

District of Ontario
Division No. 09 - Toronto
Court File No. 31-2774500
Estate No. 31-2774500

JUNCTION CRAFT BREWING INC.

**FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.**

NOVEMBER 2, 2021

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ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, C. B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF JUNCTION CRAFT BREWING
INC., OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO

FIRST REPORT OF RICHTER ADVISORY GROUP INC.
IN ITS CAPACITY AS TRUSTEE UNDER THE
NOTICE OF INTENTION TO MAKE A PROPOSAL OF
JUNCTION CRAFT BREWING INC.

NOVEMBER 2, 2021

I. INTRODUCTION

1. On October 15, 2021 (the “**Filing Date**”), Junction Craft Brewing Inc. (“**Junction**” or the “**Company**”) filed a Notice of Intention to Make a Proposal (an “**NOI**”) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B.-3, as amended (the “**BIA**”), and Richter Advisory Group Inc. (“**Richter**”) was appointed as trustee (in such capacity, the “**Trustee**”) under the NOI. A copy of the Certificate of Filing issued by the Superintendent of Bankruptcy in respect of the Company’s NOI is attached hereto as **Appendix “A”**. The NOI proceedings of Junction are referred to herein as the “**NOI Proceedings**”.
2. The primary objective of the Company’s NOI Proceedings is to create a stabilized environment to allow the Company to enter into a transaction for the sale of its business and/or assets by implementing a court-supervised sale solicitation process (the “**Sale Process**”). The Sale Process, which is to be conducted by the Trustee, is contemplated to include the approval of a “stalking horse bid”, as discussed below.
3. Certain of the Company’s shareholders have submitted a share purchase agreement (the “**Stalking Horse Agreement**”), pursuant to which 1000003509 Ontario Limited (“**3509**”), a newly formed entity controlled by those shareholders, has agreed to act as a stalking horse bidder (the “**Stalking Horse Purchaser**”). The closing of the purchase transaction contemplated by the Stalking Horse Agreement is conditional on, among other things: (i) the Stalking Horse Purchaser being declared the Winning Bidder (as defined in the Sale Process); and (ii) Court approval.
4. Richter was retained in August 2021 by the Company to provide financial advisory services, including, among other things, reviewing the Company’s current financial circumstances and cash flow projections, and supporting the Company with discussions / negotiations with certain of its key stakeholders. In addition, Richter’s mandate also included a focus on advising on the structure of these proceedings and assisting the Company with preparing the Cash Flow Forecast (as defined herein) and other statutory documents required to file an NOI. The Trustee is of the view that it is not in any way compromised or unable to discharge its duties as trustee in accordance with the BIA as a result of its former mandate with the Company.

II. PURPOSES OF THE FIRST REPORT

5. The purpose of this first report (the “**First Report**”) of the Trustee is to provide the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) with information pertaining to the following:
 - (i) a limited summary of certain background information about the Company, including the events that led the Company to initiate these NOI Proceedings;
 - (ii) the proposed Sale Process;

- (iii) the terms of the Stalking Horse Agreement;
- (iv) a forecast of the Company's receipts and disbursements (the "**Cash Flow Forecast**") for the period October 17, 2021 to January 15, 2022 (the "**Forecast Period**"), prepared in accordance with Section 50.4(2) of the BIA;
- (v) the Company's request that it be authorized and empowered to obtain interim financing, including the terms of an interim credit facility of up to a maximum amount of \$650,000 (the "**DIP Facility**") provided by 3509 (in such capacity, the "**DIP Lender**") pursuant to an interim facility term sheet dated November 1, 2021 (the "**DIP Term Sheet**");
- (vi) the proposed super priority charges over all of the Company's property, assets and undertakings (the "**Property**"), including:
 - (a) a charge in the amount of \$300,000 to secure the fees and disbursements of the Trustee, the Trustee's counsel, Aird & Berlis LLP ("**Aird & Berlis**"), and the Company's counsel, Chaitons LLP ("**Chaitons**"), in accordance with Section 64.2 of the BIA (the "**Administration Charge**");
 - (b) a charge in the amount of \$650,000 in favour of the DIP Lender to secure advances to the Company made under the DIP Facility (the "**DIP Charge**"); and
 - (c) a charge in the maximum amount of \$150,000 in favour of the Company's directors and officers (the "**Directors' Charge**");
- (vii) the Company's request for an extension of the time required to file a proposal (the "**Proposal Period**") to December 29, 2021;
- (viii) the activities of the Trustee since the Filing Date; and
- (ix) the Trustee's recommendation that this Court make orders, as requested by the Company, *inter alia*:
 - (a) approving the Sale Process and the Stalking Horse Agreement (the "**Sale Process Order**");
 - (b) approving the DIP Facility and DIP Term Sheet;
 - (c) approving the Administration Charge, the DIP Charge and the Directors' Charge and the proposed priorities over the Property of same (the "**Administration Order**");
 - (d) approving the extension of the Proposal Period to December 29, 2021; and
 - (e) approving this First Report and the activities, actions and conduct of the Trustee set out herein.

III. TERMS OF REFERENCE

6. In preparing this First Report, the Trustee has relied upon certain unaudited, draft, and / or internal financial information prepared by representatives of the Company, the Company's books and records, and discussions with representatives of the Company and the Company's legal counsel (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in this First Report, the Trustee has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, the Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards ("**GAAS**") pursuant to the *Chartered Professional Accountants of Canada Handbook* and, as such, the Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Future orientated financial information contained in the Cash Flow Forecast is based on the Company's estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved.
8. Parties using this First Report, other than for the purposes outlined herein, are cautioned that it may not be appropriate for their purposes, and consequently should not be used for any other purpose.
9. Unless otherwise noted, all monetary amounts contained in this First Report are expressed in Canadian dollars.

IV. GENERAL BACKGROUND INFORMATION ON THE COMPANY

10. The Company's business, affairs, financial performance, and position, as well as the causes of insolvency, are detailed in the affidavit of Mr. Stuart Wheldon, Junction's President and CEO, sworn November 1, 2021 (the "**Wheldon Affidavit**") in support of the within motion. This First Report should be read in conjunction with the Wheldon Affidavit, as certain information contained in the Wheldon Affidavit has not been included herein in order to avoid unnecessary duplication. A copy of the Wheldon Affidavit (without exhibits) is attached hereto as **Appendix "B"**.

General Background

11. The Company was founded in 2011, and subsequently incorporated under the *Business Corporations Act* (Ontario) in 2014. It operates primarily as a brewer and seller of hand-crafted beers and other beverage products from an approximately 16,513 square foot leased premises located at 150 Symes Road, Toronto, Ontario (the "**Facility**"). More specifically, the Company's operations include: (i) the sales of its own brewed beer under various brands, both at the Facility, through its on-site taproom (the "**Taproom**"), and through retailers, including the Liquor Control Board of Ontario and The Beer Store and (ii) the production of beer, cold brew coffee, non-alcoholic sparkling beverages and spirit-based

drinks, on a contract basis on behalf of approximately twenty (20) different unrelated parties. Junction also earns rent and other income from hosting weddings, fundraisers, parties, and corporate functions at the Facility.

12. The Trustee understands that the Company has approximately twenty-four (24) shareholders made up of both individuals and incorporated entities. The largest shareholders are Thomas Schmidt, Rob Moffatt, and Edward Lycklama, who own 17.1%, 11.5% and 9.9% of the issued shares of the Company, respectively. The majority (in number) of the Company's shareholders each hold less than 5% of the issued share capital of the Company.
13. Mr. Stuart Wheldon ("**Mr. Wheldon**") is the Company's President. Mr. Wheldon joined Junction in May 2019.
14. As of the Filing Date, Junction employed approximately twenty-eight (28) salaried and hourly individuals (the "**Employees**") and had one independent contractor. There is no Company sponsored pension plan for the Employees, nor are any of the Employees unionized.
15. As noted in the Wheldon Affidavit, in order to function as a brewery and operate the Taproom, the Company maintains certain licenses issued by The Alcohol and Gaming Commission of Ontario ("**AGCO**"), Canadian Food Inspection Agency ("**CFIA**"), and Canada Revenue Agency ("**CRA**") (collectively, the "**Licenses**"), certain of which are non-transferrable. A chart outlining the Licenses is attached as Exhibit "C" to the Wheldon Affidavit.
16. The Company has three (3) wholly-owned subsidiaries. It is the Trustee's understanding that two (2) of the wholly-owned subsidiaries are the result of previous acquisitions and no longer conduct business. The third wholly-owned subsidiary, JCB Beverages Inc. ("**JCBB**") was, as noted in the Wheldon Affidavit, incorporated in November 2020 for the purpose of acquiring certain pasteurizing and other equipment used in Junction's manufacturing process and leasing such equipment to the Company. JCBB is not subject to these NOI Proceedings.

Junction's Historical Financial Results

17. Summarized below are the historical financial results for Junction for the eight-month period ended December 31, 2019, the fiscal year ended December 31, 2020 as well as for the period covering the nine-months ending September 30, 2021.

Junction Craft Brewing Inc.			
Historical P&L			
For the Periods Ended December 31, 2019, December 31, 2020 & September 30, 2021			
(in CAD, \$000)			
	F21	F20	F19
	9-Months Ended	Year Ended	8-Months Ended
	30-Sep-21	31-Dec-20	31-Dec-19
Sales	1,410	1,612	1,373
Costs of Goods Sold	654	1,201	971
Gross Profit	756	411	402
Expenses			
Payroll Costs	733	258	203
Rent & Occupancy Costs	387	434	262
Selling, General & Administrative Expenses	144	141	270
Depreciation	-	213	157
Bank Charges & Interest	164	191	76
Other Expense/(Income)	(107)	32	(55)
Total Expenses	1,321	1,269	913
Income/(Loss) Before Income Taxes	(565)	(858)	(511)
Income Taxes	-	-	-
Net Income/(Loss)	(565)	(858)	(511)

Source: Information provided by Management

18. As detailed above, the Company incurred a net loss of approximately \$0.6 million for the nine-month period ending September 30, 2021, approximately \$0.9 million for the twelve-month period ending December 31, 2020, and approximately \$0.5 million for the eight-month period ending December 31, 2019, respectively (together the “**Reporting Period**”). The Trustee understands that the losses incurred during the Reporting Period are primarily due to Junction’s inability to generate sufficient revenue to offset the Company’s operating costs. As discussed in the Wheldon Affidavit, Junction has been able to continue operating during the Reporting Period as a result of funding provided by certain of the Company’s shareholders by way of shareholder loans, as well as other accommodations provided by Junction’s creditors, as discussed below.

19. Set out below is Junction's unaudited balance sheet as at September 30, 2021:

Junction Craft Brewing Inc.			
Historical Balance Sheet			
As at September 30, 2021			
(in CAD, \$000)			
<u>Assets</u>		<u>Liabilities</u>	
Current Assets		Current Liabilities	
Cash & Cash Equivalents	(5)	Bank Overdraft	-
Accounts Receivable	222	Accounts Payable & Accrued Liabilities	1,711
Inventory	217	Note Payable	300
Prepaid Expenses & Deposits	43	Capital Lease Obligations	34
Total Current Assets	477	Amounts Due to Shareholders	761
		Current Portion of Long-Term Debt	769
Fixed Assets		Deferred Lease Inducement	387
Property, Plant & Equipment (Net)	2,871	Amounts Due to Subsidiary	138
Total Fixed Assets	2,871	Total Current Liabilities	4,100
Other Assets		Non-Current Liabilities	
Investments	426	Long-Term Debt	110
Total Other Assets	426	Advances From Shareholders	17
		Total Non-Current Liabilities	127
		Shareholders' Equity	
		Share Capital	4,135
		Retained Earnings	(4,588)
		Total Shareholders' Equity	(453)
Total Assets	3,774	Total Liabilities & Shareholders' Equity	3,774

Source: Information provided by Management

20. As presented above, Junction had total assets with a book value of approximately \$3.8 million as at September 30, 2021, which, given the nature of its business, is principally comprised of property, plant and equipment. The book value of Junction's total liabilities as at September 30, 2021 was approximately \$4.2 million. The single largest creditor is Farm Credit Canada ("FCC"), which was owed approximately \$0.8 million as at September 30, 2021 (as discussed in further detail below). As at September 30, 2021, the date of the most recent internal financial statements, the book value of Junction's total liabilities exceeded the book value of its total assets.

Secured Creditors

21. A copy of the creditor list included as part of Junction's NOI filing is attached hereto as **Appendix "C"**.

FCC

22. The Trustee understands that on June 28, 2017, Junction, as borrower, and FCC, as lender, entered into a loan agreement, as amended (the **"First FCC Loan Agreement"**). The First FCC Loan Agreement provides for up to \$1,000,000 (subject to certain limits as imposed by the terms of the First FCC Loan Agreement) in non-revolving credit to Junction for the purposes of funding Junction's acquisition of certain property, plant and equipment to be used in its operations.
23. The Trustee further understands that on September 11, 2017, the Company and FCC entered into a second loan agreement (the **"Second FCC Loan Agreement"**, and together with the First FCC Loan Agreement, the **"FCC Loan Agreements"**). In connection with the Second FCC Loan Agreement, FCC advanced approximately \$100,000 in non-revolving credit to the Company, which was to be repaid by April 1, 2019. The loans advanced under the FCC Loan Agreements are referred to herein as the **"FCC Loans"**.
24. The Trustee understands that in order to secure advances made under the FCC Loans, Junction granted security in favour of FCC in all of its present and after-acquired personal property, including certain of the Company's assets that include brewhouse equipment, fermenters, brite tanks and other various smaller items to be used in the brewing process (collectively, the **"FCC Security"**). The FCC Security does not extend to any of the property or assets of JCBB.
25. On October 6, 2021, counsel to FCC on its behalf issued a demand letter and a Notice of Intent to Enforce Security pursuant to Section 244 of the BIA (the **"244 Notice"**) to the Company. According to the 244 Notice, the outstanding balance, including principal and interest, owing by Junction to FCC under the FCC Loan Agreements was \$842,962. A copy of the 244 Notice is attached as Exhibit "F" to the Wheldon Affidavit.
26. The Trustee has not yet received a written opinion from its independent legal counsel, Aird & Berlis, confirming that, subject to typical qualifications and assumptions, the FCC Security is valid and enforceable in accordance with its terms in the province of Ontario. A review of the validity of the FCC Security is underway.

Leasing Creditors

27. In addition to the FCC Security, the Trustee is aware of certain other registrations in respect of specific leased assets made pursuant to the *Personal Property Security Act* (Ontario) (the “PPSA”). A copy of the PPSA search results is attached as Exhibit “D” to the Wheldon Affidavit.

Shareholder Loans

28. As noted in the Wheldon Affidavit and as set out above, the Company has relied on loans from certain of its shareholders to fund operations. The Company has granted general security agreements in favour of five (5) of the Company’s shareholders who have filed registrations against the Company under the PPSA. As further noted in the Wheldon Affidavit, the total amount of loans made by these five shareholders to the Company is approximately \$0.8 million.

TD Bank

29. The Trustee understands that the Company had an authorized line of credit revolving by overdraft with Toronto Dominion Bank (“TD Bank”) to a maximum of \$20,000, and a VISA credit card facility. Junction also has its business bank account with TD Bank. The Trustee further understands that on November 1, 2021, TD Bank withdrew the Company’s line of credit and cancelled the Company’s VISA credit card facility. As noted in the Wheldon Affidavit, TD Bank has filed a registration under the PPSA against all of the Company’s personal property.

Governmental Agencies

30. In April 2020, the Ministry of Finance filed a registration under the PPSA against all of the Company’s property (excluding motor vehicles) in connection with beer tax owing in the amount of \$20,318. In April 2021, pursuant to the PPSA, the Ministry of Finance amended the quantum of its registration against the Company to \$114,814. The Trustee understands that approximately \$150,000 is owing from the Company to the Ministry of Finance as at the Filing Date.
31. The Trustee understands that between August 2019 to December 2020, Mr. Wheldon did not receive wages from Junction in the normal course. During that period, Junction instead provided Mr. Wheldon with a loan for the approximate amount he would have received net of taxes had payments been made to him as wages. As a result of these arrangements, the Trustee understands there may be amounts owing in respect of unpaid source deductions to CRA or, alternatively, amounts owing as wages and source deductions to Mr. Wheldon to address his taxes payable as a result of deemed income to him from any loan forgiveness.
32. The Trustee further understands that the Company owes (i) approximately \$27,500 to the Receiver General for Canada in connection with unremitted excises taxes, and (ii) approximately \$50,600 to CRA with respect to harmonized sales tax collected but not remitted.

33. On April 2020, the Company received \$40,000 (the “**First CEBA Loan**”) pursuant to the Canada Emergency Business Account program (“**CEBA**”). On January 2021, the Company received a further \$20,000 (the “**Second CEBA Loan**”, and together with the First CEBA Loan, the “**CEBA Loans**”). As at the date of this First Report, no repayments have been made with respect to the CEBA Loans.

Unsecured Creditors

Landlord

34. As at the date of this First Report, the Trustee understands that Junction owes approximately \$293,000 to its landlord, Symesbridge Inc. (the “**Landlord**”), in connection with rent arrears of the Facility.

Other Unsecured Creditors

35. In addition to the aforementioned amounts owing by Junction, the Company estimates that it had arms-length unsecured obligations totaling approximately \$2.3 million as at the Filing Date.

V. EVENTS LEADING TO THE COMPANY’S NOI PROCEEDINGS

36. As noted in the Wheldon Affidavit, Junction has been experiencing financial difficulties since it first occupied the Facility in 2018. The Trustee understands that the move to the Facility was necessary for Junction to expand its business and to generate additional revenue. However, the Trustee understands that the Company incurred significant unforeseen costs in connection with the move and fit-out of the Facility. As further noted in the Wheldon Affidavit, Junction reported net losses in excess of \$1.0 million for the 2018 calendar year and \$842,973 for the 2019 calendar year.
37. As noted in the Wheldon Affidavit, as a result of the Company’s inability to repay the amounts owing under the Second FCC Loan Agreement (which originally matured in April 2019), on February 12, 2020, FCC demanded payment of the FCC Loans from the Company in the total amount of \$970,062.94 and sent a notice of its intention to enforce its security under the BIA. In April 2020 and August 2020, FCC agreed to amend the Company’s payment schedule as described in the Wheldon Affidavit.
38. The COVID-19 pandemic has significantly impacted Junction as it relies upon the hospitality industry for a substantial portion of its income. Due to the closure of many bars and restaurants as a result of government-imposed health mandates and restrictions, a significant portion of Junction’s customers reduced the quantum and/or frequency of their orders from the Company. As a further result of the COVID-19 pandemic, the Company has been unable to hold large events at the Facility while such restrictions were/are in place. This has had a deleterious impact on the Company’s ability to generate revenue. As noted in the Wheldon Affidavit, notwithstanding its concerted efforts to pivot to online

sales and deliveries, Junction has experienced declining sales due to the closure of the Taproom, cancellations of events at the Facility, and reduction in production and operations due to pandemic-related governmental restrictions.

39. As noted in the Wheldon Affidavit, Junction has been dependent on support from certain of the Company's shareholders and creditors to fund its ongoing losses and continue operations. As further noted in the Wheldon Affidavit, from April 15, 2019 to April 26, 2021, the Company received loans from certain shareholders totalling approximately \$807,000 and, and as noted above, in April 2020 and August 2020, FCC agreed to amend the Company's payment schedule with respect to the First FCC Loan Agreement to provide for interest only payments for two three-month periods.
40. In addition to the support received from certain of the Company's shareholders and FCC, the Trustee understands that the Landlord has agreed to a number of rent payment deferrals in connection with amounts owing by the Company with respect to its occupation of the Facility. As noted in the Wheldon Affidavit, as a result of the deferrals, Junction currently owes approximately \$293,000 to the Landlord for rent arrears.
41. However, and notwithstanding the accommodations provided by the Company's shareholders and creditors, in light of the unfavourable impacts of COVID-19, the Company's financial performance continued to decline, such that, Junction reported a net loss of approximately \$0.9 million for the fiscal year ended December 31, 2020, and approximately \$0.6 million for the nine-month period ending September 30, 2021. Given the continuing financial and liquidity deterioration of the Company, Junction was not in a position to repay amounts owing to FCC as agreed.
42. As noted earlier in this First Report, FCC issued the 244 Notice on October 6, 2021. As a result of the 244 Notice, the Company determined that, in the circumstances, the best course of action for Junction was to file an NOI to provide the Company with the necessary time to stabilize its business and pursue a restructuring.

VI. SALE PROCESS

43. The purpose of the Sale Process is to solicit interest in the Company while providing the certainty of a transaction through the Stalking Horse Agreement to ensure that the business will emerge as a going concern in the event that there are no superior offers. A copy of the Sale Process is attached as Exhibit "J" to the Wheldon Affidavit
44. The Sale Process is to be administered by the Trustee on behalf of Junction.
45. A summary of the proposed Sale Process is as follows (capitalized terms not otherwise defined in this section have the meanings provided to them in the Sale Procedures, which are provided in Schedule "F" to the Stalking Horse Agreement):

- (i) Subject to Court approval, the following table sets out the Sale Process timeline:

Milestone	Key Dates
Commencement of Sale Process	November 8, 2021
Distribution of Teaser Letter & Data Room to be opened	November 9, 2021
Offer Deadline	December 9, 2021
Auction (if required)	December 14, 2021
Approval and Sale Order hearing	As soon as practicable after determination of the Winning Bid
Outside Closing Date Deadline	December 29, 2021

- (ii) The Sale Process is proposed to commence immediately on the date the Court issues the Sale Process Order (the “**Commencement Date**”).
- (iii) As soon as practicable following the Commencement Date, the Trustee will distribute an initial offering summary (the “**Teaser Letter**”) detailing the opportunity to potential interested parties (the “**Prospective Participants**”) identified by the Trustee and the Company. Attached to the Teaser Letter will be a form of non-disclosure agreement (“**NDA**”), which Prospective Participants must execute in order to participate in the Sale Process and receive further information.
- (iv) As soon as practicable after the Commencement Date, the Trustee will (a) have arranged for an advertisement of the acquisition opportunity in the National Post and/or such other newspaper and/or trade publications or other publications as the Trustee may deem appropriate or advisable, and (b) post the Teaser Letter and other relevant information concerning the acquisition opportunity on the Trustee’s Website (as defined herein).
- (v) The Prospective Participants, upon execution of an NDA, will be provided with access to a virtual data room (the “**Data Room**”) to be maintained by the Trustee. The Data Room will contain various financial and other information concerning the Company for purposes of performing diligence on the acquisition opportunity.
- (vi) The Trustee will facilitate due diligence efforts by, *inter alia*, arranging meetings between key employees and Prospective Participants, including by video conference due to the ongoing COVID-19 pandemic.
- (vii) Prospective Participants will be provided with a copy of a template share purchase agreement and template asset purchase agreement (either such agreement being referred to as the “**Template Purchase Agreement**”). Prospective Participants will be required to submit offers in the form of the Template Purchase Agreement, with a blackline comparison illustrating any changes.

(viii) Offers will be required to be submitted to the Trustee by no later than 5:00 pm (Toronto time) on December 9, 2021 (the “**Offer Deadline**”), being approximately 31 days from the return date of the motion for approval of the Sale Process.

Qualified Offer

46. To be a “Qualified Offer”, an offer must be submitted by the Offer Deadline and must, at a minimum, include, *inter alia*, the following requirements, unless such requirement is waived by the Trustee:

- (i) a cash purchase price equal to or greater than:
 - (a) the sum of \$400,000, being the cash consideration under the Stalking Horse Agreement; plus
 - (b) any and all amounts secured under the DIP Charge at Closing; plus
 - (c) an amount equal to the Priority Amounts; plus
 - (d) an amount equal to the Bankruptcy Costs; plus
 - (e) \$50,000, representing the Break Fee; plus
 - (f) \$25,000, representing the Costs Amount; plus
 - (g) \$50,000, representing the overbid amount (the “**Overbid Amount**”, and together with the Break Fee and the Cost Amount, the “**Bid Protections**”) as set out in the Stalking Horse Agreement;
- (ii) a provision stating that the offer is irrevocably open for acceptance until five days after the Auction;
- (iii) a cash deposit in the form of a certified cheque or bank draft (or confirmed wire payment if in the form of an electronic payment) of not less than 10% of the offer purchase price;
- (iv) it may only contemplate an acquisition on a “as is, where is” basis and must include an acknowledgement that the prospective purchaser has relied solely on its own independent review and investigation and that it has not relied on any representation by Junction, the Trustee or their respective agents, employees, or advisors;
- (v) it must not contain any condition or contingency relating to due diligence or financing or any other material conditions precedent to the offeror’s obligation to complete the transaction (save and except for approval by the Court); and
- (vi) it must include written evidence, satisfactory to the Trustee, that the prospective purchaser has the financial means to complete the proposed acquisition.

47. The Stalking Horse Purchaser, as the stalking horse bidder, is deemed to have made a Qualified Offer.
48. Offers for all or part of the business, assets and undertakings of Junction will be considered, including liquidation offers.

Auction

49. If no Qualified Offers are submitted by the Offer Deadline, the Stalking Horse Purchaser will be deemed to have made the Winning Bid. Junction is requesting that the Court issue a provisional approval and vesting order of the offer from the Stalking Horse Purchaser (the “**Approval and Vesting Order**”), to become in effect in the event no Qualified Offers are received.
50. If more than one Qualified Offer is received by the Offer Deadline (other than that submitted by the Stalking Horse Purchaser):
 - (i) the Trustee will notify all bidders who submitted a Qualified Offer, that the Auction shall be held at 10:00 am (Toronto time) on the second Business Day after the Offer Deadline at the offices of the Trustee or by teleconference, video conference or other form of electronic telecommunications, as the Trustee may deem fit;
 - (ii) the Trustee will conduct the Auction; and
 - (iii) the bidding will begin initially with the highest Qualified Offer and subsequently continue in multiples of \$50,000, or such other amounts as the Trustee determines to facilitate the Auction. Additional consideration in excess of the amount set forth in the highest Qualified Offer must be comprised only of cash consideration (which, for clarity, may be satisfied by way of credit bid). Notwithstanding the foregoing, in the event that all secured debt is to be satisfied by one or more Qualified Offers, additional consideration constituting such offer may include non-cash consideration. The format and other procedures for the Auction will be determined by the Trustee in its sole discretion.
51. The Winning Bid shall be, either:
 - (i) in the event that no other Qualified Offer is received by the Offer Deadline, the Stalking Horse Purchaser's offer;
 - or,
 - (ii) in the event that multiple Qualified Offers are received, following the conclusion of the Auction (if applicable), the party submitting the highest and best offer through the Auction, which the Trustee is satisfied, acting reasonably, is capable of being completed in accordance with the Sale Process Order.

The Stalking Horse Agreement

52. In the days leading up to and following the Filing Date, the Company, in consultation with its counsel and the Trustee, engaged in discussions with 3509 and its counsel, whereby 3509 expressed an interest in acquiring substantially all of the Property of the Company with a view to continuing operating the business as a going concern.
53. These discussions culminated in the Stalking Horse Agreement between the Company and the Stalking Horse Purchaser, pursuant to which Junction agrees, subject to Court approval, the terms of the Sale Process, and the terms and conditions of the Stalking Horse Agreement, to issue new shares (the “**New Class A Shares**”) to the Stalking Horse Purchaser, and the Stalking Horse Purchaser agrees to subscribe for and purchase the New Class A Shares from Junction, as fully paid and non-assessable shares free and clear of all encumbrances, in exchange for the payment of the Purchase Price (as defined below).
54. In accordance with the Stalking Horse Agreement, Junction will incorporate an Ontario corporation (“**ResidualCo.**”) as a wholly-owned subsidiary of the Company for the purposes of accepting the transfer of all Excluded Assets and assumption of all Excluded Liabilities (each as defined below). Immediately following closing, ResidualCo. will make an assignment in bankruptcy. The costs of administration of the bankruptcy of ResidualCo. are proposed to be funded from the Purchase Price.
55. A copy of the Stalking Horse Agreement is attached as **Appendix “D”**.
56. The key terms and conditions of the Stalking Horse Agreement are provided below.
 - (i) **Stalking Horse Purchaser:** 1000003509 Ontario Limited
 - (ii) **Amendment to Articles and Cancellation of Common Shares:** immediately following the issuance of the New Class A Shares to the Stalking Horse Purchaser at the Closing Time, Junction and the Stalking Horse Purchaser will take the following steps in the following sequence, which sequence may be modified on written notice to the Trustee by each of Junction and the Stalking Horse Purchaser:
 - (a) **Amendment to Articles:** Junction’s articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for a total aggregate amount of \$660.96 (the “**Redemption Cost**”); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Stalking Horse Purchaser, in its sole and unfettered discretion.

- (b) **Redemption & Cancellation:** Junction will (i) redeem all of the issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost – a nominal amount to effect the redemption (which Redemption Cost will be funded by the Stalking Horse Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares (the “**Redemption and Cancellation**”).

Following the Redemption and Cancellation, the Stalking Horse Purchaser will be the sole owner of the New Class A Shares, which will represent 100% of Junction’s issued and outstanding equity. For greater clarity, there will be no preferred shares in the capital of Junction issued and outstanding after the Closing Time.

- (iii) **Purchase Price:** estimated to be \$1,155,000 (the “**Purchase Price**”), comprising the following amounts:

- (a) \$400,000 (the “**Cash Payment**”);
- (b) any and all amounts secured by the DIP Charge at Closing (the “**DIP Loan Amount**”);
- (c) an amount equal to the Priority Amounts; and
- (d) an amount equal to the Bankruptcy Costs (to fund the ResidualCo. bankruptcy).

- (iv) **Deposit:** contemporaneously with the execution and delivery of the Stalking Horse Agreement by the Stalking Horse Purchaser, the Stalking Horse Purchaser must deliver a deposit payable to the order of the Trustee, in trust, in the amount of \$400,000 (the “**Deposit**”). Upon closing, the Deposit is to be applied against the Cash Payment.

- (v) **Retained Assets:** all of Junction's properties, assets and rights other than the Excluded Contracts, including, without limitation, the following:

- (a) cash, bank balances, moneys in possession of banks, the Trustee and other depositories, term or time deposits and similar cash items, owned or held by or for the account of Junction;
- (b) the Accounts Receivable relating to the Company and the benefit of all security (including cash deposits), guarantees and other collateral held by Junction relating thereto;
- (c) all Prepaid Amounts;
- (d) the Personal Property;
- (e) the Books and Records;
- (f) the Retained Contracts;

- (g) the Intellectual Property;
 - (h) the Goodwill;
 - (i) the Governmental Authorizations, except to the extent consent to change of control is required;
 - (j) the AGCO Licenses;
 - (k) Canadian Food Inspection Agency license and the Canada Revenue Agency licenses enumerated in Schedule “D” of the Stalking Horse Agreement;
 - (l) all of the issued and outstanding shares of JCBB owned by Junction; and
 - (m) properties, assets and rights that are added as Retained Assets pursuant to section 4.3 of the Stalking Horse Agreement.
- (vi) **Retained Liabilities:** the Company’s obligations:
- (a) arising from or in connection with the performance of the Retained Contracts after the Filing Date;
 - (b) arising from or in connection with the AGCO Licenses; and
 - (c) that are added as Retained Liabilities pursuant to section 4.3 of the Stalking Horse Agreement.
- (vii) **Excluded Assets,** includes (collectively, the “**Excluded Assets**”):
- (a) the Excluded Contracts, as set out in Schedule “B” to the Stalking Horse Agreement, or which may be added as Excluded Contracts pursuant to section 4.2 of the Stalking Horse Agreement; and
 - (b) any assets that are added to the Excluded Assets pursuant to section 4.2 of the Stalking Horse Agreement.
- (viii) **Excluded Liabilities,** all of Junction’s obligations other than the Retained Liabilities, including (collectively, the “**Excluded Liabilities**”):
- (a) those arising from or in connection with the conduct of the Business and the operation of the Retained Assets prior to the Filing Date (other than those specifically included in the Retained Liabilities);
 - (b) those arising from, in connection with or otherwise accruing before or after the Filing Date relating to any of the Excluded Assets;

- (c) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which Junction may be bound as at the Closing Time; and
 - (d) obligations that are added as Excluded Liabilities pursuant to section 4.2 of the Stalking Horse Agreement.
- (ix) **Representations and Warranties:** consistent with the standard terms of an insolvency transaction, i.e. on an “as is, where is” basis, with limited representations and warranties.
- (x) **Closing Date:** the date that is ten (10) Business Days after the date the Approval and Vesting Order is granted, or such other date that the Parties, acting reasonably, may mutually agree.
- (xi) **Material Conditions:**

For the Benefit of both Parties

- (a) the Administration Order and the Sale Process Order must be issued by the Court not later than November 8, 2021;
- (b) the Stalking Horse Purchaser is selected as the Winning Bidder;
- (c) the Approval and Vesting Order shall have been issued and entered and shall not have been stayed, amended, modified, reversed or dismissed as at the Closing Date; and
- (d) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the transactions contemplated by the Stalking Horse Agreement.

For the Benefit of the Stalking Horse Purchaser

- (a) Junction shall have executed and delivered or caused to have been executed and delivered to the Stalking Horse Purchaser at the Closing all definitive documents required to complete the transaction, as set out in Section 7.3 of the Stalking Horse Agreement;
- (b) the representations and warranties of the Company contained in the Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
- (c) the Company shall have fulfilled or complied with all covenants contained in the Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date;
- (d) pursuant to the Approval and Vesting Order, (i) all of the Excluded Assets and the Excluded Liabilities will have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities will have attached to the Excluded

Assets, and (iii) Junction and its business and property will have been released and forever Discharged of all Claims and Encumbrances (other than the Permitted Encumbrances and Retained Liabilities) such that, from and after Closing the business and property of Junction will exclude the Excluded Assets and will not be subject to any Excluded Liabilities;

- (e) upon Closing, the NOI Proceedings will be terminated in respect of Junction and its business and property, as set out in the Approval and Vesting Order; and
- (f) the Trustee will have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Stalking Horse Purchaser and Junction.

For the Benefit of the Company

- (a) the Stalking Horse Purchaser will have executed and delivered to Junction at the Closing all the documents and payments contemplated in Section 7.4 of the Stalking Horse Agreement;
 - (b) the representations and warranties of the Stalking Horse Purchaser contained in the Stalking Horse Agreement shall be true and correct as of the Closing Date in all material respects;
 - (c) the Stalking Horse Purchaser shall have fulfilled or complied with all covenants contained in the Stalking Horse Agreement required to be fulfilled or complied with by it in all material respects at or prior to the Closing Date; and
 - (d) the Trustee will have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Stalking Horse Purchaser and Junction.
- (xii) **Termination:** the Stalking Horse Agreement can be terminated if:
- (a) the Administrative Order or Sale Process Order has not been obtained by November 8, 2021;
 - (b) the Approval and Vesting Order has not been issued by the Outside Date (i.e. December 29, 2021);
 - (c) the Court declines at any time to grant the Approval and Vesting Order; in each case for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement; or
 - (d) the conditions to closing in favour of the Stalking Horse Purchaser are not met by the Outside Date.

Stalking Horse Agreement Recommendation

57. The Trustee has considered whether the Stalking Horse Purchaser's offer warrants it being structured as a stalking horse bid, as opposed to the Stalking Horse Purchaser simply being a bidder in the process. The Trustee is of the view that the stalking horse structure is superior to the alternative for the following reasons:
- (i) the Stalking Horse Agreement provides certainty to the Company's customers, employees and other stakeholders that a going concern transaction will be completed;
 - (ii) the Stalking Horse Purchaser is not being approved as making the Winning Bid at this time, but is subject to the outcome of the Sale Process;
 - (iii) the Trustee is of the view that the Stalking Horse Offer is not prejudicial to FCC and provides greater value to FCC than what FCC would otherwise receive in a liquidation of its security;
 - (iv) the structure of the Stalking Horse Agreement, which contemplates the purchase of shares using the concept of a "reverse vesting order", provides an efficient mechanism to transfer licenses needed to operate the business, thereby avoiding a lengthy and potentially disruptive "re-licensing" process and preserving going-concern value of the business; and
 - (v) the Stalking Horse Agreement sets a minimum bid amount, which will avoid the Company's time and resources being spent on below market offers.

Sale Process Recommendation

58. The Trustee recommends that this Court issue an order approving the Stalking Horse Agreement and the Sale Process for the following reasons:
- (i) the Sale Process provides for a wide marketing of the Company's business by the Trustee, which has extensive experience selling distressed assets and businesses;
 - (ii) stalking horse sale processes are a recognized mechanism in restructuring processes to maximize recoveries, while creating stability for the business;
 - (iii) the Sale Procedures allow for a fair, efficient and transparent market test for the benefit of all stakeholders, and provide an opportunity to complete a transaction with greater value than the Stalking Horse Agreement, should one materialize;

- (iv) it is in the best interests of the Company and its stakeholders that the Stalking Horse Agreement be preserved in order to have the opportunity to maximize value and to protect downside risk in the event that a superior offer is not submitted;
 - (v) the proposed timelines of the Sale Process are sufficient to allow interested parties to perform diligence and submit offers;
 - (vi) the terms of the Stalking Horse Agreement are commercially reasonable; and
 - (vii) the Company is supportive of the Sale Process and the Stalking Horse Agreement.
59. The Trustee has also considered the reasonableness of the Break Fee and the Cost Amount. The Trustee and its counsel have reviewed recent comparable stalking horse agreements wherein bid protections have been approved in transactions of this nature. Based on this comparison, the Trustee is of the view that, in the circumstances, the Bid Protections are fair and reasonable to compensate the Stalking Horse Purchaser for costs and expenses in relation to entering into the Stalking Horse Agreement and will not unduly “chill” bidding on the Company’s assets and/or business as part of the Sale Process.
60. In addition to the foregoing, the Company has advised FCC of the proposed Sale Process and Stalking Horse Agreement. While FCC has not formally advised of its support for the Sale Process and the Stalking Horse Agreement, it has not, as of the date of this report, objected to or otherwise opposed the structure of the proposed process. FCC did, however, request that the Cash Payment be paid in trust to the Trustee at the Commencement Date, which the Stalking Horse Purchaser has agreed to do, subject to the Court granting the Sale Process Order.

VII. REVERSE VESTING ORDER

61. As set out above, the Stalking Horse Agreement contemplates that the Stalking Horse Purchaser will purchase shares of the Company’s business through a “reverse vesting order”. The Sale Process further provides that this structure is available to other bidders.
62. The Trustee is of the view that a reverse vesting order is both necessary and appropriate for two primary reasons:
- (i) First, the Company’s business depends upon the Licenses. The Trustee has been in contact with the issuing authorities for the Licenses and has confirmed the information set out in the Licenses chart appended as Exhibit “C” to the Wheldon Affidavit. In particular, the Trustee has confirmed that those licenses identified as “non-transferable” would present a significant impediment to the sale of the business as a going concern, if an alternative sale structure were to be utilized; and

(ii) Second, as noted in the Wheldon Affidavit, Junction reported net losses in excess of \$1.0 million for the 2018 calendar year, which are in addition to the net losses incurred during the Reporting Period. These losses, which may include business losses for tax purposes, if preserved, may be carried forward to offset against future taxable income of the Company. The potential future benefit to Junction of preserving these potential tax losses would not otherwise be available through a sale of Junction’s assets. The Trustee notes that tax losses may be reduced by any amount of debt forgiveness, however, the amount of debt forgiveness will not be known until the completion of a transaction.

63. For these reasons, the Trustee is of the view that a share sale effected by way of a reverse vesting order represents the transaction structure that will best preserve the Company’s value and will permit a seamless continuation of the Company’s business as a going concern.

VIII. CASH FLOW FORECAST

64. The Company, with the assistance of the Trustee, prepared the Cash Flow Forecast, which, in accordance with Section 50.4(2) of the BIA, was filed with the Official Receiver on October 24, 2021. A copy of the Cash Flow Forecast is attached hereto as **Appendix “E”** and is summarized below:

Junction Craft Brewing Inc.	
Cash Flow Forecast	
For the Period October 17, 2021 to January 15, 2022	
(in CAD, \$000)	
Total Receipts	480
Disbursements	
Payroll & Tax Expenses	346
Rent, Leases, Insurance Expenses	114
Bank Fees, Subscriptions & Dues	7
Production Costs	172
Distribution Costs	17
Taproom Costs	12
Events, Sales & Marketing Expenses	20
Professional Services Fees	1
Utilities Costs	28
NOI Legal & Professional Fees	300
Contingency Costs	100
Total Disbursements	1,117
Net Cash Flow	(637)
Opening Cash Balance	1
DIP Drawdown	650
Ending Cash Balance	14
<i>Source: Information provided by Management</i>	

65. The Cash Flow Forecast projects that the Company will experience a net cash outflow of approximately \$0.6 million (before any DIP drawdown) over the Forecast Period, comprised of:

- (i) cash receipts of approximately \$0.5 million, primarily related to the sale of craft beer; and
- (ii) cash disbursements of approximately \$1.1 million, primarily consisting of operating expenses, payroll expenses and costs in connection with the NOI Proceedings.

- 66. The Cash Flow Forecast projects borrowings under the DIP Facility of \$0.65 million during the Forecast Period, which are to be advanced under the DIP Term Sheet and will be subject to the terms and conditions thereof.
- 67. As evidenced by the Cash Flow Forecast, without access to the DIP Facility, the Company lacks sufficient liquidity to maintain operations. The DIP Facility is expected to provide the Company with sufficient funding during the Forecast Period and to ensure Junction’s continued operations during the NOI Proceedings.
- 68. Management’s report on the Cash Flow Forecast as required by Section 50.4(2)(c) of the BIA and the Trustee’s report on the Cash Flow Forecast as required by Section 50.4(2)(b) of the BIA are attached hereto as **Appendix “F”** and **Appendix “G”**, respectively.

IX. DIP FACILITY

- 69. As discussed above, absent access to the DIP Facility, the Company will be (i) without the liquidity needed to fund ongoing operations and the professional costs of these proceedings and (ii) subject to enforcement action by creditors and consequently, a cessation of operations.
- 70. The principal terms of the DIP Term Sheet include (capitalized terms in the table below not otherwise defined have the meanings given to them in the DIP Term Sheet):

Basic Provisions	Description
Availability	\$650,000
Lender	1000003509 Ontario Limited
Borrowers	Junction Craft Brewing Inc.
Purpose	To fund (i) working capital needs in accordance with the cash flow projections approved by the Trustee and the DIP Lender from time to time; (ii) the DIP Lender’s Fees and Expenses (as defined below), (iii) professional fees and expenses incurred by the Company and the Trustee in respect of the NOI Proceedings, and (iv) such other costs and expenses of the Company as may be agreed to by the DIP Lender, in writing.
Interest Rate	0% per annum.
Repayment Date	The earlier of: (i) the occurrence of an Event of Default (as defined below), (ii) the date on which the period for the Company to file a proposal in the NOI Proceedings is not extended or is terminated, (iii) the date on which the Company becomes bankrupt, (iv) the date upon which a sale of substantially all of the business and assets of the Company is completed, and (v) January 15, 2022 (or such other date as the DIP Lender may agree).

Security	A court-ordered super-priority charge (i.e. the DIP Charge) on all of the existing and after-acquired property of the Company.
Conditions	<p>The obligation of the DIP Lender to make the DIP Facility available to the Company is subject to and conditional upon the satisfaction (or waiver thereof) of each of the following conditions:</p> <ul style="list-style-type: none"> (a) receipt of the entered Interim Financing Order in a form satisfactory to the DIP Lender, which, among other things, approves the DIP Charge, including its priority ranking; (b) receipt of the Sale Process Order; (c) the Interim Financing Order and the Sale Process Order shall not have been amended or varied in a manner adverse to the DIP Lender, or stayed, without the consent of the DIP Lender, and shall continue to be in full force and effect; (d) receipt of a duly executed copy of the DIP Term Sheet; and (e) delivery by the Company to the DIP Lender of any such further security or documentation that the DIP Lender and its lawyers may reasonably require to give effect to the foregoing.
Event of Default	<p>The DIP Lender has the right to demand payment at any time (but cannot exercise any rights and remedies without Court approval, sought on at least five days' notice), if any one or more of the following events (an "Event of Default") has occurred and is continuing:</p> <ul style="list-style-type: none"> (a) the Company fails to pay when due any principal, fees or other amounts due under the DIP Term Sheet; (b) the Company breaches any covenant, term, condition or other provision of the DIP Term Sheet or any other document delivered to the DIP Lender in respect thereof; (c) if the Interim Financing Order or the Sale Process Order is stayed, set aside or varied in a manner adverse to the DIP Lender, without the consent of the DIP Lender, in its sole discretion, or any other order of the Court in the NOI Proceedings is made, which is or may be prejudicial to the DIP Lender's interests; (d) the stay of proceedings resulting from the NOI Proceedings is terminated or lifted in whole or in part without the consent of the Company and the DIP Lender; (e) substantially all of the business or assets of the Company are sold, except pursuant to a transaction resulting from the Sale Process or as may be otherwise approved by the DIP Lender in writing in advance; (f) any default or failure by the Company to make any payment of any Priority Claims due and payable arising from and after the commencement of the NOI Proceedings; and (g) the Company becomes bankrupt or the appointment of a receiver, receiver and manager, or other officer of the Court is made, all or any significant part of the assets of the Company.

DIP Facility Recommendation

71. In consideration of the factors set out in subsection 50.6(5) of the BIA with respect to the granting of a Court order for interim financing and a charge related thereto, the Trustee is of the view that the terms of the DIP Facility are reasonable and appropriate for the following reasons:
- (i) the DIP facility enhances the prospect that the Company will be able to successfully restructure;
 - (ii) the Company is facing an imminent liquidity crisis and is without the cash needed to fund operations, these proceedings and the Sale Process – short term funding is needed urgently;
 - (iii) the Trustee believes that approval of the DIP Facility is in the best interests of the Company's stakeholders and will advance the Company's restructuring process. The Trustee does not believe that creditors will be prejudiced as a result of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value as compared to the alternative, which is the discontinuation of Junction's operations and the potential liquidation of its assets;
 - (iv) the Trustee has compared the principal financial terms of the DIP Facility to a number of other recent DIP financing packages approved by the Canadian courts, with respect to pricing, loan availability and certain security considerations. Based on this comparison, the Trustee is of the view that, in the circumstances, the terms of the DIP Facility appear to be reasonable;
 - (v) it is unlikely that any other DIP financing would be available on terms that are equal or more favourable than what is offered under the DIP Facility; and
 - (vi) in the Trustee's view, there is virtually no prospect of restructuring the Company's business under these proceedings absent funding under the DIP Facility.

X. COURT ORDERED CHARGES

72. As part of the within motion, the Company is seeking the Administration Order, which would grant, among other things, the following Court-ordered charges against the Property: the Administration Charge, the DIP Charge, and the Directors' Charge (collectively, the "**Charges**").

Administration Charge

73. The Company is seeking the Administration Charge against the Property, to secure the fees and disbursements incurred in connection with services rendered to the Company or in furtherance of the NOI Proceedings both before and after the Filing Date by the Trustee, Aird & Berlis and Chaitons.

74. The quantum of the Administration Charge sought by the Company was determined in consultation with the Trustee.
75. The Administration Charge will rank in priority to all other security interests, including the DIP Charge and Directors' Charge. The Trustee understands that the DIP Lender has consented to the Administration Charge.
76. The creation of the Administration Charge is typical in similar proceedings as is the proposed priority of the Administration Charge as set out in the form of order filed with the Court. The Trustee is of the view that the Administration Charge (both the amount and the priority ranking) is required and reasonable in the circumstances and, as such, supports the granting and the proposed ranking of the Administration Charge.

DIP Charge

77. Junction requires further funding immediately to continue operations and pursue its restructuring during the NOI Proceedings, as evidenced by the Cash Flow Forecast.
78. It is a fundamental condition of the DIP Term Sheet that the DIP Lender receives the benefit of the DIP Charge to the maximum amount of the aggregate of any and all advances made by the DIP Lender to the Company under the DIP Facility.
79. The DIP Term Sheet provides the Company with access to the financing required to fund operations and undertake its restructuring activities, including the Sale Process, and complete its NOI Proceedings. The Trustee recommends that the Court approve the DIP Term Sheet, and accordingly, the Trustee also supports the granting of the DIP Charge, and the proposed priority ranking thereof.

Directors' Charge

80. The Company is also seeking the Directors' Charge against the Property in the maximum aggregate amount of \$150,000 to indemnify Junction's directors and officers for liabilities incurred by the Company that result in post-filing claims against the directors and officers, as the Company does not have directors' and officers' liability insurance in place.
81. The amount of the Directors' Charge was estimated by taking into consideration employee payroll and related expenses (including source deductions), other employment related liabilities that may be a statutory liability for directors and officers, vacation pay and sales tax.
82. The Trustee has been informed that due to the potential for personal liability, the directors and officers of the Company are unwilling to continue their services and involvement in the NOI Proceedings without the protection of the Directors' Charge. As the Company will require the participation and experience of its directors and officers to facilitate the

successful completion of the NOI Proceedings, including participating in the Sale Process, the Trustee believes that the Directors' Charge (both the amount and priority ranking) is required and reasonable in the circumstances.

83. The Directors' Charge is proposed to rank third in priority against the Property after the Administration Charge and the DIP Charge.

Summary and Proposed Ranking of the Court Ordered Charges

84. The priorities of the Charges sought by the Company are as follows:

- (i) First – the Administration Charge;
- (ii) Second – the DIP Charge; and
- (iii) Third – the Directors' Charge.

85. The Administration Order provides that the Charges will rank in priority to the security interest of the Company's secured creditors.

86. As noted above, the Trustee believes that the Charges and rankings are required and reasonable in the circumstances and, as such, supports the granting and the proposed ranking of the Charges.

XI. EXTENSION OF THE PROPOSAL PERIOD

87. The Company is seeking an order from the Court granting an extension of the Proposal Period to December 29, 2021 (the "**Stay Extension**").

88. The Trustee supports the Company's request for the Stay Extension for the following reasons:

- (i) the Stay Extension will provide the Trustee, with the assistance of the Company and legal counsel, the opportunity to run the Sale Process, and provide the Company with the opportunity to potentially develop a viable proposal to its creditors;
- (ii) the Company is acting in good faith and with due diligence;
- (iii) it is the Trustee's view that the Stay Extension will not materially prejudice or adversely affect any group of creditors, as the Company is projected to have sufficient funds to pay post-filing services and supplies, as contemplated in the Cash Flow Forecast; and

(iv) granting the extension now, in connection with the Company's motion to approve the Sale Process, will eliminate the need to incur the additional professional costs associated an additional Court attendance.

89. While it is too early to determine whether a viable proposal will be presented by the Company to its creditors, in the Trustee's view, the Company's request for the Stay Extension is appropriate in the circumstances.

XII. ACTIVITIES OF THE TRUSTEE

90. The Trustee's activities since the Filing Date have included, *inter alia*, the following:

(i) sending a notice, within five days of the Filing Date, of the NOI Proceedings to all known creditors of the Company with claims of \$250 or more, in accordance with the BIA. Notice was also sent to certain other persons, including creditors with claims less than \$250, applicable tax authorities and any other party that requested a copy;

(ii) establishing and maintaining a website at: <https://www.richter.ca/insolvencycase/junction-craft-brewing-inc/> (the "Trustee's Website") where material documents pertaining to the NOI Proceedings are available in electronic form;

(iii) implementing procedures for the monitoring of the Company's sales and cash flows and for ongoing reporting of variances to the Cash Flow Forecast;

(iv) assisting the Company with preparing the Cash Flow Forecast and filing same with the Office of the Superintendent of Bankruptcy pursuant to the BIA;

(v) meeting and corresponding with the Company and its legal counsel regarding the Cash Flow Forecast, the Sale Process, the Staking Horse Agreement, the DIP Facility, cash management, supplier issues, creditor matters and various other matters in connection with the Company's operations and its NOI Proceedings;

(vi) corresponding with the Company's primary secured lender, FCC;

(vii) working with the Company, and its legal counsel, to design the Sale Process;

(viii) corresponding with the Stalking Horse Purchaser and its counsel in connection with the Stalking Horse Agreement and the Sale Process;

(ix) corresponding with the DIP Lender and its counsel regarding the DIP Term Sheet, the Sale Process, the Cash Flow Forecast and the NOI Proceedings generally;

(x) responding to calls and enquiries from creditors and other stakeholders in connection with the NOI Proceedings;

(xi) reviewing materials filed with the Court in respect of the NOI Proceedings; and

(xii) drafting this First Report.

XIII. CONCLUSION AND RECOMMENDATION

91. Based on all of the foregoing, the Trustee respectfully recommends that this Honourable Court grant the relief requested by the Company as set out in paragraph 5(ix) of this First Report.

All of which is respectfully submitted this 2nd day of November 2021.

**Richter Advisory Group Inc.
in its capacity as Trustee *in re* the Proposal of
Junction Craft Brewing Inc.
And not in its personal capacity**

Per:



Karen Kimel, MAcc, CPA, CA, CIRP, LIT



Adam Zeldin, CPA, CA, CIRP, LIT

Appendix “A”



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2774500
Estate No. 31-2774500

In the Matter of the Notice of Intention to make a proposal of:

Junction Craft Brewing Inc.

Insolvent Person

RICHTER ADVISORY GROUP INC/RICHTER GROUPE CONSEIL INC

Licensed Insolvency Trustee

Date of the Notice of Intention:

October 15, 2021

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: October 18, 2021, 11:32

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

Appendix “B”

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF JUNCTION CRAFT BREWING INC.**

AFFIDAVIT OF STUART WHELDON
(sworn November 1, 2021)

I, Stuart Wheldon, of the City of Hamilton, in the Province of Ontario, MAKE OATH
AND SAY AS FOLLOWS:

1. I am and have been the President of Junction Craft Brewing Inc. (“**Junction**” or the “**Company**”) since May 2019. The facts set forth herein are within my personal knowledge or determined from the face of the documents attached hereto as exhibits and from information and advice provided to me by third parties. Where information contained in this affidavit is based on information I have received from other sources, I have stated the source of that information, and in all such cases I believe that information to be true.

2. On October 15, 2021, pursuant to a resolution of the board of directors, Junction filed a Notice of Intention to Make a Proposal (“**NOI**”) under section 50.4 of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”). Richter Advisory Group Inc. (“**Richter**”) was appointed as Junction’s proposal trustee with respect to the NOI proceeding (the “**Proposal Trustee**”). Attached hereto and marked as **Exhibit “A”** is a copy of the Certificate of a Filing of Junction’s NOI.

3. This affidavit is made in a support of a motion by Junction for an order or orders:
- (a) approving debtor-in-possession interim financing in the maximum principal amount of \$650,000 (the “**DIP Facility**”) to be provided by 1000003509 Ontario Limited (“**3509**”) pursuant to a term sheet dated November 1, 2021 (the “**DIP Term Sheet**”), between Junction and 3509 in its capacity as lender thereunder (the “**DIP Lender**”);
 - (b) granting super-priority charges over the assets, property and undertakings of Junction (collectively, the “**Property**”) for the benefit of (i) the DIP Lender with respect to the DIP Facility (the “**DIP Charge**”), (ii) counsel to Junction, the Proposal Trustee and its legal counsel in the maximum amount of \$300,000 as security for their professional fees and disbursements (the “**Administration Charge**”), and (iii) Junction’s officers and directors in the maximum amount of \$150,000 as security for Junction’s obligation to indemnify its directors and officers for liabilities that they may incur after the filing of the NOI (the “**Directors’ Charge**”);
 - (c) approving the Sale Process (as defined below) for the sale of the business and/or assets of Junction;
 - (d) approving the transaction contemplated by the stalking horse share purchase agreement dated November 1, 2021 (the “**Stalking Horse Agreement**”) between Junction and 3509, in its capacity as purchaser thereunder (the “**Stalking Horse Bidder**”);

- (e) in the event that the Stalking Horse Bidder is the successful bidder under the Sale Process (the “**Purchaser**”), an order:
- (i) authorizing Junction to issue New Class A Shares¹ immediately prior to Closing and to amend its articles to allow for the redemption of all common shares for nominal value immediately following Closing;
 - (ii) cancelling and extinguishing all equity interests other than common shares in Junction existing prior to the Closing Date;
 - (iii) approving Junction’s retention of all of the Retained Assets, Retained Contracts, and Retained Liabilities;
 - (iv) approving, prior to Closing, the establishment of an Ontario corporation by and as a wholly owned subsidiary of Junction (“**ResidualCo**”), and transferring and vesting the Excluded Liabilities and Excluded Assets to ResidualCo on or before Closing such that the Excluded Liabilities shall become liabilities of ResidualCo and not liabilities of Junction;
- (f) extending the Stay Period (as defined below) for forty-five (45) days up to and including December 29, 2021; and
- (g) approving the first report of the Proposal Trustee to be filed separately with the Court (the “**First Report**”) and the actions and activities of the Proposal Trustee described therein.

¹ Capitalized terms used and not defined in paragraph 2 have the meanings ascribed to them in the Stalking Horse Agreement.

BACKGROUND

The Company

4. Junction Craft Brewery was founded in 2011. The Company was subsequently incorporated in Ontario on January 9, 2014 to carry on the business. Attached hereto and marked as **Exhibit “B”** is a copy of Junction’s Corporate Profile Report obtained on August 16, 2021.

5. The Company currently has twenty-four (24) shareholders. The largest shareholders are Thomas Schmidt (“**Tom**”), Rob Moffatt, and Edward Lycklama (“**Ed**”), who respectively own 17.1%, 11.5% and 9.9% of the issued shares of the Company.

6. The majority of the shareholders each hold less than 5% of the issued shares of the Company. Aside from the shares held by the Company’s 24 shareholders, there is no other equity in the Company.

7. Junction is in the business of brewing high-quality, hand-crafted beers. Junction’s business includes (i) selling its own brewed beer under several brands, (ii) holding events at the Facility (as defined below), such as weddings and corporate events, (iii) selling beer to customers at a taproom (a restaurant like setting) at the Facility (the “**Taproom**”), and (iv) producing, on a contract basis, beer, cold brew coffee, non-alcoholic sparkling beverages and spirits-based drinks on behalf of approximately twenty (20) unrelated parties (collectively, the “**Brewing Partners**”).

8. In 2018, the Company moved its business and operations to an approximately 16,315 square foot leased facility located at 150 Symes Road in The Junction neighbourhood of Toronto (the “**Facility**”). The Facility is an art-deco heritage building that used to be an incinerator in the 1930s. Junction leases the Facility from Symesbridge Inc. (the “**Landlord**”) pursuant to a lease dated May 3, 2016 (the “**Lease**”).

9. As of October 15, 2021, Junction employed 28 non-unionized salaried and hourly individuals, and had one independent contractor. There is no Company sponsored pension plan for the employees.

10. In order to function as a brewery and operate the Taproom, Junction obtained and maintains licences issued by The Alcohol and Gaming Commission of Ontario (“**AGCO**”), Canadian Food Inspection Agency (“**CFIA**”), and Canada Revenue Agency (“**CRA**”). Attached hereto and marked as **Exhibit “C”** is a chart (the “**Licenses Chart**”) that describes the licenses and notes whether the licences are known to be transferable. To the best of my knowledge, certain licenses issued to Junction by the AGCO, CFIA and CRA are non-transferrable (collectively, the “**Non-Transferrable Licences**”) and could take anywhere between days to many months for a new license to be issued.

Subsidiaries

11. In 2019, the Company acquired all of the shares of St. Mary Axe Inc. and Caribru Inc. (“**Caribru**”), each of which previously operated micro breweries. Neither entity operated a physical brewery but, instead, brewed products under contract with other manufacturers. Following the acquisitions, these companies have no operations or assets and are essentially defunct, although Junction does sell Caribru branded products.

12. JCB Beverages Inc. (“**JCBB**”) is a wholly owned subsidiary of Junction, which was incorporated in November 2020. JCBB was incorporated for the purpose of acquiring certain pasteurizing and other equipment used in Junction’s manufacturing process, and leasing it to the Company.

SECURED CREDITORS

Farm Credit Canada

13. Farm Credit Canada (“**FCC**”) is the Company’s primary secured lender. Pursuant to a loan agreement dated June 28, 2017, as amended, FCC advanced a loan of \$1.0 million to the Company with a term of eight (8) years (the “**First Loan**”). Pursuant to a loan agreement dated September 11, 2017, as amended, FCC advanced a term loan of \$100,000 to the Company that was to be repaid by April 1, 2019 (the “**Second Loan**” and together with the First Loan, the “**Loans**”).

14. In connection with the Loans, Junction has granted security in favour of FCC in all of its present and after-acquired personal property, including in specific equipment owned by the Company.

15. I am advised by Sanea Tanvir, a lawyer with Chaitons LLP (“**Chaitons**”), the Company’s legal counsel, that Chaitons obtained a search report from the Personal Property Registration System in Ontario in respect of registrations made against Junction under the *Personal Property Security Act* (Ontario) (the “**PPSA**”). The report shows that FCC filed a registration under the PPSA on July 11, 2017 against all of Junction’s personal property (other than motor vehicles). I am advised by Ms. Tanvir that this registration is the first-in-time all personal property registration filed against Junction. Attached hereto and marked as **Exhibit “D”** is a copy of the PPSA search report for the Company current as of August 15, 2021 (the “**PPSA Search Report**”).

16. As detailed below, on October 6, 2021, FCC’s legal counsel issued a letter demanding payment of the amounts outstanding under the Loans totaling approximately \$843,000, and delivered to Junction a notice of its intention to enforce its security under the BIA.

Third-Party Lessors

17. In connection with its operations, the Company has entered into equipment financing leases with Wells Fargo Equipment Finance Company, CLE Capital Inc., Magic White Inc., National Leasing Group Inc., and Meridian Onecap Credit Corp (collectively, the “**Third-Party Lessors**”).

18. As of October 15, 2021, the Company owed approximately \$30,000 to the Third-Party Lessors. Each of the Third-Party Lessors has filed a registration against Junction under the PPSA that details the specific equipment subject to the registration, as set out in the PPSA Search Report.

Related Parties

19. As mentioned below, the Company has continually relied upon loans from its shareholders, as well as equity investments, to permit it to continue to carry-on business. The Company has granted general security agreements in favour of five (5) shareholders, who have filed registrations against the Company under the PPSA with respect to all of Junction’s personal property (other than motor vehicles). The total amount of secured loans made by these five shareholders to Junction is approximately \$800,000.

TD Bank

20. As set out in the PPSA Search Report, The Toronto-Dominion Bank (“**TD Bank**”) has filed a registration under the PPSA against all of the Company’s personal property. The Company had an authorized overdraft line of credit and VISA credit facility, both of which have been cancelled by TD Bank. The Company still has its business bank account with TD Bank.

Ministry of Finance

21. As a manufacturer and seller of beer, the Company is required to collect and remit beer tax to the Ministry of Finance (the “**Ministry**”). As set out in the PPSA Search Report, the Ministry

filed a registration under the PPSA against all of the Company's personal property (other than motor vehicles) in April 2020, listing \$20,318 owing for unpaid beer tax. In April 2021, the Ministry amended its registration to increase the amount to \$114,814.

22. As of October 15, 2021, the Company owed approximately \$150,000 to the Ministry for unpaid beer tax.

OTHER CREDITORS

Government Remittances and Amounts Owed to Employees

23. As of October 15, 2021, Junction was current with respect to all amounts related to its employees, with one exception. It owes approximately \$27,500 to the Receiver General for collected and unremitted excise tax, approximately \$50,600 for collected and unremitted HST, and \$60,000 with respect to a Canada Emergency Business Account.

24. The one exception is that between August 2019 to December 2020, I did not receive wages from Junction in the normal course. During that period, Junction's board of directors authorized the Company to provide me with a loan for the approximate amount of pay I would have received net of taxes had payments been made to me as wages. As a result of these arrangements, I understand that there may be amounts in respect of unpaid source deductions to CRA or, alternatively, amounts owing as wages and source deductions to me to address my taxes payable as a result of deemed income to me from any loan forgiveness.

Unsecured Creditors

25. As of October 15, 2021, Junction owed approximately \$2.25 million to arms-length unsecured creditors.

FINANCIAL DIFFICULTIES

26. The Company has been experiencing financial difficulties since its move to the Facility in 2018. Attached hereto and collectively marked as **Exhibit “E”** are copies of unaudited financial statements for the Company for the period May 1, 2019 to December 31, 2019, and for the year ended December 31, 2020 (collectively, the “**Financial Statements**”). The Company originally had a fiscal year that ended April 30. In 2019, it was changed to December 31.

27. The Company reported net losses in excess of \$1.0 million for the 2018 calendar year and \$842,973 for the 2019 calendar year.

28. As noted above, the Second Loan owed to FCC originally matured in April 2019. As a result of the Company’s inability to repay the Second Loan, on February 12, 2020, FCC demanded payment of the Loans from the Company in the total amount of \$970,062.94 and sent a notice of its intention to enforce its security under the BIA.

29. As is well known, the Covid-19 pandemic began in March 2020, approximately one month following FCC’s demand for payment. Junction’s business and operations have been significantly impacted by the pandemic. Notwithstanding its concerted efforts to pivot to online sales and deliveries, Junction has experienced declining sales due to the closure of the Taproom, cancellations of events at the Facility, and reduction in production and operations due to pandemic-related governmental measures.

30. The Company’s ability to continue on as a going concern since 2019 has been dependent upon Junction’s continued support of its shareholders and creditors. From April 15, 2019 to April 26, 2021, the Company received loans from certain shareholders totalling approximately \$807,000.

31. At the Company's request, in April 2020 and August 2020, FCC agreed to amend the Company's payment schedule with respect to the First Loan to provide for interest only payments for two 3-month periods.

32. Additionally, at the Company's request, the Landlord agreed to a number of rent payment deferrals under the Lease. As a result of the deferrals, Junction currently owes approximately \$293,000 to the Landlord for rent arrears.

33. Notwithstanding the accommodations provided by its creditors and funding provided by certain shareholders, as set out in the Financial Statements, Junction reported a net loss of \$858,131 for the fiscal year ended December 31, 2020.

34. For 2021, an internally prepared profit and loss statement indicates that as of September 30, 2021, the Company had a net loss of \$565,133.

35. The Company and FCC engaged in discussions throughout 2021 with respect to Junction's plans to repay the amounts owed to FCC. FCC requested that the Second Loan be repaid in full and that the Company arrange for additional security in favour of FCC. Due to its liquidity constraints, Junction was unable to repay the Second Loan to FCC.

36. On October 6, 2021, counsel for FCC sent a letter to Junction demanding payment of the Loans in the total amount of \$842,961.75 and serving a notice of FCC's intention to enforce its security pursuant to section 244 of the BIA (the "**244 Notice**"). FCC requested that Junction repay the amount in full on or before October 18, 2021. Attached hereto and marked as **Exhibit "F"** is a copy of the demand letter.

RESTRUCTURING PLAN AND SALE PROCESS

37. As a result of its continuing financial difficulties and in light of FCC's demand for payment and issuance of the 244 Notice, Junction commenced the NOI proceeding in order to obtain the protection from its creditors afforded, and benefit from the remedies available, under the BIA.

38. As set out in the Company's 13-week cash flow for the period October 17, 2021 to January 15, 2022 filed pursuant to section 50.4(2) of the BIA in connection with Junction's NOI proceeding (the "**Cash Flow**"), without the DIP Facility, Junction will have insufficient cash available to it to make necessary disbursements to continue to operate its business after November 6, 2021. Attached hereto and marked as **Exhibit "G"** is a copy of the Cash Flow.

DIP Facility

39. Junction needs immediate financing in order to fund its operations and to pay for the professional fees and expenses to be incurred in connection with carrying out its NOI proceeding and achieving a going concern sale of the business and/or assets of the Company.

40. The DIP Lender is prepared to provide the DIP Facility pursuant to the DIP Term Sheet, a copy of which is attached hereto and marked as **Exhibit "H"**.

41. As noted above, 3509 is both the DIP Lender and the Stalking Horse Bidder. 3509 is owned by Tom, Ed, and Andrew Marsh ("**Andrew**"), each of whom are either direct or indirect shareholders of the Company. Tom and Ed are also members of the Company's board of directors.

42. The key terms of the DIP Term Sheet as set out therein are as follows:

- (a) no interest will be charged on the DIP Facility;

- (b) Junction shall repay all obligations under the DIP Facility on the earlier of (i) demand, (ii) occurrence of an Event of Default (as defined therein), (iii) the date on which the period for Junction to file a proposal in its NOI proceeding is not extended or is terminated, (iv) the date on which Junction becomes bankrupt, (v) the date upon which the sale of substantially all of the business and assets of Junction is completed or (vi) December 31, 2021; and
- (c) the DIP Term Sheet is conditional upon an order by the Court approving the DIP Term Sheet and the DIP Facility and granting the DIP Charge, as well as approving the Sale Process, the Stalking Horse Agreement and transaction contemplated thereby.

43. Without having access to the proposed funding under the DIP Facility, the Company would have no choice but to file for bankruptcy. A bankruptcy of the Company would be detrimental to all of its stakeholders, including the individuals employed by the Company, and the approximately 20 Brewing Partners (each of which employ two (2) to three (3) individuals), that rely on Junction to brew their products. Given the capital-intensive nature of the business, and the time it would take to source an alternative brewery to produce their products, there is a risk that each of the Brewing Partners would have to cease operations if Junction could no longer brew product for them.

44. I understand from Karen Kimel, a licensed insolvency trustee with Richter, that the Proposal Trustee is supportive of the terms of the DIP Term Sheet.

Sale Process and Stalking Horse Agreement

45. Prior to the filing of the NOI, the Company had many discussions with Chaitons and Richter, in its then capacity as financial advisor to the Company, regarding the potential

restructuring options available to it. It was determined that the best option available in the circumstances for all of the Company's stakeholders would be to file the NOI in order to create a stabilized environment to allow the Company to market its business and/or assets for as a going concern. This would be achieved by implementing a Court-supervised sale process, to be conducted by the Proposal Trustee.

46. Tom, Ed and Andrew expressed an interest in putting forward an offer to acquire the Company's business. As noted above, there are a number of Non-Transferrable Licenses that are essential to the Company continuing on as a going concern. Additionally, the Company has suffered tax losses during the past four (4) years, which would be valuable for the Company to carry forward.

47. As a result, it was determined that Tom, Ed and Andrew would make an offer to acquire the Company through a share purchase. Attached hereto and marked as **Exhibit "I"** is a copy of the Stalking Horse Agreement.

48. I understand that the Proposal Trustee has developed a detailed process to market the assets and business of Junction (the "**Sale Process**") in an open and transparent manner designed to maximize realizations, and that the Stalking Horse Agreement is set as the "floor price" for potential purchasers to outbid during the Sale Process. Attached hereto and marked as **Exhibit "J"** is a copy of the Sale Process.

49. I have been advised by Ms. Kimel that a detailed description of the key timelines and terms of the Sale Process and the Stalking Horse Agreement will be contained in the First Report. However, the essential terms of the Stalking Horse Agreement are that:

- (a) the purchase price will be the aggregate of (i) \$400,000, (ii) any and all amounts secured by the DIP Charge at closing, (iii) an amount equal to any amounts (other than the DIP Charge) that may have priority over the FCC's security at closing, and (iv) an amount equal to certain costs related to the bankruptcy of ResidualCo.;
- (b) the Purchaser will pay a deposit to the Proposal Trustee in the amount of \$400,000; and
- (c) in the event that the Purchaser is not the winning bidder under the Sale Process, it will be entitled to a fee of \$50,000 (the "**Break Fee**") and a costs amount of \$25,000 (the "**Costs Amount**").

50. I understand from Ms. Kimel that, as will be set out in the First Report, the Proposal Trustee is supportive of the Sale Process and the Stalking Horse Agreement, including the inclusion of the Break Fee and Costs Amount in the Stalking Horse Agreement.

Administration Charge

51. In order to protect the fees and expenses of Junction's legal counsel, the Proposal Trustee and its legal counsel, Junction seeks the Administration Charge to secure payment of their reasonable fees and expenses. Junction is requesting that the Administration Charge in the amount of \$300,000 rank in priority to all claims and other charges against the Company. Each of the professionals whose fees are to be secured by the Administration Charge have played and will continue to play a critical role in Junction's restructuring.

52. I have been advised by Ms. Kimel that, as will be set out in the First Report, the Proposal Trustee is supportive of the proposed Administration Charge.

Directors' Charge

53. The Company does not have a directors' and officers' insurance policy. Junction will only be able to continue on as a going concern during the NOI proceeding with the continued participation of its directors and officers.

54. The Directors' Charge, in the maximum amount of \$150,000, which is equal to the sum of approximately three of the Company's payrolls, is intended to allow the directors and officers to continue their stewardship of the Company during the NOI proceeding for the benefit of all stakeholders, and to be indemnified in respect of any potential liabilities that they may incur as a result of continuing on in those roles on and after the filing of the NOI.

55. I have been advised by Ms. Kimel that, as will be set out in the First Report, the Proposal Trustee is supportive of the proposed Directors' Charge.

STAY EXTENSION

56. I have been advised by Ms. Tanvir that, under the BIA, unless the period is extended, the Company is currently required to file a proposal by November 14, 2021 (the "**Stay Period**"). Junction is acting in good faith and with due diligence in seeking to preserve its business on a going concern basis for the benefit of all of its stakeholders and to permit the Proposal Trustee to implement and conduct the Sale Process.

57. In order to complete the Sale Process and to seek approval of the transaction arising therefrom, Junction seeks an extension of the Stay Period for forty-five (45) additional days up to and including December 29, 2021.

58. Without the extension, Junction will not be in a position to complete the Sale Process and the transaction with the winning bidder.

59. In my view, no creditors will be materially prejudiced if the extension applied for is granted.

60. I have been advised by Ms. Kimel that, as will be set out in the First Report, the Proposal Trustee is supportive of the proposed extension of the Stay Period.

61. I swear this affidavit in support of Junction's motion and for no other or improper purpose.

SWORN BEFORE ME VIA VIDEOCONFERENCE, the affiant being located in the City of Hamilton, in the Province of Ontario and the Commissioner being located in the City of Toronto, in the Province of Ontario on November 1, 2021, in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.



Sam Rappos
A Commissioner, etc.

STUART WHELDON

Appendix “C”

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2774500
 Estate No. 31-2774500

- FORM 33 -

Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Junction Craft Brewing Inc.
 of the City of Toronto
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
2203022 Ontario Inc	1309 St Patrick St Thibodaux Los Angeles CA 70301 USA		14,416.77
A & G Refrigeration	1309 St Patrick St Thibodaux Los Angeles CA 70301 USA		12,656.00
Advantage Pest Control	1261 Kennedy Rd Toronto ON M1P 2L4		562.06
Allrite Dock & Door Systems Inc.	4 Baker Road Brampton ON L6T 4E3		377.99
Baitshop Productions Inc.	100 Symes Rd Unit 104 Toronto ON M6N 0A8		254.25
Barn Owl Malt	224 Zion Road Stirling ON K0K 3E0		1,359.00
Bell Canada	PO Boc 1550, Starion Don Mills North York ON M3C 3N5	539251594	278.08
Brew Culture	440 Ecclestone Drive Bracebridge ON P1L 1Z6		8,713.78
Brewers Supply Group (Canada) Inc.	330 Laird Rd. Unit 10 Guelph ON N1G 3X7		16,710.80
Brussels Metal Products Limited O/A Huron Feeding Systems	61 George Street Brussels ON N0G 1H0	Junction	56,952.79
Brutech Process & Packaging Inc.	4936 Yonge Street #112 Toronto ON M2N 6S3		350.41
Buhler Inc. USD	P.O. Box 9497 Minneapolis MN USA	14161670	21,615.78
Camcarb Ltd.	155 Signet Drive Toronto ON M9L 1V1		598.34
Canada Climate	80 Adair Ave S Hamilton ON L8K 3S5		586.24

District of: Ontario
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Creditor	Address	Account#	Claim Amount
Canada Malting Co Ltd	3316 Bonnybrook Road SE Calgary AB T2G 4M9	CMO-3593	739.73
Canning Collective	13 MacSteven Drive Picton ON K0K 2T0		1,684.48
Charles Faram Brewing Supplies	136 Skyway Avenue Toronto ON M9W 4Y9		7,200.14
Chem-Aqua	253 Orenda Rd. Brampton ON L6T 1E6	636424	3,519.85
Churchill Cellars Ltd.	350 Sheppard Ave. East Toronto ON M2N 3B4		41,156.17
CLE Capital	3390 South Service Road, Suite 301 Burlington ON L7N 3J5		1,184.36
Cleveland Automation Inc.	2869 Bloor Street West Toronto ON M8X 1B3		1,360.52
CMG - Toronto	8705 Torbram Road Unit 4 Brampton ON L6T 3V9	CMO-3593	4,746.82
Coaster Factory	44 Head St. Dundas ON L9H 3H3		736.58
ColdHaus Direct	60 Hereford St Brampton ON L6Y 0N3		4,503.67
Crawford Packaging	3036 Page Street London ON N5V 4P2	301871	5,931.61
David Hayes	59 Ritchie Avenue Toronto ON M6R 2K1		46,962.44
DGS Events	400 King Street East Toronto ON M5A1L4		4,043.98
Diversey Canada, Inc.	Unit 3, 6150 Kennedy Road Mississauga ON L5T 2J4	50229237	9,696.74
DLL Canada	T4557 PO BOX 4557 STN A Toronto ON M5W 0K1	001-0214909-000	2,975.08

District of: Ontario
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 Junction Craft Brewing Inc.
 of the City of Toronto
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Docucomm	7-125 Traders Blvd East Mississauga ON L4Z 2H3		751.47
Durward Jones Barkwell & Company LLP *	5045 South Service Road Suite 300 Burlington ON L7L 5Y7	460401	8,752.50
Ecolab Co	5430 Maingate Dr Mississauga ON L4W 1R8		1,158.48
Ed Lycklama	71 Constance St Toronto ON M6R 1S5		417,411.93
Ekos	2520 N Brevard St, Suite 200 Charlotte NC 28205 USA		1,123.85
Employees			250.00
Enbridge	PO Box 680 Scarborough ON M1K 0A6	930610 133403	18,394.60
Escarpment Laboratories	18-225 Hanlon Creek Boulevard Guelph ON N1C 0A1		2,818.03
Farber Financial Group	1220 Sheppard Ave E suite# 300 North York ON M2K 2S5		5,058.33
Farm Credit Canada	210-7025 Langer Dr. Mississauga ON L5N 0E8		842,961.75
FedEx	PO Box 4626 Toronto ON M5W 5B4		267.89
First insurance of Canada	184 Front Street East Suit 601 Toronto ON M5A 4N3	JUNCCRA-01	4,180.07
FlavorSum Canada ULC	919 Kamato Road Mississauga ON L4W 2R5	JUNBRW	457.20
GFL Environmental Inc	39 FENMAR DRIVE NORTH YORK ON M9L 1M1	GD-29769	1,496.79
Glow Janitorial Services Inc.	117- 992 Albion Rd Toronto ON M9V 1A7		2,610.30

District of: Ontario
 Division No. 09 - Toronto
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 of the City of Toronto
 in the Province of Ontario

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Creditor	Address	Account#	Claim Amount
Hayes + Co.	412 Roncesvalles Avenue Toronto ON M6R 2N2		63,006.90
Hops Connect - Hop Trading Company Ltd.	1222 Franklin Street Vancouver BC V6A 1K1		11,990.00
Ian Dickson			8,460.00
Industries d' acier inoxydable	1440, rue Graham-Bell Boucherville QC J4B 6H5		11,492.78
ION Water Solutions Inc.	PO Box 47682 Rexdale ON M9V 5H4		1,213.62
Jones Wood Specialties	771 Warden Ave. Toronto ON M1L 4B7		9,132.16
Kayts Mechanical Services Ltd	3607 Sheppard Ave E, RPO Box 46535 Scarborough ON M1T 3J0		30,578.96
Key 2 Hosted Inc	5-331 Trowers Rd. Woodbridge ON L4L 6A2	1359	524.43
Kinsbrae Packaging	125 Vondrau Drive Unit 1 Cambridge ON N3E 1A8		13,826.15
LMP Publication Limited	3355 Grandview Hwy Vancouver BC V5M 1Z5	688823	2,618.21
Loop	4000 Alfred-Laliberte Boisbriand QC J7H 1P8	71118	2,969.69
MAC-AIR COMPRESSOR LTD	18 Melanie Dr., Unit 1 Brampton, ON L6T 4K9		428.15
Magic White Inc	80 Crockford Blvd Scarborough ON M1R 3C3	E002598519	3,227.28
Mathews Dinsdale & Clark LLP	155 Wellington Street West Suite 3600 Toronto ON M5V 3H1	18005-1	1,333.48
Maxim Roofing	82 Signet Dr Toronto ON M9L 1T2	S21-034	2,431.77

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List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
MBNA	P.O. Box 9625, Station T Ottawa ON K1G 9Z9		7,539.00
Meridian One Cap	1500 -4700 Kingsway Burnaby BC V5H 4M2		18,272.71
Michael & Victoria Morton			9,850.68
Michelle Fan	617-39 Parliament St. Toronto ON M5A 4R2		2,000.00
Michelle Heneault	407-760 The Queensway Etobicoke ON M8Z 0E1		2,250.00
Minimax Express	P.O BOX 92 CORNWALL ON K6H 5R9		11,338.76
Ministry of Finance (ON)/vol tax	Collections Branch, Bankruptcy and Insolvency Unit 6th Floor, 33 King St. W Ottawa ON L1H 8H5		149,169.16
N.R.D Biproducts Limited	5435 ERIN FOURTH LINE RR #2 HILLSBURGH ON N0B 1Z0		1,022.31
National Lease	1525 Buffalo Place Winnipeg MB R3T 1L0		6,385.49
Netzch	500 Welham Rd Barrie ON L4N 8Z7		1,787.66
Northern Lines	603-25 Bedford Road Toronto ON M5R 2K1		667.83
Ontario Craft Distribution	17642 Gregory Drive PO BOX 1683 St Marys ON N4X 1C1		1,499.97
Ontario Small Brewers Assoc Inc	1 - 75 Horner Avenue Toronto ON M8Z 4X8		1,080.57
Pall Corporation	PO Box 4687, STN A Toronto ON M5W 6B5	1000088885	1,865.84
Paul Wright			10,762.00

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2774500
 Estate No. 31-2774500

- FORM 33 -
 Notice of Intention To Make a Proposal
 (Subsection 50.4(1) of the Act)

In the matter of the Notice of Intention to make a Proposal of
 Junction Craft Brewing Inc.
 of the City of Toronto
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Petro Engineered Products	131 Savage Drive Unit 4 Cambridge ON N1T 1S4		378.46
Planet Paper Box	2841 Langstaff Road Concord ON L4K 4W7	19297	5,275.49
Plant Architect Inc.	101 Spadina Ave Sutie 208 Toronto ON M5V 2K2		19,736.37
Platisa Personnel & Consulting Res	16 Miller Street Guelph ON N1L 1P1		2,464.00
Praxair Canada Inc	165 BISCAYNE CRES Brampton ON L6W 4R3	85939106	4,280.69
Premier Wine Cask Inc	1710 Soscol Avenue Ste. 5 Napa CA 94559 USA		703.50
Pro-Cert Organic Systems Ltd.	2311 Elm Tree Road Cambray ON K0M 1E0		2,038.90
Promotional Wood Products Ltd	2740 E Perth Road 130, MITCHELL ON N0K 1N0		4,394.29
PRX Print	6110 Ordan Drive, Unit 1 Mississauga ON L5T 2B4		1,966.66
Pukka Inc.	337 S.Main Street Findlay OH 45840 USA		4,054.18
Raymac Renovations	10 Cany Crescent Brampton ON L6X 3Z3		1,130.00
Receiver General (Excise)	875 Heron Road Ottawa ON K1A 1B1		27,570.33
Receiver General (GST/HST)	451 Talbot Str. London ON N6A 5E5		50,663.73
Receiver General of Canada (CEBA Loan)	875 Heron Road Ottawa ON K1A 1B1		60,000.00
Redstone Winery	4245 King Street Beamsville ON L0R 1B1		2,591.05

District of: Ontario
 Division No. 09 - Toronto
 Court No. 31-2774500
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In the matter of the Notice of Intention to make a Proposal of
 Junction Craft Brewing Inc.
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 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
RGMP Junction LP			25,380.00
Richlynn Electric Inc.	1680 Midland Ave Unit 2 Scarborough ON M1P 3C6		4,441.48
Rob Moffat	29 Westminster Ave Toronto ON M6R 1N3		136,464.00
Roberts Polypro Inc.	P.O. Box 73620 Cleveland OH 44193 USA		4,354.49
Rogers	333 Bloor St E Toronto ON M4W 1G9		264.08
S.S.Steiner Inc (Hopsteiner)	725 Fifth Avenue New York NY 10022 USA		58,913.59
SBLLR LLP	2345 Yonge St Suite 400 Toronto ON M4P 2E5	1146	1,412.50
Scott Labs Canada	1 Westwood Court, Unit 1 Niagara on the Lake ON L0S 1J0		8,124.31
Sessions Craft Canning Ltd.	8250 Borden Street Vancouver BC V5P 3E7		24,073.89
Socan	41 Valleybrook Drive Toronto ON M3B 2S6	05062164-00-08	429.68
SparkPower Corp	333 Centennial Pkwy Hamilton ON L8E 2X6		4,454.46
Speedy Glass	883 Kipling Avenue Toronto ON M8Z 5H2		665.67
Steve Dobronyi	222 Belsize Drive Toronto ON M4S 1M4		489,652.65
Stoney Creek Glass	504 Kenora Ave N Hamilton ON L8E 3X8		1,032.26
Straus Design	385 Waterloo New Hamburg ON N3A 1S6		7,134.64

District of: Ontario
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In the matter of the Notice of Intention to make a Proposal of
 Junction Craft Brewing Inc.
 of the City of Toronto
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Stuart Wheldon	2 Freeman Place Hamilton ON L8N 2G5		250.00
Sunnyside Capital Canada (Shareholder)	208 Sunnyside Avenue Toronto ON M6R 2P6		22,600.00
Symesbridge Inc.	128A Sterling Road Suite 203 Toronto ON M5C 1C3		293,092.42
Tagvenue	71-75 Shelton St London UK		343.18
TCBF Events	81 Lennox Crescent Kitchener ON N2N 2P5		1,130.00
TD Visa	2555 St Clair Ave W Toronto ON M6N 4Z5		4,921.00
The Beverage Collective Corp	900, 332 6th Avenue SW Calgary AB T2P 0B2		382.20
The Symes	150 Symes Road Unit 105 Toronto ON M6N 0B1		17,771.18
Thermogenics Inc	6 Scanlon Court Aurora ON L4G 7B2		5,301.50
Tom Paterson			20,000.00
Tom Schmidt	61 High Park Blvd Toronto ON M6R 1M9		350,482.40
Toman Electric & Auto Ltd	50 Cawthra Ave Toronto ON M6N 5B3		1,492.03
Top 5 Solutions Ltd.	3 Wesleyan Court Ancaster ON L9G 5C5		23,729.24
Toronto Hydro	500 Carlton Street Toronto ON M5B 1L6	7795293321	72,921.92
Toronto Pallet Solutions Inc.	113-77 Linwell Road St. Catharines ON L2N 6R1		449.18

District of: Ontario
 Division No. 09 - Toronto
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In the matter of the Notice of Intention to make a Proposal of
 Junction Craft Brewing Inc.
 of the City of Toronto
 in the Province of Ontario

List of Creditors with claims of \$250 or more.			
Creditor	Address	Account#	Claim Amount
Transx	2595 Inkster Blvd. Winnipeg MB R3C 2E6		603.29
Travis Griffith			19,982.50
Twenty Two Media	14 Duncan St Suite 300 Toronto ON M5H 3G8		7,910.00
Uline Canada Corporation	3333 James Snow Parkway North Milton ON L9T 8L1	9266838	790.10
Venture Law Associates LLP	1240 Bay Street, Suite 807 Toronto ON M5R 2A7		260.00
Vigilarm Reporting Systems	2405 Lakeshore Blvd. West Suite 204 Toronto ON M8V 1C6	1328-08	2,101.80
Wellington County Brewery Inc.	510 Governors Rd. Guelph ON N1K 1E3		8,222.67
Wild Goose Canning Technologies Inc.	633 CTC Blvd., Ste 100 Louisville, Colorado 80027 USA		3,762.95
Winthrop & Weinstine, PA - USD	225 South Sixth Street, Suite 3500 Minneapolis MN 55402 USA		8,540.81
Wrightway Contractors	81 Laburnham Avenue Toronto ON M8W 1S6		628.92
Yale Industrial Trucks	340 HANLAN ROAD Woodbridge ON L4L 3P6		10,176.47
Zuccarini Importing	1335 Davenport Road Toronto ON M6H 2H4		751.45
Total			3,800,935.77



 Junction Craft Brewing Inc.
 Insolvent Person

Appendix “D”

STALKING HORSE SHARE PURCHASE AGREEMENT

This agreement (the “**Agreement**”) is made as of the 1st day of November 2021 between:

JUNCTION CRAFT BREWING INC., an Ontario corporation

("Junction")

- and -

1000003509 ONTARIO LIMITED, an Ontario corporation

(the "**Purchaser**")

WHEREAS:

- A. On October 15, 2021, Junction filed a notice of intention to make a proposal pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act* (the "**NOI Proceedings**").
- B. Richter Advisory Group Inc. has been appointed as proposal trustee of Junction under the NOI Proceedings (in such capacity, the “**Trustee**”).
- C. Junction will bring a motion to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for the Sale Process Order (*as hereinafter defined*) to authorize Junction to enter into this Agreement and conduct a sales process with respect to the business and/or assets of Junction.
- D. Subject to the granting of the Approval and Vesting Order (*as hereinafter defined*), Junction has agreed to sell to the Purchaser and the Purchaser has agreed to purchase from Junction the New Class A Shares (*each as defined below*) upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties (*as hereinafter defined*) hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"**Accounts Receivable**" means accounts receivable, bills receivable, trade accounts and book debts, recorded as a receivable in the Books and Records and other amounts due or deemed to be due to Junction including, refunds, and rebates receivable relating to the Business or the Retained Assets, including (a) those amounts recoverable under insurance policies; and (b) any refunds of Taxes paid by Junction such as GST/HST, corporate tax, municipal tax and provincial sales tax.

“Administration Charge” means a charge, in the maximum amount of \$300,000, in favour of Junction’s lawyers, the Trustee and the Trustee's lawyers to be granted by the Court in the NOI Proceedings as security for their respective fees and expenses.

“Administrative Order” means an order or orders to be sought from the Court upon terms acceptable to the Parties, each acting reasonably, that alone or in combination, among other things, (a) extends the time for Junction to make a proposal under the BIA sufficient to accommodate the Sale Process; and, (b) grants the NOI Charges as contemplated herein.

"Agreement" has the meaning set out in the recitals hereto.

"Applicable Law" means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, in each case, having the force of law that applies in whole or in part to such Person, property, transaction or event.

"Approval and Vesting Order" means an order, in such form as is acceptable to the Purchaser, acting reasonably, , issued by the Court which, among other things, approves this Agreement, the Transaction (including the Pre-Closing Reorganization and Post-Closing Reorganization) and transfers and vests title in and to Excluded Assets and Excluded Liabilities in ResidualCo.

"Bankruptcy Costs" means the costs of the bankruptcy of ResidualCo to be effected following the Closing of the Transaction, in an amount to be determined by Junction, in consultation with the Trustee, not to exceed \$35,000, plus HST.

“BIA” means the *Bankruptcy and Insolvency Act*.

"Books and Records" means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, used or intended for use by, and in the possession of Junction, in connection with the ownership of Junction, or operation of the Business, including the Retained Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Business.

"Business" means the business conducted by Junction, which includes without limitation producing and distributing company-owned brands of craft beer as well as other craft beer and other products to and for its various partners.

"Business Day" means a day on which banks are open for business in Toronto, Ontario but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

"Cash Payment" has the meaning set out in Section 3.1.

"Claims" means claims, demands, complaints, grievances, actions, applications, suits, causes of action, orders, charges, indictments, prosecutions, arbitrations, informations or other similar processes, assessments or reassessments, judgments, debts, indebtedness, liabilities, obligations, expenses, costs, damages or losses, contingent or otherwise (whether contractual, statutory, or otherwise), of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or

due or not yet due, in law or equity and whether arising by subrogation, set-off, right of indemnification or otherwise), whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including loss of value, reasonable professional fees, including fees and disbursements of legal counsel on a partial indemnity basis, and all actual and documented costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

"Closing" means the closing and consummation of the Transaction.

"Closing Date" means the date that is ten (10) Business Days after the date the Approval and Vesting Order is obtained, or such other earlier or later date as may be agreed by the Parties.

"Closing Time" means 10:00 a.m. (Toronto time) on the Closing Date.

"Contracts" means the written contracts, agreements, leases, understandings and arrangements that are related to the Business to which Junction is a party or by which Junction is bound or in which Junction has any rights.

"Deposit" has the meaning ascribed given in Section 3.2.

"Directors" means collectively, anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or a *de facto* director of Junction, and **"Director"** means any of them.

"Directors' Charge" means the charge in the maximum amount of \$150,000, in favour of Junction's Directors and Officers, granted by the Court in the NOI Proceedings as security for Junction's indemnity obligations to the Directors and Officers.

"DIP Charge" means the charge in the maximum amount of \$650,000 in favour of the Purchaser, granted by the Court in the NOI Proceedings as security for Junction's obligations to the Purchaser under the DIP Term Sheet.

"DIP Loan" means the loan by the Purchaser to Junction, made pursuant to the DIP Term Sheet approved by the Court in the NOI Proceedings.

"DIP Loan Amount" has the meaning ascribed in Section 3.1.

"DIP Term Sheet" means the term sheet dated November 1, 2021, made by and between the Purchaser, as lender, and Junction, as borrower.

"Discharged" means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property.

"Encumbrances" means pledges, liens, charges, security interests, hypothecs, leases, title retention agreements, mortgages, options, adverse claim, levies, trusts or deemed trusts, or encumbrances of any kind or character whatsoever (whether contractual, statutory, or otherwise), whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise, including without limitation, (a) any encumbrances or charges created by any Order of the Court, including the NOI Charges, and (b) all charges, security interests or claims evidenced by

registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system.

"Equity Interests" has the meaning set out in subsection 2 of the BIA and includes the Existing Shares, any shareholder agreement in respect of the Existing Shares, any preferred shares in the capital of Junction and any other interest or entitlement to shares in the capital of Junction, but, for greater certainty, does not include the New Class A Shares.

"Excluded Assets" means:

- (a) the Excluded Contracts; and
- (b) any assets that are added to the Excluded Assets Pursuant to Section 4.2.

"Excluded Contracts" means all Contracts of Junction, that:

- (c) are listed in the list of Excluded Contracts set forth in Schedule "B"; and
- (d) any Contracts that are added to the Excluded Contracts pursuant to Section 4.2.

"Excluded Liabilities" means all Encumbrances, Claims, Liabilities, Taxes, obligations, undertakings, leases, agreements, debts, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether arising by subrogation, set-off, right of indemnification or otherwise) of or against Junction other than the Retained Liabilities including, without limiting the generality of the foregoing, those:

- (a) arising from or in connection with the conduct of the Business and the operation of the Retained Assets prior to the Filing Date (other than those specifically included in the Retained Liabilities);
- (b) arising from, in connection with or otherwise accruing before or after the Filing Date relating to any of the Excluded Assets;
- (c) any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which Junction may be bound as at the Closing Time; and
- (d) that are added as Excluded Liabilities pursuant to Section 4.2.

"Existing Shares" means all of the common shares of Junction that are issued and outstanding immediately prior to the Closing Time, which, for greater certainty, does not include the New Class A Shares.

"Filing Date" means October 15, 2021.

"Goodwill" means the goodwill of the Business and relating to the Retained Assets, and information and documents relevant thereto including lists of customers and suppliers, credit information, telephone and facsimile numbers, email addresses, internet addresses and domain names used in connection with the Business, research materials, research and development files and the exclusive right of each of Junction to represent itself as carrying on the Business and to all

rights in respect of the all tradenames or brands used in connection with Business, including but not limited to "Junction", "Junction Craft Brewery", "Caribru" and "St. Mary's Axe", and any variations of such names.

"Governmental Authority" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board, or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory, or administrative functions of, or pertaining to, government or securities market regulation.

"Governmental Authorizations" means authorizations, approvals, licences or permits issued to Junction relating to the Business or any of the Retained Assets by or from any Governmental Authority.

"GST/HST" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act* (Canada).

"Intellectual Property" means any or all of the following items, wherever located: all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, copyrights and copyright rights, brand names, trade dress, business and product names, domain names, corporate names, logos, slogans, trade secrets, recipes, inventions, processes, formulae, industrial models, designs, specifications, data, technology, methodologies, computer programs (including all source code), confidential and proprietary information, whether or not subject to statutory registration, all related technical information, manufacturing, engineering and technical drawings, know how, all pending applications for and registrations of patents, trademarks, service marks and copyrights, including all obligations of third parties relating to the protection of the foregoing, the goodwill associated with the foregoing, and the right to sue for past payment, if any, in connection with any of the foregoing, and all documents, disks and other media on which any of the foregoing is stored.

"Junction" has the meaning set out in the recitals hereto.

"JCB Beverages" means JCB Beverages Inc., a wholly-owned subsidiary of Junction.

"Lease" means the real property lease for the premises located at Unit 120,150 Symes Road in Toronto, Ontario, made by and between Junction (as tenant) and Symesbridge Inc. (as landlord), dated May 16, 2020, as amended.

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

"AGCO Licenses" means all licenses and authorizations related to the operation of the Business issued to Junction under the Alcohol and Gaming Commission of Ontario (the "AGCO"), including without limitation the licences enumerated in Schedule "D".

"New Class A Shares" means the Class A Special Shares of Junction to be issued to the Purchaser as part of Closing.

"**NOI Charges**" means the Administration Charge, the Directors' Charge and the DIP Charge.

"**NOI Proceedings**" has the meaning set out in the recitals hereto.

"**Officers**" means, collectively anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of Junction, and "**Officer**" means any one of them.

"**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"**Outside Date**" means December 29, 2021 or such later date as the Parties may agree to in writing or as ordered by the Court.

"**Party**" means a party to this Agreement and any reference to a Party includes its successors and permitted assigns and "**Parties**" means more than one of them.

"**Permitted Encumbrances**" means the Encumbrances listed in Schedule "E".

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"**Personal Property**" means any and all of Junction's inventory, raw materials, finished and unfinished goods, machinery, equipment, furniture, signage, telecommunication and computer equipment, and all other tangible personal property;

"**Post-Filing**" means the period of time after and including the Filing Date.

"**Pre-Closing Reorganization**" means the transactions, acts or events described in Schedule "A", which are to occur immediately prior to the Closing Time.

"**Pre-Filing**" means the period of time prior to the Filing Date.

"**Prepaid Amounts**" means all prepayments, prepaid charges, deposits, security deposits, sums and fees related to the Business.

"**Priority Amounts**" means any amounts that remain unpaid as at the Closing Date, and which are payable in priority to Farm Credit Canada, including, without limitation, amounts secured by the Administration Charge and the Directors' Charge.

"**Purchase Price**" has the meaning set out in Section 3.1.

"**Qualified Offer(s)**" shall mean an offer to purchase the New Class A Shares or an alternate transaction acceptable to the Trustee and the Court which includes a purchase price equal or greater than the aggregate of the Purchase Price set out herein plus (a) a break-fee amount of \$50,000 (the "**Break Fee**"); (b) a costs amount payable to the Purchaser of \$25,000 (the "**Costs Amount**"); and, (c) an overbid amount of not less than \$50,000;

"Redemption and Cancellation" means the redemption and cancellation of all issued and outstanding common shares in the capital of Junction in accordance with Article 2.

"ResidualCo." means an Ontario corporation to be incorporated by and as a wholly-owned subsidiary of Junction for the purposes of accepting the transfer of all Excluded Assets and assumption of all Excluded Liabilities as part of the Pre-Closing Reorganization, and which is to make an assignment in bankruptcy immediately following the Closing.

"ResidualCo Shares" means all of the existing and outstanding shares of ResidualCo that are beneficially owned by Junction.

"Retained Assets" means all of Junction's properties, assets and rights other than the Excluded Contracts, including, without limitation, the following:

- (a) cash, bank balances, moneys in possession of banks, the Trustee and other depositories, term or time deposits and similar cash items, owned or held by or for the account of Junction;
- (b) the Accounts Receivable relating to the Business and the benefit of all security (including cash deposits), guarantees and other collateral held by Junction relating thereto;
- (c) all Prepaid Amounts;
- (d) the Personal Property;
- (e) the Books and Records;
- (f) the Retained Contracts;
- (g) the Intellectual Property;
- (h) the Goodwill;
- (i) the Governmental Authorizations, except to the extent consent to change of control is required;
- (j) the AGCO Licences;
- (k) Canadian Food Inspection Agency licence enumerated in Schedule "D";
- (l) the Canada Revenue Agency licences enumerated in Schedule "D";
- (m) all of the issued and outstanding shares of JCB Beverages owned by Junction; and
- (n) properties, assets and rights that are added as Retained Assets pursuant to Section 4.3.

"Retained Contracts" means all Contracts entered into by Junction, whether or not there are any written agreements with respect thereto, including without limitation those set forth in Schedule "C" and any Contracts that are added as Retained Contracts pursuant to Section 4.3, but excluding the Excluded Contracts.

"Retained Liabilities" means the Liabilities of Junction:

- (a) arising from or in connection with the performance of the Retained Contracts after the Filing Date;
- (b) arising from or in connection with the AGCO Licences; and
- (c) that are added as Retained Liabilities pursuant to Section 4.3,

but does not include the Excluded Liabilities.

"Sale Process Order" means an order or orders to be sought from the Court upon terms acceptable to the Parties, each acting reasonably, that alone or in combination, among other things, (a) approves this Agreement; (b) authorizes Junction to enter into this Agreement and (c) authorizes the Trustee to conduct a marketing and sale process in respect of the opportunity to acquire the business and/or assets of Junction, substantially in accordance with the sale procedures set forth in Schedule "G" hereto.

"Stalking Horse Offer" has the meaning ascribed in Section 8.1(a) hereof.

"Taxes" means, with respect to any Person, all national, federal, provincial, local or other taxes, including but not limited to income taxes, capital gains taxes, value added taxes, severance taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, licence taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

"Transaction" means the purchase and sale of the New Class A Shares contemplated by this Agreement.

"Trustee" has the meaning set out in the recitals hereto.

"Trustee's Certificate" means the certificate of the Trustee contemplated by the Approval and Vesting Order certifying that the Trustee has received written confirmation in form and substance satisfactory to the Trustee from the Parties that all conditions of Closing have been satisfied or waived by the applicable Parties.

"Winning Bidder" has the meaning ascribed thereto in Section 8.1(b) hereof.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other person other than Junction or the Purchaser, or any affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to \$, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules

The following schedules attached hereto form part of this Agreement:

SCHEDULES

Schedule "A"	Pre-Closing and POST-Closing Reorganization Steps
Schedule "B"	Excluded Contracts
Schedule "C"	RETAINED Contracts
Schedule "D"	Licences
Schedule "E"	Permitted Encumbrances
Schedule "F"	Sales Procedures

ARTICLE 2 PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Issuance of New Class A Shares

On and subject to the terms and conditions of this Agreement, Junction agrees to issue the New Class A Shares to the Purchaser, and the Purchaser agrees to subscribe for and purchase the New Class A Shares

from Junction, as fully paid and non-assessable shares free and clear of all Encumbrances, effective as of the Closing Time, in exchange for the payment of the Purchase Price.

2.2 Amendment to Articles and Cancellation of Common Shares

Immediately following the issuance of the New Class A Shares to the Purchaser at the Closing Time and in accordance with the Post-Closing Reorganization and the Approval and Vesting Order, Junction and the Purchaser shall take the following steps in the following sequence:

- (a) **Amendment to Articles.** Junction's articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for a total aggregate amount of \$660.96 (the "**Redemption Cost**"); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Purchaser, in its sole and unfettered discretion.
- (b) **Redemption & Cancellation.** Junction shall (i) redeem all of the issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost (which Redemption Cost will be funded by the Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares.

2.3 New Class A Shares

Subject to the terms and conditions of this Agreement, effective immediately following the Redemption and Cancellation, the Purchaser shall be the sole owner of the New Class A Shares, which shall represent 100% of Junction's issued and outstanding equity. For greater clarity, there will be no preferred shares in the capital of Junction issued and outstanding after the Closing Time.

2.4 Right to Modify the Reorganization Transactions

At any time prior to the Closing Date, the Parties may, by giving written notice to the Trustee, elect to modify any of the steps or sequencing thereof contemplated by the Pre-Closing Reorganization or the Post-Closing Reorganization.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

For the purposes of Junction agreeing to issue the New Class A Shares to the Purchaser, the Purchaser agrees to pay the following aggregate consideration (the "**Purchase Price**"):

- (a) the amount of \$400,000 (the "**Cash Payment**");
- (b) any and all amounts secured by the DIP Charge at Closing (the "**DIP Loan Amount**");
- (c) an amount equal to the Priority Amounts; and
- (d) an amount equal to the Bankruptcy Costs.

3.2 Deposit

Within seven (7) Business Days of the execution and delivery of this Agreement by the Purchaser, but in all cases on or prior to November 8, 2021, the Purchaser shall deliver a deposit payable to the order of the Trustee, in trust, in the amount of \$400,000 (the “**Deposit**”).

The Deposit shall be held, pending Closing, by the Proposal Trustee in an interest-bearing account with a bank.

If the Closing does not occur by reason of the uncured default of the Purchaser, the full amount of the Deposit shall become the property of Junction and be paid over by the Trustee to Junction as liquidated damages and not as a penalty. Junction’s recourse against the Purchaser in such circumstances shall be limited to the right of Junction to retain the Deposit.

If the Closing does not occur for any reason other than the uncured default of the Purchaser, the full amount of the Deposit, plus all interest thereon, shall be returned by the Trustee to the Purchaser and the Purchaser shall have no further recourse against the Trustee or Junction.

3.3 Satisfaction of the Purchase Price

The Purchaser shall satisfy the Purchase Price on Closing as follows:

- (a) by application of the Deposit to pay Cash Payment;
- (b) the DIP Loan Amount shall be satisfied by the Purchaser cancelling and extinguishing all amounts due and owing under the DIP Term Sheet;
- (c) an amount equal to the Priority Amounts shall be paid by way of immediately available funds to the Trustee, in trust; and
- (d) the Bankruptcy Costs shall be paid by way of immediately available funds to the Trustee, in trust, who shall provide same to Richter Advisory Group Inc. prior to its appointment, if approved by the Court, as trustee in bankruptcy of ResidualCo.

ARTICLE 4 RETAINED ASSETS, RETAINED LIABILITIES, EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Retained Assets and Retained Liabilities; Transfer of Excluded Assets and Excluded Liabilities to ResidualCo

Pursuant to the Approval and Vesting Order, on the Closing Date and in accordance with the terms of this Agreement (i) Junction shall retain all of the Retained Assets and shall remain liable in respect of the Retained Contracts, and (ii) Junction shall retain all of the Retained Liabilities and shall remain liable in respect of the Retained Liabilities.

Pursuant to the Approval and Vesting Order, on the Closing Date, (i) all of the Excluded Assets shall be transferred to and vested in ResidualCo at the Closing Time, and (ii) all of the Excluded Liabilities shall be transferred to and assumed by ResidualCo at the Closing Time. Notwithstanding any other provision of this Agreement, neither the Purchaser nor Junction shall assume or have any liability for any of the Excluded

Liabilities and all Excluded Liabilities shall be Discharged from Junction and its assets, undertakings, business and property from and after the Closing Time.

4.2 Right to Exclude Contracts and Liabilities

At any time prior to the day that is two (2) business days prior to the hearing date for the Approval and Vesting Order, the Purchaser may, by giving written notice to Junction and the Trustee, elect to:

- (a) exclude any assets or properties of Junction from the Retained Assets, and add such assets or properties to the Excluded Assets;
- (b) exclude any Contract from the Retained Contracts, and add such Contracts to the Excluded Contracts; and
- (c) exclude any Liability from the Retained Liabilities and add such Liability to the Excluded Liabilities.

No change to the Purchase Price shall result from the exclusion of any assets, properties, Contracts or Liabilities from the Retained Contracts or Retained Liabilities pursuant to this Section 4.2.

4.3 Right to Add Assets and Liabilities

At any time prior to the day that is two (2) business days prior to the hearing date for the Approval and Vesting Order, the Purchaser may, by giving written notice to Junction and the Trustee, elect to:

- (a) exclude any assets or properties of Junction from the Excluded Assets, and add such assets or properties to the Retained Assets;
- (b) exclude any Contract from the Excluded Contracts, and add such Contracts to the Retained Contracts; and
- (c) exclude any Liability from the Excluded Liabilities and add such Liability to the Retained Liabilities.

No change to the Purchase Price shall result from the addition of any assets, properties, Contracts or Liabilities to the Retained Contracts or Retained Liabilities pursuant to this Section 4.3.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Junction

Subject to the issuance of the Approval and Vesting Order, Junction hereby represents and warrants to and in favour of the Purchaser, and acknowledges that, as of the Closing Time, the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) **Incorporation and Status.** Junction is a corporation amalgamated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

- (b) **Corporate Authorization.** The execution, delivery and performance by Junction of this Agreement has been authorized by all necessary corporate action on the part of Junction.
- (c) **No Conflict.** The execution, delivery and performance by Junction of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of Junction.
- (d) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by Junction and constitutes a legal, valid and binding obligation of Junction, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (e) **Authorized and Issued Capital and Title to the New Class A Shares.** Immediately following the Closing Time and the Redemption and Cancellation, the New Class A Shares will constitute all of the issued and outstanding shares in the capital of Junction and the Purchaser will be the sole registered and beneficial owner of the New Class A Shares, with good and valid title thereto, free and clear of all Encumbrances (other than the Permitted Encumbrances). Immediately following the Closing Time and the Redemption and Cancellation, the New Class A Shares will be: (i) duly authorized and validly issued as fully paid and non-assessable; and (ii) there will be no issued and outstanding common shares or other securities of Junction other than the New Class A Shares nor will there be any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person and which are convertible into or exchangeable for common shares or any other securities of Junction.
- (f) **Residency.** Junction is a "taxable Canadian corporation" for the purposes of the *Income Tax Act* (Canada).

5.2 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of Junction, and acknowledges that, as of the Closing Time, Junction is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

- (a) **Incorporation and Status.** The Purchaser is a corporation incorporated and existing under the *Business Corporations Act* (Ontario), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.
- (b) **Corporate Authorization.** The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.
- (c) **No Conflict.** The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

- (d) **Execution and Binding Obligation.** This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.
- (e) **Financial Ability.** The Purchaser will have, as of the Closing Date, (i) sufficient funds available for the purposes of satisfying the Purchase Price and any other amount due hereunder or in respect hereof; and (ii) the resources and capabilities (financial or otherwise) to perform its obligations hereunder, including the Retained Liabilities.
- (f) **Residency.** The Purchaser is a "taxable Canadian corporation" for the purposes of the *Income Tax Act* (Canada).
- (g) **HST Registrant.** The Purchaser is, or will be on the Closing Date, an HST registrant.

5.3 "As is, Where is"

The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the New Class A Shares shall be issued to the Purchaser on an "as is, where is" basis, subject only to the representations and warranties contained herein. Further, it is acknowledged and agreed that neither Junction nor the Trustee has made, or will make, any representation, nor grant any warranty or condition in respect of the Retained Assets. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, Encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever, including with respect to the New Class A Shares and the Retained Assets and the right of Junction to sell or assign same.

ARTICLE 6 COVENANTS

6.1 Closing Date

Except (i) as otherwise expressly contemplated or permitted by this Agreement, (ii) as required by Applicable Law or any order of the Court or (iii) as consented to by the Purchaser (such consent not to be unreasonably withheld, conditioned or delayed), Junction shall until Closing:

- (a) use its commercially reasonable efforts to remain in possession of the Retained Assets, use the Retained Assets only in the ordinary course of business and maintain, preserve and protect the Retained Assets in the condition in which they exist on the date hereof, other than ordinary wear and tear and other than replacements, dispositions, modifications or maintenance in the ordinary course of business, including by maintaining in full force and effect all material insurance policies and binders relating to the Retained Assets;
- (b) not transfer, lease, licence, sell, abandon, create any Encumbrance (other than a Permitted Encumbrance) on, or otherwise dispose of any of the Retained Assets or any portion thereof or interest therein, other than in the ordinary course of business in all material respects consistent with past practice;
- (c) not amend in any material respect or in a manner outside the ordinary course of business any Contract that forms a part of the Retained Assets or waive any material provision or right thereunder or surrender, disclaim, terminate or assign any such Contract; and

- (d) operate and maintain the Retained Assets in material compliance with all Applicable Laws and any Governmental Authorizations.

6.2 Actions to Satisfy Closing Conditions

Each of the Parties shall use its commercially reasonable efforts to take or cause to be taken, all appropriate action, and do, or cause to be done all things necessary, proper or advisable under any law or otherwise to consummate and make effective, as soon as reasonably practicable and in any event prior to the Outside Date, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, each Party shall:

- (a) use its commercially reasonable efforts to take all such actions as are within its power to control and to cause other actions to be taken which are not within its power to control, so as to ensure the fulfillment of all of the conditions precedent to the other Party's obligations to consummate the transactions contemplated hereby; and
- (b) not take any action, or refrain from taking any action and use commercially reasonable efforts to not permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.

6.3 Insurance Matters

Until Closing, Junction shall keep in full force and effect all of its existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice in the ordinary course of business.

ARTICLE 7 CLOSING

7.1 Closing

Subject to the conditions set out in this Agreement, the completion of the Transaction shall take place at the Closing Time by electronic means due to the COVID-19 pandemic, or as otherwise determined by mutual agreement of the Parties in writing.

7.2 Pre-Closing Reorganization

Subject to the terms of this Agreement, Junction shall effect the Pre-Closing Reorganization. The Purchaser and Junction shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

7.3 Junction's Closing Deliveries

At or prior to the Closing Time, Junction shall execute and deliver, or arrange for the delivery, as the case may be, to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;

- (b) the executed Trustee's Certificate;
- (c) share certificates representing the New Class A Shares;
- (d) share certificates representing all shares in JCB Beverages;
- (e) a certificate of an officer of Junction dated as of the Closing Date confirming that all of the representations and warranties of Junction contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that Junction has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (f) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction.

7.4 Purchaser's Closing Deliveries

At or prior to the Closing Time the Purchaser shall execute and deliver, or arrange for the delivery, as the case may be, to Junction (or the Trustee as this Agreement may require) the following, each of which shall be in form and substance satisfactory to Junction, acting reasonably:

- (a) the Cash Payment in accordance with Section 3.1(a);
- (b) cancellation of the indebtedness under the DIP Term Sheet in accordance with Section 3.1(b);
- (c) payment of the Priority Amounts in accordance with Section 3.1(c);
- (d) payment of the Bankruptcy Costs in accordance with Section 3.1(b);
- (e) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and
- (f) such other agreements, documents and instruments as may be reasonably required by Junction (or the Trustee, as applicable) to complete the Transaction.

ARTICLE 8 SALE PROCESS AND CONDITIONS OF CLOSING

8.1 Sale Process

- (a) Junction shall bring a motion for the Sale Process Order on or before November 8, 2021. The Sale Process Order shall (a) approve this Agreement; (b) recognize the within offer by the Purchaser and Purchase Price as a baseline or "stalking horse bid" (the "**Stalking Horse Offer**") and (c) provide for a marketing and sale process for the business and/or assets to be administered by the Trustee. The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior offer can be obtained.

- (b) In the event that one or more Persons submits a Qualified Offer on or before the offer deadline of December 9, 2021, the Trustee shall conduct an auction for the determination and selection of a winning bid (the Person submitting such bid being the “**Winning Bidder**”). Upon the selection of the Winning Bidder, there shall be a binding agreement of purchase and sale between the Winning Bidder and Junction. Junction shall forthwith bring a motion following the selection of the Winning Bidder for an order approving the agreement reached with the Winning Bidder and to vest the Purchased Assets in the Winning Bidder and, if granted, shall proceed with closing the transaction forthwith.
- (c) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the Winning Bidder, then upon the making of the order by the Court contemplated in Subsection 8.1(b) above to approve a transaction with such Winning Bidder, this Agreement shall be terminated and the Purchaser shall be entitled to (i) the return of the Deposit (as soon as practicable) and (ii) forthwith following the closing of the successful transaction, payment of the Break Fee and the Costs Amount; and, in such case, neither Party hereto shall have any other or further liability or obligation, except as expressly provided for in this Agreement.
- (d) If no Qualified Offers are received by the Offer Deadline (other than the Stalking Horse Offer), Junction or the Trustee shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the transaction contemplated hereby forthwith.

8.2 Conditions Precedent in Favour of the Purchaser and Junction

The obligations of Junction and the Purchaser to complete the Transaction are subject to the following conditions being fulfilled or performed:

- (a) the Administrative Order shall have been issued by the Court not later than November 8, 2021;
- (b) the Sale Process Order shall have been issued by the Court not later than November 8, 2021;
- (c) the Purchaser shall have been selected as the Winning Bidder;
- (d) the Approval and Vesting Order shall not have been stayed, varied in a manner adverse to the Purchaser, or vacated, and no application, motion or other proceeding shall have been commenced seeking the same, which has not been fully dismissed or withdrawn or otherwise resolved in a manner satisfactory to Junction and the Purchaser, each acting reasonably;
- (e) no order shall have been issued by a Governmental Authority which restrains or prohibits the completion of the Transaction; and
- (f) no motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of Junction and the Purchaser. If the conditions set out in this Section 8.1 are not satisfied performed or mutually waived on or

before the Outside Date, either Party shall have the option to terminate this Agreement upon written notice to the other Party.

8.3 Conditions Precedent in Favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

- (a) **Junction's Deliverables.** Junction shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 7.3.
- (b) **No Breach of Representations and Warranties.** Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 5.1 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (c) **No Breach of Covenants.** Junction shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by Junction on or before the Closing Date.
- (d) **ResidualCo.** Pursuant to the Approval and Vesting Order, (i) all of the Excluded Assets and the Excluded Liabilities shall have been transferred to ResidualCo or Discharged, (ii) the Excluded Liabilities shall have attached to the Excluded Assets, and (iii) Junction and its business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than the Permitted Encumbrances and Retained Liabilities) such that, from and after Closing the business and property of Junction shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.
- (e) **NOI Proceeding.** Upon Closing, pursuant to the Approval and Vesting Order, the NOI Proceedings shall have been terminated in respect of Junction and its business and property, as set out in the Approval and Vesting Order.
- (f) **Trustee's Certificate.** The Trustee shall have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and Junction.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 8.3 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.

8.4 Conditions Precedent in Favour of Junction

The obligation of Junction to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed:

- (a) **Purchaser's Deliverables.** The Purchaser shall have executed and delivered or caused to have been executed and delivered to Junction at the Closing all the documents and payments contemplated in Section 7.4.

- (b) **No Breach of Representations and Warranties.** Each of the representations and warranties contained in Section 5.2 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.
- (c) **No Breach of Covenants.** The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.
- (d) **Trustee's Certificate.** The Trustee shall have provided an executed copy of the Trustee's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and Junction.

The foregoing conditions are for the exclusive benefit of Junction. Any condition in this Section 8.4 may be waived by Junction in whole or in part, without prejudice to any of their rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on Junction only if made in writing.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

In addition to any other provision of this Agreement dealing with termination, this Agreement may be terminated on or prior to the Closing Date by either Party upon written notice to the other Party if:

- (i) the Administrative Order or Sale Process Order has not been obtained by November 8, 2021;
- (ii) the Approval and Vesting Order has not been obtained by the Outside Date;
- (iii) the Court declines at any time to grant the Approval and Vesting Order; in such case for reasons other than a breach of this Agreement by the Party proposing to terminate the Agreement; or
- (iv) the conditions to closing in favour of the Purchaser are not met by the Outside Date.

9.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 9.1, all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder. For greater certainty, if this Agreement is terminated pursuant to Section 9.1, the full amount of the Deposit, plus all interest thereon, shall be returned by the Trustee to the Purchaser and the Purchaser shall have no further recourse against the Trustee or Junction.

ARTICLE 10 GENERAL

10.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for ResidualCo (or any trustee in bankruptcy of the estate of ResidualCo) to comply with Applicable Law, the Purchaser shall cause Junction to retain all original Books and Records. So long as any such Books and Records are retained by Junction pursuant to this Agreement, ResidualCo (and any representative, agent, former director or officer of Junction or trustee in bankruptcy of the estate of ResidualCo, including the Trustee) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of Junction.

10.2 Notice

Any notice or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by courier service, or (iii) sent by email or other similar means of electronic communication, in each case to the applicable address set out below:

- (a) in the case of the Purchaser, as follows:

3-1750 The Queensway – Suite 1402
Toronto, ON M9C 5H5

Attention: Andrew Marsh, President
Email: andrewmarsh@five1ninegroup.com

with a copy to:

Loopstra Nixon LLP
Attention: Graham Phoenix
Email: gphoenix@loonix.com

- (b) in the case of Junction, as follows:

150 Symes Rd., Toronto, ON M6N 1P4

Attention: Stuart Wheldon, President
Email: stuart@junctioncraft.com

with a copy to:

Chaitons LLP
Attention: Sam Rappos
Email: samr@chaitons.com

(c) in each case, with a further copy to the Trustee as follows:

Richter Advisory Services Inc.
181 Bay Street - #3510
Bay Wellington Tower
Toronto, ON M5J 2T3

Attention: Karen Kimel
Email: kkimel@richter.ca

with a copy to:

Aird & Berlis LLP
Attention: Miranda Spence
Email: mspence@airdberlis.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

10.3 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

10.4 Survival

All representations, warranties, covenants and agreements of the Parties made in this Agreement or any other agreement, certificate or instrument delivered pursuant to this Agreement shall not survive the Closing except where, and only to the extent that, the terms of any such covenant or agreement expressly provide for rights, duties or obligations extending after the Closing, or as otherwise expressly provided in this Agreement.

10.5 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo.

10.6 Entire Agreement

This Agreement, the attached Schedules hereto, constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements. This Agreement may not be amended or modified in any respect except by written instrument executed by all of the Parties.

10.7 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.

10.8 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

10.9 Assignment by Purchaser

This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, without the prior written consent of Junction or the Trustee, provided that such assignee is a related party or subsidiary of the Purchaser and (i) the Purchaser shall provide prior notice of such assignment to Junction, (ii) such assignee shall agree to be bound by the terms of this Agreement to the extent of the assignment, and (iii) the Purchaser shall continue to be responsible for all obligations of the Purchaser hereunder notwithstanding such assignment..

10.10 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

10.11 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or by email of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

10.12 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

10.13 Trustee's Certificate

The Parties acknowledge and agree that the Trustee shall be entitled to deliver to the Purchaser, and file with the Court, an executed Trustee's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Trustee shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Trustee may deliver the executed Trustee's Certificate to the Purchaser's counsel in escrow, with the sole condition of its

release from escrow being the Trustee's written confirmation that all such funds have been received. Upon such confirmation being given, the Trustee's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

10.14 No Liability

In addition to all of the protections granted to the Trustee under the BIA or any Order of the Court in these NOI Proceedings, Junction and the Purchaser acknowledge and agree that the Trustee, acting in its capacity as Trustee and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Trustee.

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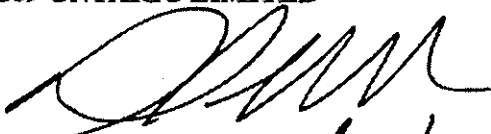
IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

JUNCTION CRAFT BREWERY INC.

Per: _____
Name:
Title:

I have authority to bind the corporation

1000003509 ONTARIO LIMITED

Per: 
Name: *Andrew Marshall*
Title: *President*

I have authority to bind the corporation

SCHEDULE "A"
PRE-CLOSING AND POST-CLOSING REORGANIZATION STEPS

Pre-Closing Reorganization

Prior to the Closing Date, ResidualCo shall be incorporated by Junction with nominal consideration for common shares.

The following steps shall occur prior to Closing on the Closing Date, in the following sequence:

1. The Excluded Assets and the Excluded Liabilities shall be transferred to, assumed by and vest in ResidualCo pursuant to the Approval and Vesting Order.
2. Any and all Equity Interests of Junction other than the common shares of Junction shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all equity claims shall be fully, finally, irrevocably and forever compromised, released, discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof, pursuant to the Approval and Vesting Order.

Post-Closing Reorganization

The following steps shall occur immediately following Closing on the Closing Date, in the following sequence, pursuant to the Approval and Vesting Order:

1. Junction's articles shall be amended to, among other things: (i) amend the provisions of the issued and outstanding common shares in the capital of Junction, making the same redeemable and retractable, at the nominal redemption price of \$0.01 per share, for an total aggregate amount of \$660.96 (the "**Redemption Cost**"); and, (ii) provide for such additional changes to the rights and conditions attached to the common shares of Junction as may be requested by the Purchaser, in its sole and unfettered discretion.
2. Junction shall (i) redeem all of issued and outstanding common shares in the capital of Junction by paying to each holder of such common shares its pro rata share of the Redemption Cost (which Redemption Cost will funded by the Purchaser) and, (ii) immediately thereafter, cancel all of the issued and outstanding common shares

SCHEDULE "B"
EXCLUDED CONTRACTS

The following is a list of Excluded Contracts:

1. To be provided (if any) pursuant to Section 4.2 of the Agreement.

SCHEDULE "C"
RETAINED CONTRACTS

The following is a non-exhaustive list of the Retained Contracts:

1. the Lease;
2. the Equipment Rental Agreement between Junction and Ed Lycklama, dated August 9, 2019; and
2. all other Contracts, except those to that may be excluded prior to Closing pursuant to Section 4.2 of the Agreement.

**SCHEDULE "D"
LICENCES**

AGCO LICENCES

1. Manufacturer's Licence – Brewery, issued June 4, 2020 - Licence No. MFB1025549
2. Liquor Sales Licence, issued Aug 13, 2018 – Licence No. LSL818963
3. On Site-Brewery Retail Store Authorization, issued June 4, 2020 – Licence No. RSAB1025756

CANADIAN FOOD INSPECTION AGENCY LICENCE

1. Safe Food for Canadians Act Licence, issued October 4, 2021 – Licence No. 4J44XJMJ

CANADA REVENUE AGENCY LICENCES

1. Excise Licence – Brewer, issued January 26, 2018 – Licence No. 54-4-830
2. Excise Licence – Spirits, issued June 10, 2021 – Licence No. 54-SL-935
3. Excise Licence – Warehouse. issued June 10, 202 – Licence No. 54-EWL-2232

SCHEDULE "E"
PERMITTED ENCUMBRANCES

1. Any registration made against Junction under the *Personal Property Security Act* (Ontario) in respect of equipment leased by Junction under a lease that is included as a Retained Contract under the Agreement.

SCHEDULE "F"
SALE PROCEDURES

STALKING HORSE SALE PROCESS
JUNCTION CRAFT BREWING INC.

Defined Terms

1. These terms and conditions, and the process described herein shall collectively be hereinafter referred to as the “**Sale Process**”.
2. All capitalized terms contained herein but not otherwise defined herein shall have the meanings ascribed thereto in the Agreement to which this schedule is appended.
3. “**Stalking Horse Offer**” shall mean the transaction contemplated by the stalking horse share purchase agreement between Junction, as vendor, and 1000003509 Ontario Limited., as purchaser, to be approved by the Court pursuant to the Sale Process Order.

Role of the Trustee

4. The Sale Process will be administered by the Trustee on behalf of Junction. The roles and responsibilities of the Trustee are described in further detail throughout this Sale Process, however, the Trustee’s role in the Sale Process does not include managing, operating, or taking possession or control of Junction’s property, assets or undertakings.
5. Junction and its principals, employees and professional advisors shall cooperate with the Trustee throughout the Sale Process and provide documents and information requested as part of the Sale Process to the Trustee in a prompt fashion.
6. Junction and its principals, employees and professional advisors shall cooperate with the Trustee throughout the Sale Process to facilitate site visits/facility tours for, and to meet with, interested parties.

Commencement of the Sale Process

7. The Sale Process shall commence immediately on the date the Court issues the Sale Process Order (the “**Commencement Date**”).
8. As soon as practicable after the Commencement Date, the Trustee shall contact parties identified by Junction or the Trustee who may be interested in purchasing the business and/or assets of Junction together with any other parties who may be so identified by Junction or the Trustee as potentially interested in purchasing the business and/or assets of Junction (collectively, the “**Prospective Participants**” and each a “**Prospective Participant**”) and provide those parties with a copy of an initial offering summary (the “**Teaser Letter**”). The Teaser Letter shall contain general details about the opportunity to purchase the business and/or assets of Junction (the “**Opportunity**”), as well as some general background information about Junction.

9. As soon as practicable after the Commencement Date, the Trustee shall also (a) publish a notice advertising the Opportunity in the National Post and/or such other newspaper and/or trade publications or other publications as the Trustee may deem appropriate or advisable, and (b) post the Teaser Letter and other relevant information concerning the Opportunity, as determined by the Trustee, on its website.

Due Diligence

10. Any Prospective Participant who advises the Trustee of its interest in participating in the Sale Process shall execute a non-disclosure agreement (the “**NDA**”) in a form satisfactory to the Trustee and shall satisfy the Trustee, in the Trustee’s sole discretion, of its ability to consummate a transaction for the acquisition of the business and/or assets of Junction. Any Prospective Participant executing an NDA and so satisfying the Trustee shall be invited to participate in the Sale Process and commence due diligence.
11. Commencing on the Commencement Date (and after each respective Prospective Participant has executed the NDA), the Trustee shall make available to the qualifying Prospective Participants the following:
- a) a copy of a template share purchase agreement and template asset purchase agreement (either such agreement being referred to as the “**Template Purchase Agreement**”); and
 - b) access to an electronic data room, to be maintained by the Trustee, which shall contain information pertaining to the Opportunity along with other corporate financial and other documents as provided by Junction.

Offer Deadline

12. All offers must be submitted in writing to and received by the Trustee electronically to azeldin@richter.ca by no later than 5:00pm (Toronto time) on December 9, 2021 (the “**Offer Deadline**”). Each offer must remain open for acceptance until December 29, 2021.

Qualified Offers

13. An offer will only be considered in this Sale Process, in which case it shall be considered a “**Qualified Offer**”, if it is submitted before the Offer Deadline and if it meets the following minimum criteria:
- a) it must be submitted in writing, substantially in the form of the Template Purchase Agreement, with any changes to the offer blacklined against the appropriate Template Purchase Agreement;
 - b) it must be for a price equal to or greater than the sum of (i) \$400,000; (ii) any and all amounts secured by the DIP Charge at Closing; (iii) an amount equal to the Priority Amounts; (iv) an amount equal to the Bankruptcy Costs; PLUS (v)

\$50,000, representing the Break Fee; (vi) \$25,000, representing the Costs Amount; and (vi) \$50,000, representing the overbid amount as set out in the Agreement;

- c) it must be irrevocable until five business days after the Auction (*as defined herein*);
- d) it must be accompanied by a deposit in the form of a certified cheque or bank draft (or in the form of confirmed wire transfer in the case of offers submitted electronically) payable to the Trustee "in trust" which is equal to at least ten percent (10%) percent of the total purchase price payable under the offer;
- e) it may only contemplate an acquisition on an "as is, where is" basis and must include an acknowledgement that the purchaser has relied solely on its own independent review and investigation and that it has not relied on any representation by Junction, the Trustee or their respective agents, employees or advisors;
- f) it must not contain any condition or contingency relating to due diligence or financing or any other material conditions precedent to the offeror's obligation to complete the transaction (save and except for approval by the Court); and
- g) it must include written evidence, satisfactory to the Trustee, that the offeror has the financial means to complete the proposed acquisition,

provided however that the Trustee may (i) consider liquidation offers in respect of the assets of Junction and (ii) exercising its reasonable discretion, waive compliance with one or more of the foregoing Qualified Offer requirements and deem such non-compliant offer to be a Qualified Offer.

- 14. The Stalking Horse Offer shall be deemed to be a Qualified Offer.
- 15. Offers for all or part of the business, assets and undertakings of Junction will be considered.

Auction

- 16. If no Qualified Offer is received by the Offer Deadline (other than the Stalking Horse Offer), the Auction (*as defined herein*) will not be held.
- 17. If more than one Qualified Offer is received by the Offer Deadline, the Trustee shall extend invitations by phone, fax and/or email by no later than 10:00am (Toronto time) on the second (2nd) Business Day after the Offer Deadline to all bidders who submitted Qualified Offers and to the Stalking Horse Offeror to attend an auction (the "**Auction**"). The Auction shall be held at 10:00am (Toronto time) on the third (3rd) Business Day after the Offer Deadline at the offices of the Trustee or by teleconference, video conference or other form of electronic telecommunications, as the Trustee may deem fit.
- 18. The Trustee shall conduct the Auction. At the Auction, the bidding shall begin initially with the highest Qualified Offer and subsequently continue in multiples of \$50,000, or such other amount as the Trustees determines, to facilitate the Auction. Additional consideration in excess of the amount set forth in the highest Qualified Offer must be comprised only of cash consideration (which, for clarity, may be satisfied by way of credit bid). Notwithstanding the foregoing, in the event that all secured debt is to be satisfied by one

or more Qualified Offers, additional consideration constituting such offer may include non-cash consideration. The format and other procedures for the Auction shall be determined by the Trustee in its sole discretion.

Selection of the Winning Bid

19. The winning bid (the “**Winning Bid**”) shall be, either:
 - a. in the event that no other Qualified Offer is received by the Offer Deadline, the Stalking Horse Offer;
 - or,
 - b. in the event that multiple Qualified Offers are received, following the conclusion of the Auction (if applicable), the party submitting the highest and best offer through the Auction, which the Trustee is satisfied, acting reasonably, is capable of being completed in accordance with the Sale Process Order.

Court Approval

20. As soon as practicable after determination of the Winning Bid, Junction will make a motion to the Court (the “**Approval Motion**”) for an approval and vesting order in respect of the Winning Bid and the underlying purchase agreement (the “**Final Purchase Agreement**”).
21. The Trustee shall serve and file a report with respect to the Sale Process and Winning Bid in advance of the Approval Motion.

Other Terms

22. All deposits received shall be held by the Trustee “in trust”. All deposits submitted by parties that submitted a Qualified Offer who did not submit the Winning Bid shall be returned, without interest, as soon as practicable following the date on which any such offers are rejected hereunder. The deposit forming part of the Winning Bid shall be dealt with in accordance with the Final Purchase Agreement.
23. In the event that a deposit is forfeited for any reason it shall be forfeited as liquidated damages and not as a penalty.
24. All Qualified Offers (other than the Winning Bid) shall be deemed rejected on the earlier of (a) the date on which the transaction contemplated by the Final Purchase Agreement is completed and (b) December 29, 2021, or such later date as may be agreed to, in writing, by the Trustee and the party who submitted the Qualified Offer.
25. Subject to the Sale Process Order or other order of the Court, Junction, in consultation with the Trustee, shall have the right to adopt such other rules for, or extend any deadlines in, the Sale Process that, at its sole discretion, will better promote the goals of the Sale Process.

Appendix “E”




Junction Craft Brewing Inc.
Cash Flow Forecast for the period Oct 17, 2021 to January 15, 2022
(in CAD's)

Week Ending	10/23/21	10/30/21	11/6/21	11/13/21	11/20/21	11/27/21	12/4/21	12/11/21	12/18/21	12/25/21	1/1/22	1/8/22	1/15/22	Total
	1	2	3	4	5	6	7	8	9	10	11	12	13	13 Weeks
Total Receipts	76,373	41,948	24,974	36,290	21,843	50,000	34,500	49,000	31,000	28,500	32,250	30,500	23,000	480,178
Disbursements														
Payroll & Tax	47,044	-	57,500	2,500	64,500	-	58,500	-	61,500	5,500	-	48,500	-	345,544
Rent, Leases, Insurance	612	3,400	30,090	2,323	-	-	30,090	2,323	-	-	4,399	40,823	-	114,060
Bank Fees, Subscriptions & Dues	450	1,122	810	-	450	-	910	810	450	-	350	1,820	-	7,172
Production	17,137	9,000	13,900	17,038	20,000	13,400	20,500	13,000	9,400	18,000	5,000	2,900	12,800	172,075
Distribution	-	1,150	2,200	1,150	1,000	1,150	2,450	1,150	1,000	1,150	2,200	1,150	1,000	16,750
Taproom	1,475	-	1,994	-	1,475	-	1,744	250	1,644	-	1,744	-	1,475	11,801
Events, Sales & Marketing	2,072	-	3,110	1,550	2,200	2,400	10	2,800	2,900	200	110	1,400	1,500	20,252
Professional Services	-	-	250	-	250	-	250	-	250	-	-	250	-	1,250
Utilities	380	-	9,095	-	116	-	9,295	-	-	116	7,095	2,200	-	28,297
NOI Legal & Professional Fees				100,000			100,000			100,000				300,000
Contingency			10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000		100,000
Total Disbursements	69,170	14,672	128,949	134,561	99,991	26,950	233,749	30,333	87,144	134,966	30,898	109,043	16,775	1,117,201
Net Cash Flow	7,203	27,276	(103,975)	(98,271)	(78,148)	23,050	(199,249)	18,667	(56,144)	(106,466)	1,352	(78,543)	6,225	(637,023)
Opening Cash Balance	1,346	8,549	35,825	31,850	33,579	5,431	28,481	29,232	47,899	41,755	35,289	36,641	8,098	1,346
Interim Financing			100,000	100,000	50,000		200,000		50,000	100,000		50,000		650,000
Ending Cash Balance	8,549	35,825	31,850	33,579	5,431	28,481	29,232	47,899	41,755	35,289	36,641	8,098	14,323	14,323
DIP Facility														
DIP Drawn - Opening Balance	-	-	-	100,000	200,000	250,000	250,000	450,000	450,000	500,000	600,000	600,000	650,000	
DIP Draw down	-	-	100,000	100,000	50,000	-	200,000	-	50,000	100,000	-	50,000	-	
DIP Drawn - Ending Balance	-	-	100,000	200,000	250,000	250,000	450,000	450,000	500,000	600,000	600,000	650,000	650,000	

The projected statement of cash flow has been prepared pursuant to the requirements of section 50.4(2) of the *Bankruptcy and Insolvency Act* and solely for that purpose.

Dated this 22nd day of October, 2021.

Junction Craft Brewing Inc.




Stuart Wheldon, CEO

The projected statement of cash flow has been prepared pursuant to the requirements of section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the attached Trustee's Report on the Cash-Flow Statement dated October 22, 2021 and the Report on Cash-Flow Statement by the Person Making the Proposal dated October 22, 2021.

Richter Advisory Group Inc. in its capacity as Trustee
Acting in re the proposal of
Junction Craft Brewing Inc.
And not in its personal capacity

per:



Karen Kimel, MAcc, CA, CPA, CPA(IL), CIRP, LIT

Appendix “F”

District of: ON
Division No.: 09-Toronto
Court No.: 31-2774500
Estate No.: 31-2774500

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

In the matter of the Notice of Intention to Make a Proposal of
Junction Craft Brewing Inc.
of the City of Toronto
in the Province of Ontario

The management of Junction Craft Brewing Inc. has developed the assumptions and prepared the attached statement of projected cash flow of the insolvent person, as of the 22nd day of October 2021, consisting of the period from October 17, 2021 to January 15, 2022.

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

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

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

Dated at the City of Toronto, in the Province of Ontario, this 22nd day of October 2021.



Junction Craft Brewing Inc.

Stuart Wheldon

Name of signing officer

District of: ON
Division No.: 09-Toronto
Court No.: 31-2774500
Estate No.: 31-2774500

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

In the matter of the Notice of Intention to Make a Proposal of
Junction Craft Brewing Inc.
of the City of Toronto
in the Province of Ontario

Purpose:

Junction Craft Brewing Inc. (the "**Company**") filed a Notice of Intention to Make a Proposal on October 15, 2021. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company for the period October 17, 2021 to January 15, 2022, relating to the filing of a Notice of Intention to Make a Proposal on October 15, 2021.

This Statement of Projected Cash Flow has been prepared by management on October 22, 2021, based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period October 17, 2021 to January 15, 2022, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon:

- the collection experience of the Company with respect to existing amounts owing to it by customers; and
- the Company's sales forecast assumes on-going operations and sales considering both seasonality and recent experience sales history.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company.

Disbursement assumptions include:

- payroll and source deductions are assumed to continue in the normal course and are paid bi-monthly;

- the Company has assumed continued payment of equipment and property leases under its existing agreements in the normal course;
- certain inventory and other service suppliers are assumed to be paid on a C.O.D. basis;
- sales taxes are included in the related receipt and disbursement assumptions;
- estimated professional fees relating to the filing have been included in the disbursements; and
- a contingency reserve has been assumed to account for potential requirements by the Company to pay deposits or other unforeseen payments such as repairs and maintenance.

Cash disbursements to not provide for the payment of arrears to any creditors or post-filing payments to service the Companies' secured obligations.

(c) Funding Need

The Company is projected to require funding of approximately \$650,000 during the forecast period. The Company is in discussions with certain related parties to secure the funding required during the forecast period. It is anticipated that the Company will seek court approval of this interim funding which would be provided on a secured basis ahead of the rights of existing secured creditors.

Dated at the City of Toronto, in the Province of Ontario, this 22nd day of October 2021.



Junction Craft Brewing Inc.

Stuart Wheldon

Name of signing officer

Appendix “G”

District of: ON
Division No.: 09-Toronto
Court No.: 31-2774500
Estate No.: 31-2774500

FORM 29
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the Notice of Intention to Make a Proposal of
Junction Craft Brewing Inc.
of the City of Toronto
in the Province of Ontario

The attached statement of projected cash flow of Junction Craft Brewing Inc. as of the 22nd day of October, 2021, consisting of the period from October 17, 2021 to January 15, 2022, has been prepared by the management of the insolvent person for the purpose described in the notes attached, using the probable and hypothetical assumptions set out in the notes attached.

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

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

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

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

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

Dated at the City of Toronto, in the Province of Ontario, this 22nd day of October 2021.

Richter Advisory Group Inc. – Licensed Insolvency Trustee
Per:



Karen Kimel, MAcc, CPA, CA, CIRP, LIT
181 Bay Street, Suite 3510
Toronto, ON M5J 2T3
Phone: (416) 646-8375 Fax: (416) 488-3765

District of: ON
Division No.: 09-Toronto
Court No.: 31-2774500
Estate No.: 31-2774500

FORM 29 – ATTACHMENT
Trustee's Report on Cash-Flow Statement
(Paragraphs 50(6)(b) and 50.4(2)(b) of the Act)

In the matter of the Notice of Intention to Make a Proposal of
Junction Craft Brewing Inc.
of the City of Toronto
in the Province of Ontario

Purpose:

Junction Craft Brewing Inc. (the “**Company**”) filed a Notice of Intention to Make a Proposal on October 15, 2021. The purpose of this Statement of Projected Cash Flow is to present the estimated cash receipts and disbursements of the Company for the period October 17, 2021 to January 15, 2022, relating to the filing of a Notice of Intention to Make a Proposal on October 15, 2021.

This Statement of Projected Cash Flow has been prepared by management on October 22, 2021, based on available financial information at that date in accordance with Section 50.4(2) of the *Bankruptcy and Insolvency Act* and should be read in conjunction with the Trustee's Report on the Cash Flow Statement. Readers are cautioned that this information may not be appropriate for other purposes.

Projection Notes:

The Statement of Projected Cash Flow has been prepared using probable assumptions supported and consistent with the plans of the Company for the period October 17, 2021 to January 15, 2022, considering the economic conditions that are considered the most probable by management.

As the cash flow is based upon various assumptions regarding future events and circumstances, variances will exist and said variances may be material. Accordingly, we express no assurance as to whether the projections will be achieved.

Assumptions:

(a) Projected Cash Receipts

The projected cash receipts are estimated by management, based upon:

- the collection experience of the Company with respect to existing amounts owing to it by customers; and
- the Company's sales forecast assumes on-going operations and sales considering both seasonality and recent experience sales history.

(b) Projected Cash Disbursements

The projected cash disbursements are based upon historical data adjusted to reflect the current level of activity and best estimates of the Company.

Disbursement assumptions include:

- payroll and source deductions are assumed to continue in the normal course and are paid bi-monthly;
- the Company has assumed continued payment of equipment and property leases under its existing agreements in the normal course;
- certain inventory and other service suppliers are assumed to be paid on a C.O.D. basis;

- sales taxes are included in the related receipt and disbursement assumptions;
- estimated professional fees relating to the filing have been included in the disbursements;
- and
- a contingency reserve has been assumed to account for potential requirements by the Company to pay deposits or other unforeseen payments such as repairs and maintenance.

Cash disbursements to not provide for the payment of arrears to any creditors or post-filing payments to service the Companies' secured obligations.

(c) Funding Need

The Company is projected to require funding of approximately \$650,000 during the forecast period. The Company is in discussions with certain related parties to secure the funding required during the forecast period. It is anticipated that the Company will seek court approval of this interim funding which would be provided on a secured basis ahead of the rights of existing secured creditors.

Dated at the City of Toronto, in the Province of Ontario, this 22nd day of October 2021.

Richter Advisory Group Inc. – Licensed Insolvency Trustee

Per:



Karen Kimel, MAcc, CPA, CA, CIRP, LIT
181 Bay Street, Suite 3510
Toronto, ON M5J 2T3
Phone: (416) 646-8375 Fax: (416) 488-3765