 - (c) the PST Clearance Certificate;
 - (d) an assignment and assumption of Approved Contracts, Permits and Licenses wherein the Purchaser assumes the rights and obligations under the Approved Contracts and Permits and Licenses as of the Closing Date and the Purchaser indemnifies the Vendor for all Liability under the Approved Contracts and Permits and Licenses arising after the completion of the transactions contemplated herein and the Vendor retains all Liability under the Approved Contracts and Permits and Licenses arising prior to the Closing Date and indemnifies the Purchaser for all Liability under the Approved Contracts and Permits and Licenses arising prior to the completion of the transactions contemplated herein;
 - (e) an assignment and assumption of Permitted Encumbrances;
 - (f) a bill of sale conveying the Chattels, the Business Records and the Current Assets to the Purchaser;
 - (g) an assignment of all of the Vendor's rights under any and all Warranties wherein the Purchaser acquires all rights under the Warranties whether arising prior to or after the Closing Date;
 - (h) a certificate dated as of the Closing Date of a senior officer of the Vendor having knowledge of the facts certifying, on behalf of the Vendor and without personal liability, that the Vendor's covenants and agreements to be observed or performed on or before the Closing Date pursuant to the terms of this Agreement have been duly observed and performed in all material respects;
 - (i) a statutory declaration by an authorized officer of the Vendor that the Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada);
 - (j) a notice from the Vendor to each of the other parties under the Approved Contracts giving notice of the assignment of such Approved Contract;
 - (k) evidence of completion by the Vendor of the online transfer application for the transfer of the Winery Licence from the Vendor to the Purchaser;

- (l) transfers of any Vehicles, if applicable, in the form required by the applicable Governmental Authority; and
 - (m) such other documents and assurances as may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement.
- 10.4 Purchaser's Closing Documents.** On or before the Closing Date, the Purchaser will deliver, or cause the Purchaser's Solicitors to deliver, to the Vendor's Solicitors in trust to be held in escrow as provided in this Agreement, the following duly executed as applicable:
- (a) the Closing Statement;
 - (b) an assignment and assumption of Approved Contracts, Permits and Licenses;
 - (c) an assignment and assumption of Permitted Encumbrances;
 - (d) the GST Certificate;
 - (e) a certificate dated as of the Closing Date of a senior officer of the Purchaser having knowledge of the facts certifying, on behalf of the Purchaser and without personal liability, that the representations and warranties set out in Section 8.1 are true and correct in all material respects as at the Closing Date and that the Purchaser's covenants and agreements to be observed or performed on or before the Closing Date pursuant to the terms of this Agreement have been duly observed and performed in all material respects;
 - (f) evidence of completion of the online transfer application for the transfer of the Winery Licence from the Vendor to the Purchaser, and confirmation received from the LCRB that the application is administratively complete; and
 - (g) such other documents and assurances as may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement.
- 10.5 Preparation and Form of Documents.** The closing documents contemplated in Sections 10.2 and 10.4 (other than the Closing Statement and the Vesting Order) (collectively, the "Closing Documents") will be prepared by the Purchaser's Solicitors and delivered to the Vendor's Solicitors at least five Business Days before the Closing Date. The Closing Documents (including the Closing Statement and the Vesting Order) will be in a form and substance reasonably satisfactory to the parties and their respective solicitors. The Vendor will provide the Purchaser with drafts of all material to be filed with the Court no later than three (3) Business Days prior to the date of any hearing of the Court regarding the Vesting Order or such other date as may be agreed to by the parties.
- 10.6 Payment into Trust.** On or before the Closing Date, the Purchaser will pay to the Purchaser's Solicitors in trust, by way of certified cheque, bank draft, or wire transfer, funds in an amount equal to the Closing Cash Payment, as adjusted.
- 10.7 Closing Escrow.** All Closing Documents, funds, and other items delivered by the parties will be held in trust by the Vendor's Solicitors and the Purchaser's Solicitors until completion of closing on the Closing Date in accordance with this Agreement. Upon exchange of email confirmation between the Vendor's Solicitors and the Purchaser's Solicitors confirming that

all Closing Documents have been duly executed and delivered into escrow, the Closing Documents will be released to the appropriate parties and the Purchaser will cause the Purchaser's Solicitors to pay the Purchase Price, as adjusted, to the Vendor's Solicitors by way of wire transfer.

- 10.8 Concurrent Requirements.** It is a condition of Closing that all matters of payment, execution and delivery of documents by each party to the other pursuant to the terms of this Agreement will be deemed to be concurrent requirements and it is specifically agreed that nothing will be complete at the closing until everything required as a condition precedent at the closing has been paid, executed and delivered.
- 10.9 Delivery of Business Records.** The Vendor will table at Closing and, on release of escrow, after completion of the Sale Transaction, will deliver originally executed copies of the Business Records, if in possession or control of the Vendor, to the Purchaser, to the extent not previously delivered.
- 10.10 Payment by Wire Transfer.** Notwithstanding anything else contained herein, provided the Purchaser's Solicitors have initiated the wire transfer for the Closing Cash Payment, as adjusted, to the Vendor's Solicitors on the Closing Date, and provided the Vendor's Solicitors with written confirmation thereof, the Purchaser will be deemed to have paid the Closing Cash Payment, as adjusted, due to the Vendor if such amount is credited to the Vendor's Solicitors account by 11:00 a.m. (Vancouver time) on the first business day following the Closing Date without interest or penalty.
- 10.11 Transfer of Winery Licence.** As soon as reasonably possible after the Vendor has obtained the Vesting Order, the Purchaser and the Vendor will each complete the online transfer application for the transfer of the Winery Licence from the Vendor to the Purchaser. Thereafter, the Purchaser and the Vendor will each provide to the LCRB all such documents and all such information as maybe requested by the LCRB in order for the LCRB to provide confirmation that the application is administratively complete by the Closing Date. In the event that the application is not administratively complete by the Closing Date, then the Purchaser and the Vendor will continue to work cooperatively and will use commercially reasonable efforts to cause the license to be transferred to the Purchaser as soon as reasonably possible after the Closing Date.
- 10.12 Termination.** Notwithstanding any other provision of this Agreement:
- (a) if the transactions contemplated by this Agreement do not complete on or prior to March 31, 2023 other than as a result of the default of the Purchaser, then the Purchaser may, in its sole discretion, terminate this Agreement with written notice delivered to the Vendor without any further liability and Section 2.6 will apply;
 - (b) this Agreement will automatically terminate if a successful bid other than this Stalking Horse Bid is accepted by the Vendor, approved by the Court and completed, and in such case Section 2.6. will apply; and
 - (c) this Agreement will automatically terminate upon the completion of the transactions contemplated herein, upon which, all of the representations, warranties and covenants contained herein will merge and there will be no survival of any representation, warranties or covenants contained in this Agreement.

ARTICLE 11- TAXES

- 11.1 **GST.** The Purchaser represents and warrants to Vendor that it is and will be, as of the closing on the Closing Date, registered for the purposes of Part IX of the *Excise Tax Act* (Canada) (the "ETA") in accordance with the requirements of Subdivision D of Division V of the ETA and will assume responsibility to account for, report and remit any goods and services tax and harmonized sales tax (collectively, the "GST") payable under the ETA in connection with the transaction contemplated in this Agreement. On the Closing Date, the Purchaser will deliver to the Vendor a certificate (the "GST Certificate") of a senior officer of the Purchaser certifying, on behalf of the Purchaser and without personal liability (a) that the Purchaser is registered under Part IX of the ETA as of the Closing Date; (b) its registration number; and (c) that the Purchaser will account for, report and remit any GST payable in respect of the purchase of the Purchased Assets in accordance with the ETA. If the Purchaser delivers such GST Certificate, then the Purchaser will not be required to pay to the Vendor, and the Vendor will not be required to collect from the Purchaser nor report or remit, any GST in connection with the transaction contemplated in this Agreement. The Purchaser will indemnify and hold the Vendor and its directors, officers, employees, advisors and agents harmless from any liability under the ETA arising as a result of any breach of this Section 11.1, the GST Certificate or any declaration made therein and such indemnity will survive the completion of the transactions contemplated herein.
- 11.2 **Provincial Sales Tax ("PST").** The Purchaser acknowledges that it is liable to pay provincial sales tax in respect of its purchase of some or all of the Chattels and it will report and remit as required by applicable law any such sales tax that is due directly to the applicable taxing authority. The Purchaser will indemnify and hold the Vendor and its directors, officers, employees, advisors and agents harmless from any liability related to the Vendor's failure to account for, or report and remit such provincial sales tax and such indemnity will survive the completion of the transactions contemplated herein. The Vendor shall obtain and provide to the Purchaser on Closing a certificate pursuant to Section 187 of the *British Columbia Provincial Sales Tax Act* which indicates that all Taxes collectible or payable by the Vendor under such legislation have been paid up to the Closing Date or that the Vendor has entered into satisfactory arrangements for payment of such Taxes (a "PST Clearance Certificate").
- 11.3 **Tax Elections.** Notwithstanding the above, the Vendor will cooperate with the Purchaser to execute any election available under applicable law that may reduce or defer the amount or due date of any GST, PST, or other tax payable by the Purchaser provided such election will not result in any increased cost or tax liability for the Vendor. At the Closing, each of the Vendor and the Purchaser shall execute jointly an election under subsection 167(1) of Part IX of the *Excise Tax Act* (Canada), in the prescribed form and within the prescribed time therefor, in respect of the sale and transfer of the Purchased Assets and the Purchaser shall file such election with the Canada Revenue Agency.
- 11.4 **Other Taxes.** The Purchaser will be responsible for all transfer taxes, fees and expenses in connection with the registration of the Vesting Order or transfer of the Purchased Assets and the Vendor will be responsible for any taxes or fees in respect of the disposition of the Purchased Assets including, without limitation, income tax.

ARTICLE 12 – GENERAL

- 12.1 Further Assurances.** Each of the parties will execute and deliver all such further documents and do such further acts and things as may be reasonably required from time to time to give effect to this Agreement.
- 12.2 No Merger.** The execution and delivery of the Closing Documents is not intended to and will not in any way merge or otherwise restrict the terms, covenants, conditions, representations, warranties or provisions made or to be performed or observed by the parties contained in this Agreement other than the obligation to deliver the Closing Documents.
- 12.3 Entire Agreement.** This Agreement constitutes the entire agreement between the Vendor and the Purchaser pertaining to the purchase and sale of the Purchased Assets and supersedes all prior agreements and undertakings, negotiations and discussions, whether oral or written, of the Vendor and the Purchaser and there are no representations, warranties, covenants or agreements between the Vendor and Purchaser except as set out in this Agreement.
- 12.4 Amendment.** Subject to Section 12.5, this Agreement may only be altered or amended by an agreement in writing executed by all of the parties.
- 12.5 Solicitors as Agents.** Any notice, approval, waiver, agreement, instrument, document or communication permitted, required or contemplated in this Agreement may be given or delivered and accepted or received by the Purchaser's Solicitors, on behalf of the Purchaser, and by the Vendor's Solicitors, on behalf of the Vendor, and any tender of Closing Documents and the Purchase Price may be made upon the Vendor's Solicitors and the Purchaser's Solicitors, as the case may be.
- 12.6 Notices.** Any notice, document or communication required or permitted to be given under this Agreement will be in writing and delivered by hand or electronic transmission as follows:

- (a) if to the Purchaser:

7800 Alpha Way
Delta, BC V4K 0A7

Attention: Fred Kaiser
E-mail: f_kaiser@gmx.com

with a copy to the Purchaser's Solicitors:

DLA Piper (Canada) LLP
2800 - 666 Burrard St.
Vancouver, BC V6C 2Z7

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

- (b) if to the Vendor:

The Bowra Group Inc.
505 Burrard Street, Suite 430
Vancouver, B.C. V7X 1M3

Attention: Mario Mainella and Gordon Brown
E-mail: mmainella@bowragroup.com, gbrown@bowragroup.com

with a further copy to the Vendor's Solicitors:

RICHARDS BUELL SUTTON LLP
700 - 401 West Georgia Street
Vancouver, BC V6B 5A1

Attention: Dan Nugent
E-mail: DNugent@rbs.ca

or to such other address in Canada as either party may in writing advise. Any notice, document or communication will be deemed to have been given on the Business Day when delivered by hand if delivered prior to 5 p.m. (Vancouver time), otherwise will be deemed to be delivered and received on the next Business Day; or, if made by email, will be deemed to have been given on the Business Day when transmitted if it is so transmitted prior to 5 p.m. (Vancouver time) on the day of transmittal, otherwise will be deemed to be given and received on the next Business Day.

- 12.7 **Fees.** Each of the parties will pay its own legal fees and fees of its consultants. The Purchaser will pay all registration costs and property transfer tax payable in connection with its purchase of the Purchased Assets.
- 12.8 **Accounting Terms.** Accounting terms used herein and not expressly defined will be deemed to have such meanings as may apply on the application of the Accounting Standards.
- 12.9 **Time.** Time is of the essence of this Agreement.
- 12.10 **Tender.** Unless otherwise set out herein, any tender of documents or money may be made upon the party being tendered or upon its solicitors and money will be tendered by certified cheque, bank draft, or wire transfer.
- 12.11 **Enurement.** This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- 12.12 **Assignment.** Until the Vesting Order is pronounced by the Court, the Purchaser will be entitled to assign its rights and obligations under this Agreement without the consent of the Vendor to an affiliate (within the meaning of the *Business Corporations Act* (British Columbia)) of the Purchaser if: (i) the Purchaser delivers written notice of such assignment to the Vendor; (ii) the assignee enters into an agreement pursuant to which the assignee agrees to be bound by all of the obligations and Liability of the Purchaser under this Agreement as if it was the original Purchaser; and (iii) the Purchaser is not released from its obligations and Liability under this Agreement until the completion of the transactions contemplated in this Agreement, at which time the assignor will be automatically released from all of its obligations and Liability under this Agreement without the need for any further deliveries or instruments of release.

- 12.13 **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable in it.
- 12.14 **Waiver.** No waiver of any of the provisions of this Agreement will be deemed or will constitute a waiver of any other provision nor will any waiver constitute a continuing waiver unless otherwise expressed or provided.
- 12.15 **Currency.** All dollar amounts referred to are Canadian dollars.
- 12.16 **Construction.** The division and headings of this Agreement are for reference only and are not to affect construction or interpretation.
- 12.17 **Counterparts and Execution.** This Agreement may be executed in counterparts and delivered by electronic transmission including by PDF format, and each such counterpart will constitute an original and all such counterparts together will constitute one and the same agreement.
- 12.18 **Schedules.** The following schedules are attached to and form a part of this Agreement:

Schedule A – Legal Description and Permitted Encumbrances

Schedule B - Form of Vesting Order

[Signature page follows]

The parties are signing this Agreement as of the date set out above.

**THE BOWRA GROUP INC., in its capacity as
Court appointed receiver of the assets of
CAVALLO WINERY LTD.**

By: DocuSigned by:
Gordon Brown
C4617A041795434...
Name: Gordon Brown
Title: Authorized Signatory

1264597 B.C. LTD.

By: DocuSigned by:
Fred Kaiser
0B1025346EE488
Name: Fredrick Kaiser
Title: Authorized Signatory

**SCHEDULE A
LEGAL DESCRIPTION AND PERMITTED ENCUMBRANCES**

Part 1 – Legal Description of Lands

The following leasehold interest:

- the lease dated February 5, 2020, made between Cavallo, as tenant, and DePaul Holdings Inc. and Melim Holdings Ltd as landlord in respect of those lands and premises located at 19288 22nd Ave, Surrey, British Columbia; and
- the lease dated August 21, 2018 made between Cavallo as the Tenant and Bridon Developments ltd. as landlord in respect of those lands and premises located at 2076 192nd Street, Surrey, British Columbia.

Part 2 – Permitted Encumbrances

None

**SCHEDULE B
FORM OF VESTING ORDER**

2. the Contract of Purchase and Sale, dated October 31, 2022, between the Receiver and the Petitioner, attached as **Appendix "B"** hereto (the "**126 Agreement**"), concerning the sale of the Purchased Assets (as defined in the 126 Agreement), including but not limited to, the trademarks set out in **Appendix "C"** hereto, to the Petitioner is hereby approved. Upon completion of the 126 Agreement, all of the right, title and interest of Cavallo Winery Ltd. ("**Cavallo**") in and to the Purchased Assets shall vest absolutely in the Petitioner, 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: (i) any encumbrances or charges created by the Order of this Court dated October 7, 2022; (ii) those Claims listed on **Appendix "D"** hereto (all of which are collectively referred to as the "**Encumbrances**", which term shall not include the permitted encumbrances listed on **Appendix "E"** hereto); (iii) those Claims against personal property registered in the B.C. Personal Property Registry listed on **Appendix "F"** hereto (all of which are collectively referred to as the "**Registered Personal Property Security Interests**"); and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets;
3. for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and all Claims shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having had possession or control immediately prior to the sale;
4. the Purchased Assets shall be delivered by the Receiver to the Petitioner at 12:00 noon on the Closing Date (as defined in the 126 Agreement), subject to the permitted encumbrances as set out in the 126 Agreement and listed on **Appendix "E"**;
5. the Receiver, with the consent of the Petitioner, shall be at liberty to extend the Closing Date to such later date as those parties may agree without the necessity of a further Order of this Court;
6. notwithstanding:
 - (a) these proceedings;
 - (b) any applications for a bankruptcy order in respect of Cavallo now or hereafter made pursuant to the *Bankruptcy and Insolvency Act* and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made by or in respect of Cavallo,

the vesting of the Purchased Assets in the Petitioner pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of Cavallo and shall not be void or voidable by creditors of Cavallo, nor shall it constitute or be deemed to be a transfer at undervalue, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation;

7. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body, wherever located, to give effect to this Order and to assist the Receiver and its 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 Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order;
8. the Receiver or any other party have liberty to apply for such further or other directions or relief as may be necessary or desirable to give effect to this Order; and
9. endorsement of this Order by counsel or any unrepresented party appearing on this application, other than counsel to the Receiver, is hereby dispensed with.

Signature of lawyer for the Petitioner
DLA Piper (Canada) LLP (Jeffrey D. Bradshaw)

BY THE COURT

REGISTRAR

APPENDIX "A"

LIST OF COUNSEL

NAME OF LAWYER	REPRESENTING
Daniel Nugent	The Bowra Group Inc, in its capacity as the Receiver of Cavallo Winery Ltd.

APPENDIX "B"
CONTRACT OF PURCHASE AND SALE

**PURCHASE AND SALE AGREEMENT
(CAVALLO WINERY)**

THIS AGREEMENT is dated for reference October 31, 2022 and is made

BETWEEN:

**THE BOWRA GROUP INC., in its capacity as Court Appointed Receiver
of CAVALLO WINERY LTD., a British Columbia corporation formed
under the *Business Corporations Act* (British Columbia), In
Receivership**

(the "Vendor")

AND:

1264597 B.C. LTD.

(the "Purchaser")

BACKGROUND:

- A. Cavallo Winery Ltd. ("Cavallo") carries on the business of a commercial winery and retail tasting room (the "Business") from premises in Surrey, British Columbia.
- B. On October 7, 2022 (the "Appointment Date") the Supreme Court of British Columbia (the "Court") made an order (the "Appointment Order") appointing The Bowra Group Inc. (the "Receiver") as receiver of the assets, undertakings and properties of the Business.
- C. The Receiver intends to make application to the Court for an order approving a sale solicitation process (the "Sales Process Order") to be conducted by the Receiver for the solicitation of offers to acquire the Vendor's assets.
- D. The Purchaser has submitted this offer to purchase the Purchased Assets (as hereafter defined) representing all or substantially all of the assets of Cavallo and the Receiver wishes to accept this offer for the Vendor as the Stalking Horse Bid (as defined below), and in accordance with the sales process established under the Sales Process Order.
- E. Accordingly, the Vendor and the Purchaser have entered into this Agreement for the purpose of setting out the terms and conditions upon which they are prepared to complete the purchase and sale of the Purchased Assets (the "Sale Transaction"), the consummation of which will be subject, inter alia, to approval of the Court and issuance by the Court of a Vesting Order (as defined below) approving the Sale Transaction and vesting the Purchased Assets in the Purchaser.

FOR CONSIDERATION, the receipt and sufficiency of which is acknowledged by each of the parties, the parties agree as follows:

ARTICLE 1 - INTERPRETATION**1.1 Definitions. In this Agreement:**

- (a) **"Accounting Standards"** means at any time the accounting standards for private enterprises so described and established by the Accounting Standards Board which are applicable at such time.
- (b) **"Accounts Payable"** means trade accounts payable owed by the Vendor in respect of the Business.
- (c) **"Accounts Receivable"** means all accounts receivable, trade accounts receivable, notes receivable, book debts and other debts due or accruing due to the Vendor in respect of the Business, and the full benefit of any related security, net of applicable reserves in accordance with the Accounting Standards.
- (d) **"Approved Contracts"** means those Contracts which the Purchaser has approved in writing on or before the Closing Date.
- (e) **"Assignment Order"** means an order or orders of the Court, in form and substance satisfactory to the Purchaser, acting reasonably, authorizing and approving (i) the assignment of any Consent Required Contract for which a consent, approval or waiver necessary for the assignment of such Consent Required Contract has not been obtained, (ii) the prevention of any counterparty to such Consent Required Contracts from exercising any right or remedy under such Consent Required Contracts by reason of any defaults arising from the receivership of the Vendor and (iii) the vesting in the Purchaser of all right, title and interest of the Vendor in such Consent Required Contracts.
- (f) **"Assumed Obligations"** means:
 - (i) all debts, liabilities and obligations under the Contracts (to the extent assigned or transferred to the Purchaser on Closing) for the period from and after the Closing Date; and
 - (ii) all debts, liabilities and obligations arising from ownership and use of the Purchased Assets for the period from and after the Closing Time.
- (g) **"Break Fee"** has the meaning set out in Section 2.6.
- (h) **"Buildings"** means all building(s) and improvements located on the Lands.
- (i) **"Business Day"** means any day that is not a Saturday, Sunday, Boxing Day, Easter Monday or statutory holiday in British Columbia.
- (j) **"Business Records"** means all documents, files, records, reports, agreements, plans, specifications, drawings, surveys, correspondence, licenses and permits in the possession or control of the Vendor relating to the Business or any of the Purchased Assets, including without limitation: all digital records; client data; wine club databases and membership contact lists; login and password details for membership portals; login and password details for software, emails and websites; copies of all

Contracts; copies of the Permits and Licenses; tax notices and assessments; plans and surveys of the Property; copies of all Warranties; list of all Vehicles; a non-itemized description of all Chattels; a list of all Intellectual Property including registration details in respect of all Intellectual Property for which registration in any public office has been made; details of capital expenditures made in the most recent two fiscal periods; building condition reports, environmental reports or assessments; inventory analyses; notices or orders received from any agency having authority over the Property, the Purchased Assets or the Business; reasonable evidence of the Vendor's insurance relating to the Property, the Purchased Assets or the Business; copies of the Vendor's budget for the current operating year; current accounts receivable reports in respect of the Business; a year to date statement to the last fiscal year end setting out actual gross revenues and operating costs of the Business; financial statements pertaining to the Vendor's operation of the Business for the past two complete operating years, plus a year to date statement of expenditures and other capital items and items of income and expense pertaining to the operation and recoveries of the Business.

- (k) *"CASL" means An Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act, S.C. 2010, c. 23.*
- (l) *"Chattels" means all of the personal property owned by the Vendor including without limitation, all fixtures, leasehold improvements, personal property, plant, and equipment, Inventory Assets including spare parts, furniture whether moveable or built-in, computer hardware, point of sale equipment, tools and supplies.*
- (m) *"Closing" means the successful completion of the Sale Transaction.*
- (n) *"Closing Date" means the date that is ten Business Days after the date the Vesting Order is pronounced by the Court, or any other date as may be agreed by the Vendor and Purchaser.*
- (o) *"Closing Cash Payment" means an amount to be determined with the Receiver which will be sufficient to pay (i) any outstanding Priority Payables, and (ii) the reasonable costs of administration of the receivership. An estimate of the Closing Cash Payment amount will be provided to the Purchaser by the Receiver not less than one week prior to the Closing Date.*
- (p) *"Closing Documents" has the meaning given to it in Section 10.5.*
- (q) *"Contracts" means all contracts or agreements relating to the use or operation of the Property, the Purchased Assets, or any part thereof or the operation of the Business, including, without limitation, purchase and sale agreements, options to purchase, contracts relating to the operation, maintenance, cleaning, security, signage, fire protection or servicing of the Property or any part thereof made by or on behalf of the Vendor.*

- (r) "Consent Required Contract" has the meaning set out in Section 7.2.
- (s) "Court" means the Supreme Court of British Columbia.
- (t) "Credit Bid Amount" means the amounts owing by Cavallo to the Purchaser as of 10:00 am on the Closing Date pursuant to the Debenture, the Interim Financing Facility, the Forbearance Agreement as amended and extended, and any amount secured by the Security.
- (u) "Current Assets" means the Inventory Assets, Accounts Receivable, prepaid expenses, GST/HST receivables, and accrued revenue as shown on the balance sheet of Cavallo. For clarity Current Assets excludes cash and cash equivalents, income tax receivables and balances due from shareholders and related parties.
- (v) "Debenture" means the Debenture dated October 18, 2018, as amended and extended, originally made granted by Cavallo as borrower in favour of Fred Kaiser as lender, and subsequently assigned by Mr. Kaiser to the Purchaser;
- (w) "Employee Documents" has the meaning given to it in Section 3.1;
- (x) "Employees" means an individual who is employed by the Vendor, whether on a full-time or a part-time basis, whether active or inactive as of the Closing Date, and includes an employee on short term or long term disability leave.
- (y) "Encumbrance" means 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 including, without limiting the generality of the foregoing:
 - (i) any encumbrances or charges created by the Appointment Order;
 - (ii) all charges, security interests or claims evidenced by registrations pursuant to the Personal Property Security Act of British Columbia or any other personal property registry system;
 - (iii) any legal notation, charge, lien, interest or other encumbrance or title defect of whatever kind or nature, regardless of form;
 - (iv) any agreement, lease, license, option or claim, easement, right of way, restriction, execution or other encumbrance (including any notice or other registration in respect of any of the foregoing) affecting title to or the ownership of the Purchased Assets or any part thereof or interest therein.
- (z) "ETA" has the meaning given to it in Section 11.1.
- (aa) "Execution Date" means the date that this Agreement is executed by the Vendor.
- (bb) "Excluded Assets" means: (i) Contracts which are not Approved Contracts; (ii) the rights of the Vendor under this Agreement; (iii) corporate income taxes receivable and

GST refunds except to the extent arising out of the Priority Payables; and (v) any proceedings, claims or causes of action for the benefit of the Vendor.

- (cc) **“Excluded Liabilities”** means any Liabilities of Cavallo that are not expressly assumed by the Purchaser under this Agreement including without limitation:
- (i) any taxes of or relating to the Business or the Purchased Assets, including statutory deductions and remittances, GST, and BC liquor and sales taxes, in respect of any period prior up to and including the Closing Date;
 - (ii) any Liabilities or Encumbrances in respect of any litigation involving the Vendor, the Purchased Assets or the Business commenced or threatened or resulting from any event or circumstance prior to the Closing Date;
 - (iii) any other Encumbrances made, filed, claimed, perfected or otherwise arising or resulting from any event or circumstance prior to the Closing Date;
 - (iv) any Liabilities owing to or Encumbrances claimed by or in favour of any Employees that relate to any period prior to and including the Closing Date, including without limitation outstanding salaries, wages and bonuses owing to any Employees, any severance or other termination obligations, including payment in lieu of notice, and any Liability for employer health tax payable.
- (dd) **“Forbearance Agreement”** means collectively the agreement entered into between Cavallo and Fred Kaiser on December 15, 2021 in respect of amounts outstanding under the Debenture, as extended and modified, and as assigned by Mr. Kaiser to the Purchaser pursuant to an assignment agreement dated September 28, 2022.
- (ee) **“Governmental Authority”** means (i) any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise), (ii) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government, (iii) any court, tribunal, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions, and (iv) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange or professional association.
- (ff) **“GST”** has the meaning given to it in Section 11.1.
- (gg) **“GST Certificate”** has the meaning given to it in Section 11.1.
- (hh) **“Intellectual Property”** means all intellectual property and proprietary rights of any kind currently owned by the Vendor, including the following: (a) trademarks, service marks, trade names, slogans, logos, designs, symbols, trade dress, internet domain names, uniform resource identifiers, rights in design, brand names, any fictitious names, d/b/a’s or similar filings related thereto, or any variant of any of them, and other similar designations of source or origin, together with all goodwill, registrations

and applications related to the foregoing; (b) copyrights and copyrightable subject matter (including any registration and applications for any of the foregoing); (c) trade secrets and other confidential or proprietary business information (including manufacturing and production processes and techniques, research and development information, technology, intangibles, drawings, specifications, designs, plans, proposals, technical data, financial, marketing and business data, pricing and cost information, business and marketing plans, customer and supplier lists and information), know how, proprietary processes, formulae, algorithms, models, industrial property rights, and methodologies; (d) computer software, computer programs, and databases (whether in source code, object code or other form); (e) all rights to sue for past, present and future infringement, misappropriation, dilution or other violation of any of the foregoing and all remedies at law or equity associated therewith; and (f) all websites and all telephone and facsimile numbers.

- (ii) "Interim Period" means the period commencing on the Execution Date until and including the Closing Date.
- (jj) "Interim Financing Facility" means the revolving credit facility provided by the Purchaser to the Receiver in the principal amount of \$800,000.00 as approved by the Appointment Order.
- (kk) "Inventory Assets" means all inventories, including bulk and bottled wines, knickknacks, bottles, screw caps, wine raw materials, vineyard grapes, and purchased grapes, spare parts, replacement parts, and all other raw materials and supplies to be used or consumed by the Vendor in the production of goods for resale in the Business, net of reserves to be maintained in accordance with the Accounting Standards.
- (ll) "Lands" means the lands and premises used by the Vendor in the Business and which are located at the civic addresses set out in, and are legally described in, Part 1 of Schedule A.
- (mm) "LCRB" means the Liquor and Cannabis Regulation Branch of the Province of British Columbia.
- (nn) "Leases" means collectively:
 - (i) the lease dated February 5, 2020, made between Cavallo, as tenant, and DePaul Holdings Inc. and Melim Holdings Ltd as landlord in respect of those lands and premises located at 19288 22nd Ave, Surrey, British Columbia; and
 - (ii) the lease dated August 21, 2018 made between Cavallo as the Tenant and Bridon Developments ltd. as landlord in respect of those lands and premises located at 2076 192nd Street, Surrey, British Columbia.

as the same may be amended, renewed or extended from time to time.

- (oo) "Liability" means, any debts, claim, liability, duty, responsibility, obligations, commitment, assessment, cost, expense, loss, expenditure, charge, fee, penalty, fine, contribution or premium of any kind or nature whatsoever, whether known or unknown, asserted or unasserted, absolute or contingent, direct or indirect, or due or

to become due and regardless of when sustained, incurred or asserted or when the relevant events occurred or circumstances existed.

- (pp) **"Material Loss"** means the loss or damage to or destruction of the Purchased Assets or any part of them to such an extent that the replacement or repair of it cannot be substantially completed: (i) at a cost of less than \$250,000.00 or (ii) within three months of the occurrence.
- (qq) **"Monetary Purchase Price"** means the sum of the Credit Bid Amount and the Closing Cash Payment.
- (rr) **"Non-Assignable Interests"** means any Purchased Assets which, by their nature cannot be legally or practically sold and assigned by the Vendor to the Purchaser hereunder, including without limitation any Consent Required Contracts for which an Assignment Order or counterparty consent has not been obtained.
- (ss) **"Permitted Encumbrances"** means the Encumbrances set out in Part 2 of Schedule A.
- (tt) **"Permits and Licenses"** licenses, approvals, permits, consents or other rights entered into or obtained by the Vendor from any Governmental Authority, including the Winery Licence, and used in connection with the Business or in respect of any of the Purchased Assets.
- (uu) **"Priority Payables"** means the amounts payable by the Vendor which are secured by liens in favour of a Governmental Authority (including deemed trusts) that encumber the Purchased Assets and rank prior to the interests of the Purchaser, arising by operation of any applicable statutory law.
- (vv) **"Property"** means the Vendor's leasehold interest in the Lands and the Buildings pursuant to the Leases.
- (ww) **"PST"** has the meaning given to it in Section 11.2.
- (xx) **"PST Clearance Certificate"** has the meaning given to it in Section 11.2.
- (yy) **"Purchase Price"**.
 - (i) means the Monetary Purchase Price; plus
 - (ii) the Assumed Obligations.
- (zz) **"Purchased Assets"** means all the Vendor's right, title and interest, in and to all assets and properties of the Vendor used or held in the Business, excluding the Excluded Assets, but including, without limitation:
 - (i) the Leases;
 - (ii) the Chattels;
 - (iii) the Current Assets;

- (iv) the Approved Contracts;
 - (v) the Permits and Licenses;
 - (vi) the Warranties;
 - (vii) the Vehicles;
 - (viii) the Intellectual Property;
 - (ix) any consents related to the Business obtained by the Vendor from a third person which permit or purport to permit communication with the third person in compliance with CASL and
 - (x) the Business Records.
- (aaa) "Purchaser's Solicitors" means DLA Piper (Canada) LLP or such other firm of solicitors or agents as are retained by the Purchaser from time to time and written notice of which is provided to the Vendor.
 - (bbb) "Sale Transaction" has the meaning set out in Recital E.
 - (ccc) "Security" means the general security agreement granted by Cavallo in favour of Fred Kaiser and dated October 17, 2018, granting Mr. Kaiser a security interest in all of the present and after acquired property of Cavallo, as assigned by Mr. Kaiser to the Purchaser pursuant to an assignment agreement dated September 28, 2022.
 - (ddd) "Vendor's Solicitors" means such firm of solicitors as are retained by the Vendor from time to time and written notice of which is provided to the Purchaser.
 - (eee) "Vendor's Accounts Payable" means liabilities of the Vendor incurred after the date of the Appointment Order;
 - (fff) "Vehicles" means all motor vehicles owned by the Vendor.
 - (ggg) "Vesting Order" has the meaning given to it in Section 9.2.
 - (hhh) "Warranties" means all subsisting warranties and guarantees benefiting any of the Purchased Assets or any part thereof that are assignable without consent and in effect on the Closing Date.
 - (iii) "Winery Licence" means licence #307155 issued by the LCRB.

ARTICLE 2 – PURCHASE AND SALE

- 2.1 **Agreement of Purchase and Sale.** Subject to the terms and conditions of this Agreement and based on the representations and warranties contained in this Agreement, the Vendor agrees to sell and the Purchaser agrees to purchase the Purchased Assets for the Purchase Price on the Closing Date free and clear of all Excluded Liabilities and Encumbrances, except for the Permitted Encumbrances.

- 2.2 **As Is, Where Is.** The Purchaser is purchasing the Purchased Assets “as is, where is” as of the Closing Date. Neither the Vendor, nor anyone on its behalf, represents or warrant the condition or state of repair of any of the Purchased Assets. The Purchaser must satisfy itself, and accept the Purchased Assets on a strictly “as is, where is” basis on the terms of this Agreement.
- 2.3 **Payment of Purchase Price.** Provided that all conditions precedent to Closing have been satisfied or waived in accordance with Section 9.1, the Purchase Price for the Purchased Assets will be paid by the Purchaser as follows:
- (a) as to the amount of the Credit Bid Amount, by the crediting and set off of the Credit Bid Amount against an amount of the Monetary Purchase Price equal to the amount of the Credit Bid Amount;
 - (b) as to the Closing Cash Payment, as adjusted in accordance with ARTICLE 6, by solicitors trust cheque or wire transfer paid to the Receiver on the Closing Date as provided in ARTICLE 10;
 - (c) as to the dollar value of the Assumed Obligations, by the assumption by the Purchaser of the Assumed Obligations.

For avoidance of doubt, the Purchaser will not assume any liability in respect of the Excluded Liabilities.

- 2.4 **Allocation of Purchase Price.** The parties agree to use reasonable efforts to agree prior to the Closing Date on an allocation of the Monetary Purchase Price among the components of the Purchased Assets in accordance with the fair market value of such components on the Closing Date. However, the parties further agree that failure to agree on such an allocation prior to the Closing Date will not render this Agreement unenforceable or result in a termination of this Agreement, and in such case each of the Vendor and the Purchaser will make its own determination of allocation.
- 2.5 **Bidding Procedures.**
- (a) The Vendor and the Purchaser acknowledge that this Agreement and the transactions contemplated hereby are subject to Court approval.
 - (b) The Vendor and the Purchaser acknowledge and agree that the Receiver shall apply to the Court for the Sale Process Order, inter alia, recognizing this Agreement, and in particular the Purchase Price, as a baseline or “stalking horse bid” (the “Stalking Horse Bid”) and approving the bidding procedures, the payment of the Break Fee in the circumstances set out in Section 2.6, and the parties will use commercially reasonable efforts to have the Sale Process Order issued. The Purchaser acknowledges and agrees that the bidding procedures to be approved under the Sale Process Order are in contemplation of determining whether a superior bid can be obtained for the Purchased Assets.
- 2.6 **Break Fee**
- (a) In consideration for the Purchaser’s expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this

Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to an expense reimbursement amount not to exceed \$125,000.00 (inclusive of HST) (the "Break Fee"), payable by the Vendor to the Purchaser only in the event that a successful bid other than the Stalking Horse Bid is accepted by the Vendor, approved by the Court and completed. The payment of the foregoing amounts shall be approved in the Sale Process Order and shall be payable to the Purchaser out of the sale proceeds derived from and upon completion of the successful bid. Each of the parties hereto acknowledges and agrees that the foregoing amounts represent a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of non-completion of this Agreement and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Assets or the Business.

- (b) The Break Fee shall be paid by the Vendor to the Purchaser without deduction or withholding for taxes (a "Tax Deduction"), unless a Tax Deduction is required by applicable law. In the event that the Vendor determine that a Tax Deduction is required by applicable law to be made in respect of the payment of the Break Fee, or any portion thereof, the Vendor shall pay such additional amount (the "Additional Amount") as shall be required to result in the Purchaser receiving an amount equal to the amount which it would have received if no Tax Deduction had been required.

ARTICLE 3- DOCUMENTS AND INSPECTION

- 3.1 **Business Documents.** The Vendor covenants that it has made and until the Closing Date will make available to the Purchaser full, accurate and complete copies of all Business Records within the Vendor's possession or control, and the Purchaser will be entitled to make photocopies of such of the material in those files as the Purchaser may reasonably request. The Vendor further covenants to make available to the Purchaser all employment agreements, contracts, collective agreements (if any), letters or correspondence (collectively, the "Employee Documents") with respect to any employee of the Vendor for inspection by the Purchaser in relation to its assessment of the Purchased Assets. If for any reason the Sale Transaction contemplated in this Agreement is not completed, then the Purchaser will promptly return any such Business Records or Employee Documents without retaining any copies.
- 3.2 **Inspection.** The Purchaser and its advisors will be entitled upon reasonable notice to the Vendor and in accordance with the Vendor's reasonable requirements as to security to enter the Property and carry out tests and inspections of the Purchased Assets, provided that such access for such purposes will be at reasonable times scheduled by the Vendor at the Purchaser's request and, at the option of the Vendor, subject to the Vendor's supervision. The Purchaser will be responsible for and indemnify the Vendor for all costs, injuries or damages to the Purchased Assets, or to the Vendor, its agents or employees, directly arising out of such entry by the Purchaser and such indemnity will survive the completion of the transactions contemplated herein or earlier termination of this Agreement. In carrying out such tests and inspections and entry the Purchaser will not disrupt or unduly interfere with the Business carried out on the Property.
- 3.3 **Authorization.** The Vendor hereby authorizes the Purchaser and its agents, consultants and advisors to meet with or correspond with appropriate statutory or governmental authorities having jurisdiction over the Purchased Assets, the Property, or the Vendor for the purposes

of this transaction, including but not limited to inquiries with respect to compliance with laws, by laws, regulations and assessments. The Vendor will promptly, at the Purchaser's request, execute and deliver any authorizations reasonably required by the Purchaser to authorize the statutory or governmental authorities to release information to the Purchaser, provided such authorizations explicitly do not authorize or request any inspections with respect to the Property.

ARTICLE 4 - GENERAL COVENANTS

4.1 Covenants of the Vendor. The Vendor:

- (a) throughout the Interim Period will keep, maintain and repair the Purchased Assets in their present condition, reasonable wear and tear excepted, and will operate the Business in a professional and diligent manner as a going concern and as a careful and prudent owner would do in accordance with its current management practices in compliance with all applicable laws, regulations and orders;
- (b) throughout the Interim Period will notify the Purchaser of any material changes to the information delivered or made available to the Purchaser under or in connection with this Agreement;
- (c) throughout the Interim Period will maintain in full force and effect all existing policies of insurance currently maintained by the Vendor and maintain insurance on all the Assets at least to the levels as they are insured on the date of this Agreement, and following the Closing Date, will maintain adequate general liability insurance policies for such tail periods as may be required to reasonably insure against Liabilities that relate to any period prior to and including the Closing Date;
- (d) during the Interim Period, the Vendor will duly and promptly perform all obligations under the Leases, including payment of rent, and keep the Leases in good standing;
- (e) throughout the Interim Period will not enter into any commitment or agreement or contract, any agreement to lease, offer to lease or lease the Purchased Assets or modify any material terms or terminate any of the Contracts, Permitted Encumbrances, Permits and Licenses or any mortgage or charge relating to the Purchased Assets or that would form an Encumbrance on the Purchased Assets without the prior written consent of the Purchaser, which the Purchaser may withhold in its sole discretion, or without Order of the Court;
- (f) throughout the Interim Period, will continue to carry on the operations of the Business in the ordinary course consistent with past practice, subject to changes in the business practice arising from any public health emergency, or arising by the appointment of a receiver over the Business;
- (g) throughout the Interim Period will not enter into any arrangements or agreements with any of the Employees altering the terms of employment (other than terminating on employee) or materially increasing their compensation, benefits or severance entitlements or altering any union contract or collective agreement without the consent in writing of the Purchaser, acting reasonably;

- (h) will observe and perform all of its obligations under the Contracts and the Permitted Encumbrances, and enforce the terms of all Contracts and Permitted Encumbrances as would a prudent owner, subject to the Receiver's powers and obligations under the Appointment Order, the Sales Process Order, and any other Court order or statute;
- (i) will promptly notify the Purchaser if the Vendor becomes aware that, after the date of this Agreement, any of its representations or warranties in this Agreement become untrue or incorrect or if any covenants, terms or conditions in this Agreement are breached or cannot be performed;
- (j) will promptly forward to the Purchaser any search results from government offices which are directed to the Vendor in response to any due diligence inquiries made by or at the request of the Purchaser;
- (k) will use any cash on hand or cash the Vendor receives from the collection of an Account Receivable or sale of Inventory Assets to pay ongoing operational costs of the Vendor including Excluded Liabilities.

ARTICLE 5 – RISK

- 5.1 **Risk.** The Purchased Assets will be at the risk of the Vendor until completion of closing on the Closing Date and thereafter at the risk of the Purchaser.
- 5.2 **Material Loss Damage.** If there is any Material Loss prior to the passing of risk as set out in Section 5.1, the Purchaser will, within seven days following such Material Loss, by notice in writing at its option either:
- (a) terminate this Agreement, in which case neither party will be under any further obligation to the other; or
 - (b) elect to complete the purchase of the Purchased Assets, in which case the insurance proceeds and the right to receive the proceeds of all insurance will be assigned by the Vendor to the Purchaser on the Closing Date.

Failure by the Purchaser to so elect within the period set out above will be deemed to be an election not to complete the purchase of the Purchased Assets. The Vendor will promptly notify the Purchaser if it becomes aware of any Material Loss.

- 5.3 **Repair of Damage.** The Vendor will diligently repair at its sole expense any material damage caused to the Purchased Assets while the Purchased Assets are at the risk of the Vendor, unless such damage is related to the Purchaser's access rights pursuant to Section 3.1. Subject to the Purchaser's right to terminate in Section 5.2(a), the amount of any insurance proceeds for material damage will be assigned to the Purchaser on the Closing Date, and applied on account of such repair.

ARTICLE 6 – ADJUSTMENTS AND RELATED MATTERS

- 6.1 **Adjustments.** The Purchase Price payable by the Purchaser to the Vendor for the Purchased Assets will be subject to adjustment. All adjustments with respect to the Purchased Assets and the Business, including taxes, utilities, rents, deposits and interest on deposits (if any),

common area and operating expenses, common area and operating expense reconciliations owing to the Vendor as tenant, and other items normally adjusted between a vendor and purchaser in the sale of similar businesses and properties in British Columbia will be adjusted as of the Closing Date. The Vendor will cause any water, gas, or electrical meter readings required to make the adjustments herein. The parties agree that there will be no adjustment for working capital.

- 6.2 **Purchase Price Adjustments.** At a mutually convenient time, not less than three Business Days prior to the Closing Date, representatives of the Vendor and the Purchaser will meet to determine any adjustments to the Purchase Price required by Section 6.1, in each case estimated as at the Closing Date in order to determine the Purchase Price as adjusted pursuant to this Agreement (the "Adjusted Purchase Price"). The Vendor and the Purchaser will act reasonably and bona fide in such attempt. The Adjusted Purchase Price as agreed upon by them will be recorded in a statement of adjustments (the "Closing Statement") signed by each of such representatives.

ARTICLE 7 – POSSESSION

- 7.1 **Possession Date.** The Purchaser will, upon completion of the purchase and sale have possession of the Property and all Purchased Assets as of the Closing Date free and clear of all Encumbrances subject only to Permitted Encumbrances.
- 7.2 **Non-assignable Assets.** In the event that there are any Approved Contracts (including the Leases) which are not assignable in whole or in part without the consent, approval or waiver of another party or parties to them and such consents, approvals or waivers have not yet been obtained as of the Closing Date, then:
- (a) nothing in this Agreement will be construed as an assignment of any such Contract (each a "Consent Required Contract");
 - (b) until the Vesting Order is granted, the Vendor shall use its commercially reasonable efforts to obtain any such consent, approval or waiver and the Purchaser shall provide its reasonable cooperation to assist the Vendor in obtaining any such consent, approval or waiver;
 - (c) if any consent, approval or waiver is not obtained for any Consent Required Contract prior to the service of the motion for the Vesting Order, the Purchaser may request that the Receiver bring a motion to the Court for issuance of an Assignment Order with respect to such Consent Required Contracts together with the motion for the Vesting Order, or at such later date as may be designated by the Purchaser;
 - (d) pending obtaining consent or Assignment Order, the Vendor shall hold the Consent Required Contract in trust for the exclusive benefit of the Purchaser as a Non-Assignable Interest, and shall use commercially reasonable efforts to continue to perform its obligations under the Consent Required Contract and to continue to seek consent, approval or waiver; and
 - (e) once the consent, approval or waiver to the assignment of a Consent Required Contract is obtained or the assignment of such Contract has been ordered by the

Court, such Consent Required Contract shall be deemed to be assigned to the Purchaser on Closing.

ARTICLE 8 – REPRESENTATIONS AND WARRANTIES

- 8.1 **Purchaser's Representations and Warranties.** The Purchaser represents and warrants to the Vendor, regardless of any independent investigation that the Vendor may cause to be made that:
- (a) the Purchaser is a corporation incorporated and existing under the laws of British Columbia;
 - (b) the Purchaser has the corporate power and authority to enter into this Agreement and to perform its obligations under this Agreement;
 - (c) neither the Purchaser's entering into this Agreement nor the performance of its terms will result in the breach of or constitute a default under any term or provision of any indenture, mortgage, deed of trust or other agreement to which the Purchaser is bound or subject.

ARTICLE 9 – CONDITIONS PRECEDENT

- 9.1 **Closing Conditions Precedent in favour of the Purchaser.** The obligation of the Purchaser to complete the Sale Transaction is subject to the Vendor having performed in all material respects each of its obligations under this Agreement to the extent required to be performed at or before the Closing Date, including the delivery of each of the items required pursuant to Section 10.3.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.1 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing.

- 9.2 **Mutual Condition.** The obligation of the parties to complete the transactions contemplated by this Agreement will be subject to the mutual condition, for the benefit of both the Vendor and the Purchaser, that on or before the Closing Date, the Vendor will have obtained (at the sole cost of the Vendor) an Order or Orders of the Court substantially in the form set out in Schedule B and satisfactory to the Vendor and the Purchaser (collectively, the "Vesting Order"): (i) approving the sale of the Purchased Assets to the Purchaser on the terms of this Agreement; and (ii) on completion of the Sale Transaction under this Agreement, vesting title to the Purchased Assets in and to the Purchaser, free and clear of all Encumbrances except the Permitted Encumbrances.

ARTICLE 10– CLOSING

- 10.1 **Closing.** The closing of the Sale Transaction will commence at 10:00 a.m. (Vancouver time) on the Closing Date in the offices of the Purchaser's Solicitors.

- 10.2 **Court Order.** The Sale Transaction will complete pursuant to the terms of this Agreement and pursuant to the terms of the Sales Process Order, and in accordance with the sales process established thereunder.
- 10.3 **Vendor's Closing Documents.** On or before the Closing Date, the Vendor will deliver, or cause the Vendor's Solicitors to deliver, to the Purchaser's Solicitors in trust to be held in escrow as provided in this Agreement, the following documents duly executed as applicable and all in a form satisfactory to the Purchaser, acting reasonably:
- (a) Court certified copy of the Vesting Order and any other Orders of the Court as are necessary, all in a form registerable in all necessary offices required to effect the transfer of the Purchased Assets to the Purchaser;
 - (b) the Closing Statement;
 - (c) the PST Clearance Certificate;
 - (d) an assignment and assumption of Approved Contracts, Permits and Licenses wherein the Purchaser assumes the rights and obligations under the Approved Contracts and Permits and Licenses as of the Closing Date and the Purchaser indemnifies the Vendor for all Liability under the Approved Contracts and Permits and Licenses arising after the completion of the transactions contemplated herein and the Vendor retains all Liability under the Approved Contracts and Permits and Licenses arising prior to the Closing Date and indemnifies the Purchaser for all Liability under the Approved Contracts and Permits and Licenses arising prior to the completion of the transactions contemplated herein;
 - (e) an assignment and assumption of Permitted Encumbrances;
 - (f) a bill of sale conveying the Chattels, the Business Records and the Current Assets to the Purchaser;
 - (g) an assignment of all of the Vendor's rights under any and all Warranties wherein the Purchaser acquires all rights under the Warranties whether arising prior to or after the Closing Date;
 - (h) a certificate dated as of the Closing Date of a senior officer of the Vendor having knowledge of the facts certifying, on behalf of the Vendor and without personal liability, that the Vendor's covenants and agreements to be observed or performed on or before the Closing Date pursuant to the terms of this Agreement have been duly observed and performed in all material respects;
 - (i) a statutory declaration by an authorized officer of the Vendor that the Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada);
 - (j) a notice from the Vendor to each of the other parties under the Approved Contracts giving notice of the assignment of such Approved Contract;
 - (k) evidence of completion by the Vendor of the online transfer application for the transfer of the Winery Licence from the Vendor to the Purchaser;

- (l) transfers of any Vehicles, if applicable, in the form required by the applicable Governmental Authority; and
 - (m) such other documents and assurances as may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement.
- 10.4 Purchaser's Closing Documents.** On or before the Closing Date, the Purchaser will deliver, or cause the Purchaser's Solicitors to deliver, to the Vendor's Solicitors in trust to be held in escrow as provided in this Agreement, the following duly executed as applicable:
- (a) the Closing Statement;
 - (b) an assignment and assumption of Approved Contracts, Permits and Licenses;
 - (c) an assignment and assumption of Permitted Encumbrances;
 - (d) the GST Certificate;
 - (e) a certificate dated as of the Closing Date of a senior officer of the Purchaser having knowledge of the facts certifying, on behalf of the Purchaser and without personal liability, that the representations and warranties set out in Section 8.1 are true and correct in all material respects as at the Closing Date and that the Purchaser's covenants and agreements to be observed or performed on or before the Closing Date pursuant to the terms of this Agreement have been duly observed and performed in all material respects;
 - (f) evidence of completion of the online transfer application for the transfer of the Winery Licence from the Vendor to the Purchaser, and confirmation received from the LCRB that the application is administratively complete; and
 - (g) such other documents and assurances as may be reasonably required by the Purchaser to give full effect to the intent and meaning of this Agreement.
- 10.5 Preparation and Form of Documents.** The closing documents contemplated in Sections 10.2 and 10.4 (other than the Closing Statement and the Vesting Order) (collectively, the "Closing Documents") will be prepared by the Purchaser's Solicitors and delivered to the Vendor's Solicitors at least five Business Days before the Closing Date. The Closing Documents (including the Closing Statement and the Vesting Order) will be in a form and substance reasonably satisfactory to the parties and their respective solicitors. The Vendor will provide the Purchaser with drafts of all material to be filed with the Court no later than three (3) Business Days prior to the date of any hearing of the Court regarding the Vesting Order or such other date as may be agreed to by the parties.
- 10.6 Payment into Trust.** On or before the Closing Date, the Purchaser will pay to the Purchaser's Solicitors in trust, by way of certified cheque, bank draft, or wire transfer, funds in an amount equal to the Closing Cash Payment, as adjusted.
- 10.7 Closing Escrow.** All Closing Documents, funds, and other items delivered by the parties will be held in trust by the Vendor's Solicitors and the Purchaser's Solicitors until completion of closing on the Closing Date in accordance with this Agreement. Upon exchange of email confirmation between the Vendor's Solicitors and the Purchaser's Solicitors confirming that

all Closing Documents have been duly executed and delivered into escrow, the Closing Documents will be released to the appropriate parties and the Purchaser will cause the Purchaser's Solicitors to pay the Purchase Price, as adjusted, to the Vendor's Solicitors by way of wire transfer.

- 10.8 **Concurrent Requirements.** It is a condition of Closing that all matters of payment, execution and delivery of documents by each party to the other pursuant to the terms of this Agreement will be deemed to be concurrent requirements and it is specifically agreed that nothing will be complete at the closing until everything required as a condition precedent at the closing has been paid, executed and delivered.
- 10.9 **Delivery of Business Records.** The Vendor will table at Closing and, on release of escrow, after completion of the Sale Transaction, will deliver originally executed copies of the Business Records, if in possession or control of the Vendor, to the Purchaser, to the extent not previously delivered.
- 10.10 **Payment by Wire Transfer.** Notwithstanding anything else contained herein, provided the Purchaser's Solicitors have initiated the wire transfer for the Closing Cash Payment, as adjusted, to the Vendor's Solicitors on the Closing Date, and provided the Vendor's Solicitors with written confirmation thereof, the Purchaser will be deemed to have paid the Closing Cash Payment, as adjusted, due to the Vendor if such amount is credited to the Vendor's Solicitors account by 11:00 a.m. (Vancouver time) on the first business day following the Closing Date without interest or penalty.
- 10.11 **Transfer of Winery Licence.** As soon as reasonably possible after the Vendor has obtained the Vesting Order, the Purchaser and the Vendor will each complete the online transfer application for the transfer of the Winery Licence from the Vendor to the Purchaser. Thereafter, the Purchaser and the Vendor will each provide to the LCRB all such documents and all such information as maybe requested by the LCRB in order for the LCRB to provide confirmation that the application is administratively complete by the Closing Date. In the event that the application is not administratively complete by the Closing Date, then the Purchaser and the Vendor will continue to work cooperatively and will use commercially reasonable efforts to cause the license to be transferred to the Purchaser as soon as reasonably possible after the Closing Date.
- 10.12 **Termination.** Notwithstanding any other provision of this Agreement:
- (a) if the transactions contemplated by this Agreement do not complete on or prior to March 31, 2023 other than as a result of the default of the Purchaser, then the Purchaser may, in its sole discretion, terminate this Agreement with written notice delivered to the Vendor without any further liability and Section 2.6 will apply;
 - (b) this Agreement will automatically terminate if a successful bid other than this Stalking Horse Bid is accepted by the Vendor, approved by the Court and completed, and in such case Section 2.6. will apply; and
 - (c) this Agreement will automatically terminate upon the completion of the transactions contemplated herein, upon which, all of the representations, warranties and covenants contained herein will merge and there will be no survival of any representation, warranties or covenants contained in this Agreement.

ARTICLE 11- TAXES

- 11.1 **GST.** The Purchaser represents and warrants to Vendor that it is and will be, as of the closing on the Closing Date, registered for the purposes of Part IX of the *Excise Tax Act* (Canada) (the "ETA") in accordance with the requirements of Subdivision D of Division V of the ETA and will assume responsibility to account for, report and remit any goods and services tax and harmonized sales tax (collectively, the "GST") payable under the ETA in connection with the transaction contemplated in this Agreement. On the Closing Date, the Purchaser will deliver to the Vendor a certificate (the "GST Certificate") of a senior officer of the Purchaser certifying, on behalf of the Purchaser and without personal liability (a) that the Purchaser is registered under Part IX of the ETA as of the Closing Date; (b) its registration number; and (c) that the Purchaser will account for, report and remit any GST payable in respect of the purchase of the Purchased Assets in accordance with the ETA. If the Purchaser delivers such GST Certificate, then the Purchaser will not be required to pay to the Vendor, and the Vendor will not be required to collect from the Purchaser nor report or remit, any GST in connection with the transaction contemplated in this Agreement. The Purchaser will indemnify and hold the Vendor and its directors, officers, employees, advisors and agents harmless from any liability under the ETA arising as a result of any breach of this Section 11.1, the GST Certificate or any declaration made therein and such indemnity will survive the completion of the transactions contemplated herein.
- 11.2 **Provincial Sales Tax ("PST").** The Purchaser acknowledges that it is liable to pay provincial sales tax in respect of its purchase of some or all of the Chattels and it will report and remit as required by applicable law any such sales tax that is due directly to the applicable taxing authority. The Purchaser will indemnify and hold the Vendor and its directors, officers, employees, advisors and agents harmless from any liability related to the Vendor's failure to account for, or report and remit such provincial sales tax and such indemnity will survive the completion of the transactions contemplated herein. The Vendor shall obtain and provide to the Purchaser on Closing a certificate pursuant to Section 187 of the *British Columbia Provincial Sales Tax Act* which indicates that all Taxes collectible or payable by the Vendor under such legislation have been paid up to the Closing Date or that the Vendor has entered into satisfactory arrangements for payment of such Taxes (a "PST Clearance Certificate").
- 11.3 **Tax Elections.** Notwithstanding the above, the Vendor will cooperate with the Purchaser to execute any election available under applicable law that may reduce or defer the amount or due date of any GST, PST, or other tax payable by the Purchaser provided such election will not result in any increased cost or tax liability for the Vendor. At the Closing, each of the Vendor and the Purchaser shall execute jointly an election under subsection 167(1) of Part IX of the *Excise Tax Act* (Canada), in the prescribed form and within the prescribed time therefor, in respect of the sale and transfer of the Purchased Assets and the Purchaser shall file such election with the Canada Revenue Agency.
- 11.4 **Other Taxes.** The Purchaser will be responsible for all transfer taxes, fees and expenses in connection with the registration of the Vesting Order or transfer of the Purchased Assets and the Vendor will be responsible for any taxes or fees in respect of the disposition of the Purchased Assets including, without limitation, income tax.

ARTICLE 12 – GENERAL

- 12.1 **Further Assurances.** Each of the parties will execute and deliver all such further documents and do such further acts and things as may be reasonably required from time to time to give effect to this Agreement.
- 12.2 **No Merger.** The execution and delivery of the Closing Documents is not intended to and will not in any way merge or otherwise restrict the terms, covenants, conditions, representations, warranties or provisions made or to be performed or observed by the parties contained in this Agreement other than the obligation to deliver the Closing Documents.
- 12.3 **Entire Agreement.** This Agreement constitutes the entire agreement between the Vendor and the Purchaser pertaining to the purchase and sale of the Purchased Assets and supersedes all prior agreements and undertakings, negotiations and discussions, whether oral or written, of the Vendor and the Purchaser and there are no representations, warranties, covenants or agreements between the Vendor and Purchaser except as set out in this Agreement.
- 12.4 **Amendment.** Subject to Section 12.5, this Agreement may only be altered or amended by an agreement in writing executed by all of the parties.
- 12.5 **Solicitors as Agents.** Any notice, approval, waiver, agreement, instrument, document or communication permitted, required or contemplated in this Agreement may be given or delivered and accepted or received by the Purchaser's Solicitors, on behalf of the Purchaser, and by the Vendor's Solicitors, on behalf of the Vendor, and any tender of Closing Documents and the Purchase Price may be made upon the Vendor's Solicitors and the Purchaser's Solicitors, as the case may be.
- 12.6 **Notices.** Any notice, document or communication required or permitted to be given under this Agreement will be in writing and delivered by hand or electronic transmission as follows:
- (a) if to the Purchaser:
- 7800 Alpha Way
Delta, BC V4K 0A7
- Attention: Fred Kaiser
E-mail f_kaiser@gmx.com
- with a copy to the Purchaser's Solicitors:
- DLA Piper (Canada) LLP
2800 - 666 Burrard St.
Vancouver, BC V6C 2Z7
- Attention: Jeffrey Bradshaw
E-mail: jeffrey.bradshaw@ca.dlapiper.com
- (b) if to the Vendor:

The Bowra Group Inc.
505 Burrard Street, Suite 430
Vancouver, B.C. V7X 1M3

Attention: Mario Mainella and Gordon Brown
E-mail: mmainella@bowragroup.com, gbrown@bowragroup.com

with a further copy to the Vendor's Solicitors:

RICHARDS BUELL SUTTON LLP
700 - 401 West Georgia Street
Vancouver, BC V6B 5A1

Attention: Dan Nugent
E-mail: DNugent@rbs.ca

or to such other address in Canada as either party may in writing advise. Any notice, document or communication will be deemed to have been given on the Business Day when delivered by hand if delivered prior to 5 p.m. (Vancouver time), otherwise will be deemed to be delivered and received on the next Business Day; or, if made by email, will be deemed to have been given on the Business Day when transmitted if it is so transmitted prior to 5 p.m. (Vancouver time) on the day of transmittal, otherwise will be deemed to be given and received on the next Business Day.

- 12.7 **Fees.** Each of the parties will pay its own legal fees and fees of its consultants. The Purchaser will pay all registration costs and property transfer tax payable in connection with its purchase of the Purchased Assets.
- 12.8 **Accounting Terms.** Accounting terms used herein and not expressly defined will be deemed to have such meanings as may apply on the application of the Accounting Standards.
- 12.9 **Time.** Time is of the essence of this Agreement.
- 12.10 **Tender.** Unless otherwise set out herein, any tender of documents or money may be made upon the party being tendered or upon its solicitors and money will be tendered by certified cheque, bank draft, or wire transfer.
- 12.11 **Enurement.** This Agreement will enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- 12.12 **Assignment.** Until the Vesting Order is pronounced by the Court, the Purchaser will be entitled to assign its rights and obligations under this Agreement without the consent of the Vendor to an affiliate (within the meaning of the *Business Corporations Act* (British Columbia)) of the Purchaser if: (i) the Purchaser delivers written notice of such assignment to the Vendor; (ii) the assignee enters into an agreement pursuant to which the assignee agrees to be bound by all of the obligations and Liability of the Purchaser under this Agreement as if it was the original Purchaser; and (iii) the Purchaser is not released from its obligations and Liability under this Agreement until the completion of the transactions contemplated in this Agreement, at which time the assignor will be automatically released from all of its obligations and Liability under this Agreement without the need for any further deliveries or instruments of release.

- 12.13 **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable in it.
- 12.14 **Waiver.** No waiver of any of the provisions of this Agreement will be deemed or will constitute a waiver of any other provision nor will any waiver constitute a continuing waiver unless otherwise expressed or provided.
- 12.15 **Currency.** All dollar amounts referred to are Canadian dollars.
- 12.16 **Construction.** The division and headings of this Agreement are for reference only and are not to affect construction or interpretation.
- 12.17 **Counterparts and Execution.** This Agreement may be executed in counterparts and delivered by electronic transmission including by PDF format, and each such counterpart will constitute an original and all such counterparts together will constitute one and the same agreement.
- 12.18 **Schedules.** The following schedules are attached to and form a part of this Agreement:
- Schedule A - Legal Description and Permitted Encumbrances
 - Schedule B - Form of Vesting Order

[Signature page follows]

The parties are signing this Agreement as of the date set out above.

**THE BOWRA GROUP INC., in its capacity as
Court appointed receiver of the assets of
CAVALLO WINERY LTD.**

DocuSigned by:
By: Gordon Brown
Name: Gordon Brown
Title: Authorized Signatory

1264597 B.C. LTD.

DocuSigned by:
By: Fred Kaiser
Name: Fredrick Kaiser
Title: Authorized Signatory

**SCHEDULE A
LEGAL DESCRIPTION AND PERMITTED ENCUMBRANCES**

Part 1 – Legal Description of Lands

The following leasehold interest:

- the lease dated February 5, 2020, made between Cavallo, as tenant, and DePaul Holdings Inc. and Melim Holdings Ltd as landlord in respect of those lands and premises located at 19288 22nd Ave, Surrey, British Columbia; and
- the lease dated August 21, 2018 made between Cavallo as the Tenant and Bridon Developments ltd. as landlord in respect of those lands and premises located at 2076 192nd Street, Surrey, British Columbia.

Part 2 – Permitted Encumbrances

None

**SCHEDULE B
FORM OF VESTING ORDER**

APPENDIX "C"

TRADEMARKS

Canadian Trademark	Application No.

Foreign Trademark	Jurisdiction

APPENDIX "D"
CLAIMS TO BE DISCHARGED

Party	Nature of Charge	Registration No.

APPENDIX "E"
PERMITTED ENCUMBRANCES

1. The following:

Party	Nature of Charge	Registration No.

APPENDIX "F"

REGISTERED PERSONAL PROPERTY SECURITY INTERESTS

Party	Base Registration No.

No. S-227923
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

1264597 B.C. LTD.

PETITIONER

AND:

CAVALLO WINERY LTD.

RESPONDENT

IN THE SUPREME COURT OF BRITISH COLUMBIA
IN BANKRUPTCY AND INSOLVENCY

IN THE MATTER OF THE RECEIVERSHIP OF CAVALLO
WINERY LTD.

ORDER MADE AFTER APPLICATION

DLA Piper (Canada) LLP
Barristers & Solicitors
2800 Park Place
666 Burrard Street
Vancouver, BC V6C 2Z7

Tel. No. 604.687.9444
Fax No. 604.687.1612

File No. 100653-00002

JDB/day