

COURT / ESTATE 25-3038201
FILE NUMBER B301-038201

COURT COURT OF KING's BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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 TOOL SHED BREWING
COMPANY INC.

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE LAWSON LUNDELL LLP
AND CONTACT Barristers and Solicitors
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FILING THIS DOCUMENT Calgary, Alberta
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File No.: 113239.176502

AFFIDAVIT OF JOHN DONOVAN

Sworn on April 11, 2024

I, **John Donovan** of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the director of 2594617 Alberta Ltd. (the "**Bidder**"), and, in my personal capacity, a secured and unsecured creditor of Tool Shed Brewing Company Inc. ("**Tool Shed**"). I therefore have personal knowledge of the matters sworn to in this affidavit unless I indicate that my evidence is based on some other source, in which case I believe that evidence to be true.
2. I make this affidavit in opposition to the Application by Tool Shed to approve a transaction to 2582568 Alberta Inc. or its nominee (the "**Stalking Horse Bidder**") to grant a reverse vesting order in favour of, the Stalking Horse Bidder, which would

transfer the shares of Tool Shed to the Stalking Horse Bidder, extinguish all of Tool Shed's existing secured and unsecured indebtedness, and erase Tool Shed's equity.

3. I am a secured creditor of Tool Shed pursuant to a Promissory Note dated May 26, 2022 in the initial principal amount of \$250,000, as amended by an Amendment to Promissory Note dated July 29, 2022 and a Second Amendment to Promissory Note dated September 1, 2022 (as amended, the "**Promissory Note**"). The Stalking Horse Bid would entirely eliminate my secured indebtedness in Tool Shed, and provide me with no recovery.
4. Under the Promissory Note, Tool Shed granted me and my co-lender, Julianna Bourne ("**Julianna**"), a security interest in all of Tool Shed's present and after-acquired personal property, which was registered in the Alberta Personal Property Registry on July 28, 2022.
5. The Promissory Note matured on December 31, 2022 and Julianna and I demanded repayment on February 17, 2023. Tool Shed has not repaid its indebtedness under the Promissory Note as of the date of this Affidavit, which as of March 14, 2024 was approximately \$299,500.
6. I am also an unsecured creditor of Tool Shed pursuant to a convertible promissory note, with a claim against Tool Shed in the amount of approximately \$100,000. The Stalking Horse Bid would also entirely eliminate Tool Shed's unsecured indebtedness to me.
7. In addition, I am part of a group of individuals (the "**Bidding Group**") who submitted a bid to purchase Tool Shed's business and assets, further to the sale and investment solicitation process (the "**SISP**") authorized by the Order of Justice Lema granted on February 12, 2024 (the "**February 12 Order**"). The Bidding Group is comprised of me, Darryl Bourne, Myron Tetreault, and Jeff Newman. Mr. Bourne is Julianna's husband, and manages her investment in Tool Shed.

My Involvement with Tool Shed Before the NOI Proceedings

8. Since January 2023, I have been involved at a high level in Tool Shed's attempts to solve its financial difficulties, initially by virtue of my position as a secured creditor, and more recently, in relation to Tool Shed's formal restructuring proceedings.

9. I have reviewed the Affidavit No. 4 of James Costello, the current CEO of Tool Shed and the principal of the Stalking Horse Bidder. I strongly disagree with Mr. Costello's opinion that the Bidding Group is acting in bad faith, and in that context, his characterization of my and Mr. Bourne's involvement in 2023.
10. I have also reviewed the Affidavit of Tom Taylor sworn in these proceedings on April 5, 2024 (the "**Taylor Affidavit**"). The Taylor Affidavit fails to acknowledge the insufficient and incomplete nature of the information provided.
11. In this section of my Affidavit, I respond to Mr. Costello's unsubstantiated speculation about my and Mr. Bourne's involvement in the SISP and the Bidding Group's motivation in submitting the Initial Bid and the Final Bid, and provide details on the financial information Mr. Taylor purports to have provided to me and Mr. Bourne.
12. To begin with, Mr. Costello was not the acting or actual CEO of Tool Shed until the late summer of 2023. I had no substantive discussions with Mr. Costello about Tool Shed until September 2023, and apart from a brief telephone call with Mr. Costello in January 2023, in which he introduced himself as a creditor of Tool Shed, I had no direct contact with him until September 2023. Therefore, I do not understand how Mr. Costello purports to have personal knowledge of my and Mr. Bourne's involvement before September 2023.
13. Mr. Costello states in paragraph 32 of his Affidavit No. 4 that Mr. Bourne and I "have spent more time reviewing the Tool Shed books and records than anyone currently involved with [Tool Shed], including the Stalking Horse Bidder." Leaving aside the fact that Mr. Costello could not possibly have personal knowledge of what Mr. Bourne and I received or reviewed, or how long we spent reviewing the information provided, and the fact that Mr. Costello does not outline how much time he has spent (in his position as CEO and as a bidder) reviewing the books and records of Tool Shed, Mr. Costello's statement is factually incorrect.
14. First, the amount of time I spent reviewing the "books and records" of Tool Shed in 2023 was in the order of hours – not days or weeks and I was not involved in the day-to-day operation of the business like Mr. Costello has been for the past seven months. Second, it

is important to explain what “books and records” Mr. Taylor and James Reid of Miller Thomson LLP, counsel for Tool Shed, provided to me and Mr. Bourne, as the expression “books and records” may be misleading, in that it suggests a comprehensive and complete set of properly prepared financial statements, as well as a comprehensive and complete set of contracts and other key documents associated with Tool Shed’s business. This is not what we received.

15. One category of information provided by Mr. Taylor and Tool Shed’s counsel was partial ad hoc financial statements, largely comprised of extracts from Quickbooks, in the form of trial balances (not proper balance sheets) and other summary, high-level financial information, as evidenced by Exhibits “A”, “B”, “C”, and “G” to the Taylor Affidavit. This information would have been wholly insufficient for the purposes of due diligence in connection with purchasing Tool Shed’s assets (noting that Mr. Bourne and I did not request or receive the information provided by Mr. Taylor for the purpose of due diligence).
16. Not only was the information provided by Mr. Taylor summary in nature, its accuracy was questionable. For example, see Exhibit “G” to the Taylor Affidavit:
 - (a) the “balance sheet” provided by Mr. Taylor on April 7, 2023 was a list of ledger balances, not a balance sheet, and further, included assets that Mr. Sherman subsequently advised on March 8, 2024, are not owned by Tool Shed, such as the pilot brewing system, and the cash flow statement was provided without the related assumptions;
 - (b) the balance sheet provided on April 28, 2023 did not balance, the liabilities appeared to be understated, the prepaid expenses appeared to be incorrect, the fixed assets did not include a full listing of inventory, and the accounts payable did not reconcile.
17. I also want to clarify the context in which Mr. Bourne and I were requesting and receiving Tool Shed’s financial information. After we received notice of the Garnishment (as defined in the Taylor Affidavit), Julianna and I objected to the distribution of funds proposed by the Court of King’s Bench of Alberta (the “**Court**”), and applied to the

Court to have the garnished funds paid to Lawson Lundell LLP (“**Lawson**”), counsel to me and Mr. Bourne, and to the Bidding Group. Tool Shed applied to have the garnished funds paid to it. As stated in the Taylor Affidavit at paragraph 22, Julianna and I consented to an order directing that the garnished funds be paid to Tool Shed, subject to certain conditions, which was granted on March 23, 2023 (the “**Consent Order**”).

18. The Consent Order provided, among other things, that the garnished funds to be returned to Tool Shed could be used only for Tool Shed’s ordinary course business expenses, and that such uses could be reviewed by, among others, me and Julianna. Our requests for information from Tool Shed at that time were requests for information about the use of the garnished funds. This is evident in Exhibit “I” to the Taylor Affidavit, in which our counsel clearly states that our request to review Tool Shed’s books and records is being made pursuant to the Consent Order.
19. At paragraph 33 of the Taylor Affidavit, Mr. Taylor states that Tool Shed’s counsel had indicated in Exhibit “I” that I was welcome to review Tool Shed’s books and records. Given that I ceased to be involved in dealing with Mr. Taylor shortly after the offer was made (see paragraph 25 below), I did not attend Tool Shed to review its records.
20. The next category of information to which Mr. Costello and Mr. Taylor say I had access, is information purportedly contained in the data room created for Tool Shed’s informal sales process in or about May of 2023. I did have access to the data room, and at the time I accessed it, it contained only copies (often unexecuted) of agreements with various creditors, lists of shareholders, a copy of a unanimous shareholders’ agreement, a list of assets, general ledger extracts, and some forecast information. The data room contained little data that would be useful for purchaser due diligence, such as sales information, gross profit margins and projections, or customer and supplier contracts.
21. Although Mr. Taylor says in paragraph 37 of the Taylor Affidavit that the data room contained Tool Shed’s “financial information, customer contracts, loan agreements, and other commercially sensitive information”, this appears to be a reference to what Mr. Reid said would be in the data room in the email at Exhibit “K” to the Taylor Affidavit – not confirmation that the items listed were in fact in the data room. As noted, there were no customer contracts in the data room.

22. It is not true that when Mr. Costello became involved as acting CEO, he provided me and Mr. Bourne with “unfettered access” to Tool Shed’s financial information. Rather, Mr. Costello provided the same high-level financial information that Mr. Taylor had provided, together with some long-term forecast data.
23. Further, and contrary to Mr. Costello’s suggestion that he spent “a significant amount of time” with me and Mr. Bourne in meetings, I recall having four or five meetings with him over the course of six months. These meetings were all focused on Mr. Costello’s attempts to informally restructure Tool Shed’s debt. Mr. Bourne and I agreed in good faith to settlement terms on my and Julianna’s secured debt, to enable Mr. Costello’s discussions with unsecured creditors. Mr. Costello announced these terms to unsecured creditors on December 22, 2023, but unfortunately, he could not get the unsecured creditors on side. Thus, the informal process did not fail due to our lack of support.
24. Mr. Costello suggests that Mr. Tetreault was “not seriously concerned” with the due diligence requests that I and Mr. Newman made on behalf of the Bidding Group because he participated in a running event over a weekend in early March 2024. In fact, the Bidding Group had delegated the job of reviewing and requesting due diligence information to me and Mr. Newman. Further, I confirm that Mr. Tetreault has been highly engaged, including over the March 8-10 weekend, in considering and discussing the due diligence information Mr. Newman and I provided to the Bidding Group.
25. With respect to Mr. Taylor’s suggestion in paragraph 34 of the Taylor Affidavit that I took on an advisory role to Tool Shed, that is not accurate. Rather, in about July of 2023, I and several other individual creditors of Tool Shed suggested to Tool Shed that we form a management committee to assist Mr. Taylor in making decisions about the future of the company. Mr. Taylor had a separate full-time job outside his work with Tool Shed, and seemed overwhelmed. Lawson and I had a few discussions with Tool Shed’s counsel and Mr. Taylor about the concept of a management committee, and I offered some support to Mr. Taylor with respect to considering bids for Tool Shed’s assets. However, Mr. Taylor was not receptive to my advice, so I stopped offering it, and we ultimately did not formalize the management committee with Tool Shed.

The Bidding Group's Participation in the SISP

26. Following the date of the February 12 Order, I regularly checked KPMG's website for details of the SISP, and in particular the process summary (the "**Teaser Letter**") and the non-disclosure agreement that Tool Shed required bidders to sign in order to participate in the SISP (the "**NDA**"). The Teaser Letter was not posted on KPMG's website until a week after the SISP was approved.
27. On February 21, 2024, I emailed Joe Sitholé of KPMG (the "**Proposal Trustee**"), and requested a copy of the NDA. I followed up with Mr. Sitholé on February 22, 2023 for a copy of the NDA, which he provided to me that day. The following day, I left a voicemail for Mr. Sitholé and asked him to call me to discuss a few aspects of the SISP, including a change the Bidding Group wished to make to the NDA.
28. I had a telephone call with Mr. Sitholé on February 24, 2024, and also emailed him a copy of the NDA, revised as desired and executed by me. Mr. Sitholé advised me on our call that he needed to connect with counsel for the Proposal Trustee in order to be able to sign off on the change to the NDA and grant access to the data room.
29. Both on that call and in a follow-up email to Mr. Sitholé, I advised that I was putting together a bidding group, and that we would advise as to the bid structure once that process was complete, but that it would include a credit bid.
30. In my follow-up email, I asked Mr. Sitholé to advise how the Proposal Trustee intended to manage the conflict inherent in the SISP, given that the principal of the Stalking Horse Bidder is also Tool Shed's CEO. While Mr. Sitholé acknowledged on one of our calls around this time that the Proposal Trustee was aware of the conflict of interest, he offered no detail on what steps the Proposal Trustee planned to take to mitigate it.
31. By February 26, 2024, some of the members of the Bidding Group had executed NDAs in the revised form, and KPMG had returned countersigned copies. On this date, KPMG provided me and the other members of the Bidding Group with access to the data room that had been created for the SISP (the "**Data Room**").

32. I began reviewing the materials in the Data Room immediately upon receiving access on February 26, 2024. Unfortunately, there was little relevant information in the Data Room that would have assisted in evaluation of business going forward. For example, the Data Room included no data on Tool Shed's sales, customers or key contracts. As such, on February 26, 2024, I sent a document to the Proposal Trustee, outlining my information requests. A true copy of the February 26, 2024 document is attached hereto and marked as **Exhibit "A"**.
33. Mr. Sitholé responded to my February 26, 2024 email on February 27, 2024. A true copy of the email exchange between me and Mr. Sitholé between February 22 and February 27, 2024 is attached hereto and marked as **Exhibit "B"**. In his email, Mr. Sitholé advised that he had spoken to Costello, who advised that he and his staff were working on gathering the requested information, and would provide it the next day and the rest by March 1, 2024.
34. Over the next number of days, I sent numerous requests for additional information to the Proposal Trustee, as follows:
- (a) on March 1, 2024, I sent a series of emails to Mr. Sitholé with information requests – a true copy of my emails dated March 1, 2024 are attached hereto and collectively marked as **Exhibit "C"**;
 - (b) Mr. Sitholé responded on March 2, 2024, to advise that he had sent my information requests of March 1, 2024 to Tool Shed, and that they would endeavour to provide the information as quickly as possible, but had asked for a three-day turnaround time – a true copy of Mr. Sitholé's email dated March 2, 2024 is attached hereto and marked as **Exhibit "D"**;
 - (c) on March 4, 2024, I sent a further email to Mr. Sitholé, requesting additional information from Tool Shed – a true copy of my March 4, 2024 email is attached hereto and marked as **Exhibit "E"**; and
 - (d) on March 6, 2024, I sent two further emails to Mr. Sitholé with some additional questions – my first email of March 6 and Mr. Sitholé's response are attached

hereto and marked as **Exhibit “F”**, and my second email to Mr. Sitholé of March 6 are attached hereto and marked as **Exhibit “G”**.

35. On March 7, 2024, Ms. Teasdale sent an email to Mr. and Mr. Reid, advising that the Bidding Group had been working with KPMG to obtain information necessary to complete basic due diligence, which was not included in the Data Room. Ms. Teasdale advised that the information provided to date was not sufficient for the Bidding Group to submit an unconditional bid, and further, tainted the fairness and transparency of the SISP.
36. On March 8, 2024, counsel for the Proposal Trustee, Catrina Webster, responded to Ms. Teasdale to advise that the Proposal Trustee was prepared to extend the Bid Deadline (as defined in the SISP) by 72 hours, to March 14, 2024 at 12:00 p.m. Ms. Webster also advised that all final information and documentation requests had to be delivered to the Proposal Trustee by noon on March 11, 2024, with responses to be delivered within 24 hours. A true copy of the emails between Ms. Teasdale, Mr. Sitholé and Ms. Webster on March 7 and 8, 2024 is attached hereto and marked as **Exhibit “H”**.
37. Also on March 8, Graham Sherman, the ex-President and CEO of Tool Shed gave me and Mr. Newman a tour of the brewery. During the tour, Mr. Sherman disclosed material information about Tool Shed’s assets, which had not been previously disclosed in the Data Room or otherwise. Specifically, Mr. Sherman advised: that Tool Shed’s de-alcoholization equipment was not working as designed, and the fix required Tool Shed to borrow certain key equipment from the manufacturer; that a kettle used in the brewing process had failed in October 2023, and would need to be replaced; and that Tool Shed did not own the pilot brewing system (which, as noted, was previously listed as an asset in the listing provided to me by Mr. Taylor).
38. In light of the information request deadline of March 11 at noon, on March 10, 2024, I wrote to Mr. Sitholé and Mr. Reid and advised that a key part of the Bidding Group’s due diligence was to identify and speak to some of Tool Shed’s key employees. Ultimately, we met with the employees on March 12, 2024, as that was the time Tool Shed offered. A true copy of my email exchange with Mr. Sitholé on March 10 and 11 is attached hereto and marked as **Exhibit “I”**.

39. Also on March 11, 2024, Jeff Newman, another member of the Bidding Group, sent a list of additional due diligence questions to Mr. Sitholé, as well as a follow-up email with further information requests, both before the deadline imposed by the Proposal Trustee for information requests. A true copy of Mr. Newman's initial email and its enclosure, and his follow-up email are attached hereto and marked as **Exhibits "J" and "K"**.
40. On March 12, 2024, Mr. Sitholé wrote to me and Jeff Newman and advised that the final requested company documents and responses to the Bidding Group's inquiries had been uploaded to the Data Room. He further advised that all of our due diligence inquiries received before noon on March 11, 2024 had been responded to by Tool Shed, and that subject to our meeting with Tool Shed employees that day, the company's involvement on due diligence inquiries was complete. A true copy of Mr. Sitholé's email to me and Mr. Newman is attached hereto and marked as **Exhibit "L"**.
41. The employee meeting on March 12, 2024 did not assist the Bidding Group in our diligence process. The meeting quickly devolved into the employees asking me and Mr. Newman questions, rather than the other way around. Approximately 90 minutes into the meeting, Mr. Costello came over and said "This has gone on long enough, you need to go," and terminated the meeting before we were able to get many of our questions asked or answered.
42. On March 12, 2024, Mr. Newman wrote to Mr. Sitholé to advise that the wholesale pricing list in the Data Room did not include pricing for Tool Shed's non-alcoholic products. This was a concern for the Bidding Group because Tool Shed's non-alcoholic product sales were represented in a third-party report from Connect Logistics as their second highest volume of sales. Mr. Sitholé responded the next day to advise that the price list for non-alcoholic products had been uploaded to the Data Room. A true copy of the email exchange between Mr. Sitholé and Mr. Newman on March 12 and 13 is attached hereto and marked as **Exhibit "M"**.
43. The meeting that I had, together with Jeff Newman, on March 12, 2024 led to additional unresolved due diligence items that the Bidding Group required additional time to assess and understand. In particular, the information provided by Tool Shed as of March 12, 2024 was either missing or deficient, as follows (noting that this is not an exhaustive list):

- (a) the revenue information Tool Shed provided failed to account for \$500,000 of wholesale beer revenues – I am informed by Mr. Newman and believe that Tool Shed’s controller advised during the employee meeting on March 12, 2024 that the revenue information provided did not include direct sales or the wholesale beer sales to the taproom, which suggests that the controller had not had reviewed the revenue information provided to the Bidding Group;
 - (b) certain information about accounts payable due to Alberta Gaming, Liquor and Cannabis Commission (the “AGLC”), which is a matter of some concern to the Bidding Group, given that the AGLC is a government agency with which Tool Shed will have to continue to deal for the long term;
 - (c) clarity around what assets are owned by Tool Shed – in particular, Tool Shed staff advised me and Mr. Newman for the first time on March 12 that certain key assets were not owned by Tool Shed, including an integral part of the dealcoholisation system, certain barbeque equipment, and kitchen equipment;
 - (d) documentation and information about the licenses held by Tool Shed to sell products in British Columbia, Saskatchewan and Manitoba; and
 - (e) details from the landlord of the brewery and tap room about any rental arrears or unresolved issues with the lease – the Bidding Group requested to speak with the landlord, and Tool Shed refused permission for us to contact the landlord.
44. With respect to point 43(d) above, in Mr. Costello’s Affidavit No. 4, sworn in support of Tool Shed’s application to approve the Stalking Horse Bid, Mr. Costello provides substantial detail on the out of province licenses to sell products. Mr. Costello obviously had this information readily available to him, and yet never provided these details to the Bidding Group, despite the Bidding Group’s specific request for the same.
45. On March 14, 2024 at 11:23 a.m., the Bidding Group’s counsel submitted a Share Purchase Agreement dated as of March 14, 2024 (the “**Initial SPA**”) and a cover letter. The purchaser named in the Initial APA is 2594617 Alberta Ltd. (the “**Alternate Bidder**”), an Alberta corporation formed on March 7, 2024 at the direction of the Bidding Group, for the purpose of submitting a bid in the SISP and, if successful in the

bid, owning Tool Shed's shares. True copies of Lawson's cover letter and the Initial SPA are attached hereto and marked as **Exhibits "N" and "O"**, respectively.

46. I am informed by Ms. Teasdale and believe that she inadvertently sent an unexecuted copy of the Initial Bid, even though I had provided an executed signature page earlier on March 14, 2024. A true copy of my email to Ms. Teasdale, providing the signature page, and a copy of the signature page executed by me is attached hereto and marked as **Exhibit "P"**.
47. The Initial SPA was conditional on receiving responses (or complete responses) to the Bidding Group's due diligence inquiries. As Ms. Teasdale advised in her letter, the inquiries that had not been responded to (or fully and transparently responded to) were either made before the Proposal Trustee's deadline of March 11, 2024, or arose from information provided by Tool Shed in response to requests that had been answered.
48. On March 14, 2024, Ms. Webster advised Ms. Teasdale that counsel was in the process of reviewing and discussing Ms. Teasdale's letter and the Initial SPA and anticipated having a response to Ms. Teasdale by Monday (March 18, 2024). Ms. Webster sent a response to Ms. Teasdale late on March 18, 2024. A true copy of the emails between Ms. Teasdale and Ms. Webster and a copy of the Proposal Trustee's response letter are attached hereto and collectively marked as **Exhibit "Q"**.
49. The Proposal Trustee's response letter contained responses to a number of the Bidding Group's outstanding due diligence requests, which allowed the Bidding Group to remove the conditions imposed on the Initial SPA.
50. I am informed by Ms. Teasdale that on March 19, 2024, she had a call with Ms. Webster and Mr. Reid to discuss the Proposal Trustee's response to the Initial Bid. On this call, Ms. Teasdale asked whether, if the Bidding Group were to submit an unconditional SPA, the Proposal Trustee and Tool Shed would consider the same. Ms. Teasdale informs me that counsel advised her that if the Bidding Group submitted an unconditional SPA, the Proposal Trustee and Tool Shed would consider the same. Based on Ms. Teasdale's call with counsel, the Bidding Group instructed Lawson to assist it in revising the Initial SPA to be unconditional.

51. On March 22, 2024, as the Bidding Group was preparing to submit the revised SPA, counsel for the Proposal Trustee emailed Ms. Teasdale and advised that the deadline to submit bids had expired, the Stalking Horse Bid was automatically declared as the successful bid, and that the Proposal Trustee had advised the Stalking Horse Bidder that its bid was successful and directed Tool Shed to proceed with its application for approval. Ms. Teasdale advised Ms. Webster and Mr. Reid that she had instructions to submit an unconditional bid and deposit.
52. Ms. Teasdale informs me that she had a brief call with Ms. Webster and Mr. Reid in the afternoon of March 22, 2024. Following that call, Ms. Webster sent Ms. Teasdale an email, advising that the Bidding Group's bid to be submitted that day would be considered by the Proposal Trustee as a late bid, weighed against the integrity of the SISP overall. A true copy of the email exchange between Ms. Webster and Ms. Teasdale on March 22, 2024 is attached hereto and marked as **Exhibit "R"**.
53. Ms. Teasdale submitted the executed, unconditional Share Purchase Agreement (the "**Final Bid**") on behalf of the Alternate Bidder to counsel for the Proposal Trustee in the afternoon of March 22, 2024, and later sent confirmation of payment of the deposit required pursuant to the SISP. A true copy of Ms. Teasdale's email to Ms. Webster is attached hereto and marked as **Exhibit "S"**. A summary of the key terms of the Final Bid is attached hereto and marked as **Exhibit "T"**, and a true copy of Ms. Teasdale's email to Ms. Webster confirming payment of the deposit and its enclosure are attached hereto and marked as **Exhibit "U"**.
54. I note that the Final Bid includes as part of the Purchase Price, the "Purchaser Credit Bid Amount" – the amount being credit bid (as noted in the Final Bid) is comprised of the indebtedness due to the three senior secured creditors of Tool Shed: Wayne Orr, me and Julianna. Each of Mr. Orr, me and Julianna have assigned our indebtedness and related security to the Alternate Bidder pursuant to Assignments of Loan and Security effective March 8, 2024 (Mr. Orr) and March 11, 2024 (me and Julianna).
55. Counsel for the Proposal Trustee responded to the submission of the Final Bid by way of a letter dated March 28, 2024 outlining the Proposal Trustee's position on the Final Bid,

six days after the Final Bid was submitted. A true copy of the letter from counsel to the Proposal Trustee is attached hereto and marked as **Exhibit "V"**.

Concerns About Fairness of the SISP

56. From the inception of the SISP, the Bidding Group has been concerned about the fairness of the SISP because of James Costello's involvement.
57. Based on my review of Mr. Costello's second affidavit filed in these proceedings, he became the acting CEO of Tool Shed in August 2023, and an employee and CEO of Tool Shed in January 2024. He has sworn that, in that capacity, he is familiar with the business operations of the company, and has been in discussions with stakeholders since he became acting CEO.
58. Based on these facts, the Bidding Group is concerned that Mr. Costello has been involved as Tool Shed's CEO in reviewing and determining whether to entertain the Initial Bid and the Final Bid, while having a material personal interest in having the Stalking Horse Bid declared the successful bid. This concern is exacerbated by the fact that most of the Bidding Group's due diligence inquiries were relayed by the Proposal Trustee to Mr. Costello to answer, such that Mr. Costello ultimately controlled the flow and content of information to the Bidding Group.
59. As noted, I asked Mr. Sitholé at the outset of the diligence phase how the Proposal Trustee intended to manage the conflict of interest arising from Mr. Costello's involvement in the SISP, while also controlling the Stalking Horse Bidder. At the time I only received an acknowledgment that the Proposal Trustee was aware of the conflict.
60. As noted below, in a telephone call with Mr. Sitholé on April 2, 2024, he advised that the Proposal Trustee believed it had managed the conflict by managing the SISP and relaying information requests and responses between Tool Shed and the Bidding Group.
61. In addition, based on recent social media activity by Mr. Costello and Mr. Sherman, the Bidding Group has serious concerns that these individuals are acting in concert and in their own best interests, rather than in the best interests of Tool Shed and its creditors, to keep Tool Shed under their control and management. Both Mr. Costello and Mr. Sherman

appear to have a substantial vested interest in seeing the Stalking Horse Bid succeed, for reputational and financial reasons.

62. On March 5, 2024, Mr. Sherman publicly disclosed his continued involvement in Tool Shed, and his intention to “continue running” Tool Shed when he participated in Episode #109 of a podcast called “Let’s Meet For A Beer”. The link for the podcast is as follows: (https://letsmeetforabeer.com/video_podcast/what-were-going-through-solidifies-our-place-in-the-future-graham-sherman-lmfab-109/), and a transcript of the podcast is attached hereto and marked as **Exhibit “W”**. During the podcast, Mr. Sherman called the NOI proceedings a “management-led restructuring”, and stated that “we are going to restructure this debt, but coming out of [the restructuring] it’s going to be still us running it. We’re essentially going to buy the business out of the insolvency process.”
63. Similarly, in a post by Mr. Costello on LinkedIn, made around the time the SISP was approved, Mr. Costello calls Tool Shed “his most ambitious venture yet”, and states, “I am now forging ahead with a formal insolvency proceeding and offering to purchase the brewery while still maintaining operational leadership of the business.” In an earlier version of the same LinkedIn post, Mr. Costello indicated that he and Mr. Sherman would both be part of Tool Shed going forward. It is evident from this post that Mr. Costello views the Stalking Horse Bid as a done deal, and himself as the operator and control person of Tool Shed, as well as the putative owner, and further, that Mr. Sherman would continue to be involved. A true copy of Mr. Costello’s LinkedIn post, as well as a screen shot of the earlier version of the post, are hereto and collectively marked as **Exhibit “X”**.
64. Similarly, on February ~~12~~¹³, 2024, Mr. Costello provided an investor update letter,¹³ a true copy of which is attached hereto and marked as **Exhibit “Y”**. In this ~~letter~~^{✓email ✓ E.H}, Mr. Costello states, “*we are proceeding with creditor protection measures and KPMG is actively seeking a new ownership group to lead Toolshed into its next chapter, of which I Graham and I are leading the bid and will remain in the business with that commitment*”, demonstrating that both Mr. Costello and Mr. Sherman intend to be involved in Tool Shed if the Stalking Horse Bid is successful.

65. If the Final Bid were selected, neither Mr. Costello nor Mr. Sherman would be involved in Tool Shed. This is by design, as the Bidding Group has no interest in either of these individuals being involved in the ongoing operation of Tool Shed.
66. With respect to Mr. Costello, we are concerned that he appears to have acted in his own best interest, rather than that of Tool Shed, in relation to these proceedings. With respect to Mr. Sherman, neither I nor Mr. Bourne trust Mr. Sherman on a personal level, given our past dealings with Mr. Sherman as investors, and in light of the fact that Tool Shed finds itself in its current circumstances at least in part as a result of Mr. Sherman's management of the company.
67. In addition, the Stalking Horse Bid provides for payment to Mr. Sherman and Mr. Costello of "all amounts owing to [them] for services rendered up to and including the Closing Date" (Schedule E – Assumed Liabilities), whereas if the Final Bid were selected, neither Mr. Sherman nor Mr. Costello would they receive payment of amounts for services rendered.
68. The Final Bid also does not release Mr. Sherman from claims that might exist against him in connection with the sale of Tool Shed's shares. The Bidding Group is not prepared to release Mr. Sherman as they do not see him as having contributed positively to the Stalking Horse Bid or Tool Shed's current circumstances, and is concerned with the way in which he managed Tool Shed before resigning as a director.

Issues Raised by the Proposal Trustee with the Final Bid

CRA Indebtedness and Pre-Filing Legal Fees

69. The Proposal Trustee states that the Stalking Horse Bid is superior because it includes payment of penalties and interest on outstanding source deductions. The Final Bid does not include payment of interest and penalties on outstanding source deductions based on the Bidding Group's understanding on the advice of counsel (privilege over which is not waived) that penalties and interest are not priority claims under the bankruptcy priority scheme.

70. I understand from reviewing the March 28 correspondence from Ms. Webster that the Proposal Trustee takes a different view of the governing law than the Bidding Group's counsel. The Bidding Group is prepared to pay the additional \$116,000 if interest and penalties on source deductions also enjoy super-priority status under the relevant legislation.
71. With respect to the \$80,000 in fees owed to Miller Thomson for work done prior to Tool Shed filing its NOI, the Bidding Group was advised by Mr. Sitholé that the \$80,000 was not included under the Administration Charge. However, based on my review of the February 12 Order, the Administration Charge expressly includes professional fees of counsel for Tool Shed both before and after the granting of the Order.

The Bidding Group's Ability to Close a Transaction by April 30

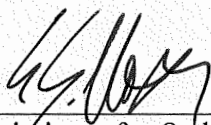
72. I have reviewed the March 28 letter from the Proposal Trustee's counsel and note their concern that the Alternate Bidder will be unable to close the transaction by April 30. The Proposal Trustee's counsel cites the Alternate Bidder's delay and non-compliance with the Bid Deadline as reasons for its concern.
73. I also had a telephone call with Mr. Sitholé in evening of April 2, 2024, in which we discussed the concern stated in Ms. Webster's letter about ability to close in the face of our alleged delay and non-compliance with the bid process. I asked if he could tell me the basis on which the Proposal Trustee reached its conclusion that the Alternate Bidder would be unable to close, and Mr. Sitholé confirmed the only reason was that the Bidding Group did not make its bid by the deadline. I told Mr. Sitholé that the Bidding Group wished to close earlier than April 30, given our distrust of current management what damage they might do to the business and assets of Tool Shed if the Stalking Horse Bid were not the successful bid.
74. Mr. Sitholé also confirmed on this call his view that there was still enough time to run an auction, and that he believed that the Proposal Trustee had managed the conflict of interest due to Mr. Costello's involvement in the SISP through the Proposal Trustee running the SISP and obtaining answers to the Bidding Group's questions.

75. The Proposal Trustee's concerns about the Bidding Group's inability to close are unfounded and unfairly stated. The reason that the Alternate Bidder asked the Proposal Trustee to extend the original bid deadline stated in the SISP, and the reason it submitted a conditional bid on the bid deadline of March 14, 2024, was due to Tool Shed's failure to provide basic information about its revenues and ownership of assets within a reasonable time before the bid deadline.
76. The delay in submitting the Final Bid was due to the lack of information made available to the Bidding Group by Tool Shed (acting under Mr. Costello's direction). As noted, starting on February 26, 2024, immediately after I received access to the Data Room (five days after I asked the Proposal Trustee to provide me with the NDA), I advised the Proposal Trustee that the Data Room contained little relevant information that was required by the Bidding Group to evaluate Tool Shed's business going forward.
77. Through my correspondence with Mr. Sitholé, and through correspondence from the Bidding Group's counsel, the Proposal Trustee was notified that the Bidding Group required more information to perform its due diligence, in order to submit a bid. This concern, and others, were expressly stated in Lawson's letter enclosing the Initial Bid, which also stated that the Alternate Bidder intended to submit an unconditional bid, such that both the Proposal Trustee and Tool Shed (and thus, the Stalking Horse Bidder) were aware that a revised bid may be forthcoming.
78. The Bidding Group is motivated and prepared to close by April 30, 2024, at the latest – and would prefer to close earlier if possible, to ensure Tool Shed's assets are preserved and protected in the interim period between Court approval and closing.

Conclusion

79. I make this Affidavit in opposition to Tool Shed's Sale Approval Application and in support of the Bidder's Application, and for no other or improper purpose.

This is **Exhibit "A"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Tool Shed Acquisition Information Required

Financial

- Please provide Financial Statements for FY 2023 (i.e. 1 May 2022 to 30 Apr 2023); these should be to the same level of detail as the FY 2022 statements prepared by Vertefeuille Rempel, and include:
 - The ledger pages for each of the balance sheet and income statement accounts. Please see my covering email note, for the level of detail required. This should be readily available from the company's general ledger.
- Management Accounts covering the period from 1 May 2023 to 31 Dec 2023, to same level of detail as above
- Monthly breakdown of the revenue receipts included in the cash flow forecast filed with the First Report of the Trustee, together with all key assumptions used for the forecast.
 - Please show revenues analysed by sales from the brewery, tap room, contract brewing and miscellaneous income
 - Please break costs into direct labour, materials by the same categories as the revenue.

Trademarks

- The data included in the data room is 5 years old. Please provide the status of registration of all trademarks for current brands

Barbeque

- The Teaser document and Costello affidavit refers to Tool Shed's award-winning BBQ ("Notorious P.I.G."). Please provide details of the costs and revenues generated from this business line, and the current trademarks that are registered.

Licences and Permits

- The 2nd affidavit filed by Mr. James Costello refers to the licences and permits that Tool Shed has in order to brew and sell alcoholic beverages (Article 28). Please provide copies of these licences and permits along with any attached restrictions.
- The Teaser document refers to Tool Shed products being available in "5 provinces and territories". The Costello affidavit mentions only 4 – Alberta, Saskatchewan, B.C. and Manitoba. Which is the 5th region, please?
- Please list all software licences held and their expiry and annual renewal cost, including those for the Ekos System

Fixed Assets

- The data room includes a 2-year-old valuation of Tool Shed's brewing assets. Please provide a detailed inventory of all Tool Shed's fixed assets, including serial numbers /identification tags as available broken down as follows:
 - Brewing equipment, including kegs
 - Restaurant equipment
 - Leasehold improvements
 - Office furniture and equipment
 - Vehicles, trailers and other mobile equipment
- Please provide an up-to-date ledger listing of the fixed asset accounts

Leases

- Please provide an **executed** copy of the current lease
- Exhibit P of the Costello affidavit shows a 2nd amendment to the lease dated in 2020. Is this still a valid document? (If so, it should be in the data room)
- The current lease in the data room says that the old lease is superseded except for ongoing obligations. Please provide a copy of the original lease for inspection or provide a list of ongoing obligations.
- Please provide a monthly analysis of all payments made to the lessor over the last 12 months.
- Schedule F of the Stalking Horse Agreement refers to the Ecolab lease. Please provide a copy of this lease.

CRA Debt

- Please provide copies of the pertinent correspondence with CRA regarding the amount of remittances withheld by Tool Shed and the interest and penalties current being accrued.
- Please also upload a copy of the CRA's writ of enforcement

Payroll and Personnel

- Please provide a copy of the current organisation chart showing job titles and the appropriate job description
- Please provide the salaries and wages being paid to the current employees and any staff benefits, bonuses etc. being contractually provided by Tool Shed.

Sales Contracts

- Please provide details of material sales contracts that are currently in force. (The Teaser states that in 2023 the Company had secured new sales contract with several large retailers and restaurant chains)
- I understand that the Company has recently won a contract to provide a private label brew to a private members club in Calgary. Please provide details of this contract.
- Please provide a listing of the significant retail customers and bars/restaurants and the sales volumes sold to these customers for the past 12 months.

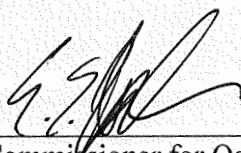
Sales Revenues and Costs

- Please provide the sales volumes and revenues for each material product line for the past 12 months, including:
 - People Skills
 - Zero People Skills
 - Pete's Pils
 - Star Cheek IPA
 - Others
- Please provide the corresponding material costs for the above products (available from the Ekos system) and standard charges for utilities and labour.

Stalking Horse Share Purchase Agreement

- Schedule E discloses the assumed liabilities. Please answer the following questions
 - What other Priority Payments are included in the category other than the CRA debt?
 - What is the current and forecast balance being assumed for Ecolab, Cintas, BSG, Falcon Systems? What is the nature and purpose of these liabilities?
 - When are the statements made available for the final amounts due under the Administration Charge and the Interim Loan Facility?
 - An amount equal to \$80,000 owing to Miller Thompson is being assumed by the Stalking Horse Bid. Is this included in the Administration Charge or is this a separate sum?
- Schedules A-D are not complete. When will these be completed and when will they be loaded to the data room?

This is **Exhibit "B"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 1:07 AM
To: Alexis Teasdale (4564) - 11Flr
Subject: FW: Tool Shed Data Room

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Some answers to the initial questions. This is where the Trustee says that the payment to Miller Thompson (\$80k) is not covered by the Admin charge.

Regards
 John
 +1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Date: Tuesday, February 27, 2024 at 5:15 PM
To: John Donovan <johndonovan@marchadvisory.com>
Subject: RE: Tool Shed Data Room

Hi John, I discussed your list of requests with James Costello this morning, he and his staff are at working gathering the documents for you. He stated he should have approximately half of it by tomorrow, and the remainder by Friday. However, there are a few items which they will not be able to provide:

- There are no third party prepared financial statements for FY23, as they have not been paying their accountant (Vertefeuille). Instead, system generated financial statements from Quickbooks will be pulled to April 30, 2023, and subsequently to November 30, 2023. They have done no financial reconciliations beyond November.
- The barbecue business is not tracked as a separate business line, but is instead included in the tap room business line. They will pull what they can for revenues and costs in regard to the tap room.
- The company does not have a signed copy of the current lease, or a copy of the original lease. They have previously asked the landlord for copies, but have received no response yet. They will be following up for this.
- There are no sales contracts in place. Apparently sales contracts for alcohol are prohibited by the AGLC.

The remaining documents you requested should not be an issue.

In regards to your questions on the Stalking Horse bid:

- The other priority payments include the Admin Charge (for professional fees) and the the Interim Finance charge (for the funding advances made to the company from the financier).
- The total owing to Ecolab, Cintas, BSG, and Falcon Systems is approximately \$4,600 as at the date of filing. I will put the AP listing into the dataroom as well. These are considered suppliers critical to the ongoing business.
- Final amounts for the admin charge and interim facility will not be known until closer to the closing date of whichever transaction is successful. All that is known at this time is the maximum amounts that can be incurred for those charges.
- The \$80,000 to Miller Thompson is for pre-filing work outside of the NOI proceedings, and is not specifically covered by the Admin charge.

Also, I have forwarded the NDA from Darryl Bourne to Tool Shed for signature.

You should see some additional documents tomorrow, but in the meantime, let me know if you have any questions or comments.

Kind Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca



From: John Donovan <johndonovan@marchadvisory.com>
Sent: Monday, February 26, 2024 11:24 PM
To: Sithole, Joe <jsithole@kpmg.ca>
Subject: Re: Tool Shed Data Room [EXTERNAL]

Thanks Joe - I appreciate your help.
 Regards
 John

Regards,
 John
 John Donovan
 +1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Monday, February 26, 2024 11:21:10 PM
To: John Donovan <johndonovan@marchadvisory.com>
Subject: Re: Tool Shed Data Room

Thank you John. I will work with the company to provide you and all potential bidders this information as quickly as possible. Will keep you updated.

Kind Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Monday, February 26, 2024 10:45 PM

To: Sithole, Joe <jsithole@kpmg.ca>

Subject: Re: Tool Shed Data Room [EXTERNAL]

Hi Joe,

Further to our conversation this afternoon, I've put together a list of information that I will need in order to properly evaluate the Tool Shed acquisition and to ensure that I will have access to broadly the same information as has been made available to the Stalking Horse bidder. (As you know, the SH is controlled by James Costello, the current CEO of Tool Shed.)

Last year the then director of Tool Shed, Mr. Tom Taylor solicited my help in understanding the financial status of Tool Shed. He instructed Vertefeuille Rempel to give me whatever information I requested. I was provided with the FY2022 financial statements together with the detailed ledger balances for the summary line items. (I already have this information and of course these detailed statements are held by Tool Shed. I would have thought other potential buyers might appreciate seeing these).

This is the standard and level of information I would like to see for the FY2023 financial statements, and period 1 May 2023 – 31 Dec 2023. My focus is on the Income Statement rather than the balance sheet (other than the information requested on Fixed Assets).

The attached list comprises the info that I believe I need to complete the evaluation, although more questions may follow as the data room is updated.

Regards

John

+1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>

Date: Monday, February 26, 2024 at 2:30 PM

To: John Donovan <johndonovan@marchadvisory.com>

Subject: RE: Tool Shed

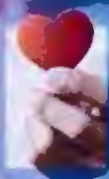
Hi John, please see attached the fully executed copy of the NDA.

The login details for the dataroom will be sent shortly by a system generated email.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca

2023 KPMG Impact Award Recipient



From: John Donovan <john.donovan@marchadvisory.com>
Sent: Monday, February 26, 2024 1:29 PM
To: Sithole, Joe <jsithole@kpmg.ca>
Subject: Re: Tool Shed [EXTERNAL]

Hi Joe,
 Any news re the NDA?

Regards,
 John
 John Donovan
 +1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Saturday, February 24, 2024 10:54:40 AM
To: John Donovan <john.donovan@marchadvisory.com>
Subject: Re: Tool Shed

12:30 should be fine. I will give you a call at that time.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca

From: John Donovan <john.donovan@marchadvisory.com>
Sent: Saturday, February 24, 2024 10:45 AM
To: Sithole, Joe <jsithole@kpmg.ca>
Subject: Re: Tool Shed [EXTERNAL]

Hi Joe - thanks for getting in touch. Today would be fine - would 1230 today work for you?
 Regards,
 John

John Donovan
 Mobile: +1 403 615 9110

On Feb 24, 2024, at 10:08, Sithole, Joe <jsithole@kpmg.ca> wrote:

Hi John, I was away yesterday afternoon. Let me know if I can give you a call today on this to discuss.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
T (403) 691-8070
M (403) 401-1418
F (403) 691-8008
jsithole@kpmg.ca

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Friday, February 23, 2024 4:24 PM
To: Sithole, Joe <jsithole@kpmg.ca>
Subject: Re: Tool Shed [EXTERNAL]

Hi Joe,

I left a voice mail on your mobile for you to give me a call. I wanted to discuss a few aspects of the Tool Shed process, part of which would be to make a change to the NDA as follows:

Revise 2.1(f) to say "The Recipient agrees not to disclose to any person or entity the fact that it or its authorized representatives are receiving the Confidential Information, except to another person or entity that has signed a Non-Disclosure Agreement in form and substance identical to this Non-Disclosure Agreement."

I can give you the background to that request when we speak.

Regards

John

+1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Date: Thursday, February 22, 2024 at 9:31 AM
To: John Donovan <johndonovan@marchadvisory.com>
Subject: RE: Tool Shed

Hi Donovan, apologies for the delay, please see the attached for completion and signature.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
T (403) 691-8070
M (403) 401-1418
F (403) 691-8008
jsithole@kpmg.ca

<image001.png>

From: John Donovan <johnndonovan@marchadvisory.com>
Sent: Thursday, February 22, 2024 9:26 AM
To: Sithole, Joe <jsithole@kpmg.ca>
Subject: Tool Shed [EXTERNAL]

Hi,

I requested a copy of the NDA and teaser from you yesterday. I saw the teaser on your website but it basically says to contact you for more details. Can you send me the NDA please?

Regards
John
+1 403 615 9110

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Our lawyers have recommended that we provide certain disclaimer language with our messages. Rather than including them here, we're drawing your attention to the following links where the full legal wording appears.

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- [Disclaimer concerning tax advice](http://taxdisclaimer.kpmg.ca) (<http://taxdisclaimer.kpmg.ca>).

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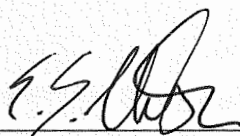
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This is **Exhibit "C"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 12:26 AM
To: Alexis Teasdale (4564) - 11Flr
Subject: FW: Financial Data TS

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Information on intra company sales (brewery transfers to the tap room)

Regards
John
+1 403 615 9110

From: John Donovan <johndonovan@marchadvisory.com>
Date: Friday, March 1, 2024 at 7:10 PM
To: Joseph Sithole <jsithole@kpmg.ca>
Subject: Financial Data TS

Joe,

As you probably know, when a brewery operates a Tap Room it sells its own product to the Tap Room. This is accounted for as a brewery sale and included in revenue. When this product is sold in the Tap Room, it is also reported as revenue, and no adjustment is made for the inter company element of the revenue.

Can you please get for FY 2022, FY2023 and the remainder of 2023 the inter company sales element so we can adjust the numbers.

Regards
John
+1 403 615 9110

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 12:25 AM
To: Alexis Teasdale (4564) - 11Flr
Subject: FW: Tool Shed Information

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Requesting info on sales via AGLC

Regards
 John
 +1 403 615 9110

From: John Donovan <johndonovan@marchadvisory.com>
Date: Friday, March 1, 2024 at 7:05 PM
To: Joseph Sithole <jsithole@kpmg.ca>
Subject: Tool Shed Information

Joe,

Please provide the 2023 Liquor Connect Reports for TS as listed below, both monthly and annual summaries

> Monthly & Yearly Sales	> Charges	> Unable
Monthly Case Sales	Charges Summary	Daily Unable to Fill
Monthly Sales by Licensee	Allocation Charges	Weekly Unable to Fill
Monthly Sales Summary	Assembly Charges	
Yearly Sales by Lic/SKU	Board to Board Charges	
Yearly Sales by SKU/Lic	Promo Storage Charges	
Yearly Sales by SKU	Receiving Charges	
	Receiving Surcharges	
	Storage Charges	
	Code Tracking Charges	

Regards
 John
 +1 403 615 9110

This is **Exhibit "D"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 12:23 AM
To: Alexis Teasdale (4564) - 11Flr
Subject: FW: Tool Shed Questions

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

2nd lot of questions asked

Regards
 John
 +1 403 615 9110

From: John Donovan <johndonovan@marchadvisory.com>
Date: Saturday, March 2, 2024 at 2:48 PM
To: Myron Tetreault <mtetreault@fitzroydev.com>, Darryl Bourne <darryl.bourne@rbc.com>, Jeff Newman <newyyc@gmail.com>
Subject: Fwd: Tool Shed Questions

Regards,
 John

John Donovan
 Mobile: +1 403 615 9110

Begin forwarded message:

From: "Sithole, Joe" <jsithole@kpmg.ca>
Date: March 2, 2024 at 14:29:16 MST
To: John Donovan <johndonovan@marchadvisory.com>
Subject: RE: Tool Shed Questions

Hi John, I have sent all of your additional information requests to Tool Shed, including those in your other two emails from yesterday. They will endeavor to provide the information as quickly as possible, but have asked for a 3 day turn around time, so should see it all by Wednesday latest.

If there is anything else in the meantime, please let me know.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround

T (403) 691-8070
M (403) 401-1418
F (403) 691-8008
jsithole@kpmg.ca



From: John Donovan <johndonovan@marchadvisory.com>
Sent: Friday, March 1, 2024 6:48 PM
To: Sithole, Joe <jsithole@kpmg.ca>
Subject: Tool Shed Questions [EXTERNAL]

Joe,

Some additional questions regarding Tool Shed. I'm sending questions as they are raised in order to save time, given the looming bid deadline.

Sales

- Please provide the volume and dollar value of sales made in the Calendar year 2023 in British Columbia, Saskatchewan and Manitoba
- The Teaser mentioned a 5th area in addition to the above 3 provinces and of course Alberta. Please name this area and provide the same volume and dollar value numbers.

Occupancy Costs for the brewery premises (leased from York Realty)

- The basic rent according to the lease is approx. \$144,000 per annum
- The lease also states there is "additional rent" and "operating costs" payable each month along with the basic rent. Please provide copies of the rental statements for the last 12 months showing all charges payable under the lease.
- What is the forecast additional rent for the calendar year 2024?
- Have the arrears payments detailed in the 2nd lease amending agreement now been paid in full?
- With the exception of the sum of approximately \$14,000 that was disclosed in the 2nd Costello affidavit as payable to the landlord for rent, are any other sums due to the landlord?
- Clause 12 of the Lease requires the Tenant (Tool Shed) to maintain a specific level of insurance coverage. Please provide a copy of all insurance carried by Tool Shed as required under the lease and state the last premiums paid.
- What insurance is carried for coverage of Tool Shed's brewing and other key assets? What was/is the most recent renewal premiums
- What product and public liability insurance (if any) is held by TS?
- Are water costs billed as part of the additional rent to TS or separately billed? What were the utilities costs (by month) for calendar 2023 for water, gas and electricity?
- Since the lease is a key contract and is being assumed under the SH bid, please arrange for TS to give authorization to York Realty to discuss the lease with me and my advisors so we can clarify exactly what we would be assuming.

Brewing Assets

- What is the productive capacity of the brewery in Hl's?
- What was the total volume of beer produced in 2023

Regards

John
+1 403 615 9110

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This is **Exhibit "E"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 12:27 AM
To: Alexis Teasdale (4564) - 11Flr
Subject: FW: Tool Shed Questions
Attachments: FW_ Sales Data Request [EXTERNAL].pdf

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

More questions

Regards
 John
 +1 403 615 9110

From: John Donovan <johndonovan@marchadvisory.com>
Date: Monday, March 4, 2024 at 12:10 PM
To: Joseph Sithole <jsithole@kpmg.ca>
Subject: Tool Shed Questions

Joe,

A few more questions to put to TS please:

- We asked a question regarding sales and received a copy of the answer sent by James Costello (attached). One question asked for sales volumes and revenues for the past 12 months (Dec 2022 – Nov 2023). The answer did not give any volumetric data for the products sold. Can you please provide these please.
- The answer gave the \$ value by product for PS (\$553k), ZPS (\$219k) Pete's (\$67k) and SC (\$117k). This adds up to sales of \$956k. The May-Nov 2023 P&L acct (7 months) showed wholesale brewery sales of \$1.3million, and the Jan 2023 – May 2023 P&L showed wholesale brewery sales of \$621k. This totals almost \$2 million, so considerably more than the sales volumes given in response to my question. Can you please provide the full information requested?

New Questions

- What is the ex-brewery price differential between PS and ZPS? Is ZPS being sold for less than PS? The gross margins appear to be in decline even as ZPS sales increase.
- What is the brewery currently doing with the extracted alcohol as a by-product of the ZPS process? There is no observable revenue from the seltzer line that was launched last year.
- The payroll and employee data shows Messrs Costello and Sherman as employees. The affidavits filed with the court papers stated that neither of those 2 gentlemen had received payment since Jan 1. Is this still the case? Does the 13 week forecast include the salaries for Messrs Costello and Sherman?

As I mentioned to you at the beginning of this process, I will be credit bidding. I've not received any communication from the Trustee requesting I prove the amount owed. The amount shown in the TS books do not include the legal fees and

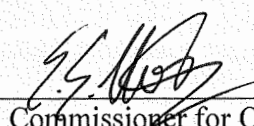
interest incurred on the defaulted loan. Presumably other secured and preferred creditors also need to be contacted. When is the activity going to commence?

Regards

John

+1 403 615 9110

This is **Exhibit "F"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Wednesday, March 6, 2024 12:00 PM
To: John Donovan
Cc: Alexis Teasdale (4564) - 11Flr
Subject: RE: Tool Shed Questions

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi John, please see my responses below.

Kind Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca



From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 2:19 AM
To: Sithole, Joe <jsithole@kpmg.ca>
Cc: Alexis E. Teasdale <ateasdale@lawsonlundell.com>
Subject: Tool Shed Questions [EXTERNAL]

Hi Joe,

I'm still working through all the info....thank you for the latest updates.

- After the CRA garnished TS funds, the company filed the Nol and applied to the Court to have the garnished funds returned and the garnishment order lifted. I read in the filings that about \$60k had been initially garnished, but by the time the garnish order was lifted some of this had already been sent to the CRA. I assume that this was applied to the balance outstanding. Can you confirm what happened to the garnished amount and how much was paid over to CRA, please?
The garnished amount already sent to the CRA would be applied to the balance owing. I will ask
- Can you also let me know what is the current balance owed to CRA, broken down by the overdue withheld remittances, interest due and penalties owed, please?
To the best of the Company's knowledge, the amount owing to the CRA is as per the requirement to pay notice \$571,091.70 less the amount garnished and sent to the CRA. The company is unable to access their online CRA accounts, as this was a function performed by their external accountant, who is unavailable due to non-payment.
- I'm finding some alarmingly large discrepancies between data room updates and information included in the affidavits and documents filed in support of the SISP and related processes. For example, the data room has a

Nov 30, 2023 Balance sheet which shows Long Term Liabilities of \$2,030,138; the Initial Report of the Proposal Trustee (Initial Report) shows secured creditors at \$715,400 and unsecured creditors at \$2,750,820. This excludes amounts due for accounts payable, CRA and the overdue rent. This is a significant difference

The internal financial statements have been prepared and reconciled to the best abilities of Company staff, without the benefit of a proper accountant. As a result, there will be unreconciled differences which company staff and management will not be able to explain or address. The creditor listing in the dataroom, which matches the amounts per the Trustee's report, should be assumed to be the most accurate representation of creditor balances owing.

- The Initial Report , dated Feb 7, states that the proposal trustee is reviewing the books and records to confirm creditor amounts. What is the current status of this review?
This review consisted of reviewing and asking questions in regards to the creditor listing provided by management. We currently note no issues with the creditor listing, or the amounts we included in our report.
- The Initial Report says that a retainer of \$75,000 has been paid to the proposal trustee, and says that future charges will be addressed by the admin charge. How is this cost accounted for with respect to the Admin Charge and the Interim Finance provided by the Stalking Horse bidder? Or is it a separate payment that is not covered by any of the secured charges?
Professional fees and costs for the Trustee and it's counsel over and above the retainer amount of \$75,000 are to be addressed by the admin charge. We do expect our fees to exceed this retainer.
- In the provide FY2022 financial statements, the balance sheet showed an amount due from shareholders of \$624,145. The notes disclose that this comprised \$251,292 owed to Mr Wayne Orr , which offset an amount due from Graham Sherman of \$161,480 and an amount due from a numbered Alberta company 2190028 AB (controlled by Graham Sherman) amounting to \$729,926. The Fin Stats for FY2020 and FY2021 also show a substantial amount owed to the company by shareholders. No breakdown of the amount due was given, but the FY2022 Fin Stats give the FY2021 comparatives in the sums of \$96,070 owed by Graham Sherman, and \$729,000 owed by the Sherman controlled numbered company.
- This is a significant sum due to the Company which appears to have disappeared from the accounts filed in the data room. During 2023 when I was working with the company to navigate their way through insolvency I was provided with financial statements that included these sums as company receivables. Is the proposal trustee looking into this substantial debt from the perspective of recovering sums for the creditors? Why has the debt disappeared from the books, at the same time that the debts appear to have grown substantially from what was recorded in the company books?
It is not the role of the Proposal Trustee to pursue receivables due to the Company. All information the Company has available on these amounts has been given (the 2022 financial statements), and bidders are expected to make their own assessment on the likelihood of whether these receivable amounts would be recoverable post transaction, and should take their assessment into account as part of their bid. Without the benefit of a proper account to prepare their financial statements, the company is unable to provide a proper updated balance post FY22.
- In your latest reply you say that there are no financial data beyond Nov 30 and the company does not have the resources to prepare them. When I met with Mr Costello in January of this year he showed me an August to Dec P&L Acct that he had prepared, but I did not get a copy. He has probably forgotten – perhaps you can check again with him?
I will ask Mr. Costello
- In the data room there is a schedule of Accounts Payable Balances dated April 25, 2024. The total of \$1,097,453 is close to the amounts quoted in the court filings. There is an amount due to AGLC of \$461,705, aged over 90 days. Please provide some background on this, and what discussions have taken place with AGLC about this amount – the AGLC is a key player in the industry and it is unusual for that organization to be owed money.
I will ask Mr. Costello
- Included in the schedule are amounts owed to Messrs Sherman and Costello amounting to almost \$300,000. How are these two executives appearing in the accounts payable listing?
I will ask Mr. Costello

I will go through the new info tomorrow and see if there are any more questions.

Thanks for your continued help!

Regards

John

+1 403 615 9110

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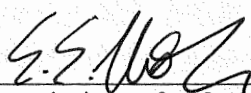
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This is **Exhibit "G"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Wednesday, March 6, 2024 11:07 PM
To: Joseph Sithole
Subject: TS Questions

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Joe,

Here are a few more questions for TS:

Sales Activity

- Please confirm the status of providing us with the January – December 2023 and January to February 2024 AGCL Reports? The specific AGCL Reports we are looking for:
 - Yearly Sales by SKU for 2023 and YTD 2024
 - Yearly Sales by Lic/ SKU for 2023 and YTD 2024
 - Monthly Sales by SKU for 2023 and YTD 2024
 - Monthly Sales by Lic/ SKU for 2023 and YTD 2024
 - Weekly Unable to Fill Reports – Assuming this report is produced weekly, for each week of the year YTD 2024
- In your March 5th Due Diligence Responses, you mentioned that Tool Shed has “lost customers as a direct result of the insolvency process”.
 - Can you please provide additional information with regard to which customers they have lost and if any of those customers were included on the Top 10 On-Premise and Off-Premise customers listed on the February 28, 2024 email from James Costello to James Reid and yourself?

Accounts Payable Listing

- Please advise of the nature of the AGCL payable and why it has been outstanding for more than 90 days?
- Please confirm the nature of the \$2,649.79 owing to the Receiver General and if the Receiver General has a priority claim for this amount?
- The Lease Ledger provided shows that the Landlord invoices Tool Shed for water. Please confirm what Enmax and Direct Energy invoice Tool Shed for, and if these amounts will need to be settled on closing (eg by virtue of these suppliers having a priority claim)?

Equipment

- Based on your March 5, 2024 Due Diligence Responses please provide more information regarding the kettle on the brewhouse that has ruptured:
 - When did the rupture occur?
 - How has the rupture affected brewery operations or limited production capacity?
 - Please advise on the estimated lead time to have a replacement kettle sourced, shipped and installed?
 - Please provide the name of the supplier and estimated shipping and installation costs?
 - Is the damage to the brewhouse kettle covered under the Company's insurance policy?
- Please provide further information on the nature of the brewhouse tank repairs that are required (i.e. how many tanks are not working, the nature of the repairs required and estimated cost and time required)?
- Please advise on the condition of the remaining Tool shed assets and if there are any other known mechanical issues or failures that need to be addressed?

- During the receivership process has Tool Shed continued to perform its normal preventative maintenance programs?
- Please provide details of the Company's preventative maintenance program; what issues have been uncovered during the last 24 months?

DIP Financing

- Please confirm the amount of the DIP Financing that has been provided by the lender to date and how these funds have been used?
- Please confirm what items have been paid by the DIP Financing to date?
- Please confirm what amount, if any, of the DIP Financing has been used to pay the unsecured loan or accounts payable amounts shown to be owing to each of Costello, Graham or Taylor?

Administrative Charge

- Please confirm if the \$75,000 retainer you referenced in your March 6th email is part of, or in addition to, the \$250,000 Administrative Charge?
- Please confirm the inception to date billings that have arisen to date on this file and how much, of the \$250,000 you expect will be spent?

Health and Safety

- Please provide details of the Company's Health and Safety Policy – eg safety meetings, incident reporting and metrics, lost workday cases.
- How any reportable safety incidents have occurred during the last 24 months.
- When was the last time a safety audit was carried out on the brewery operations and restaurant operation.
- Has the company been inspected by City of Calgary, Fire Brigade or other regulatory authority in the last 24 months? Were there any reportable issues or problems? Has food storage and restaurant hygiene ever been assessed by the appropriate authorities as inadequate or needing improvement?

Comments on the Answers provided in your email Mar 6th

- Can you also let me know what is the current balance owed to CRA, broken down by the overdue withheld remittances, interest due and penalties owed, please?

To the best of the Company's knowledge, the amount owing to the CRA is as per the requirement to pay notice \$571,091.70 less the amount garnished and sent to the CRA. The company is unable to access their online CRA accounts, as this was a function performed by their external accountant, who is unavailable due to non-payment.

Joe, this response is not acceptable. The Company can ask CRA for a copy of their statement and can set up access to their account. The comment regarding their previous accountant is a weak excuse for not getting the information. The CRA balance and its composition is a critical piece of information. It might take the CEO making a phone call to the CRA and waiting on hold, but the information is available to the company.

- I'm finding some alarmingly large discrepancies between data room updates and information included in the affidavits and documents filed in support of the SISP and related processes. For example, the data room has a Nov 30, 2023 Balance sheet which shows Long Term Liabilities of \$2,030,138; the Initial Report of the Proposal Trustee (Initial Report) shows secured creditors at \$715,400 and unsecured creditors at \$2,750,820. This excludes amounts due for accounts payable, CRA and the overdue rent. This is a significant difference

The internal financial statements have been prepared and reconciled to the best abilities of Company staff, without the benefit of a proper accountant. As a result, there will be unreconciled differences which company staff and management will not be able to explain or address. The creditor listing in the

dataroom, which matches the amounts per the Trustee's report, should be assumed to be the most accurate representation of creditor balances owing.

Joe, Again this is a somewhat disingenuous response. You have said that the books are inaccurate, but in the last 6-9 months the company has apparently added almost \$1.5mm of long-term debt. I've reviewed all the loan agreements in the data room and very few are complete, tie-in to the outstanding balances or are even executed copies. On what basis has the company been able to swear in their affidavits and convince KPMG as the Trustee that the amounts are accurate with providing underlying agreements? When the "new" long-term liabilities were created in the books, what were the details of the journal entries? For example, the 2nd Costello affidavit says that an agreement between Graham Sherman and Tool Shed was made that enabled Sherman to buy certain TS debts owed by unsecured creditors. I see no sign of this agreement in the Data room, yet these debts apparently changed hands a few months ago.

With regard to the Sherman Company and personal debt, I am somewhat surprised that there is no action to recover a significant debt when so many creditors are not going to be paid. But I understand your response that it is not a function of the Proposal Trustee. I assume the Company has written down the value of these 2 debts to \$0 since they do not appear in the financial statements. Is that a correct assumption?

Questions on answers given in March 5 responses

General Responses

The Brewery Lease.

Clause 5.3 of the lease says that the landlord will estimate the monthly additional rent for the next lease year and this must be paid by the tenant each month. This is the information requested the forecast 2024 additional rent.

Marketing Responses

To be more specific, please provide details of the commission scheme the company operates for the sales team.

Product Related

ZPS

Is this currently being sold at a profit? What is the percentage gross margin on ZPS compared to the PS gross margin?

Thanks Joe,

Regards
John

+1 403 615 9110

This is **Exhibit "H"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Catrina Webster <cwebster@mltaikins.com>
Sent: Friday, March 8, 2024 4:21 PM
To: Alexis Teasdale (4564) - 11Flr; Sithole, Joe; Reid, James
Cc: Ryan Zahara
Subject: RE: Tool Shed Brewing Company SISP

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis,

Further to your request for an extension below, it's important that we move this matter forward expeditiously due to mitigate cashflow strain and to ensure we maintain a competitive process. We are able to modify the deadline slightly to accommodate your request, however, two weeks is too long for this matter. In discussions with the Proposal Trustee we have agreed that we will offer a 72 hour extension with bids due to the Proposal Trustee by 12:00pm on March 14, 2024. Further, we will inform all potential bidders that final information/documentation requests must be delivered to the Proposal Trustee by 12:00pm on Monday, March 11, with Company management to provide final responses by 12:00pm on Tuesday, March 12.

Regarding the request for additional information to complete your due diligence process, the information in the data room is all of the information that exists. Please feel free to reach out to the Proposal Trustee if there are specific requests regarding the information in the data room.

Best regards,

Catrina Webster
Partner

P: (403) 693-4347 | **E:** cwebster@mltaikins.com

MLT Aikins LLP
 2100 Livingston Place
 222 3rd Ave SW
 Calgary, AB T2P 0B4

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From: Alexis Teasdale <ateasdale@lawsonlundell.com>
Sent: Friday, March 8, 2024 4:11 PM
To: Sithole, Joe <jsithole@kpmg.ca>; Reid, James <jwreid@millerthomson.com>
Cc: Ryan Zahara <RZahara@mltaikins.com>; Catrina Webster <cwebster@mltaikins.com>
Subject: RE: Tool Shed Brewing Company SISP

[EXTERNAL MESSAGE]

Thanks Joe and Catrina. I look forward to your response.

Best,

Alexis Teasdale* (she/her) | Partner
Lawson Lundell LLP
D 403.218.7564 | F 403.269.9494
*Professional Corporation

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Friday, March 8, 2024 2:14 PM
To: Alexis Teasdale (4564) - 11Flr <ateasdale@lawsonlundell.com>; Reid, James <jwreid@millერთhompson.com>
Cc: rzahara@mltaikins.com; Catrina Webster <cwebster@mltaikins.com>
Subject: RE: Tool Shed Brewing Company SISP

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis, copying in Catrina as well, we will be responding shortly.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
Senior Manager / Vice President | Restructuring & Turnaround
T (403) 691-8070
M (403) 401-1418
F (403) 691-8008
jsithole@kpmg.ca



From: Alexis Teasdale <ateasdale@lawsonlundell.com>
Sent: Friday, March 8, 2024 2:10 PM
To: Sithole, Joe <jsithole@kpmg.ca>; Reid, James <jwreid@millერთhompson.com>
Cc: rzahara@mltaikins.com
Subject: RE: Tool Shed Brewing Company SISP [EXTERNAL]

James and Joe (adding Ryan too),

Are you able to advise whether Tool Shed can agree to the requested extension (or an extension of any length)?

Thanks,

Alexis Teasdale* (she/her) | Partner
Lawson Lundell LLP
D 403.218.7564 | F 403.269.9494
*Professional Corporation

From: Alexis Teasdale (4564) - 11Flr <ateasdale@lawsonlundell.com>
Sent: Thursday, March 7, 2024 3:45 PM
To: jsithole@kpmg.ca; Reid, James <jwreid@millerthomson.com>
Subject: Tool Shed Brewing Company SISP

Good afternoon James and Joe,

As you know, Lawson Lundell LLP is counsel to John Donovan, Julianna Bourne, and several other new or existing investors who are interested in submitting a bid in Tool Shed's sales process.

Our client group, through John Donovan, has been actively working with KPMG to obtain information necessary to complete their due diligence, given that the information in the data room is skeletal, and does not include sufficient information to permit our clients to complete basic due diligence. In particular, Mr. Donovan has requested that KPMG and Tool Shed provide information, or more detailed information, about Tool Shed's finances, assets, creditors, key contracts, sales figures, debts and debt levels, material costs, priority amounts due (ex. to CRA, under the Administration Charge ,etc.), employees, customers, and other matters. We would be pleased to provide a summary of the information requested if desired.

While we appreciate KPMG is doing its best, the information provided to date is not sufficient for our group to submit an unconditional bid. The lack of information available is also concerning from the perspective of the fairness and transparency of the sales process, particularly as the current bidder is controlled by Mr. Costello, who obviously has access to far more information about the company's operations and finances, due to his position as interim CEO.

As such, we are asking that Tool Shed and the proposal trustee agree to extend the bid deadline from March 11, 2024 to March 25, 2024. We note that the current cash flow contemplates closing at the end of April 2024 – we are confident our client will be able to close at a similar time even with the requested extension.

We look forward to hearing from you at your earliest convenience with respect to the requested extension.

Best regards,



ALEXIS TEASDALE* (she/her) | Partner
 D 403.218.7564 | F 403.269.9494 | E ateasdale@lawsonlundell.com
 LAWSON LUNDELL LLP Suite 1100, 225 - 6th Avenue S.W., Brookfield Place, Calgary, AB T2P 1N2
 Vancouver | Calgary | Yellowknife | Kelowna
 *Professional Corporation

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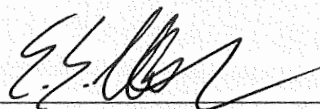
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This is **Exhibit "I"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Monday, March 11, 2024 10:38 AM
To: Sithole, Joe
Cc: James Costello; Jeff Newman; Alexis Teasdale (4564) - 11Flr
Subject: Re: Mon Mar 11 Meetings

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Thanks Joe,
 Not ideal but we will make that work. Thanks James for your co-operation.

Regards
 John
 +1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Date: Monday, March 11, 2024 at 10:21 AM
To: John Donovan <johndonovan@marchadvisory.com>
Cc: James Costello <James@toolshed.beer>, Jeff Newman <newyyc@gmail.com>, Alexis E. Teasdale <ateasdale@lawsonlundell.com>
Subject: RE: Mon Mar 11 Meetings

John,

I have spoken with James on how the company can fulfill this request with a minimum of disruption to the business. Today will not be possible, but the company can make an arrangement for tomorrow. A block of time has been set aside from 2:00 – 3:30 pm tomorrow for you to visit the premises, and I have requested that the six employees you listed make their selves available for your questions at this time. In order to be as efficient as possible, this will be a group meeting, in which you can ask all your questions to the employees at once.

Please note, that even though this meeting will take place tomorrow, the deadline of 12:00pm today for final inquiries, and the modified bid deadline of 12:00pm on March 14 will still apply. Please let me know if you have any questions.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca

2023 KPMG Impact Award Recipient



From: John Donovan <johndonovan@marchadvisory.com>
Sent: Sunday, March 10, 2024 8:13 PM
To: Sithole, Joe <jsithole@kpmg.ca>
Cc: James Costello <James@toolshed.beer>; Jeff Newman <newyyyc@gmail.com>; Alexis E. Teasdale <ateasdale@lawsonlundell.com>
Subject: Re: Mon Mar 11 Meetings [EXTERNAL]

Ok. I will await your message!

Regards,
 John
 John Donovan
 +1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Sunday, March 10, 2024 7:49:13 PM
To: John Donovan <johndonovan@marchadvisory.com>
Cc: James Costello <James@toolshed.beer>; Jeff Newman <newyyyc@gmail.com>; Alexis E. Teasdale <ateasdale@lawsonlundell.com>
Subject: Re: Mon Mar 11 Meetings

Thank you John. Once I speak with James, likely tomorrow morning, I will let you know what the company can do in regards to your request.

Regards.

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T [\(403\) 691-8070](tel:(403)691-8070)
 M [\(403\) 401-1418](tel:(403)401-1418)
 F [\(403\) 691-8008](tel:(403)691-8008)
jsithole@kpmg.ca

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Sunday, March 10, 2024 7:33 PM
To: Sithole, Joe <jsithole@kpmg.ca>
Cc: James Costello <James@toolshed.beer>; Jeff Newman <newyyyc@gmail.com>; Alexis E. Teasdale <ateasdale@lawsonlundell.com>
Subject: Re: Mon Mar 11 Meetings [EXTERNAL]

We do not have a specific list of questions. Our site visit with Graham on Friday was very useful in that we saw the brewery in action, were able to ask questions about what was happening and why etc. and better understand the process flow.

The people that we would like to meet are key employees and may be part of the new TS if we decide to bid and if we are successful with that bid. Discussions with that small group are an important part of our due diligence; for example we'd like to go through the process of production planning to understand the different elements involved in the procurement/production. We'd like to discuss the sales/purchase process that takes place between TS and AGLC, and so on.

I don't know why you would restrict access after Mar 11, but if you have to then we need to see as many people as possible tomorrow.

Regards
John
+1 403 615 9110

From: Sithole, Joe <jsithole@kpmg.ca>
Date: Sunday, March 10, 2024 at 7:19 PM
To: John Donovan <johndonovan@marchadvisory.com>
Cc: James Costello <James@toolshed.beer>, Jeff Newman <newyyc@gmail.com>
Subject: RE: Mon Mar 11 Meetings

John,

I will speak with James on this, but given it's Sunday, I may not be able to discuss this with him until tomorrow, which may potentially cause issues with timing and availability of resources/employees.

As a compromise, in the case this request cannot be met, I would suggest you send a list of questions you wish to ask of these employees before the request deadline of 12:00pm tomorrow. I would ask that you keep this list and your questions short and concise, as the company and staff will not be available for further requests in regards to the SISP beyond the end of day tomorrow.

Kind Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
Senior Manager / Vice President | Restructuring & Turnaround
T (403) 691-8070
M (403) 401-1418
F (403) 691-8008
jsithole@kpmg.ca



From: John Donovan <johndonovan@marchadvisory.com>
Sent: Sunday, March 10, 2024 5:03 PM
To: Sithole, Joe <jsithole@kpmg.ca>

Cc: James Costello <James@toolshed.beer>; Jeff Newman <newyyc@gmail.com>
Subject: Mon Mar 11 Meetings [EXTERNAL]

Joe,

I've copied James on this note to save some time given how close we are to the bid date, and hope you will forgive the breach of protocol.

A key part of our DD is to identify and speak to a handful of key employees about the day to day aspects of their job and to get a better insight into "how things work" and get opinions and comments from those closest to the work.

It goes without saying that James can sit in on every meeting if he wants.

We'd like to see

Luke Wooldridge (Brewer - or one of the other brewers if he is not available)
Cayla Ziegler (Controller)
Jacob May (Production Director)
Alicia Smith (Tap Room Manager)
Jim Webster (Sales Director – if available – or an alternate)
Shane Bisziel (Packaging Lead)

Apologies if job titles and name spellings are incorrect.

Regards

John

+1 403 615 9110

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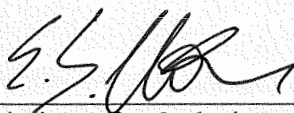
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- [Disclaimer concerning tax advice](http://taxdisclaimer.kpmg.ca) (<http://taxdisclaimer.kpmg.ca>).

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This is **Exhibit "J"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Jeff Newman <newyyc@gmail.com>
Sent: Monday, March 11, 2024 10:46 AM
To: Sithole, Joe; John Donovan
Cc: Alexis Teasdale (4564) - 11Flr; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: Additional Due Diligence Questions
Attachments: 2024-03-11 - Final Due Diligence Request.docx

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Joe,

Attached please find the list of additional due diligence questions in advance of the March 11th noon deadline.

We look forward to management's responses to the attached.

Please let John or I know if you have any questions.

Jeff

**Tool Shed Brewery
Due Diligence Request
March 11, 2024**

Question	Response	Notes
Sales Activity		
All Wholesale Price Sheets for Tools Shed products for 2023 and YTD 2024 for all SKU'.		
In your March 5 th Due Diligence Reponses, you mentioned that Tool Shed has "lost customers as a direct result of the insolvency process". Please provide additional information with regard to which customers have been lost and if any of those customers were included on the Top 10 On-Premise and Off-Premise customers listed on the February 28, 2024 email from James Costello to James Reid and KPMG?		
Copies of AGLC Remittance Statements for 2023 and YTD 2024 (4 samples/ 2 from each period) that demonstrate the gross sales and deductions/ charges levied by AGLC including the most recent 2024 Statement. If there is a full year statement available, please provide it for calendar 2023 and YTD 2024.		
AGLC Revenue Reporting and Remittance process – Frequency – AGLC Deductions/ Withholdings (should be able to see this in the Remittance Statements) which will help us reconcile Gross Revenue.		
Current Inventory levels at Brewery and Connect Logistics? – Any recent out of stock issues – What impact has the ruptured Brewhouse Kettle had on brewery operations/ production?		

Question	Response	Notes
Equipment		
Based on your March 5 th and March 7 th Due Diligence Responses please provide more information regarding the kettle on the brewhouse that has ruptured:		
– When you say there is a “1 month lead time for the kettle plus install” is this the manufacturing time or the total time from order date to installation? Please provide estimated shipping time if the kettle is shipped from either PEI (DME HQ) or China?		
– What is the estimated downtime to brewery operations while the new kettle is installed, and the old kettle removed?		
– Who performs the installation? DME staff or Tool Shed brewery staff? – What is the estimated cost to complete the installation given the significant number of other tanks and fittings that need to be moved to access the kettle?		
– In it’s response, mgmt. stated “it’s ~\$40,000 for a new kettle, plus shipping and installation, assuming \$20k for the second parts” what “second parts” you are referring to?		
During our site tour on March 8 th , Graham Sherman indicated that there were problems with the dealcoholization system due to the cost and life expectancy of the filters.		
– Please confirm the cost and life expectancy for one complete set of the filters (and the # of filters required) and the lead time to order and have them shipped to Calgary?		
– Given that the lower selling price of Zero People Skills, and the fact that the dealcoholization process is not working		

Question	Response	Notes
properly, Is Tool Shed selling Zero People Skills/ Zero Red Rage at a loss?		
– If Tool Shed cannot purchase the proper filters at a reasonable price what are the options/ price for an alternative dealcoholization system?		
During our site tour on March 8th, Graham Sherman indicated that the “Pilot Brewing System” was owned by an employee/ former employee. The Pilot Brewing System is shown as a fixed asset in both the 2022 appraisal and in the fixed asset section of the 2022 and 2023 accounting records. Please confirm that the Pilot Brewing System is owned by Tool Shed and provide proof of ownership/ bill of sale?		
During our site tour on March 8th, Graham Sherman showed us the “Barley Silo” that was outside the back entrance to the brewery and indicated that he had arranged with the Tool Shed barley supplier to install the silo and Tool Shed would pay off the cost of the silo by paying the “bagged barley” prices vs. “bulk barley” prices until the silo had been paid in full. In the 2022 appraisal and in the fixed asset section of the 2022 and 2023 accounting records there is reference to a “Malt Silo”. – Please confirm that status of the arrangement with the “Barley Silo” and if this silo is now owned by Tool Shed? – If the “Barley Silo” has not yet been paid in full, please provide the balance outstanding. – Please confirm if the “Barley Silo” and the “Malt Silo” are the same equipment or two different pieces of equipment?		
Please provide a listing and whereabouts of the BBQ equipment.		

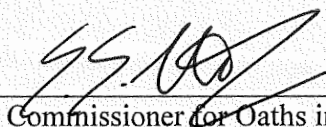
Question	Response	Notes
Is all equipment stored on-site at the brewery or are there off-site storage location(s)?		
Key Contracts		
Please provide an overview of the services or equipment provided by each of the following (including an overview of the commercial terms) and provide a copy of the underlying contract: - EcoLab - Cintas - BSG - Falcon Systems - ABCRC - Cask Brewing Systems Please confirm if there is contract pricing in place for either Direct Energy or Enmax and provide a copy of the contract.		
Insurance		
Please confirm if the premium for the February 2024 insurance renewal has been paid in full and if there is any reason that the existing policy would be cancelled before expiry in 2025?		
Meetings with Staff/ Landlord		
We would like to briefly meet with key staff on March 11th to discuss their area of operations: - Shane - Kayla - Jacob - Luke - Taproom Manager (Alissa)		
We would like to speak with the Landlord regarding the lease and related matters.		

Question	Response	Notes
Payroll and Commissions		
Commission and Bonus Programs – In the March 7th response, mgmt. indicated the sales staff are paid a bonus for hitting targets and an additional commission on sales over targets based on a percentage of sales basis. – Please provide a schedule of commissions paid to staff from May 23 – April 2023 and YTD fiscal 2024 by individual. – Please provide a list of all commission, bonus or similar payments (by individual) from May 23 – April 2023 and YTD fiscal 2024.		
December Wages for both 66000 Payroll (\$98,200) and 66180 Payroll (\$172,800) are very high compared to the equivalent November 30th YTD amounts. – Please provide an explanation for the December increase. – Please provide details of any severance, commissions or bonuses paid to staff, by individual, and the amounts paid. – Please also confirm if any consulting payments were made in the month of December.		
Employee Benefit Plans: – Please provide a copy of the Employee Benefit Plan – Confirm that all premiums have been paid in full and the plan remains in place for the benefit of all staff.		
Health and Safety		
Please provide more information regarding the nature of the injury to the cellarman that you expect to go on LTD. – Details of the incident/ cause of the injury?		

6

Question	Response	Notes
– Is the cellarman on Tool Shed's benefit plan. – Why do you already believe they will go onto LTD? – Is this a WCB claim? Please provide the details of any other incident/ accident claims in the past 24 months. Please provide details of any other existing or pending cases/ claims for staff that are on Short Term or Long Term Disability or any other form of paid or unpaid Leave of Absence.		

This is **Exhibit "K"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Jeff Newman <newyyc@gmail.com>
Sent: Monday, March 11, 2024 11:53 AM
To: Sithole, Joe; John Donovan
Cc: Alexis Teasdale (4564) - 11Flr; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: Re: Additional Due Diligence Questions - Sales & Marketing

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Joe,

I have been reviewing the Customer Data by SKU that you provided last night.

As an additional Due Diligence request, can you advise how Tool Shed allocates customer accounts across their sales and marketing team, and provide a listing of key accounts by individual?

In particular, I am interested in the key customers for the People Skills and Zero People Skills products.

While I am still compiling the data from the PDF's you sent, this would include which employees (or brokers, although I don't think they use them) call on accounts like Real Canadian Super Store, Sobey's, Crowfoot Liquor, Coop, Wine and Beyond etc.

I will share with you my consolidated list once I have it prepared but do not expect that will be ready by the 12 PM cut off.

Thanks,

Jeff

(403)542-7200

From: Jeff Newman <newyyc@gmail.com>
Sent: Monday, March 11, 2024 10:45 AM
To: Sithole, Joe <jsithole@kpmg.ca>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com <jwreid@millerthomson.com>; cwebster@mltaikins.com <cwebster@mltaikins.com>
Subject: Additional Due Diligence Questions

Joe,

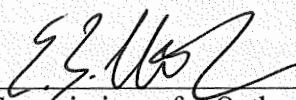
Attached please find the list of additional due diligence questions in advance of the March 11th noon deadline.

We look forward to management's responses to the attached.

Please let John or I know if you have any questions.

Jeff

This is **Exhibit "L"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Jeff Newman <newyyc@gmail.com>
Sent: Tuesday, March 12, 2024 9:56 AM
To: Sithole, Joe; John Donovan
Cc: Alexis Teasdale (4564) - 11Flr; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: Re: Additional Due Diligence Questions - Sales & Marketing

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Thank you for uploading this information Joe.

We will review the material over the next few days in advance of the bid deadline.

Jeff

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Tuesday, March 12, 2024 9:52 AM
To: Jeff Newman <newyyc@gmail.com>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com <jwreid@millerthomson.com>; cwebster@mltaikins.com <cwebster@mltaikins.com>
Subject: RE: Additional Due Diligence Questions - Sales & Marketing

Jeff and John,

The final batch of requested company documents and responses to your inquiries have been uploaded to the dataroom. All of the due diligence inquiries received before 12:00pm yesterday have now been provided or responded to by the company. Apart from the discussion to occur with the company's key employees this afternoon, the company's involvement on due diligence inquiries is now complete.

We look forward to your decision on submission of a bid in this SISP process.

Kind Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca



From: Jeff Newman <newyyc@gmail.com>
Sent: Monday, March 11, 2024 11:53 AM
To: Sithole, Joe <jsithole@kpmg.ca>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: Re: Additional Due Diligence Questions - Sales & Marketing [EXTERNAL]

Joe,

I have been reviewing the Customer Data by SKU that you provided last night.

As an additional Due Diligence request, can you advise how Tool Shed allocates customer accounts across their sales and marketing team, and provide a listing of key accounts by individual?

In particular, I am interested in the key customers for the People Skills and Zero People Skills products.

While I am still compiling the data from the PDF's you sent, this would include which employees (or brokers, although I don't think they use them) call on accounts like Real Canadian Super Store, Sobeys, Crowfoot Liquor, Coop, Wine and Beyond etc.

I will share with you my consolidated list once I have it prepared but do not expect that will be ready by the 12 PM cut off.

Thanks,

Jeff

(403)542-7200

From: Jeff Newman <newyyc@gmail.com>

Sent: Monday, March 11, 2024 10:45 AM

To: Sithole, Joe <jsithole@kpmg.ca>; John Donovan <johndonovan@marchadvisory.com>

Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com <jwreid@millerthomson.com>; cwebster@mltaikins.com <cwebster@mltaikins.com>

Subject: Additional Due Diligence Questions

Joe,

Attached please find the list of additional due diligence questions in advance of the March 11th noon deadline.

We look forward to management's responses to the attached.

Please let John or I know if you have any questions.

Jeff

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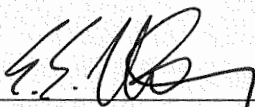
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This is **Exhibit "M"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Wednesday, March 13, 2024 8:44 AM
To: Jeff Newman; John Donovan
Cc: Alexis Teasdale (4564) - 11Flr; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: RE: Wholesale Price List

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Jeff,

The company has forwarded the price list for the non-alcoholic products, which is now uploaded to the dataroom.

For both price lists, the 2024 prices are in column AA. The 2023 prices were inserted in column AC. Management has not planned for a price increase at this time.

Regards,

Joe Sitholé, CPA, CA, CIRP, LIT
 Senior Manager / Vice President | Restructuring & Turnaround
 T (403) 691-8070
 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca



From: Jeff Newman <newyyc@gmail.com>
Sent: Tuesday, March 12, 2024 12:03 PM
To: Sithole, Joe <jsithole@kpmg.ca>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: Re: Wholesale Price List [EXTERNAL]

Joe

In reviewing the Wholesale Pricing List provided in the data room, the listing does not appear to include the pricing for the non-alcoholic products.

Can you please ask management to provide the wholesale pricing information for these three items?

- SKU 864768
- SKU 872192
- SKU 872194

The Excel document provided is titled 2023 and 2024 Prices - Tool Shed however there is only one set of information with an ASOFDATE of 2024/03/08.

Can you also ask management to confirm these prices were in place for all of 2023?

- If there was only a small price increase, if they provide that rough estimate of the price increase, that is sufficient vs. spending a lot of to recreate an outdated price list.
- Is management aware of, or planning a price increase in 2024?

Thanks,
Jeff

From: Sithole, Joe <jsithole@kpmg.ca>
Sent: Tuesday, March 12, 2024 9:52 AM
To: Jeff Newman <newyyc@gmail.com>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com <jwreid@millerthomson.com>; cwebster@mltaikins.com <cwebster@mltaikins.com>
Subject: RE: Additional Due Diligence Questions - Sales & Marketing

Jeff and John,

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We look forward to your decision on submission of a bid in this SISP process.

Kind Regards,

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 M (403) 401-1418
 F (403) 691-8008
jsithole@kpmg.ca



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Sent: Monday, March 11, 2024 11:53 AM
To: Sithole, Joe <jsithole@kpmg.ca>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com; cwebster@mltaikins.com
Subject: Re: Additional Due Diligence Questions - Sales & Marketing [EXTERNAL]

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In particular, I am interested in the key customers for the People Skills and Zero People Skills products.

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Thanks,
Jeff
(403)542-7200

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To: Sithole, Joe <jsithole@kpmg.ca>; John Donovan <johndonovan@marchadvisory.com>
Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; jwreid@millerthomson.com <jwreid@millerthomson.com>; cwebster@mltaikins.com <cwebster@mltaikins.com>
Subject: Additional Due Diligence Questions

Joe,
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We look forward to management's responses to the attached.

Please let John or I know if you have any questions.

Jeff

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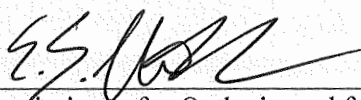
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This is **Exhibit "N"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law



Suite 1100, 225 - 6th Avenue S.W.
 Brookfield Place
 Calgary, Alberta
 Canada T2P1N2
 T: 403.269.6900

March 14, 2024

DELIVERED VIA EMAIL

cwebster@mltaikins.com; jsithole@kpmg.ca;
jwreid@millerthomson.com

Alexis Teasdale
 D: 403.218.7564
 F: 403.269.9494
ateasdale@lawsonlundell.com

MLT Aikins LLP
 2100 Livingston Place
 222 3rd Avenue SW
 Calgary, AB T2P 0B4

Attention: Catrina Webster

KPMG Inc.
 205 5th Ave SW, Suite 3100
 Bankers Court
 Calgary, AB T2P4B9

Attention: Joe Sithole

Miller Thomson LLP
 525-8th Avenue S.W., 43rd Floor
 Eighth Avenue Place East
 Calgary, Alberta T2P 1G1

Attention: James W. Reid

Dear Counsel and Proposal Trustee:

Re: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201 (the "NOI Proceedings")

We are counsel to 2594617 Alberta Ltd. (the "**Bidder**"). All capitalized terms set out in this letter have the meaning given to them in the Sale and Investment Solicitation Process approved by the Court of King's Bench of Alberta in the NOI Proceedings on February 12, 2024 (the "**SISP**").

We are writing to seek a further extension to the bid deadline under the SISP. We are also submitting a conditional bid and evidence of financial wherewithal to complete the same, to demonstrate the Bidder's desire and capacity to complete the purchase, subject to receiving appropriate responses to its requests for further due diligence information.

Conditional Bid

We enclose our client's conditional bid to purchase 100% of the equity of Tool Shed Brewing Company Inc. (the "**Preliminary Bid**").

For the purposes of the SISP, we confirm that the principals of the Bidder are John Donovan, Julianna Bourne, and Myron Tetreault (Calafate Holdings Ltd.). We enclose evidence of the

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principals' ability to consummate the transaction contemplated by the enclosed Share Purchase Agreement. Please note that we are providing the financial information of the principals of the Bidder to the Proposal Trustee and the Company on a strictly confidential basis.

We further confirm on behalf of the Bidder that it has not colluded with any other bidder in the SISP, and is authorized to submit a bid in the context of the SISP.

You will note that the conditions precedent in the Preliminary Bid include a number of due diligence inquiries. These inquiries include items that the Bidder requested prior to the March 11, 2024 12:00 p.m. deadline set by the Proposal Trustee, and items arising from new information provided by the Company in response to the Bidder's requests.

While the Company has responded in part to the Bidder's due diligence requests, many of its responses are incomplete, inconsistent, and are not transparent – further details on this aspect of the Bidder's concerns are outlined below, under the heading "Due Diligence Issues." This and other matters raise significant concerns with the fairness and integrity of the SISP, as follows.

Bid Deadline Extension

On March 7, 2024, we requested an extension to the bid deadline under the SISP, from March 11, 2024 to March 25, 2024. The principal reason for the requested extension was that the due diligence information received was wholly insufficient to enable our client to submit a bid pursuant to the SISP. We attach a copy of our March 7, 2024 email for reference.

On March 8, 2024, the Proposal Trustee advised it could offer a short, 72-hour extension to the bid deadline. The rationale for this brief extension was that the matter must move forward expeditiously to mitigate cashflow strain and maintain a competitive process.

As set out in our March 7 email, the Bidder is prepared to close on or before April 26, 2024, including with the extension of time requested. Notwithstanding this, the Proposal Trustee has taken the position that the bid deadline cannot be extended beyond March 14, 2024 at noon.

The Proposal Trustee's stated concern about timing of the bid deadline does not align with the Company's cash flow forecast set out in the Proposal Trustee's First Report, which shows that the Company will have positive cash flow through to April 27, 2024. Given the Bidder's stated willingness to close on the same timeline proposed by the Stalking Horse Bidder, it is apparent that cashflow strain is not a real concern in the circumstances.

We also do not agree that the competitiveness of the process is enhanced by preventing a party who is prepared to submit a competitive bid, from obtaining sufficient information to enable it to make a bid, or from having sufficient time to consider that information. The reverse would seem to be true.

The Proposal Trustee also advised in its March 8, 2024 email that the information in the data room was all of the information that exists. This is evidently not the case, given that the Company and the Proposal Trustee have been supplementing the information in the data room since that date and even as late as yesterday afternoon.

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Conflict of Interest of Current Management

As the Proposal Trustee and the Company are aware, the principal of the Stalking Horse Bidder was interim CEO of the Company until January 1, 2024, when he became the CEO. This raises two issues.

First, there is a significant information imbalance as between the Stalking Horse Bidder and the Bidder. The Bidder should be on an even playing field with the Stalking Horse Bidder in this regard, and therefore, the Company should take care to provide the same level of information to the Bidder as is available to the Stalking Horse Bidder.

Second, the integrity of the SISP is affected by the fact that the person in control of the Stalking Horse Bidder is also informing the conduct of the SISP, the Company's responses to due diligence requests, and the Company's review of bids in the SISP. In our view, the CEO's involvement in the bid process puts him in a conflict of interest in conducting the SISP on behalf of the Company.

Due Diligence Issues

The following outlines certain categories of information that is, on its face, both reasonable and necessary to permit the Bidder to submit an unconditional bid for Tool Shed's equity.

Wholesale beer sales. The Company has not provided sufficient information on wholesale beer sales by SKU for 2023 and YTD 2024. The complete wholesale pricing information was not provided until March 13, and based on information provided, the Bidder can only substantiate about \$800,000 of \$1.3 million of wholesale beer revenue recorded by Tool Shed for the first 7 months of fiscal 2024. As such, the Bidder requires additional time to work with Tool Shed's accountant to understand the discrepancy.

Uncertainty regarding asset ownership. In its due diligence responses on March 12, 2024, the Company disclosed for the first time that certain assets that Tool Shed had previously identified as part of the brewery and taproom, are owned by other parties. This is a significant inconsistency, and the Bidder requires a detailed listing of any brewery or taproom assets, including kitchen equipment, that are not owned by Tool Shed, along with proof of ownership by third parties.

Issues with the de-alcoholization system. On March 9 and March 12, management disclosed for the first time, problems with the de-alcoholization system, the high cost of certain filters used in the system, and the fact that Tool Shed did not own a critical part of the system, but rather, is on loan from the manufacturer. The Bidder requires additional time to contact the equipment manufacturer to determine their willingness to allow Tool Shed to continue to use the plate filter, and the status of the manufacturer's efforts to find an alternative supplier for the other specific filters used in this process, which management advised the manufacturer has been working on.

Absence of licensing agreements and broker contracts. Tool Shed has not yet provided the licensing agreements that allow it to sell its products in British Columbia, Saskatchewan, and Manitoba, which will enable the Bidder to see their terms and confirm that the reverse vesting order will preserve these licenses. As the preservation of these licenses is a factor Tool Shed is relying on in support of the reverse vesting order structure, we expect that the Company has the licenses on hand. However, they are not presently in the data room. Tool Shed has also not provided the broker contracts currently in place with brokerages to sell its products. Again, it is

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important to the Bidder to be able to see the terms and conditions of these contracts in the context of its bid.

Inconsistent information regarding AGLC payables. Management has advised the Bidder that the AGLC accounts payable amount of \$461,705 (which makes up a significant portion of the trade creditor liability disclosed in the Affidavit No. 2 of James Costello) is a clearing account, which is not payable to AGLC. Given that Tool Shed's relationship with AGLC is key to operating a brewery in Alberta, the Bidder needs to understand the status of this account, whether it is owing or not, and whether and how to mitigate any relational issues arising as a result. The Bidder requires a statement from AGLC showing the balances and a reconciliation capable of validation.

Given these numerous significant gaps in the due diligence information provided by the Company, it is unreasonable to expect the Bidder to make an unconditional bid at this time, and we are therefore asking for a further extension of time to submit an unconditional bid, to March 22, 2024, during which time we expect to receive the information requested.

Should an extension and/or provision of the requested information not be forthcoming, we expect to receive instructions to bring an application to the Court to obtain an extension of the Bid Deadline and compel responses to the Bidder's due diligence requests. We also anticipate that our clients will instruct us to oppose any application by the Company to obtain the Approval and Reverse Vesting Order in favour of the Stalking Horse Bidder.

We trust you will find the foregoing and enclosed to be satisfactory, and look forward to hearing from the Proposal Trustee regarding the requested extension of the Bid Deadline.

Yours very truly,

LAWSON LUNDELL LLP



Alexis Teasdale*

*Professional Corporation

AET/ah2

Encl.

cc. Colin Luke, Lawson Lundell LLP – via email
Clients

This is **Exhibit "O"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

SHARE PURCHASE AGREEMENT

This Agreement is made as of the 14th day of March, 2024 (the “**Effective Date**”)

AMONG:

TOOL SHED BREWING COMPANY INC., a corporation
incorporated pursuant to the laws of the Province of Alberta (the
“**Company**”)

– and –

2594617 ALBERTA LTD., or its nominee (the “**Purchaser**”)

WHEREAS:

A. The Company filed a Notice of Intention to Make a Proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”) on January 31, 2024 (the “**Filing Date**”), and KPMG Inc. consented to act as the proposal trustee (in such capacity, the “**Proposal Trustee**”) for the proceedings commenced by the NOI (the “**Proposal Proceedings**”).

B. In connection with the Proposal Proceedings, on February 12, 2024, the Company sought and obtained an order of the Court of King’s Bench of Alberta among other things, approving the Sales Process (as that term is defined herein), pursuant to which potential offerors may submit offers to purchase all of the equity and/or the assets of the Company.

C. In accordance with the terms of the Sales Process, the Purchaser has submitted an offer to purchase 100% of the equity of the Company in accordance with the terms and subject to the 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 irrevocably acknowledged, the Parties hereby acknowledge and 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:

“**Affiliate**” has the meaning given to the term “affiliate” in the *Business Corporations Act*, R.S.A. 2000, c.B-9.

“**Agreement**” means this share purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Proposal Trustee, and “**Article**” and “**Section**” mean and refer to the specified article, section and subsection of this Agreement.

“**Applicable Law**” means, in respect of any Person, property, transaction or event, any: (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order; (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority; and (iii) policies, practices, standards, guidelines and protocols

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having the force of law, that applies in whole or in part to such Person, property, transaction or event.

“Approval and Reverse Vesting Order” means an order by the Court, substantially in the form attached hereto as Schedule “G”, among other things, approving and authorizing this Agreement and the Transaction.

“Assumed Contracts” means the Contracts listed in Schedule “F”, as the same may be modified by the Purchaser prior to Closing in accordance with the terms hereof (and including as such Assumed Contracts may be amended, restated, supplemented or otherwise modified from time to time).

“Assumed Liabilities” means: (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule “E”, as the same may be modified by the Purchaser prior to Closing in accordance with the terms hereof; and (b) all Liabilities which relate to: (i) any Permits and Licenses forming part of the Retained Assets; and (ii) the Business under any Assumed Contracts; in each case, solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

“Assumed Liability Amount” has the meaning set out in Section 3.1(b) hereof.

“Authorization” means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person’s property or business and affairs or from any Person in connection with any easements, contractual rights or other matters.

“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, or in the possession of the Company or any of its Affiliates including information, documents and records relating to the Assumed 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, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

“Break Fee” means the sum of \$50,000 (inclusive of GST, if any), which shall be paid to the Stalking Horse Bidder in the event this Agreement is deemed to be a Successful Bid within the meaning of the Sale Process.

“Business” means the business conducted by the Company being a producer of alcoholic and non-alcoholic beverages, and operation of a restaurant space.

“Business Day” means a day on which banks are open for business in Calgary, Alberta, but does not include a Saturday, Sunday or statutory holiday in the Province of Alberta.

“Claims” means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

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“Closing” means the closing and consummation of the Transaction.

“Closing Date” means the date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Company, after the date upon which the conditions set forth in Article 8 have been satisfied or waived, other than any conditions set forth in Article 8 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Company and the Purchaser in writing).

“Closing Time” means 12:01 a.m. (Calgary time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“Consolidation and Cancellation” means the consolidation of all New Common Shares and Existing Shares in accordance with the Consolidation Ratio, and the cancellation of all fractional New Common Shares and Existing Shares in accordance with Article 2.

“Consolidation Ratio” means the ratio by which all New Common Shares and Existing Shares shall be consolidated, as determined by the Purchaser, acting reasonably and in consultation with the Company and the Proposal Trustee, given the intended effect of the Transaction.

“Contracts” means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected, including any Contracts in respect of Employees.

“Company” means Tool Shed Brewing Company Inc.

“Court” means the Court of King’s Bench of Alberta.

“CRA” means the Canada Revenue Agency.

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

“Effective Date” has the meaning set out in the preamble hereto.

“Employee” means any individual who is employed by the Company as of the Closing Date, whether on a full-time or a part-time basis and includes an employee on short term or long-term disability leave.

“Encumbrance” means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, writ of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“Equity Interests” has the meaning set out in section 2 of the BIA and includes the Existing Shares, any shareholder agreement in respect of the Existing Shares, and any other interest or entitlement to shares in the capital of the Company, but for greater certainty, does not include the Post-Consolidation Shares.

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“Excise Tax Act” means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

“Excluded Assets” means the properties, rights, assets and undertakings of the Company listed as “Excluded Assets” on Schedule “A”, as the same may be modified by the Purchaser prior to Closing in accordance with the terms hereof.

“Excluded Contracts” means those contracts and other agreements of the Company that are not Assumed Contracts and for greater certainty, includes those contracts and agreements which are listed on Schedule “B”, as the same may be modified by the Purchaser prior to Closing in accordance with the terms hereof.

“Excluded Liabilities” has the meaning set out in Section 1.7(a).

“Existing Shares” means all of the common shares of the Company that are issued and outstanding immediately prior to the Closing Time, which, for greater certainty, does not include the New Common Shares or the Post-Consolidation Shares.

“Filing Date” has the meaning set out in the recitals hereto.

“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.

“GST/HST” means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act*.

“Income Tax Act” means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

“Intellectual Property” means all rights, title, interest and benefit of the Company in and to intellectual property of every nature and kind whatsoever, whether registered or unregistered, including, without limitation, all copyrights, patents, patent rights, trade-marks, certification marks and industrial designs, applications for any of the foregoing, trade names, brand names, all other names and slogans embodying the business or product goodwill, business names, URL’s, domain names, websites, social media pages, telephone numbers, fax numbers, email addresses (including employee email addresses), software, trade secrets, proprietary manufacturing information and know-how, instruction manuals, inventions, inventors’ notes, research data, unpatented blue prints, drawings and designs, formulae, recipes, calculations, processes, prototypes, technology and marketing rights, together with all rights under licence agreements, sublicense agreements, strategic alliances, development agreements, technology transfer agreements and other agreements, passwords or instruments relating to any of the foregoing, that are owned by the Company or used by the Company, whether in connection with the Business or otherwise.

“Interim Facility” means the funds advanced from the Purchaser as lender to the Company as borrower pursuant to the terms of the Interim Financing Term Sheet.

“Interim Financing Funds” means the funds outstanding between the Company and the Purchaser from time to time pursuant to the terms of the Interim Financing Term Sheet.

“Interim Financing Term Sheet” means the term sheet entered into between the Purchaser as lender and the Company as borrower for the provision of the Interim Financing.

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“Interim Period” means the period from the Effective Date to the Closing Time.

“Landlord” means York Realty Inc.

“Lease” means the lease agreement dated between the Landlord and the Company, as amended, modified or extended from time to time.

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

“New Common Shares” means the common shares of the Company to be issued to the Purchaser as part of Closing in exchange for the Purchase Price.

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

“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 11:59 pm (Calgary time) on April 30, 2024, or such later date and time as the Company and the Purchaser may agree to in writing.

“Parties” means the Company and the Purchaser and **“Party”** means either one of them.

“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.

“Permits and Licenses” means the orders, permits, licenses, Authorizations, approvals, registrations, consents, waivers or other evidence of authority issued to, granted to, conferred upon, or otherwise created for, the Company by any Governmental Authority, including: (i) those related to the Business, the Retained Assets and the Assumed Contracts; and (ii) those set out in Schedule **“D”**.

“Post-Consolidation Shares” means the common shares of the Company that will remain after the Consolidation and Cancellation, which shall: (a) represent 100% of the issued and outstanding common shares of the Company after the Consolidation and Cancellation; and (b) be solely owned and controlled by the Purchaser.

“Premises” means 9, 10, & 11 801 – 30th Street NE, Calgary, Alberta.

“Property” means all of the Company’s current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof.

“Proposal Proceedings” has the meaning set out in the recitals hereto.

“Proposal Trustee’s Certificate” has the meaning set out in Section 8.1(d).

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“Purchase Price” has the meaning set out in Section 3.1.

“Purchaser” means 2594617 Alberta Ltd. or its nominee.

“Purchaser Credit Bid Amount” means the total of: (a) the amount of secured indebtedness as at the date of Closing, plus additional interest and legal fees to the date of Closing, owing to Wayne Orr pursuant to a Promissory Note in the amount of \$900,000 dated September 3, 2015, a Promissory Note in the amount of \$36,000 dated November 20, 2020, a Promissory Note in the amount of \$60,000 dated November 2, 2021, and a Promissory Note in the amount of \$60,000 dated October 25, 2022, as assigned to the Purchaser by way of an Assignment of Loan and Security dated effective March 8, 2024, and (b) the amount of secured indebtedness as at the date of Closing, plus additional interest and legal fees to the date of Closing, owing to John Donovan and Julianna Myers Bourne pursuant to a Promissory Note dated May 26, 2022, as amended by the Amendment to Promissory Note dated July 29, 2022, as further amended by the Second Amendment to Promissory Note dated September 1, 2022, as assigned to the Purchaser by way of an Assignment of Loan and Security dated effective March 11, 2024.

“Rent Amount” has the meaning set out in Section 3.1(c) hereof.

“Reorganization Transactions” means the transactions, acts or events described in Exhibit “A”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof and the Approval and Reverse Vesting Order, which unless otherwise expressly provided therein are to occur immediately prior to the Closing Time or as otherwise set out in Exhibit “A”.

“ResidualCo” means a corporation to be incorporated as a wholly owned subsidiary of the Company, to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Reorganization Transactions.

“Retained Assets” has the meaning set out in Section 4.1.

“Retained Equipment” means all machinery, plant, equipment, parts, tools and accessories owned by the Company including that which is set out in Schedule “H”.

“Sales Process” means the sales and investment solicitation process approved by the Court in relation to the Property in the form attached as Schedule “A” to the Sales Process Order.

“Sales Process Order” means the order of the Court pronounced on February 12, 2024, establishing, among other things, the Sale Process.

“Stalking Horse Bidder” means 2582568 Alberta Inc.

“Successful Bid” has the meaning given to it in the Sales Process.

“Superior Offer” has the meaning given to it in the Sales Process.

“Taxes” means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, 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

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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 of 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 all of the transactions contemplated by this Agreement, including the issuance, purchase and sale of the New Common Shares whereby the Purchaser will acquire ownership of the Company.

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 the Company 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 & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A - Reorganization Transactions

SCHEDULES

Schedule A - Excluded Assets

Schedule B - Excluded Contracts

Schedule C - Excluded Liabilities

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Schedule D	-	Permits and Licenses
Schedule E	-	Assumed Liabilities
Schedule F	-	Assumed Contracts
Schedule G	-	Form of Approval and Reverse Vesting Order
Schedule H	-	Retained Equipment

The Parties acknowledge that as of the Effective Date, the Schedules are not complete. The Schedules are for the benefit of the Purchaser and may be amended or completed by the Purchaser at or before Closing by written notice to the Company.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2 PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Purchase of New Common Shares and Treatment of Existing Shares

Subject to the terms and conditions of this Agreement, effective as of the Closing Time, the Company shall take the following steps:

- (a) Share Issuance. The Company shall issue the New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Proposal Trustee, having regard to the intended effect of the Transaction, free and clear of all Encumbrances, in exchange for the payment of the Purchase Price.
- (b) Share Consolidation. The Company's Articles shall be amended to, among other things: (i) consolidate the New Common Shares and the Existing Shares on the basis of the Consolidation Ratio; and (ii) provide for such additional changes to the rights and conditions attached to the New Common Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion.
- (c) Share Cancellation. Any fractional New Common Shares and Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.
- (d) Equity Interests Extinguished. Any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation shall be cancelled and extinguished without any Liability, payment or other compensation in respect thereof and all Equity Interests shall be fully, finally, irrevocably and forever compromised, released, Discharged, cancelled and barred without any Liability, payment or other compensation in respect thereof.

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2.2 Excluded Liabilities

- (a) Pursuant to the Approval and Reverse Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or against, relating to or affecting any of the Retained Assets, or any Excluded Assets or Excluded Contracts, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule “C” (collectively, the “**Excluded Liabilities**”), shall be excluded and will no longer be binding on the Company, the Retained Assets, Employees, or Books and Records following the Closing Time.
- (b) Subject to the Reorganization Transactions and pursuant to the Approval and Reverse Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Approval and Reverse Vesting Order. The Company, the Retained Assets, and the Company’s undertakings, Business and properties shall be Discharged of such Excluded Liabilities. All Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Excluded Assets, if any, shall be available to satisfy the same.

ARTICLE 3 PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the New Common Shares shall be estimated to be approximately \$1,592,948.27 (the “**Purchase Price**”), comprised of:

- (a) an amount required to bring the Lease into good standing, being \$14,057.82 (the “**Rent Amount**”);
- (b) an amount equal to the value of the Assumed Liabilities, all as set out on Schedule “E”, which is estimated to be approximately \$1,009,645.45 as of the Effective Date of this Agreement (the “**Assumed Liability Amount**”);
- (c) an amount equal to the Break Fee; and
- (d) the Purchaser Credit Bid Amount, which is estimated to be at least \$519,245 as at the Effective Date of this Agreement.

3.2 Satisfaction of Purchase Price

The Purchase Price shall be satisfied by:

- (a) payment of the Landlord Amount in cash by the Purchaser to the Landlord’s counsel by wire transfer of immediately available funds, three (3) days before Closing, to be held in escrow and released immediately upon Closing;
- (b) payment of the Assumed Liability Amount in cash by the Purchaser to the Company, which the Company shall retain on the Closing Date in accordance with the Reorganization Transactions and used by the Company to discharge the Assumed Liabilities as and when they become due;

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- (c) payment of the Break Fee in cash by the Purchaser to the Stalking Horse Bidder's counsel by wire transfer of immediately available funds, three (3) days before Closing, to be held in escrow and released immediately upon Closing; and
- (d) payment of an amount equal to the Purchaser Credit Bid Amount by way of the set-off of such amount against the Purchaser Credit Bid Amount.

ARTICLE 4 TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo

At Closing, the Company shall retain all of the assets and Property owned by it on the Effective Date and any assets acquired by it up to and including Closing, including the Retained Equipment, Assumed Contracts, Permits and Licenses, Intellectual Property, Books and Records, Business and undertakings (the “**Retained Assets**”), but excluding amounts paid in the Interim Period in accordance with the Sale Process Order and the approval of the Proposal Trustee. Provided that the Retained Assets shall not include: (i) the Excluded Assets; or (ii) the Excluded Contracts; which shall be transferred to ResidualCo in accordance with the Reorganization Transactions, and same shall be vested in ResidualCo pursuant to the Approval and Reverse Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

In accordance with the Reorganization Transactions and the Approval and Reverse Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed by ResidualCo. Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Company shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Company and the Retained Assets as of, from and after the Closing Time.

4.3 Tax Matters

Pursuant to the Approval and Reverse Vesting Order, at the Closing Time, all Taxes, excepting refunds of Taxes owed or which may later be owed to the Company, owed or owing or accrued due by the Company shall be transferred to, vested in and assumed by ResidualCo. Any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Closing Date, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Company

The Company hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that 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. The Company is a corporation incorporated and existing under the *Business Corporations Act* (Alberta), 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, subject to obtaining of the Approval and Reverse Vesting Order in respect of the matters to be approved therein, performance

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by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.

- (c) No Conflict. The execution, delivery and performance by the Company of this Agreement does 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 Company.
- (d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject only to obtaining the Sales Process Order and the Approval and Reverse Vesting Order.
- (e) Issuance of New Common Shares and Post-Consolidation Shares. At Closing, the Purchaser will be the sole registered and beneficial owner of the New Common Shares, with good and valid title thereto, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Reverse Vesting Order, and such shares will be: (i) duly authorized and validly issued as fully paid and non-assessable; (ii) issued by the Company in compliance with all applicable corporate and securities laws. Immediately following the Closing Time and the Consolidation and Cancellation, the Post-Consolidation Shares will constitute all of the issued and outstanding shares in the capital of the Company and the Purchaser will be the sole registered and beneficial owner of the Post-Consolidation Shares, with good and valid title thereto, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Reverse Vesting Order. Immediately following the Closing Time and the Consolidation and Cancellation, the Post-Consolidation Shares will be: (i) duly authorized and validly issued as fully paid and non-assessable; (ii) issued by the Company in compliance with all applicable corporate and securities laws; and (iii) there will be no issued and outstanding common shares or other securities of the Company other than the Post-Consolidation 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 the Company.
- (f) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened, with respect to, or in any manner affecting, title to the New Common Shares, the Post-Consolidation Shares or the Retained Assets, or which would reasonably be expected to enjoin, delay, restrict or prohibit the issuance and transfer of all or any part of the New Common Shares, the Post-Consolidation Shares, the Retained Assets or the Closing of the Transaction as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Company from fulfilling any of its obligations set forth in this Agreement.
- (g) No Consents or Authorizations. Subject only to obtaining the Approval and Reverse Vesting Order and notice of the Transaction to be provided to Alberta Liquor Gaming and Cannabis, the Company does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.
- (h) Residency. The Company is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.

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- (i) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Company of any New Common Shares, Post-Consolidation Shares or Retained Assets.
- (j) Sufficiency of the Retained Assets. The Retained Assets include all material rights, interests, assets (both tangible and intangible), property and agreements necessary to enable the Company to carry on the business after the Closing substantially in the same manner as it was conducted prior to the Closing. No Retained Assets, other than the Excluded Assets, pertaining to the operation or administration of the Business are in the possession of, recorded, stored, maintained by or otherwise dependent upon any other Person. No other Person owns any property or assets which are being used in the Business except for tangible property (including machinery and equipment) leased by the Company pursuant to the Assumed Contracts.

5.2 Representations and Warranties of the Purchaser

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

- (a) 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 Sales Process Order and the Approval and Reverse Vesting Order.
- (b) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

5.3 As is, Where is

The representations and warranties of the Company shall survive the Closing Time on the Closing Date provided, however, that the Purchaser's recourse for any breach or inaccuracy of such representations and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, it will acquire the Post-Consolidation Shares (and for clarity, through this acquisition, indirectly, the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. 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 or quality or in respect of any other matter or thing whatsoever in relation to the Retained Assets.

ARTICLE 6 COVENANTS

6.1 Closing Date

Subject to the terms and conditions set out in this Agreement, the Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

6.2 Permits and Licenses

The Parties shall cooperate and work together in good faith, assist with submissions, share information and make any other efforts required to obtain any approval, Authorization, third-party consent, or Permits and Licenses from any Governmental Authority necessary to effect the Closing.

6.3 Sale Process

Provided the Approval and Reverse Vesting Order is granted by the Court, the obligation of the Purchaser to purchase the New Common Shares, and the obligation of the Company to sell the New Common Shares and to consummate the Consolidation and Cancellation pursuant hereto, is subject to the Sales Process and the satisfaction of all conditions therein. Notwithstanding the foregoing, the Parties hereby acknowledge and agree as follows:

- (a) The Company shall comply with the procedures and timelines set out in the Sales Process and shall not waive any provision of, or apply to the Court to amend, or consent to any application by any Person for the amendment of, the Sales Process without the prior written consent of the Purchaser, acting reasonably.
- (b) In the event that:
 - (i) the Company (in consultation with the Proposal Trustee) determines that this Agreement constitutes a Selected Superior Offer pursuant to the Sales Process; and
 - (ii) a Successful Bid is made by the Purchaser pursuant to the Sales Process;

then, as soon as reasonably practicable, each of the Company and the Purchaser shall take all actions reasonably necessary to have this Agreement and the Transaction approved pursuant to the Approval and Reverse Vesting Order and, specifically, the Company shall: (x) bring an application for the issuance of the Approval and Reverse Vesting Order in the Court; and (y) serve such parties as the Court and the Purchaser, acting reasonably, may require for applications and motions seeking the entry of the Approval and Reverse Vesting Order. The Purchaser, at its own expense, shall promptly provide to the Company all such information and assistance within the Purchaser's power as the Company may reasonably request to obtain the Approval and Reverse Vesting Order, including such information as may be required to reasonably evaluate the Purchaser's financial ability to perform their obligations hereunder. The application for the Approval and Reverse Vesting Order may be adjourned or rescheduled by the Company or their Representatives upon notice to the Purchaser.

6.4 Interim Period

During the Interim Period, except as otherwise expressly contemplated or permitted by this Agreement (including the Approval and Reverse Vesting Order and the Reorganization Transactions), the Company shall:

- (a) continue to maintain the Business, operations of the Company and Retained Assets in substantially the same manner as conducted on the Effective Date and in material compliance with all Applicable Laws and Permits and Licenses;
- (b) confer with the Purchaser concerning the operational matters of a material nature relating to the Business or the Retained Assets and otherwise periodically report to the Purchaser concerning the state of the Company, the Business and the Retained Assets; and

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- (c) cooperate with the Proposal Trustee to allow the Proposal Trustee to obtain an electronic backup or digital copy of all Books and Records and other electronic data stored on the Company's computer systems, cloud data, storage systems and computers used in connection with the Business, together with photos of all existing equipment, inventory and other assets located at the Premises, no later than two (2) Business Days following the Effective Date, to be held by the Proposal Trustee until delivered to the Purchaser on Closing in accordance with Section 7.3(d).

6.5 Access During Interim Period

During the Interim Period, the Company shall give, or cause to be given, to the Purchaser, and its representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize themselves with the Business and the Retained Assets.

6.6 Insurance Matters

Until Closing, the Company shall keep in full force and effect all 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.

6.7 ResidualCo

On the Closing Date, the Company shall convey all of the issued and outstanding shares of ResidualCo to the Proposal Trustee to hold as agent and bare trustee on behalf of the holders of Existing Shares immediately prior to the Consolidation and Cancellation as their interests. The Proposal Trustee shall not have any obligation or duty to take any action, step or otherwise in respect of such shares subject to an Order of the Court in the Proposal Proceeding.

ARTICLE 7 CLOSING ARRANGEMENTS

7.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

7.2 Reorganization Transactions

- (a) Subject to the other terms of this Agreement, the Company shall effect the Reorganization Transactions on the terms and using the steps set out at Exhibit "A".
- (b) The Purchaser and the Company 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 Reorganization Transactions.

7.3 Company's Closing Deliveries

At or before the Closing Time, the Company shall deliver or cause to be delivered to the Purchaser the following:

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- (a) a true copy of the Approval and Reverse Vesting Order, as issued and entered by the Court;
- (b) share certificates representing the Post-Consolidation Shares;
- (c) a certificate of an officer of the Company dated as of the Closing Date confirming that all of the representations and warranties of the Company 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 Company has performed in all material respects the covenants to be performed by it prior to the Closing Time;
- (d) the Organizational Documents of the Company and the corporate Books and Records (including the electronic backup or digital copy and the photographs obtained pursuant to Section 6.4(b)); and
- (e) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

7.4 Purchaser's Closing Deliveries

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

- (a) evidence satisfactory to the Company and Proposal Trustee, acting reasonably, of payment the Rent Amount contemplated in Section 3.2(a) being made;
- (b) a certificate 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
- (c) such other agreements, documents and instruments as may be reasonably required by the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 8 CONDITIONS OF CLOSING

8.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

- (a) Sales Process Order and Approval and Reverse Vesting Order. The Court shall have issued and entered the Sales Process Order and the Approval and Reverse Vesting Order, neither of which shall have been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably.
- (b) No Order. No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction.

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- (c) No Restraint. 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.
- (d) Proposal Trustee's Certificate. The Proposal Trustee shall have provided an executed certificate of the Proposal Trustee substantially in the form attached to the Approval and Reverse Vesting Order (the "**Proposal Trustee's Certificate**") confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Company.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 8.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

8.2 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 on or prior to the Closing Date:

- (a) Reorganization Transactions. The Reorganization Transactions shall have been completed in the order and in the timeframes contemplated hereunder.
- (b) Company's Deliverables. The Company 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.
- (c) 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.
- (d) No Breach of Covenants. The Company shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Company on or before the Closing Date.
- (e) ResidualCo. Pursuant to the Approval and Reverse Vesting Order: (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged; (ii) the Excluded Liabilities shall have attached to the Excluded Assets; and (iii) the Company and its Business and property (including the Retained Assets) shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.
- (f) Permits and Licenses. The Permits and Licenses shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied and such Permits and Licenses shall remain in good standing immediately following and notwithstanding Closing.
- (g) Systems Backup. The Purchaser shall have received confirmation from the Proposal Trustee that it has obtained the electronic backup or digital copy of all Books and Records and other electronic data stored on the Company's computer systems, cloud data, storage systems and computers used in connection with the Business in accordance with Section 6.4(c).

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- (h) Employees. Fifty (50%) percent of the full-time Employees shall have accepted an offer of employment with the Company, which offers shall commence upon, and be subject to, the Closing of the Transaction.
- (i) Due Diligence. The Purchaser giving notice to the Company, on or before the date which is the seventh (7th) Business Day following the Effective Date, that the Purchaser is satisfied, in its sole discretion, with the results of its due diligence with relation to the Company, the Retained Assets, and the Business conducted in accordance with Section 6.5, including due diligence:
 - (i) on the Company's wholesale beer sales by SKU or by customer for the 2023 fiscal year and 2024 fiscal year to date;
 - (ii) confirming the extent to which any Person, other than the Company, owns any property or assets which are being used in the Business;
 - (iii) identifying which Permits and Licenses are used in respect of the Business and confirming that such Permits and Licenses shall remain in good standing immediately following and notwithstanding Closing; and
 - (iv) to assess Liabilities owing by the Company to Alberta Gaming, Liquor and Cannabis.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 8.2 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. If any condition set out in Section 8.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Company to terminate this Agreement.

8.3 Conditions Precedent in favour of the Company

The obligation of the Company to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

- (a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing Date 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.

The foregoing conditions are for the exclusive benefit of the Company. Any condition in this Section 8.3 may be waived by the Company in whole or in part, without prejudice to any of its 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 the Company only if made in writing. If any condition set forth in this Section 8.3 is not satisfied or performed on or prior to the Outside Date, the Company may elect on written notice to the Purchaser to terminate the Agreement.

8.4 Risk Of Loss

If, prior to Closing, all or any material part of the Retained Assets are destroyed or damaged by fire or any other casualty or are appropriated, expropriated or seized by any Governmental Authority, the Purchaser shall have the option, exercisable by notice in writing given within five (5) Business Days of the Purchaser receiving notice in writing from the Company of such destruction, damage, expropriation or seizure:

- (a) to complete the Transaction contemplated in hereby, in which event: (i) the Purchaser shall be responsible for paying the sum of all deductibles associated with any insurance claim made in respect of such Retained Assets; and (ii) all proceeds of any insurance or compensation for expropriation or seizure will be retained by the Company as a Retained Asset; or
- (b) to terminate this Agreement and not complete the Transaction contemplated hereby.

8.5 Proposal Trustee's Certificate

The Parties acknowledge and agree that the Proposal Trustee shall be entitled to deliver to the Purchaser, and file with the Court, the executed Proposal 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 Proposal Trustee shall have no Liability to the Parties in connection therewith.

ARTICLE 9 TERMINATION

9.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

- (a) by the mutual written agreement of the Company (with the consent of the Proposal Trustee) and the Purchaser;
- (b) by the Purchaser, if any of the condition set forth in Section 8.2(i) has not been fulfilled or waived on or prior to the stipulated time;
- (c) by the Purchaser, immediately upon written notice to the Company, if the Purchaser has elected to exercise its option to terminate in accordance with Section 8.4; or
- (d) by the Company (with the consent of the Proposal Trustee) or the Purchaser upon written notice to the other Party if the Closing has not occurred on or prior to the Outside Date; provided that the failure to close or obtain such order, as applicable, by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

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.

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 the Company to retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, ResidualCo (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of ResidualCo, including the Proposal 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 the Purchaser.

10.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

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

2594617 ALBERTA LTD.

Attention: John Donovan

Email: johndonovan@marchadvisory.com

with a copy (which shall not constitute notice) to:

Lawson Lundell LLP
1100, 225 – 6 Avenue SW
Calgary, AB T2P 1N2

Attention: Alexis Teasdale

Email: ateasdale@lawsonlundell.com

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

TOOL SHED BREWING COMPANY INC.

Calgary, Alberta

Attention: Graham Sherman

Email: graham@toolshed.beer

with a copy (which shall not constitute notice) to:

Miller Thomson LLP
525 – 8th Avenue SW, Floor 43
Eighth Avenue Place East
Calgary, Alberta
T2P 1G1

Attention: James Reid

Email: jwreid@millerthomson.com

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

KPMG Inc.

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205 5th Avenue SW
Suite 3100
Calgary, AB
T2P 4B9

Attention: Joe Sithole
Email: jsithole@kpmg.ca

with a copy (which shall not constitute notice) to:

MLT Aikins LLP
222-3rd Avenue SW, Floor 21
Livingston Place South Tower
Calgary, Alberta
T2P 4J8

Attention: Ryan Zahara/Catrina Webster
Email: rzahara@mltaikins.com/cwebster@mltaikins.com

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Calgary 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. (Calgary time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

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. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

10.3 Public Announcements

The Company shall be entitled to disclose this Agreement to the Court and parties in interest in the Proposal Proceedings, other than any information which the Purchaser advises the Company in writing as being confidential, and copy of this Agreement with the purchase price redacted may be posted on the Proposal Trustee's website maintained in connection with the Proposal Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Company or any of its Affiliates under Applicable Laws, the Company shall not issue (prior to or after the Closing) any press release or make any public statement or public communication with respect to this Agreement or the Transaction contemplated hereby without the prior consent of the other Parties, which shall not be unreasonably withheld or delayed.

10.4 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.

10.5 Survival

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The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

10.6 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, provided that no consent, waiver or agreement of ResidualCo shall be required for any amendment of this Agreement.

10.7 Entire Agreement

This Agreement and 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 the Company and the Purchaser.

10.8 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, except to the extent that the provisions of this Agreement conflict with the Sales Process Order or the Approval and Reverse Vesting Order.

10.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Alberta therefrom.

10.10 Assignment

- (a) This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Reverse Vesting Order, in whole or in part, without the prior written consent of the Company, ResidualCo or the Proposal Trustee, provided that: (i) such assignee is a related party of the Purchaser including, for certainty, an entity that is majority owned or controlled by the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Company and the Proposal Trustee; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder.
- (b) Except as specifically contemplated herein as it relates to ResidualCo, this Agreement may not be assigned by the Company without the consent of the Purchaser.

10.11 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.

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10.12 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 e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

10.13 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.

10.14 Proposal Trustee's Capacity

In addition to all of the protections granted to the Proposal Trustee under the BIA or any order of the Court in the Proposal Proceeding, the Company and the Purchaser acknowledge and agree that the Proposal Trustee, acting in its capacity as Proposal Trustee of the Company 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 Proposal Trustee.

10.15 Independent Legal Advice

The Purchaser acknowledges having declined to seek independent legal advice despite being given the opportunity to do so, and being advised to do so, with respect to the terms of this Agreement and the Transaction. The Purchaser further acknowledges and agrees that the Purchaser has reviewed this Agreement, understands the terms, and understands its rights and obligations hereunder.

[Signature Page Follows]

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

TOOL SHED BREWING COMPANY INC.

By: _____

Name: Graham Sherman

Title: Director

I have authority to bind the Corporation.

2594617 ALBERTA LTD.

By: _____

Name: John Donovan

Title: Director

I have authority to bind the Corporation.

EXHIBIT "A"
REORGANIZATION TRANSACTIONS

Pre-Closing

1. ResidualCo shall be incorporated as a subsidiary of the Company with nominal consideration for common shares.

Upon Closing

The following steps shall be deemed to happen concurrently:

2. Share Issuance, Consolidation, Cancellation:
 - a. The Company shall issue, assign and transfer the New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Proposal Trustee, having regard to the intended effect of the Transaction, free and clear of all Encumbrances, in exchange for the payment of the Purchase Price.
 - b. The Company's Articles shall be amended to, among other things: (i) consolidate the New Common Shares and the Existing Shares on the basis of the Consolidation Ratio; and (ii) provide for such additional changes to the rights and conditions attached to the New Common Shares and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion.
 - c. Any fractional New Common Shares and Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as necessary to achieve such cancellation.
 - d. Any and all Equity Interests (for greater certainty, not including the Post-Consolidation Shares) that remain issued and outstanding immediately following the Consolidation and Cancellation 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. The end result thereof shall be that the Purchaser is the sole security holder in the Company immediately following the Consolidation and Cancellation.
3. The Excluded Assets and Excluded Liabilities shall be transferred to and vest in ResidualCo pursuant to the Approval and Reverse Vesting Order. All Claims attaching to the Excluded Assets and Excluded Liabilities shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.
4. The Company shall convey all of the issued and outstanding shares of ResidualCo to the Proposal Trustee as agent and bare trustee for the holders of the Existing Shares.

SCHEDULE "A"
EXCLUDED ASSETS

The following is an exhaustive list of the Excluded Assets:

1. Excluded Contracts.

[Note: Balance of schedule to be completed subject to due diligence.]

SCHEDULE "B"
EXCLUDED CONTRACTS

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

[Note: Balance of schedule to be completed subject to due diligence.]

SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. 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 the Company may be bound as at the Closing Time.
2. Any and all Liabilities relating to amounts outstanding to shareholders or holders of convertible notes, debentures, or other similar securities or debt instruments of the Company as at the Closing Time
3. Any and all Liabilities pertaining to the administration of the Proposal Proceedings including, without limitation, under any court-ordered charge granted therein.
4. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.
5. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the negotiation, execution or delivery of this Agreement or the consummation of the Transaction.
6. Any and all Liabilities that are not Assumed Liabilities.

[Note: Balance of schedule to be completed subject to due diligence.]

SCHEDULE "D"
PERMITS AND LICENSES

1. Class A Alberta Gaming, Liquor and Cannabis Commission license issued for the sale and consumption of liquor in premises open to the public, and which provide food service.
2. Class E Alberta Gaming, Liquor and Cannabis Commission license issued for the manufacture of liquor in breweries, wineries, distilleries and cideries.
3. Class D Alberta Gaming, Liquor and Cannabis Commission license for off premises consumptions.
4. Class F Alberta Gaming, Liquor and Cannabis Commission license to ferment on premises for the manufacture of beer, wine, and ciders in approved facilities.
5. British Columbia sales license for the sale of Tool Shed's products in the Province of British Columbia.
6. Saskatchewan sales license for the sale of Tool Shed's products in the province of Saskatchewan.
7. Manitoba sales license for the sale of Tool Shed's products in the province of Manitoba.
8. City of Calgary permit required to operate a restaurant.

[Note: Balance of schedule to be completed subject to due diligence.]

SCHEDULE "E"
ASSUMED LIABILITIES

The following is an exhaustive list of Assumed Liabilities:

1. All amounts due and owing by the Company on account of source deductions to the CRA, in the approximate amount of \$455,000.00, which for clarity does not include interest and penalties, as these liabilities are not subject to a deemed trust in favour of CRA.
2. All amounts owing to Miller Thomson LLP, KPMG Inc., and MLT Aikins LLP and paid in the ordinary course as the amounts come due, under the Administration Charge pursuant to the Sale Process Order, as amended and/or restated from time to time, and such further order of the Court as may be granted, up to a maximum of \$250,000.00
3. All amounts owing to the Interim Lender under the Interim Facility including Recoverable Expenses and interest, under the Interim Lender's charge pursuant to the Sale Process Order, as amended and/or restated from time to time, and such further order of the Court as may be granted, up to a maximum of \$300,000.00 in accordance with the Interim Financing Term Sheet.
4. \$764.36 owing to Cintas for amounts due to it as of the Filing Date.
5. \$1,198.34 owing to EcoLab for amounts due to it as of the Filing Date.
6. \$2,682.75 owing to Falcon Systems for amounts due to it as of the Filing Date.

[Note: Balance of schedule to be completed subject to due diligence.]

SCHEDULE "F"
ASSUMED CONTRACTS

The following is an exhaustive list of Assumed Contracts:

1. Lease Agreement dated September 21, 2017 between York Realty Inc. and Tool Shed Brewing Company Inc.
2. Commercial insurance policy #PO4180026 dated February 22, 2024 with Northbridge Insurance.
3. Employee Benefit Plans administered by Puhl Employee Benefits.
4. **[Ecolab lease; need details]**
5. **[EcoLab service agreement re: brewery-related operations; need details]**
6. **[Falcon Systems contract; need details]**
7. **[Contracts regarding web hosting services, domain name registrations and other social media accounts; need details]**
8. **[Direct Energy Regulated Rate Option contract; need details]**
9. **[Craft Beer Importers contract; need details]**

[Note: Balance of schedule to be completed subject to due diligence.]

SCHEDULE "G"
FORM OF APPROVAL AND REVERSE VESTING ORDER

COURT / ESTATE FILE NUMBER	B301-038201 / 25-3038201	Clerk's Stamp
COURT	COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANT	IN THE MATTER OF THE <i>BANKRUPTCY AND INSOLVENCY</i> <i>ACT</i> , RSC 1985, c B-3, as amended AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TOOL SHED BREWING COMPANY INC.	
DOCUMENT	APPROVAL AND REVERSE VESTING ORDER	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MILLER THOMSON LLP Barristers and Solicitors 3000, 700 – 9th Avenue SW Calgary, AB, T2P 3V4 Attention: James W. Reid / Bryan A. Hosking Phone: 403-298-2418 / 780-429-9773 Email: jwreid@millerthomson.com / bhosking@millerthomson.com File No.: 0276443.0001	

DATE ON WHICH ORDER WAS PRONOUNCED: ●, 2024

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice ●

UPON THE APPLICATION by Tool Shed Brewing Company Inc. (the “**Company**”) for an order (i) approving the share purchase agreement made as of ●, 2024 (as amended, restated, or amended and restated from time to time, the “**SPA**”), between the Company, as vendor, and 2594617 Alberta Ltd., as purchaser (the “**Purchaser**”), for the purchase and sale of the New Common Shares (as defined in the SPA); (ii) transferring and vesting all of the Company’s right, title and interest in and to the Excluded Liabilities, Excluded Assets, and Excluded Contracts (each term as defined in the SPA) to and in a

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corporation to be incorporated ("**ResidualCo**"); (iii) the Consolidation and Cancellation of the Existing Shares and the New Common Shares and the issuance of the Post-Consolidation Shares (each term as defined in the SPA) such that the Purchaser will own 100% of the equity of the Company (collectively, the "**Transaction**"); (iv) approving the release of certain of the Company's officers, and employees, the Company, and the Purchaser; (vi) approving the conduct and actions of the Proposal Trustee as set out in the First Report and the Second Report (defined below);

AND UPON HAVING READ the Affidavit No. 2 of James Costello sworn February 5, 2024 (the "**Second Costello Affidavit**"); the Affidavit No. 3 of James Costello sworn February 2, 2024 (the "**Third Costello Affidavit**"); the First Report (the "**First Report**") of KPMG Inc. in its capacity as proposal trustee (the "**Proposal Trustee**") dated February 7, 2024; and the Second Report of the Proposal Trustee dated March ●, 2024 (the "**Second Report**").

AND UPON HEARING the submissions of counsel for the Company, the Purchaser, and the Proposal Trustee and its counsel, and counsel to any other party appearing at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

DEFINED TERMS

1. Capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them in the SPA.

SERVICE

2. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

APPROVAL AND VESTING

3. The SPA and the Transaction be and are hereby approved and the execution of the SPA by the Company is hereby authorized and approved, with such minor amendments as the parties may deem necessary, with the approval of the Proposal Trustee. The Company and the Proposal Trustee, as applicable, are hereby authorized and directed to perform the Company's obligations under the SPA and to take such additional steps and execute such additional documents as may be necessary or desirable to effect the Transaction.

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4. This Order shall constitute the only authorization required by the Proposal Trustee, the Company to proceed with the Transaction and that no shareholder, director or other approval or notice shall be required in connection therewith. For further certainty, and without limiting paragraph 17, the Proposal Trustee shall be authorized to sign for and on behalf of the shareholders and directors of the Company (other than the Purchaser) and ResidualCo, without consultation and notice to such shareholders or directors in order to facilitate the Reorganization Transactions and Transaction.

5. Upon the delivery of a copy of the Proposal Trustee's certificate (the "**Proposal Trustee's Certificate**") to the Purchaser (the time of such delivery being referred to herein as the "**Effective Time**"), substantially in the form attached as **Schedule "A"** hereto, the following shall occur and shall be deemed to have occurred at the Effective Time in the following sequence:

- (a) the Company shall issue New Common Shares to the Purchaser in a number to be determined by the Purchaser, acting reasonably and in consultation with the Company and the Proposal Trustee, having regard to the intended effect of the Transaction, free and clear of all Encumbrances, in exchange for the payment of the Purchase Price. For certainty, all of the right, title and interest in and to the New Common and the Post-Consolidation Shares shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing, all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Alberta) or any other personal property registry systems;
- (b) the Company shall, and if necessary the Company's Articles shall be amended to, among other things: (i) consolidate the New Common Shares and the Existing Shares on the basis of the Consolidation Ratio; and (ii) provide for such additional changes to the rights and conditions attached to the New Common Shares, Post-Consolidation Shares, and Existing Shares as may be requested by the Purchaser, in its sole and unfettered discretion;
- (c) any fractional New Common Shares and Existing Shares held by any holder of such shares immediately following the consolidation of such shares shall be cancelled without any Liability, payment or other compensation in respect thereof, and the Articles shall be altered as and if necessary to achieve such cancellation;

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- (d) the Purchase Price shall include the Assumed Liabilities;
- (e) all of the right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in ResidualCo, and all Claims (as defined below) and security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) shall continue to attach to the Excluded Assets in accordance with paragraph 6 of this Order, with the same nature and priority as they had immediately prior to the transfer;
- (f) all Excluded Liabilities (which for certainty includes all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings 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 based in statute or otherwise of the Company shall be transferred to, assumed by and vest absolutely and exclusively in ResidualCo such that the Excluded Liabilities shall become obligations of ResidualCo and shall no longer be obligations of the Company;
- (g) other than the whole Post-Consolidation Shares, all securities in the capital of, or issued by, the Company, including without limitation, all Existing Shares (if any after the Consolidation and Cancellation), options, conversion privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (as defined below) and are convertible or exchangeable for any securities of the Company, or which require the issuance, sale or transfer by the Company of any shares or other securities of the Company and/or the share capital of the Company or otherwise relating thereto, shall be deemed terminated and cancelled for no consideration;
- (h) the Company shall automatically transfer, assign and convey all of the issued and outstanding shares of ResidualCo to the Proposal Trustee as agent and bare trustee for the holders of the Existing Shares; and
- (i) Following the completion of the steps above, the Purchaser shall be the sole legal and beneficial shareholder of the Company and the Proposal Trustee shall be the sole legal shareholder of ResidualCo and the holders of the Existing Shares shall be the beneficial shareholders of ResidualCo (as described in the bare trust arrangement above).

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6. The Proposal Trustee shall file with the Court a copy of the Proposal Trustee's Certificate, forthwith after delivery thereof in connection with the Transaction.
7. The Proposal Trustee may rely on written notice from the Company and the Purchaser regarding the fulfilment of conditions to closing under the SPA and shall have no liability with respect to delivery of the Proposal Trustee's Certificate.
8. Pursuant to section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), and section 20(e) of the *Personal Information Protection Act* (Alberta), the Company or the Proposal Trustee, as the case may be, is authorized, permitted and directed to, prior to the Effective Time, disclose to the Purchaser all human resources and payroll information in the records or the Company pertaining to past and current employees of the Company. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner that is in all material respects identical to the prior use of such information by the Company.
9. At the Effective Time and without limiting the provisions of paragraph 5 hereof, the Purchaser and the Company shall be deemed released from any and all Excluded Liabilities (including all Claims) and all claims, liabilities (direct, indirect, absolute or contingent) or obligations with respect to any taxes (including penalties and interest thereon) of, or that relate to, the Company (provided that, as it relates to the Company, such release shall not apply to taxes in respect of the business and operations conducted by the Company after the Effective Time).
10. Except to the extent expressly contemplated by the SPA, all Assumed Contracts, will be and remain in full force and effect upon and following delivery of the Proposal Trustee's Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder or enforce or exercise any right (including any right of set-off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:
 - (a) any event that occurred on or prior to the delivery of the Proposal Trustee's Certificate and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of any Company);

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- (b) the insolvency of the Company or the fact that the Company filed a notice of intention to make a proposal under the BIA;
- (c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the SPA, the Transaction or the provisions of this Order, or any other Order of the Court in these proceedings; or
- (d) any transfer or assignment, or any change of control of the Company arising from the implementation of the SPA, the Transaction or the provisions of this Order.

11. From and after the Effective Time, all Persons shall be deemed to have waived any and all defaults of the Company then existing or previously committed by the Company, or caused by the Company, directly or indirectly, or non-compliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition or obligation, expressed or implied, in any Contract existing between such Person and the Company arising directly or indirectly from the filing by the Company of a notice of intention to make a proposal under the BIA and the implementation of the Transaction, including without limitation any of the matters or events listed in paragraph 10 hereof and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a contract shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein shall be deemed to excuse the Company from performing its obligations under the SPA or be a waiver of defaults by the Company under the SPA or related documents.

12. From and after the Effective Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders, declarations and assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Company relating in any way to or in respect of any Excluded Assets, Excluded Liabilities or Excluded Contracts and any other claims, obligations and other matters that are waived, released, expunged or discharged pursuant to this Order.

13. Upon delivery of the Proposal Trustee's Certificate, and upon filing of a certified copy of this Order, together with any applicable registration fees, all governmental authorities (collectively, "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Proposal Trustee's Certificate and certified copy of this Order as though they were originals and to register such transfers, interest authorizations, discharges and discharge statements of conveyance as may be required in order to give effect to the terms of this Order and the SPA.

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14. In order to effect the transfers and discharges described above, this Court directs each of the Governmental Authorities to take such steps as are necessary to give effect to the terms of this Order and the Agreement. Presentment of this Order and the Proposal Trustee's Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of title or interest and cancel and discharge registrations such that the Company, the Post-Consolidation Shares, and the Retained Assets shall be free from all Claims and Encumbrances.

15. From after the Effective Time:

- (a) except as contemplated by the SPA, the nature of the Assumed Liabilities retained by the Company, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transaction or this Order;
- (b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to ResidualCo;
- (c) any Person that prior to the Effective Time had a valid right or claim against the Company under or in respect of any Excluded Contract or Excluded Liability (each an "**Excluded Liability Claim**") shall no longer have such right or claim against the Company but will have an equivalent Excluded Liability Claim against ResidualCo in respect of the Excluded Contract or Excluded Liability from and after the Effective Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against ResidualCo; and
- (d) the Excluded Liability Claim of any Person against ResidualCo following the Effective Time shall have the same rights, priority and entitlement as such Excluded Liability Claim had against the Company prior to the Effective Time.

16. Notwithstanding:

- (a) the pendency of these proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the BIA, in respect of the Company and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of the Company;

the SPA and the implementation of the Transaction (including without limitation the transfer and vesting of the Excluded Assets, Excluded Contracts and Excluded Liabilities in and to ResidualCo and the issuance of the Post-Consolidation Shares to the Purchaser) and any payments by or to the Purchaser, the Company or the Proposal Trustee authorized herein shall be binding on any trustee in bankruptcy that may be appointed in respect of the Company and/or ResidualCo and shall not be void or voidable by creditors of the Company or ResidualCo, as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Companies' Creditors Arrangement Act* (Canada), as amended, the BIA or any other applicable federal or provincial legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

PROPOSAL TRUSTEE'S ENHANCED POWERS

17. In addition to the powers and duties of the Proposal Trustee set out in the BIA, and without altering in any way the limitations and obligations of ResidualCo as a result of these proceedings, the Proposal Trustee be and is hereby authorized and empowered, but not required to:

- (a) to execute and deliver any documents, instruments or assurances for and on behalf of the Company and ResidualCo (including the directors and shareholders thereof), including, without limitation, the execution of all documents contemplated in the SPA or necessary or desirable for the completion and implementation of the Reorganization Transactions and the Transaction;
- (b) acquire and hold shares in the capital of ResidualCo as bare trustee for the holders of the Existing Shares in accordance with the SPA;
- (c) assign ResidualCo, or cause ResidualCo to be assigned, into bankruptcy, and the Proposal Trustee shall be entitled but not obligated to act as trustee in bankruptcy thereof; and
- (d) apply to this Court for advice and directions or any orders necessary or advisable to carry out its powers and obligations under this Order or any other Order granted by this Court including for advice and directions with respect to any matter.

WEPPA

18. Pursuant to section 5(5) of the *Wage Earner Protection Program Act* (Canada), SC 2005, c 47, s1 (“**WEPPA**”), Company and each of its former employees meet the criteria prescribed by section 3.2 of the

Wage Earner Protection Program Regulations, SOR/2008-222 and are individuals to whom the WEPPA applies as of the date this Order (the “**Former Employees**”).

19. Notwithstanding anything else in this Order, all of the Former Employees’ claims against the Company for wages (as defined in the WEPPA) shall be an Excluded Liability Claim and shall attach to ResidualCo in accordance with paragraph 15(c) of this Order. For greater certainty, each of the Former Employees shall be deemed a former employee of ResidualCo for the purpose of the WEPPA.

RELEASES

20. At the Effective Time, (i) the current officers and employees (other than Graham Sherman) of the Company and ResidualCo; (ii) independent contractors who provided legal or financial services to the Company and ResidualCo; (iii) legal counsel and advisors of the Company; (iv) the Proposal Trustee and its legal counsel; (v) the Company; and (vi) the Purchaser and each of its directors, officers and employees and its legal counsel (collectively, the “**Released Parties**”) shall be deemed to be forever irrevocably released and discharged from any and all present and future claims (including, without limitation, claims for contribution or indemnity), liabilities, indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part of any act or omission, transaction, dealing or other occurrence existing or taking place prior to the Effective Time and that relate in any manner whatsoever to the Purchaser, the Company or ResidualCo or any of their assets (current or historical), obligations, business or affairs, or this NOI proceeding, or arising in connection with or relating to the SPA or the completion of the Transaction (collectively, the “**Released Claims**”), which Released Claims are hereby fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties; *provided that* nothing in this paragraph shall waive, discharge, release, cancel or bar any claim that is not permitted to be released pursuant to section 50(14) of the BIA.

APPROVAL OF THE CONDUCT AND THE ACTIONS OF THE PROPOSAL TRUSTEE

21. The First and Second Reports of the Proposal Trustee, as well as the actions, conduct and activities of the Proposal Trustee as set out therein, be and are hereby approved; provided, however, that only the Proposal Trustee, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

DISTRIBUTIONS AND PAYMENTS

22. The Purchaser, the Company and the Proposal Trustee are hereby authorized and directed to pay the Assumed Liabilities from the Purchase Price in accordance with the SPA unless otherwise agreed by the Company and the Purchaser with the consent of the Proposal Trustee.

CONCLUSION OF THE NOI PROCEEDING

23. Upon the closing of the Transaction and effective upon the Proposal Trustee filing a certificate with the Court substantially in the form attached as **Schedule "B"** hereto (the "**Conclusion Certificate**") this NOI proceeding in respect of the Company shall be terminated without any other act or formality, save and except as provided in this Order, and provided that nothing herein impacts the validity of any orders made in this proceeding or any actions or steps taken by any Person pursuant to or as authorized by any orders of the Court made in this NOI proceeding.

24. The Proposal Trustee shall file with the Office of the Superintendent in Bankruptcy (the "**OSB**") a copy of the Conclusion Certificate, together with a copy of this Order, as soon as reasonably practical but by no later than [●]. Upon receipt, the OSB is directed to take any and all steps as may be necessary to ensure that the provisions of this Order are carried out, including but not limited to registering the Company's NOI as void and reflecting the same in the OSB's records and registry.

25. For the avoidance of doubt, the Company shall not be deemed to be bankrupt by reason only of there being no proposal filed with the OSB and approved by the Company's creditors, by reason only of there being no Court approval of a proposal, or by reason only of the present order causing any other irregularity in respect of the NOI and proposal process under the BIA.

INFORMATION AND ASSISTANCE

26. All Persons having notice of this Order shall forthwith advise the Company and the Proposal Trustee of the existence of any of the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof ("**Property**"), in such Person's possession or control, shall grant immediate and continued access to the Property to the Company, and shall deliver all such Property to the Company at the Company's request. For certainty, the Property shall be deemed to include, without limitation, all sales contacts, leads and all related information that were generated for or on behalf of the Company (including by any of its directors, officers or employees).

27. All Persons shall forthwith advise the Company and the Proposal Trustee of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers,

records and information of any kind related to the business or affairs of the Company, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the “**Records**”) in that Person’s possession or control, and shall provide to the Company or permit the Company to make, retain and take away copies thereof and grant to the Company unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 27 or in paragraph 28 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Company due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

28. If any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Company for the purpose of allowing the Company to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Company in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Company. Further, for the purposes of this paragraph, all Persons shall provide the Company with all such assistance in gaining immediate access to the information in the Records as the Company may in its discretion require including providing the Company with instructions on the use of any computer or other system and providing the Company with any and all access codes, account names and account numbers that may be required to gain access to the information.

GENERAL

29. Following the Effective Time, the Purchaser and its representatives shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances as against the Company, the Post-Consolidation Shares and the Retained Assets.

30. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, the United Kingdom or elsewhere, to give effect to this Order and to assist the Company, the Proposal Trustee, and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order,

- 42 -

to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

31. Each of the Company and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory, or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

32. This Order is effective from the date that it is made and is enforceable without any need for entry and filing.

Justice of the Court of King's Bench of Alberta

SCHEDULE "A"

PROPOSAL TRUSTEE'S CERTIFICATE

COURT / ESTATE FILE NUMBER	B301-038201 / 25-3038201	Clerk's Stamp
COURT	COURT OF KING'S BENCH OF ALBERTA	
JUDICIAL CENTRE	CALGARY	
APPLICANT	IN THE MATTER OF THE <i>BANKRUPTCY AND INSOLVENCY ACT</i> , RSC 1985, c B-3, as amended AND IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TOOL SHED BREWING COMPANY INC.	
DOCUMENT	PROPOSAL TRUSTEE'S CERTIFICATE	
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	MLT AIKINS LLP Barristers and Solicitors 2100 Livingston Place 222 3rd Ave SW Calgary, AB T2P 0B4 Attention: Catrina Webster Phone: (403) 693-4347 Email: cwebster@mltaikins.com	

RECITALS

A. Pursuant to an Order of the Honourable Justice [●] of the Court of King's Bench of Alberta, Judicial District of Edmonton, dated [●], 2024 (the "**Approval and Reverse Vesting Order**"), the Court approved the transaction (the "**Transaction**") contemplated by the Share Purchase Agreement made as of [●], 2024, (as amended or restated from time to time, the "**SPA**"), between Tool Shed Brewing Company Inc. (the "**Company**"), and 2594617 Alberta Ltd. (the "**Purchaser**"), and ordered, *inter alia*, that (i) all of the Company's right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in a corporation to be incorporated ("**ResidualCo**"); (ii) all of the Excluded Contracts and Excluded Liabilities shall be transferred to and assumed by and vest in ResidualCo; (iii) all of the right, title and interest in and to the Post-Consolidation Shares shall vest absolutely and exclusively in the Purchaser, which vesting is, to be effective upon the delivery by the Proposal Trustee to the Purchaser of a certificate confirming that the Proposal Trustee has received written confirmation in the form and substance

- 2 -

satisfactory to the Proposal Trustee from the Purchaser and the Company that all conditions to closing have been satisfied or waived by the parties to the SPA.

B. Capitalized terms not defined herein shall have the meaning given to them in the Order.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Proposal Trustee has received written confirmation from the Purchaser and from the Company, in form and substance satisfactory to the Proposal Trustee, that all conditions to closing have been satisfied or waived by the parties to the SPA.
2. This Proposal Trustee's certificate was delivered by the Proposal Trustee at _____ on _____, 2024.

**KPMG Inc., in its capacity as Proposal Trustee
of the Applicant, and not in its personal capacity.**

Per: _____

Name:

Title:

SCHEDULE "B"**PROPOSAL TRUSTEE'S CERTIFICATE**

COURT / ESTATE FILE NUMBER B301-038201 / 25-3038201 : Clerk's Stamp

COURT COURT OF KING'S BENCH OF
ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT IN THE MATTER OF THE *BANKRUPTCY
AND INSOLVENCY ACT*, RSC 1985, c B-3,
as amended

AND IN THE MATTER OF THE NOTICE
OF INTENTION TO MAKE A PROPOSAL
OF TOOL SHED BREWING COMPANY
INC.

DOCUMENT **PROPOSAL TRUSTEE'S CONCLUSION
CERTIFICATE**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT MLT AIKINS LLP
Barristers and Solicitors
2100 Livingston Place
222 3rd Ave SW
Calgary, AB T2P 0B4

Attention: Catrina Webster
Phone: (403) 693-4347
Email: cwebster@mltaikins.com

RECITALS

- A. On February 1, 2024 Tool Shed Brewing Company Inc. (the "**Company**") filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to section 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**").
- B. KPMG Inc. ("**KPMG**") was appointed as trustee (in such capacity, the "**Proposal Trustee**") under the NOI.
- C. On [●], 2024, the Honourable Justice [●] of the Court of King's Bench of Alberta issued an order (the "**Order**"), among other things:
- i. approving a share purchase agreement ("**SPA**") to effect the going concern sale of the Company's business; and

- 4 -

ii. terminating the NOI proceedings.

D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Order.

THE PROPOSAL TRUSTEE CERTIFIES the following:

1. The Purchaser (or its nominee) has paid and the Proposal Trustee has received the Purchase Price for the Post-Consolidation Shares payable on the Closing Date pursuant to the SPA;
2. The conditions to Closing as set out in Article 8 of the SPA have been satisfied or waived by the Company and the Purchaser (or its nominee); and
3. The Transaction has been completed to the satisfaction of the Monitor.
4. This Proposal Trustee's certificate was delivered by the Proposal Trustee at _____ on _____, 2024.

**KPMG Inc., in its capacity as Proposal Trustee
of the Applicant, and not in its personal capacity.**

Per: _____

Name:

Title:

- 5 -

SCHEDULE "H"
RETAINED EQUIPMENT

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

1. All equipment included in the AM Jade Co. Appraisal dated April 12, 2022 related to the brewing system and cellar vessels, including all replacements parts, spare parts and accessories related thereto. As part of the due diligence process, the Company confirmed to the Purchaser that there have been no material changes to these assets since the date of this report.

- 50HL Fermenter - 50HL Fermenter - 50HL Fermenter - 50HL Fermenter - 100HL Fermenter - 100HL Fermenter - 100HL Fermenter - 100HL Fermenter - 100HL Fermenter - 100HL Fermenter - 100HL Fermenter - 50HL Brite Tank - 50HL Brite Tank - 100HL Brite Tank - 100HL Brite Tank	- Canning Line - Pilot Brewing System - Malt Silo - Malt Mill - Nitrogen Tank - 40BBL HLT - 40BBL Cold LT - Glycol Chiller - Steam Boiler - Brewhouse CIP system - Kegs - Ilxr (Inline Extraction Retontate/Dealcoholization Equipment	- Brewhouse: - Brewhouse Mash Mixer - Brewhouse Mash Tun - Brewhouse Whirlpool - Brewhouse Work Platform - Brewhouse Heat Exchange - Brewhouse Piping - Brewhouse Control System - - -
---	---	--
2. All barbeque equipment that resides in the permanently mounted trailer in the front of the Premises, the Yoder smokers and trailer in the back of the Premises including all replacement spares, spare parts and other barbeque accessories including but not limited to the competition part of Notorious P.I.G.
3. All equipment, dishes, utensils, glassware, beer dispensing equipment and other equipment used in the Company's taproom and kitchen operations.
4. All Tool Shed branded merchandise and other merchandise in the taproom and brewery.
5. All tools and other maintenance equipment and items necessary to the taproom and brewery operations.
6. All electronic equipment, including computers, laptops, cellular phones, security equipment and other IT equipment used by the Company.
7. All furniture, fixtures, leasehold improvements and other fixed assets of the Company.

This is **Exhibit "P"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Thursday, March 14, 2024 9:40 AM
To: Colin Luke (4505) - 11Flr
Cc: Alexis Teasdale (4564) - 11Flr; Jeff Newman; Myron Tetreault ; Darryl Bourne (darryl.bourne@rbc.com)
Subject: Signature page for SPA
Attachments: 2024-03-14 10-37.pdf

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Regards
John
+1 403 615 9110

From: John Donovan <jdonovan699@msn.com>
Date: Thursday, March 14, 2024 at 10:38 AM
To: John Donovan <johndonovan@marchadvisory.com>
Subject: [Scan] 2024-03-14 10:37

Sent with Genius Scan for iOS.
<https://dl.tglapp.com/genius-scan>

Regards,
John

John Donovan
Mobile: +1 403 615 9110

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

TOOL SHED BREWING COMPANY INC.

By: _____

Name: Graham Sherman

Title: Director

I have authority to bind the Corporation.

2594617 ALBERTA LTD.

By: _____

Name: John Donovan

Title: Director

I have authority to bind the Corporation.

This is **Exhibit "Q"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Catrina Webster <cwebster@mltaikins.com>
Sent: Monday, March 18, 2024 8:36 PM
To: Alexis Teasdale (4564) - 11Flr; Alex Henze (4591) - 11Flr; 'jsithole@kpmg.ca'; 'jwreid@millerthomson.com'
Cc: Colin Luke (4505) - 11Flr; Ryan Zahara
Subject: RE: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201
Attachments: Letter to A. Teasdale - Tool Shed Brewing Company Inc. (March 18, 2024).pdf

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis,

Please see the attached correspondence.

Best regards,

Catrina Webster
Partner

P: (403) 693-4347 | **E:** cwebster@mltaikins.com

From: Alexis Teasdale <ateasdale@lawsonlundell.com>
Sent: Thursday, March 14, 2024 3:49 PM
To: Catrina Webster <cwebster@mltaikins.com>; Alex Henze <ahenze@lawsonlundell.com>; 'jsithole@kpmg.ca' <jsithole@kpmg.ca>; 'jwreid@millerthomson.com' <jwreid@millerthomson.com>
Cc: Colin Luke <cluke@lawsonlundell.com>; Ryan Zahara <RZahara@mltaikins.com>
Subject: RE: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201

[EXTERNAL MESSAGE]

Thanks Catrina. We'll look forward to your response.

If there's anything you need from me in the interim, please don't hesitate to ask.

Best,

Alexis Teasdale* (she/her) | Partner
 Lawson Lundell LLP
 D 403.218.7564 | F 403.269.9494
 *Professional Corporation

From: Catrina Webster <cwebster@mltaikins.com>
Sent: Thursday, March 14, 2024 3:09 PM
To: Alexis Teasdale (4564) - 11Flr <ateasdale@lawsonlundell.com>; Alex Henze (4591) - 11Flr

<ahenze@lawsonlundell.com>; 'jsithole@kpmg.ca' <jsithole@kpmg.ca>; 'jwreid@millertthomson.com' <jwreid@millertthomson.com>

Cc: Colin Luke (4505) - 11Flr <cluke@lawsonlundell.com>; Ryan Zahara <RZahara@mltaikins.com>

Subject: RE: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis,

Thank you for sending the attached.

We are in the process of reviewing and discussing with the Proposal Trustee. We anticipate having a response to you by Monday, March 18, 2024.

Best regards,

Catrina Webster
Partner

P: (403) 693-4347 | **E:** cwebster@mltaikins.com

MLT Aikins LLP
2100 Livingston Place
222 3rd Ave SW
Calgary, AB T2P 0B4

[BIO](#) | [VCARD](#)

Our offices are located on the territories of Indigenous peoples, including the First Nations of Treaties 1, 4, 6 and 7, the Coast Salish peoples, as well as other non-Treaty First Nations and Métis. We are committed to reconciliation.

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From: Alex Henze <ahenze@lawsonlundell.com>

Sent: Thursday, March 14, 2024 11:23 AM

To: Catrina Webster <cwebster@mltaikins.com>; 'jsithole@kpmg.ca' <jsithole@kpmg.ca>; 'jwreid@millertthomson.com' <jwreid@millertthomson.com>

Cc: Alexis Teasdale <ateasdale@lawsonlundell.com>; Colin Luke <cluke@lawsonlundell.com>

Subject: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201

[EXTERNAL MESSAGE]

Good morning,

With respect to the above noted matter, please see the attached correspondence and enclosure from Alexis Teasdale.

Kind regards,



ALEX HENZE (she/her) | Legal Assistant
D 403.218.7591 | F 403.269.9494 | E ahenze@lawsonlundell.com
LAWSON LUNDELL LLP Suite 1100, 225 - 6th Avenue S.W., Brookfield Place, Calgary, AB T2P 1N2
Vancouver | Calgary | Yellowknife | Kelowna

Disclaimer

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MLT Aikins LLP
2100 - 222 3rd Avenue SW
Calgary, AB T2P 0B4
T: (403) 693-4300
F: (403) 508-4349

March 18, 2024

VIA EMAIL

Lawson Lundell LLP
1100, 225 6th Avenue SW
Calgary, Alberta
T2P 1N2

Catrina J. Webster
Partner

Direct Line: (403) 693-4347
E-mail: cwebster@mltaikins.com

Colleen Finnerty
Legal Assistant
Direct Line: (403) 693-4347
E-mail: cwebster@mltaikins.com

Attention: Alexis Teasdale and Colin Luke

Re: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed" or the "Company") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201 (the "NOI Proceedings")

We are counsel to KPMG Inc., the Proposal Trustee in the NOI Proceedings (the "**Proposal Trustee**"). We write further to your correspondence dated March 14, 2024, the March 14, 2024 conditional bid (the "**Conditional Bid**") of your client 2594617 Alberta Ltd. (the "**Bidder**"), and the request for an extension to provide an unconditional bid to March 22, 2024. As you are aware, pursuant to section 13 of the February 12, 2024 Sale and Investment Solicitation Process (the "**SISP**"), the dates set out in the SISP may be extended by the Proposal Trustee, in consultation with the Company, however, only if deemed to be appropriate and in the best interests of the stakeholders of the Company.

We deny this request for the following reasons:

Failure to Comply with SISP Procedures. As you are aware, the initial bid deadline was set for March 11, 2024 pursuant to section 13 of the SISP. At your client's request, this was already extended to noon at March 14, 2024 to allow for additional time to submit any unconditional bid. Pursuant to section 24(k) of the SISP, an unconditional bid must be submitted which is not conditional upon: (i) the outcome of unperformed due diligence by the Qualified Bidder (as defined in the SISP); (ii) obtaining financing; or (iii) any other material closing conditions.

As you are aware, contrary to section 24(k)(i) of the SISP, the Conditional Bid explicitly states at paragraph 8.2(i), it is at the sole discretion of the Bidder to confirm its satisfaction of its due diligence. Further, paragraph 9.1(b) permits the Bidder to terminate if the Due Diligence conditions have not been fulfilled or waived.

In addition to the conditional nature, we note that the Conditional Bid is unsigned and there is a requirement in section 8.2(h) for retention of 50% of full-time employees of the Company accepting offers of employment which the Proposal Trustee and the Company are not able to abide by.



WESTERN CANADA'S LAW FIRM

Lastly, the removal of the payment of fees incurred prior to the NOI Proceedings at section 5 of Schedule "E" - Assumed Liabilities is done contrary to paragraph 4 of the February 12, 2024 Order granted by Justice M.J. Lema approving the Administration Charge.

For all of these reasons, the Conditional Bid is not satisfactory or in compliance with the SISP.

Cashflow Concerns. As mentioned previously, Tool Shed remains under significant cashflow strain and any further delay will negatively impact the Company's ability to restructure for the benefit of its stakeholders. While you may not agree, the proposed closing date of the Bidder is unrealistic given the multiple extension requests to date. We reiterate that it is important that we move this matter forward expeditiously to mitigate cashflow strain.

Conflict of Interest. As you are aware, on February 12, 2024, Justice Lema approved and authorized the Stalking Horse Bid and Stalking Horse Agreement (each as defined within the February 12, 2024 Order). All requirements of the SISP have been met and satisfied to maintain the integrity of the SISP and related Stalking Horse Bid. As set out in the Order of Justice Lema, "if the Stalking Horse Agreement is the successful bid under the SISP, the approval of the transactions contemplated in the Stalking Horse Agreement shall be considered by this Court on a subsequent application made to this Court following completion of the SISP."

Due Diligence Requests. While there is no requirement to do so given the deficiencies noted above, for clarity, please see the following responses to the requests for further due diligence material from the Bidder:

- Wholesale beer sales. In response to the requests for additional information on the wholesale beer sales for 2023 and 2024, as we have previously advised, all of the information regarding these sales has already been provided. While your client may prefer better information, as is often the case in insolvency matters, the state of records is the best they can be in the circumstances, and any bids must be based on the information that is available. Notably, these records are the same as those that the Stalking Horse Bidder based its unconditional bid on.
- Asset ownership. As previously confirmed with the Bidder, there is no material uncertainty on asset ownership. We understand there were questions regarding the brewing system, BBQ trailer, kitchen equipment, tanks, and micro fermenters. As your client has been advised previously, the brewing system, BBQ trailer, and kitchen equipment are all owned by the Company and the tanks and micro fermenters are not owned by the Company.
- De-Alcoholization System. We understand that no further questions were requested of the Company or the Proposal Trustee regarding the de-alcoholization system and related filter until March 14, 2024, after the March 11, 2024 deadline for requests for further information or document requests. Further, the filter was not included in the assets listing, was previously not required for use of the system, and de-alcoholized products were not a substantial or profitable aspect of the Company's business. Had information on the de-alcoholization system and related filter been material to the Bidder, information requests ought to have been done in accordance with the SISP and the deadlines set out therein.

MLT AIKINS

WESTERN CANADA'S LAW FIRM

- Licensing Agreements and broker contracts. While we understand the licensing is of importance to any bidder, this process is subject to the information being provided by third parties and we are still waiting on copies of the licenses from the Company's agent. The Bidder has the same information that the Stalking Horse Bidder has for it to make an unconditional offer.
- AGLC Payables. We understand that no further questions were requested of the Company or the Proposal Trustee regarding the Alberta Gaming, Liquor and Cannabis ("AGLC") agency accounts payable amount until March 14, 2024, after the March 11, 2024 deadline for requests for further information or document requests. Regardless, the Company is in good standing with the AGLC and there are currently no funds owing to the AGLC.

As you are aware, pursuant to section 12 of the SISP, this is an NOI Proceeding and any transaction must be on an "as is, where is" basis, without any surviving representations or warranties. Significant efforts have been made by the Proposal Trustee and the Company to provide all relevant information for potential purchasers to provide unconditional bids in accordance with the SISP deadlines.

Please contact me at 403.693.4347 or cwebster@mltaikins.com to discuss this matter further.

Yours truly,

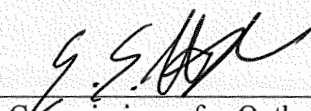
MLT AIKINS LLP



Catrina J. Webster

c. Ryan Zahara, MLT Aikins LLP (via email)
Joe Sitholé, KPMG Inc. (via email)
James W. Reid, Miller Thomson LLP (via email)

This is **Exhibit "R"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Catrina Webster <cwebster@mltaikins.com>
Sent: Friday, March 22, 2024 3:19 PM
To: Alexis Teasdale (4564) - 11Flr
Cc: jwreid@millerthomson.com
Subject: RE: Tool Shed Bid
Attachments: CIBC - General Trust Calgary 1085301.pdf

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis,

Further to our call, please see attached wire details for KPMG.

The late bid you anticipate sending today will be considered by the Trustee as a late bid and weighed against the integrity of the process overall.

Best regards,

Catrina Webster
Partner

P: (403) 693-4347 | **E:** cwebster@mltaikins.com

From: Alexis Teasdale <ateasdale@lawsonlundell.com>
Sent: Friday, March 22, 2024 1:32 PM
To: Catrina Webster <cwebster@mltaikins.com>
Cc: jwreid@millerthomson.com
Subject: RE: Tool Shed Bid

[EXTERNAL MESSAGE]

Invite sent for 2:30 pm.

Alexis Teasdale* (she/her) | Partner
 Lawson Lundell LLP
 D 403.218.7564 | F 403.269.9494
 *Professional Corporation

From: Catrina Webster <cwebster@mltaikins.com>
Sent: Friday, March 22, 2024 1:26 PM
To: Alexis Teasdale (4564) - 11Flr <ateasdale@lawsonlundell.com>
Cc: jwreid@millerthomson.com
Subject: RE: Tool Shed Bid

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis,

I am available later this afternoon. Please let me know what time works for you.

Best regards,

Catrina Webster
Partner

P: (403) 693-4347 | **E:** cwebster@mltaikins.com

From: Alexis Teasdale <ateasdale@lawsonlundell.com>

Sent: Friday, March 22, 2024 12:18 PM

To: Catrina Webster <cwebster@mltaikins.com>

Cc: jwreid@millerthomson.com

Subject: Re: Tool Shed Bid

[EXTERNAL MESSAGE]

Catrina,

This is very surprising to me, given our conversation the other day (which I acknowledge was without prejudice). I have instructions to submit an unconditional bid today, together with a deposit, which is currently in our trust account.

It was not at all clear to me from our discussion that your clients would not entertain a further bid.

Are you available this afternoon to discuss?

Thanks.

Alexis Teasdale* | Partner

Lawson Lundell LLP

D 403.218.7564 <<tel:403.218.7564>> | F 403.269.9494 <<tel:403.269.9494>>

*Professional Corporation

On Mar 22, 2024, at 12:01 PM, Catrina Webster <cwebster@mltaikins.com> wrote:

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Hi Alexis,

Further to your request below, the deadline to submit bids has expired. As you are aware, we extended the bid deadline at your request to March 14, 2024 and no unconditional bid was received from your client by the original deadline or the extended deadline. As a result, no Qualified Bids (as defined in the SISP) were received by the bid deadline and the Stalking Horse Bid has automatically been declared as the successful bid in the SISP.

On March 19, 2024 and again on March 21, 2024, the Proposal Trustee advised the Stalker Horse Bidder that they were the successful bid. Based on this, the Proposal Trustee has directed the Company to proceed with the Application seeking an Order approving the Stalking Horse Bid on April 15, 2024 in accordance with section 36 of the SISP.

As a result, there is no need for us to discuss the proposed systems backup provision below. Please let us know if you have any further questions.

Best regards,

This is **Exhibit "S"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Alexis Teasdale (4564) - 11Flr
Sent: Friday, March 22, 2024 4:04 PM
To: Catrina Webster
Cc: jwreid@millerthomson.com; Alex Henze (4591) - 11Flr
Subject: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201
Attachments: 2594617 Alberta Ltd. - Share Purchase Agreement re Tool Shed Brewing (Execution Version).PDF

Good afternoon Catrina,

Please find attached an executed, unconditional Share Purchase Agreement submitted on behalf of 2594617 Alberta Ltd.

We also enclose a redline showing the changes made to the conditional bid submitted on March 14, 2024.

We have processed the wire for the deposit and will send confirmation of the wire instructions to have the deposit wired to KPMG.

We trust the Proposal Trustee and the Company will consider the enclosed bid and provide us with a response as soon as possible on Monday as to whether the attached bid will be considered.

We note that Justice Lema's February 12, 2024 order permits the Company to apply for advice and directions in respect of the SISP, and further, note that the SISP permits the Proposal Trustee to extend the dates set out in the SISP in consultation with the Company. In addition, paragraph 46 of the SISP provides that the Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of the SISP Procedures, including, for greater certainty, waive strict compliance with any one or more of the requirements specified above and deem a non-compliant bid to be a Qualified Bid, excepting the requirement that the bid be a Superior Offer pursuant to Section 24(l).

We trust you will find the foregoing and attached to be satisfactory. We look forward to hearing from you as soon as possible.

Best regards,



ALEXIS TEASDALE* (she/her) | Partner
 D 403.218.7564 | F 403.269.9494 | E ateasdale@lawsonlundell.com
 LAWSON LUNDELL LLP Suite 1100, 225 - 6th Avenue S.W., Brookfield Place, Calgary, AB T2P 1N2
 Vancouver | Calgary | Yellowknife | Kelowna
 *Professional Corporation

This is **Exhibit "T"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commfssioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

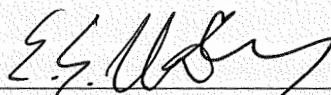
Term	Details
Seller	Tool Shed Brewing Company Inc.
Purchaser	2594617 Alberta Ltd.
Transaction Structure	Reverse vesting share purchase transaction.
Purchase Price	Cash in the aggregate amount of \$1,592,948.27 comprised of: 1. \$14,057.82 to the Landlord three (3) days prior to Closing, to be held in escrow and released immediately upon Closing. 2. A cash payment equal to the value of the Assumed Liability Amount, which the Company shall retain on the Closing Date in accordance with the Reorganization Transactions and used by the Company to discharge the Assumed Liabilities as and when they become due. 3. A cash payment of the Break Fee to the Stalking Horse Bidder's counsel three (3) days before Closing to be held in escrow and released immediately upon Closing. 4. Payment of \$519,245, which is estimated to be the value of the Purchaser Credit Bid Amount, by way of the set-off of such amount against the Purchaser Credit Bid Amount.
Deposit	No deposit required.
Interim Financing	A maximum of \$300,000 in accordance with the Interim Financing Sheet
Excluded Assets	1. Excluded Contracts
Excluded Liabilities	1. 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 the Company may be bound as at the Closing Time. 2. Any and all Liabilities relating to amounts outstanding to shareholders or holders of convertible notes, debentures, or other similar securities or debt instruments of the Company as at the Closing Time. 3. Any and all Liabilities pertaining to the administration of the Proposal Proceedings including, without limitation, under any court-ordered charge granted therein.

	4. All Liabilities relating to or under the Excluded Contracts and Excluded Assets. 5. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the negotiation, execution or delivery of this Agreement or the consummation of the Transaction. 6. Any and all Liabilities that are not Assumed Liabilities.
Permits and Licenses	1. Class A Alberta Gaming, Liquor and Cannabis Commission license issued for the sale and consumption of liquor in premises open to the public, and which provide food service. 2. Class E Alberta Gaming, Liquor and Cannabis Commission license issued for the manufacture of liquor in breweries, wineries, distilleries and cideries. 3. Class D Alberta Gaming, Liquor and Cannabis Commission license for off premises consumptions. 4. Class F Alberta Gaming, Liquor and Cannabis Commission license to ferment on premises for the manufacture of beer, wine, and ciders in approved facilities. 5. British Columbia sales license for the sale of Tool Shed's products in the Province of British Columbia. 6. Saskatchewan sales license for the sale of Tool Shed's products in the province of Saskatchewan. 7. Manitoba sales license for the sale of Tool Shed's products in the province of Manitoba. 8. City of Calgary permit required to operate a restaurant.
Assumed Contracts	1. Lease Agreement dated September 21, 2017 between York Realty Inc. and Tool Shed Brewing Company Inc. 2. Commercial insurance policy #PO4180026 dated February 22, 2024 with Northbridge Insurance. 3. Employee Benefit Plans administered by Puhl Employee Benefits. 4. [Ecolab lease; need details]

	5. [EcoLab service agreement re: brewery-related operations; need details] 6. [Falcon Systems contract; need details] 7. [Contracts regarding web hosting services, domain name registrations and other social media accounts; need details] 8. [Direct Energy Regulated Rate Option contract; need details] 9. [Craft Beer Importers contract; need details]
Assumed Liabilities	1. All amounts due and owing by the Company on account of source deductions to the CRA, in the approximate amount of \$455,000.00, which, for clarity, is the amount of \$571,091.70, less interest and penalties, which are not liabilities that are subject to a deemed trust in favour of CRA. 2. All amounts owing to Miller Thomson LLP (including, for greater certainty, all amounts owing to Miller Thomson LLP for pre-filing work prior to the Proposal Proceedings being approximately \$80,000.00), KPMG Inc., and MLT Aikins LLP and paid in the ordinary course as the amounts come due, under the Administration Charge pursuant to the Sale Process Order, as amended and/or restated from time to time, and such further order of the Court as may be granted, up to a maximum of \$250,000.00 in the aggregate. 3. All amounts owing to the Interim Lender under the Interim Facility including Recoverable Expenses and interest, under the Interim Lender's charge pursuant to the Sale Process Order, as amended and/or restated from time to time, and such further order of the Court as may be granted, up to a maximum of \$300,000.00 in accordance with the Interim Financing Term Sheet. 4. \$764.36 owing to Cintas for amounts due to it as of the Filing Date. 5. \$1,198.34 owing to EcoLab for amounts due to it as of the Filing Date. 6. \$2,682.75 owing to Falcon Systems for amounts due to it as of the Filing Date.
As is Where is	The Post-Consolidation Shares shall be sold and delivered to the Purchases on an "as is, where is" basis, subject only to the representations and warranties contained herein.

Key Conditions to Closing	1. The Court shall have issued and entered the Sales Process Order and the Approval and Reverse Vesting Order, neither of which shall been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably. 2. The Permits and Licenses shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied and such Permits and Licenses shall remain in good standing immediately following and notwithstanding Closing. 3. The Reorganization Transactions shall have been completed in the order and in the timeframes contemplated hereunder. 4. The Proposal Trustee shall have provided an executed certificate of the Proposal Trustee substantially in the form attached to the Approval and Reverse Vesting Order (the “Proposal Trustee’s Certificate”) confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Company.
Closing Date	The date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Company, after the date upon which the conditions set forth in Article 8 have been satisfied or waived, other than any conditions set forth in Article 8 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Company and the Purchaser in writing).

This is **Exhibit "U"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Alexis Teasdale (4564) - 11Flr

From: Alexis Teasdale (4564) - 11Flr
Sent: Friday, March 22, 2024 4:34 PM
To: Catrina Webster
Cc: jwreid@millerthomson.com; Alex Henze (4591) - 11Flr
Subject: RE: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201
Attachments: 2024-03-22 Wire Transfer Memo KPMG in Trust (\$238,942.24).PDF

As discussed, please see attached wire instructions. We expect the payment will be processed Monday morning.

Thanks,

Alexis Teasdale* (she/her) | Partner
 Lawson Lundell LLP
 D 403.218.7564 | F 403.269.9494
 *Professional Corporation

From: Alexis Teasdale (4564) - 11Flr <ateasdale@lawsonlundell.com>
Sent: Friday, March 22, 2024 4:04 PM
To: Catrina Webster <cwebster@mltaikins.com>
Cc: jwreid@millerthomson.com; Alex Henze (4591) - 11Flr <ahenze@lawsonlundell.com>
Subject: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201

Good afternoon Catrina,

Please find attached an executed, unconditional Share Purchase Agreement submitted on behalf of 2594617 Alberta Ltd.

We also enclose a redline showing the changes made to the conditional bid submitted on March 14, 2024.

We have processed the wire for the deposit and will send confirmation of the wire instructions to have the deposit wired to KPMG.

We trust the Proposal Trustee and the Company will consider the enclosed bid and provide us with a response as soon as possible on Monday as to whether the attached bid will be considered.

We note that Justice Lema's February 12, 2024 order permits the Company to apply for advice and directions in respect of the SISP, and further, note that the SISP permits the Proposal Trustee to extend the dates set out in the SISP in consultation with the Company. In addition, paragraph 46 of the SISP provides that the Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of the SISP Procedures, including, for greater certainty, waive strict compliance with any one or more of the requirements specified above and deem a non-compliant bid to be a Qualified Bid, excepting the requirement that the bid be a Superior Offer pursuant to Section 24(l).

We trust you will find the foregoing and attached to be satisfactory. We look forward to hearing from you as soon as possible.

Best regards,



ALEXIS TEASDALE* (she/her) | Partner
D 403.218.7564 | F 403.269.9494 | E ateasdale@lawsonlundell.com
LAWSON LUNDELL LLP Suite 1100, 225 - 6th Avenue S.W., Brookfield Place, Calgary, AB T2P 1N2
Vancouver | Calgary | Yellowknife | Kelowna
*Professional Corporation



Suite 1600 Cathedral Place
925 West Georgia Street
Vancouver, BC
Canada V6C 3L2

MEMORANDUM

TO: Accounting
FROM: Alexis Teasdale
DATE: March 22, 2024
RE: 113239-176502

Per instructions from our client 2594617 Alberta Ltd. please arrange to wire the sum of **\$238,942.24** as follows:

<i>Beneficiary Bank:</i>	Canadian Imperial Bank of Commerce
<i>Street Address:</i>	199 Bay Street
<i>City/Province</i>	Toronto, ON M5L 1G9
<i>SWIFT Code:</i>	CIBCCATT
<i>Routing No./ABA No./Fed Wire No. (only for USD, 9 digits)</i>	●
<i>IBAN (only for European accounts)</i>	●
<i>Intermediary/Correspondent Bank: (optional)</i>	●
<i>Street Address:</i>	●
<i>City/Province</i>	●
<i>SWIFT Code:</i>	●
<i>Transit no.: (only for CAD, 5 digits)</i>	00002
<i>Bank or Institution no. (only for CAD, 3 digits)</i>	0010
<i>Account No.:</i>	10-85301
<i>Currency:</i>	CAD
<i>Beneficiary:</i>	KPMG Inc. General Trust (Calgary)
<i>Street Address:</i>	4600-333 Bay Street
<i>City/Province:</i>	Toronto, ON M5H 2S5
<i>Purpose of Wire: (AB and YK only)</i>	Deposit for purchase of Tool Shed Brewing Company Inc.
<i>Wiring Charges (please choose one):</i>	
Any bank fees should be charged to the file as a disbursement.	☒
Any bank fees should be deducted from the above amount.	☐

I hereby confirm that the wire instructions have been verbally confirmed by Alex Henze with the following individual at the wire recipient's office:

Per: 
Signature of Authorizing Lawyer

Name: Joe Sithole
Contact Number: : (403) 691-8070
Date: March 22, 2024

This is **Exhibit "V"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law



MLT Aikins LLP
2100 - 222 3rd Avenue SW
Calgary, AB T2P 0B4
T: (403) 693-4300
F: (403) 508-4349

March 28, 2024

VIA EMAIL

Lawson Lundell LLP
1100, 225 6th Avenue SW
Calgary, Alberta
T2P 1N2

Catrina J. Webster
Partner
Direct Line: (403) 693-4347
E-mail: cwebster@mltaikins.com

Colleen Finnerty
Legal Assistant
Direct Line: (403) 693-5438
E-mail: cfinnerty@mltaikins.com

Attention: Alexis Teasdale and Colin Luke

Re: In the Matter of the Notice of Intention to Make a Proposal of Tool Shed Brewing Company Inc. ("Tool Shed" or the "Company") – Court of King's Bench of Alberta Court File No. B301-038201 / Estate No. 25-3038201 (the "NOI Proceedings")

We are counsel to KPMG Inc., the Proposal Trustee in the above-noted NOI Proceedings (the "**Proposal Trustee**").

We write further to the revised bid submitted by your client, 2594617 Alberta Ltd. (the "**Bidder**"), on March 22, 2024 (the "**Revised Bid**").

As we indicated on March 22, 2024, notwithstanding the Sales and Investment Solicitation Process (the "**SISP**") required parties to submit bids by March 11, 2024 (the "**Bid Deadline**"), the Proposal Trustee would consider the Revised Bid as a late bid and weigh its assessment of the Revised Bid against its obligation to maintain the integrity of the overall process.

The Proposal Trustee has now considered the Revised Bid in light of all of the circumstances and will not be selecting the Revised Bid as the Successful Bid, for the reasons set out herein.

Summary of Bidder's Participation in SISP

The Bid Deadline expired on March 11, 2024. The SISP further provided that a Notice of Auction (if required) would be issued by March 13, 2024 and the Auction would be held on March 19, 2024 (if required).

While the Proposal Trustee may extend any deadlines under section 13 of the SISP, it can only do so if, in consultation with the Company, it deems the extension appropriate and in the best interests of the Company's stakeholders.

The Bidder did not submit a bid before the Bid Deadline on March 11, 2024. Due to the significant restraints on the Company's cash flow, the Proposal Trustee denied the request for a two-week extension, but advised the Bidder it could submit a bid by March 14, 2024, extending the Bid



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Deadline by 72 hours. The Proposal Trustee further advised it would notify all potential bidders to submit all final information/document requests to the Proposal Trustee by March 11, with the Company management to provide a response by March 12.

The Bidder submitted its initial bid on March 14, 2024 (the "Initial Bid"). At the time the Bidder submitted the Initial Bid, it would have had the opportunity to review the SISP and the terms of the Stalking Horse Bid, along with all of the available due diligence information.

The Proposal Trustee reviewed the Initial Bid, and on March 18, 2024, the Proposal Trustee advised the Bidder that the Initial Bid was not selected for several reasons, including its non-compliance with the SISP. For example, the Initial Bid was subject to numerous conditions, including the outcome of the Bidder's due diligence, which breached the requirement under section 24(k)(i) of the SISP to submit an unconditional bid.

In correspondence sent on March 18, 2024, we advised the Bidder that the Initial Bid was not selected for numerous reasons and set out the Initial Bid's specific deficiencies that did not comply with the SISP.

Because no Superior Bid to the Stalking Horse Bid was identified through the SISP, as extended, the Proposal Trustee did not hold the Auction process contemplated under section 34 of the SISP, which would have been held on March 19, 2024.

On March 19, 2024 and again on March 21, 2024, the Proposal Trustee advised the Stalking Horse Bidder that its Stalking Horse Bid was selected as the Successful Bid (as those terms are defined in the SISP) and to prepare application materials for an Order approving the Stalking Horse Bid and vesting title in the Stalking Horse Bidder.

Notwithstanding the substantial deficiencies in the Initial Bid, on a further request from the Bidder, the Proposal Trustee agreed to consider a further bid, noting it would be weighed as a late bid and in light of the Proposal Trustee's obligation to maintain a fair process.

Ultimately, on its review of the Revised Bid, the Proposal Trustee determined that the terms of the Revised Bid are not sufficiently beneficial to the affected stakeholders to warrant compromising the integrity of the SISP.

Terms of Revised Bid

Pursuant to section 25 of the SISP, all bids submitted in the SISP would be considered, but the Proposal Trustee, in consultation with the Company, reserved the right to reject any and all Bids in its sole discretion. The Proposal Trustee noted the following in its consideration of the Revised Bid.

The Revised Bid provides for a Purchase Price in the estimated value of \$1,592,948.27, which is higher than the Purchase Price under the Stalking Horse Bid of \$1,215,000. However, while important, the purchase price is not the only factor to consider when assessing competing bids.



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The Ontario Court of Appeal's comments in the *Royal Bank of Canada v Soundair* (1991), 83 DLR (4th) 76 ("**Soundair**") case are instructive in the circumstances. At paragraph 26, the Court noted that the price in a competing offer is relevant only if it shows that the price obtained by the accepted offer was unreasonable. The Purchase Price proposed by the Revised Bid is not so substantially higher than the Stalking Horse Bid to suggest the Stalking Horse Purchase Price is unreasonable.

Further, in its review of the Revised Bid, the Proposal Trustee noted that the Bidder would not be assuming the penalties and interest associated with the Company's source deduction liabilities to the Canada Revenue Agency. In *Dav-Jor Contracting Ltd. Bankruptcy (Re)*, 2006 BCCA 330, the Court confirmed that section 60(1.1) of the *Bankruptcy and Insolvency Act* included interest and penalties on outstanding source deductions, and these amounts must be paid. This represents a difference of approximately \$116,000.

The Proposal Trustee further noted that the Bidder proposed assuming liability for the \$80,000 of the pre-filing work of the Company's legal counsel, Miller Thomson LLP, but provides that those pre-filing fees would be included in the total amount of administration fees, up to the maximum amount of the \$250,000 Administration Charge, in the aggregate. The Stalking Horse Bid, on the other hand, proposes to pay Miller Thomson LLP's pre-filing fees outside the limits of the Administration Charge.

The Proposal Trustee further noted that both the Revised Bid and the Stalking Horse Bid provide for an Outside Closing Date of April 30, 2024. However, due to the Bidder's delays and non-compliance with the Bid Deadline, the Proposal Trustee has significant concerns about the Bidder's ability to close its proposed transaction, which is a reverse vesting transaction, by the Outside Closing Date. Tool Shed remains under a significant cashflow strain, such that any further delays would significantly prejudice the Company's ability to restructure for the benefit of its stakeholders.

Integrity of the Process

We acknowledge that section 46 of the SISP permits the Proposal Trustee, in consultation with the Company, to waive compliance with any one or more of the requirements of the SISP Procedures. However, the narrow extent by which the Revised Bid is more competitive than the Stalking Horse Bid, if at all, does not justify selecting the Revised Bid as the Successful Bid. Rather, selecting the Revised Bid as the Successful Bid would seriously undermine the integrity of the SISP.

First, selecting the Revised Bid as the Successful Bid at this stage would deprive the Stalking Horse Bidder of the opportunity to better its offer in the Auction. Pursuant to section 29 of the SISP, if the Proposal Trustee determined there was a Superior Offer to the Stalking Horse Bid, the Proposal Trustee would provide the parties the opportunity to make further bids through the Auction.

If the Revised Bid were submitted even by the extended Bid Deadline of March 14, and if the Proposal Trustee assessed the Revised Bid was a Superior Bid to the Stalking Horse Bid, the



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Stalking Horse Bidder, along with the Bidder, would have an opportunity to participate in the Auction and submit more competitive bids.

However, the Revised Bid was submitted 11 days after the expiration of the Bid Deadline, three days after the Auction was scheduled to proceed and three days after the Stalking Horse Bidder was notified its bid was the Successful Bid. Selecting the Revised Bid as the Successful Bid at this point would subvert the intention of the SISP to provide the Stalking Horse Bidder with an opportunity to participate in an Auction.

We note that the Proposal Trustee will not be extending the dates to hold an Auction as the restraints on the Company's cashflow are too significant to warrant any further delays in closing a transaction.

Further, parties should be entitled to rely on a court-approved sale process and have confidence that any bid they submit will be considered in line with the process approved by the Court.

At paragraph 22 of *Soundair*, the Court held that a receiver's decision to enter into an agreement of sale would be assessed on the circumstances that existed at the time of the decision, and that the receiver should not set aside an accepted offer in favour of a later and higher bid:

... To do so would literally create chaos in the commercial world and receivers and purchasers would never be sure they had a binding agreement.

Soundair further confirms at paragraph 40 that in addition to considering the interests of the creditors, a receiver must also consider the interests of purchasers who have bargained at length and at their own expense.

The Alberta Court of Appeal confirmed similar principles in *1705221 Alberta Ltd. v Three M Mortgages Inc.*, 2021 ABCA 144 at paragraph 42 by confirming that parties who negotiate agreements with receivers should have confidence that their agreement will not be used as a platform on which others may use to bargain at the court approval stage:

I have decided this appeal in the way I have in order to assure business people who deal with court-appointed receivers that they can have confidence that an agreement which they make with a court-appointed receiver will be far more than a platform upon which others may bargain at the court approval stage. I think that persons who enter into agreements with court-appointed receivers, following a disposition procedure that is appropriate given the nature of the assets involved, should expect that their bargain will be confirmed by the court.

The Proposal Trustee has considered the Revised Bid. However, on its review, the Proposal Trustee is not of the opinion that the Revised Bid provides for such a substantially higher purchase price that the Stalking Horse Bid is unreasonable, or that the Revised Bid provides a substantially better recovery for the stakeholders to justify compromising the integrity of the SISP.



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Rather, selecting the Revised Bid as the Successful Bid at this late stage in the SISP would prejudice the interests of the Stalking Horse Bidder, which has bargained with the Company and the Proposal Trustee in good faith and in compliance with the SISP. The principles of commercial certainty, efficacy and fairness require the Proposal Trustee to reject the Revised Bid.

Please contact me at 403.693.4347 or cwebster@mltaikins.com to discuss this matter further.

Yours truly,

MLT AIKINS LLP

A handwritten signature in blue ink, appearing to be "C. Webster", written over the MLT AIKINS LLP text.

Catrina J. Webster

c. Ryan Zahara, MLT Aikins LLP (via email)
Joe Sitholé, KPMG Inc. (via email)
James W. Reid and Bryan Hosking, Miller Thomson LLP (via email)

This is **Exhibit "W"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Let's Meet for a Beer Episode #109 Podcast – Transcript

Host (H): All right, welcome to the podcast. I'm hanging out with my friend Graham Sherman, Graham how you doing man.

Graham Sherman (GS): I'm doing great, uh cheers.

H: Yeah cheers thanks for having me

GS: I wanted to uh apologize right off the start I just found out last night that you are a scammer and owned by a grocery store. The internet told me so I know it's true.

H: Uh Yeah, well these things happen. Um...you can't get too upset about these things, right? Darn Internet. Um, one of the things...I realized the other day I'm like, I haven't talked to Graham lately, I wonder what's new in his world. So, um let's just start with that let's uh what do they call it, the elephant in the room?

GS: Yeah yeah.

H: So people are: so obviously the news came out a couple weeks ago, so let's talk about it, what's happening with Tool Shed.

GS: Yeah, it's uh...So so what we're going through right now is a I guess the best way to describe it is a management-led restructuring. And uh and so um, we uh we went through a tough time man and I think for a lot of people um a lot of people don't don't maybe even remember y'know the origins of of Tool Shed and where we started. There was a time in the middle there where where I had to buy out my original business partner.

H: Right.

GS: And from that time on we've been fighting hard through long lists of aged, y'know, AP and and trying to get this thing uh uh running in a way where we've got cash flow, right and and uh I y'know it's it's probably the age old problem everybody wants to make beer and everybody wants to start a brewery but having that business acumen on the back end of the business from day one where you set up the infrastructure and foundation properly, where you've got this thing that just spits out cash uh it's not as easy to do we've seen that lately with a a lot of breweries going out of business, which is tragic right? So you know as we went through that period of time trying to get this thing back on the rails from the damage that had been already done, uh we were kinda getting there and and landed safely on the doorstep of COVID. And uh I I think I think probably one of the uh misconceptions about COVID is that, oh well, so much alcohol was being sold people were drinking um but a lot of people were of course buying liquor in liquor stores, um if you were one of those uh amazing breweries that sold predominately on-premise keg sales, boy you were in trouble cause we were all closed. Like all the bars, pubs, restaurants so for us 75% of our revenue is bars, pubs, restaurants, golf courses, so all that goes to zero now we're fighting through that for the next y'know multiple years, along with all our great friends that run these the amazing bars and pubs that we love to visit, right. So a lot of them didn't uh didn't make it um um and uh uh and so y'know throughout that uh throughout that period we also uh

had our our um credit facilities through our institutional lender our bank uh come up for renewal and in the middle of COVID when the bank goes, uh, "How bout no?"

H: Yeah.

GS: That sucks right so ya take on more y'know private debt cause that's the only thing you can do like I wonder sometimes uh for the people that come into a brewery and go I love this place I love the hazy I love the sour whatever they like about the place if they really understood the the horror that goes on in the background to try and keep a business running its its its really scary right

H: Yeah.

GS: So uh so going through um years and years we've we've we've been fighting through that stuff for quite some time and what it ultimately required was a restructuring of of our debt so we went for the last year, um over a year working with our investors and with our shareholders um trying to come up with a structure that would uh uh that would allow the business to be in a better shape that that we weren't just buried under under debt payments um and that we could uh we could come out through this process and say, okay, we paid off the bank we did these things we we we have a lot of debt but we can move forward now in a with a clean balance sheet and and uh be prepared for y'know post-pandemic times.

H: Mm hmm.

GS: Boy it was a it was a big fight over the last year trying to get uh trying to get something that made sense for everybody is not easy.

H: Right.

GS: Right? And so with the number of shareholders and the number of of debtholders that we had um it it it wasn't without a ton of trying we uh we uh we had to find a different way and uh we we couldn't find the solution that made everybody happy and we needed to find something that brought everybody on board right?

H: Right.

GS: So, um I think at that moment, that's the point where a business has to take a look inward and say, "Are we done? I feel like we we I feel like we've tried everything" like we you know we had people suing us because we couldn't pay debt back right and I don't I don't mean that as a negative on them because uh during the pandemic when people were super happy to support you know whatever business was was struggling all of a sudden their businesses started to fail. And all of a sudden like holy crap I put some money out my business is in trouble, give me that money back now punk.

H: Yeah.

GS: Like Literally the day that that bars opened back up we had people coming to us saying COVID's over, give us our money.

H: Yeah, yeah.

GS: Right, and it wasn't them necessarily being assholes it was just their struggling through their own uh uh situation. So um so it wasn't without trying uh to get uh uh a structure together that worked for everybody um ultimately that that moment is when you have to really have to dig deep and say ok what what are we going to do.

H: Yeah

GS: So we uh we pursued a process that's uh um it's uh a Notice of Intention through the Insolvency and Bankruptcy Act of Alberta that we are going to run a management led restructure and so uh and so this this is kind of an interesting process that I didn't know existed before and uh and I uh think any time before this that I ever heard the word insolvency I thought bankrupt.

H: Yeah.

GS: Right and that's the thing that most people think, but in actuality there's an incredible act under corporate law in Alberta where the courts protect businesses like ours because we've got a great story across the country, we've got great employees, we've we we provide jobs, we provide a lot of uh um input into economic development in this in this province so um so we put out um uh uh bid to say we are going to uh restructure this debt, but but coming out of it its going to be its going to be still us running it. We're essentially going to buy the business out of the insolvency process right so typically a business would say holy crap Mark we owe you all this money and and you get frustrated and you say un declaring that your in default and you could y'know push us into receivership which means you run the process and this receiver gets appointed by y'know maybe its KPMG maybe it's you know whatever trustee is is there to run the process so that it's like an auditor making sure everything's done properly.

H: Right.

GS: um they would say well Mark what would you like to do and you'd say these punks owes me money liquidate it get me my money whatever it is and because you run that process and and the receiver works for you I don't have any choice. Now when it's a management led process uh the uh business still runs, everybody's still here our staff get paid we actually uh are protected under that Insolvency Act where our vendors are still actually legally required to sell us the products right and and uh the creditors can't y'know come forward and demand payments so so there's actually Court approved process too because businesses aren't allowed to say uh no I just us I don't like my debt I want to hit a delete button and uh like I remember on the office [laughs] Michael Scott going coming out of the room and going BANKRUPTCY and and uh Oscar going you know you can't just say bankruptcy and anything happen and he goes I didn't say it, I declared it [Both laugh] and uh and so uh so for uh this process um the Court actually look at your at the Affidavit of what we've done over the last year are we doing things properly and legally um they look at our cash flow, they look at our projections, they look at everything.

H: Yeah.

GS: and they make a decision based on uh uh is is this the best process for the staff, for the creditors, for the vendors, for everybody so um it's expensive I mean were already over a quarter

of a million dollars uh to fund the process because there's a lot of lawyers there's trustees with KPMG, there's people that are auditing things to to make sure that you're your doing things the right way uh but this is already been everything that we've uh started down the road of has been approved through the Courts and uh and so it's uh it's a wild process and uh um I think what's what's really exciting about it is that we come out of this thing um just um refreshed and and and ready to uh you know ready to take on this post pandemic era um so that's that's you know uh a a little snippet of it of of course y'know when something like this uh as I mentioned earlier um the news hits because KPMG is our auditor that's our trustee that that's uh overseeing the whole process not just for us. But for the Courts and for everybody um I think that something comes up that says Tool Shed has um has uh put a proposal in under the Bankruptcy and Insolvency Act everybody thinks the worst. And we're in a very gossipy industry and and uh I wasn't sure how much uh of the people that were interested in the story would read the Affidavits because they're all it's all publically available right um but um but uh I started to notice that yeah a lot of the a lot of the story that was that was kind of getting out wasn't accurate and so so uh to kind of um yeah just answer questions and and and talk about it I think is a is a good thing because what I've seen what I've seen now over the last few weeks is a lot of my peers a lot of my friends in this industry have been calling once they understand what we're doing saying how do I do this like can you help me um I I'm in trouble we're we're struggling we don't want to go out of business how did you like come up with this where is the where's the book on how to do this when you're struggling and you need to restructure your debt and your your equity and and come out of that stronger like how do we do it and so um so I think I've become a consultant now to a lot of my peers in this industry on uh how to uh how to push through these times because I think I think most breweries are going through it right now.

H: yeah well it's and it's one of those things and you mentioned you know COVID which is you know my favorite thing to talk about but you think about the timing of our kind of craft industry in Alberta [GS right] and everybody was relative relatively new yeah you know when COVID hit um like you were you know one of the one of the first but still only probably what four years [GS: right] in kind of things five years in um and so there's this there's this learning curve that that people have when they start when they create a business right you don't know what you don't know [GS: right] until you know um [GS: you go aw shit] yeah write that shit down um but the thing is is um and so everybody's going through this learning curve and and that is can be an expensive process because you don't you know you're like oh shit maybe we didn't need that maybe we didn't need that then all of a sudden you know for a lot of people you know maybe they're a year in for some people even a couple months in and then COVID hits and [GS: yeah] that wasn't on anybody's business plan Global um P

GS: Bill Gates Bill Gates had that had that figured out.

H: that's than him it was on like a few business plans but very few um so you know there's just so many things that people have had to go through that that um that you know wasn't wasn't part of the process because the initial thought of you know why are you starting a business why sorry why are you starting a brewery was because I love to make beer and I love to you know gather people around those were the reasons when people first started now we see as the industry matures okay these have to be viable businesses because to your point investors want to get paid back um you know people want to get paid you know good you know wage a good salary [GS:

yeah] and so that's where we're at now is is kind of like okay that realization of how can we not just ride out the passion of of having a brewery but how can we create a business that's sustainable and will support people

GS: you nailed it man I think uh Jason Foster who I I really appreciate on beer.org uh wrote an article and I think the the title was the party's over and um and so without getting too much into it I think the the the essence of that title is uh we we don't just get to be home Brewers that uh wanted to make beer and and everything was you know was uh you know gravy train with biscuit weels [H: yeah] um it it's it's time for every brewery to put on their big boy pants and uh and figure out like how this is a viable business how we actually make money for investors how you cash flow how you if you're paying dividends or you're growing the valuation um and it's uh it's not good enough anymore to think oh Labatt comes and buys your brewery for a billion dollars because that doesn't happen anymore either right so I I just saw another one of our friends um uh breweries went out of business and their one of the comments on their Facebook post was um we tried to sell but had no interest right and so it's uh it's you you got to know how to run that back office and so you know I'm sitting here today in that in that same uh struggle where right now as we sit here today is the first time Tool Shed has had a CEO that is just an absolute Crusher that knows how to uh how to scale it knows how to keep the back office uh dialed it knows how to keep cost under control and uh the first time ever at Tool Shed is right now that we've had a a CEO that really knows what's uh what's what and you know we've had good people that have have come into that chair with the best intentions is not to take away from people trying their best but um but uh we could never have afforded him before [H: right] like I've known him for a while he's a great dude he's he's you know scaled many businesses before and he's uh done lots of turnarounds but uh we just we weren't even a kind of business that could attract somebody like that before [H: right] so to be in the in the place that we're at right now where it's like okay we got the we got the big guns here uh in sitting in that seat and uh going through this process um it's um yeah it's definitely a different landscape for sure at uh uh in the Alberta beer scene now.

H: so one of the things my perspective you know has always been I've always been an entrepreneur but and I've always had you know small businesses um I used to have a sports store with my brother and we you know it was such a challenge it was a labor of love and and we loved it but it was it was always a challenge it didn't it seemed to matter how busy we were it just you know the math didn't work at the end of the month [GS: right] and so when the craft beer industry you know really started to blossom here in Alberta I always had that perspective that's the kind of the lens that I look through is you know I know what you guys are doing in terms of the passion that you're putting into it the work that you're putting into it um the stress that you go home to right the stress that you that wakes you up in the middle of the night um so a couple of things when I when I think of that is you know when you when you were um you know going through this and you had to really you know obviously you're talking to your wife you're talking to your your kids why did you choose to to fight and kind of restructure because I'm guessing another viable option at that time would have been to you know you know put your hands up and say fuck it I'm done

GS: absolutely oh yeah no that's I think that's the essence of what uh I think the DNA of Tool Shed has always been is um part of the reason that I get to travel around the world and speak it's

not because of you know anything that happened with AGLC it's not because of anything other than this mindset of resilience right and um there's been so many times where like I still don't take a paycheck at Tool Shed you know we're over 10 years in and uh um so you know trying to find a way where you can make money for your family while you build your your business that you're so passionate about is a is a tough thing and uh to go home at night when you used to make great money yeah and and ironically I I've shared this before but but before this when I worked in Afghanistan um I actually lived in in a war zone I have bullets that I've taken out of my car that you know like I mean that's a different world when you're living in an active theater of operation you hear Rockets coming into the base that you're on and and you're getting shot at um I was never as afraid in Afghanistan as I have been starting my own business it's a just it's a war and it's just a whole different level of of being under fire um I think that the the real stress is that you're under Fire from the people that you love around you so much that aren't necessarily shooting at you but the weight of the world is on your shoulders because you have to make good um on the Promises you've made to people right I I've I've taken your money and I need to make this business successful that's the part that that uh um makes you stay awake at night oftentimes crying in your bed how am I going to solve this problem um so yeah you're you're right I think a lot of people do get to a point and go enough I don't deserve this this fire that I'm taking on I or whatever however people justify in their head to say I'm all done I'm not taking away from people who who who stop the the thing because um one of my favorite quotes is from Steve Jobs that says you know passion for your project is the only thing that can get you across the goal line where 99% of rational people would would quit right it's it's to say that people are supposed to stop here this is where rational people stop because it's too much um maybe passion is the only thing that can get you to push through that um where now you're out in in in the world where it's it's not safe you're you're under fire and it's worse than being in Afghanistan and

H: you're and I I know for my experience personally because you have these people who are supporting you and and want but at a certain point I remember I remember you know when you know I'm going back over a decade when I'm thinking about this but you know even people that were loving me and supporting me were looking at me going like [GS: you're an idiot] dude like I've lost faith in you you got and that's a hard thing because they're not saying it but you can see it in their faces and that's what people you know like and I and I say that all the time anytime that I get in front of you know people um whether I'm doing like a small seminar or you know anytime I can talk about it on the podcast is the people that are starting you know small businesses whether it's breweries it doesn't matter what the small business is you know they're passionate about what they're doing but there's real people behind the brands there's and that's what people need to understand is is you know because I think with social media sometimes we there's this buffer between us where we can kind of you know throw things at each other and it doesn't hurt and I think what people need to understand is um there are real people behind those brands that that are losing sleep that are trying to do their best.

GS: and awake with their families crying on how they're going to solve it and I love I love that comment because um so I don't subscribe or list listen to or or or uh uh acknowledge any kind of social media platforms that don't um identify themselves because that's kind of a I think that's a cowardly way of throwing shots across the bow of things just because you want to trash talk um part of why I uh I opened with my my comment today oh I heard you're a scammer uh that is owned by a grocery store I I can't believe that the internet has has turned into this place where

people just go well I saw this on the internet it must be true yeah what's actually true about you guys is that everybody in our industry knows you uh and Bill and the team that that that run EBF so personally that it was an absolutely hilarious post for all of us in the community because you're so well-loved as as people the people [H: I appreciate that] that actually connect with you guys um that uh that of course you know everybody comes to your defense and goes oh that's this is this is actually hilarious but but people throw that stuff out online all the time [H: yeah] and uh and I've I've spent I've spent a lot of my time uh at at at Tool Shed learning how to turn that off where I have to be able to get better every day at saying don't care who it was don't care what they said because it doesn't impact that my whole goal in life is to make sure this amazing team behind this wall and and and back in that brew uh house will get paid every two weeks yeah right and I still don't but but uh but they they do we don't miss uh uh payroll and that's uh um the I don't think the culture's ever been better here at Tool Shed because we have such a tight family that uh um I think our our staff feel the same way that that that I do about that is we kind of we kind of rally and so when we see things come up online like that the team rallies together and they're like oh yeah and it's it's like you know it's uh I go back to this analogy being in the war together but the person beside you in those trenches is often times even after the war your greatest friend for life people people can't really even describe what these relationships are um when when you go through War together and I feel that way about our team here we've been through a lot over the the 10 years and uh these the people that are still here are battle tested and uh it's it's it's it's amazing we actually had a staff appreciation uh here the other day and it quickly turned into a sorry a customer appreciation which quickly turned into a staff appreciation once out all the customers had left the staff were still here till you know the next day having fun and drinking and most people at when they're done work especially a long day like a customer appreciation can't wait to go home and uh and our staff all stayed and spent time together like it makes you emotional that you've got this amazing group of people that are all aligned in this this thing that we're doing right so um uh yeah we're uh uh we're pretty grateful for our customers pretty grateful for the staff and this process that we're going through right now I think uh just really solidifies our our place in the future that helps us get we're going to come out of this with a perfectly clean balance sheet a nice strong uh uh um you know operations team in the back and it's uh and and we're not going anywhere yeah so yeah it's pretty it's pretty awesome.

23:06

H: I love it one of the things you mentioned so you know thanks for the the compliment that you threw our way but I will say what I love about the beer industry and and why I just love why I created the podcast and and it it it wasn't even so much the I want to podcast to talk about beer it's I want to podcast where we can talk about things over a beer that's really what the essence of let's meet for a beer is um but for me the key in that is let's meet for a beer which is let's sit down together and let's talk if you have something that you need to say to me let's talk let's go for a beer and let's talk about it and I think that's you know something that is missing in the world and and and that's where you know to me you know rooms like like like Tool Shed are that's what's so valuable about them is you know we've lost in in our world this ability to you know attack problems head on um and and and and not just create relationships but maintain relationships like we that's kind of the the thing that we're struggling with right now I think is is that maintaining of relationships like texting isn't maintaining relationship sitting down having a beer or a coffee whatever and just having that conversation and getting it over and I think that's what I want that's what that's what I want my life to be about is if you know and you and me um we

have actually argued um like over beers before like we've we I think if you recall there was one time where we both kind of walked out of the room like you're a fucking idiot [GS: I don't remember that] and uh I it was late it was late at night at um the Pig and Duke but the point of it was we we hashed it out you know what I mean like we like you know like a week later we both are like like and so so to me that's important it's not it's it's it's like okay let's have these conversations sometimes they're hard sometimes they're easy but it it's important

25:09

GS: I think there's yeah there's there's two amazing uh things to that is number one you you don't just say that you actually live it um when I called you and said hey what do you think about me uh uh sharing the story of what we're going through on the podcast um I hadn't talked to you for a while and uh your comment was yeah you know I've heard what's what's going on but I I wouldn't uh contribute to and I knew that if that you would call me when you were ready and I wasn't going to bother you while you were going through clearly something and uh I was so grateful of the respect of that comment where it's like I don't know what's going on but I'm not going to add to the TMZ thing and I'm not going to uh I'm not going to bother you right now until you're ready to talk that's an incredibly unique uh uh thing that you possess in in in being that way that's not the way the rest of the internet behaves but but the other part of that comment that that I love is that uh sitting down for a beer isn't just like Hey we're going to Hash something out and argue about something some of the greatest things I've ever accomplished uh have been because I've got some so many great friends now that are entrepreneurs whether they own a brewery or um one of my best buddies in town here uh he owns this great business called work nicer even just like their tagline is work for yourself not by yourself so it's like a co-working space but I call my buddy Alex and I go uh okay dude I'm struggling uh I don't know I'm I'm I'm fucked here's here's what I'm going through and and he'll say you think that's bad check out how bad I got it right and you know this was a probably a pandemic conversation we were having and then eventually we both look at each other go are we are we like one downing each other right now like slap each other in the face and say grow up man we're we're here because you know we've been through war and and it's and so okay we just got pinned down uh in the trenches let's get back to it and uh and we elevate each other and having those people that you can sit down with a beer I think there's there's very few people in life that you get to to share the stories of the war unless they've been going through it and so I struggle sometimes finding somebody who I can relate with with the the the reality of being in war owning your own business and going through the things like I um I'm I'm the luckiest man on Earth to be married to the the the woman that I'm married to but she if I ever told her the stress level what we go through she'd just start crying and she just doesn't have a a level for uh dealing with the stress she doesn't understand why I put myself into these stressful situations and even as I say that I go

H: she must have some because she married you

GS: so she's got this level of stress and she's dealing with and she's still with me which is the silliest thing ever but but it's like it's like you I couldn't tell her the stories of Afghanistan because she wouldn't understand it yeah there was very few people that I could share those stories with and those people are near and dear to my heart you know for the end of time because they can relate to a thing that I went through and we can be better together because of it and that's small business that's owning a brewery that's that's getting through these times so me meeting over a

beer is uh is is one of the most important things in my life and uh that's how I come up with the strategies that I come up with and that's how I solidify we're never stopping like you know it's it's I I just uh I think that that's probably the hallmark of of of Tool Shed is that if there's one thing that Alberta is supposed to represent to the rest of the world it's the greatest entrepreneurial spirit in Canada and uh and that's what we've championed it's it's never been about just me or Tool Shed it's been about the barley farmers it's been about Alberta pork it's been about Alberta beef it's been about all the things that we get to experience here in this in this province and uh so if it's genuine and it's authentic and it's collaborative with the community around um you can't fail as long as you don't give up

H: yeah and so that's what's that quote is that Seth Rogan he's like if you quit if you if you keep going you might not fail if you quit you definitely will.

GS: yeah exactly right yeah totally totally yeah yeah yeah no that's that's exactly it so um um yeah this is another another journey that I didn't expect I think I don't think anybody really expects you know the the things that that come at them when they when they start a business I don't care what business it is but um but uh yeah brewing right now in Alberta is a is is a tricky one so um I'm I'm grateful that you took the time to come and and uh hear me out because I what I want to do is I want to field calls from people that uh maybe want to have some confidentiality but but but are struggling and want to know I've already had several with with some great breweries some great friends that um uh I want to be able to help them um with what I've learned over the last period of time I it it blew my mind what the Province has set up uh under this Corporate Act of of of law that that that helps us uh get through these times it costs money but it's uh it's uh it's an amazing thing that we can go through if we know what tools are at our disposal right yeah and I

29:57

H: and I think one of the things that I want people to know is you know we we we live in a world sometimes where you know we we put on a brave face we posture we have a facade of like how's everything going great how's everything and you know we need to be able to you know be vulnerable and be able to say hey you know what shit's going sideways here um I was having a conversation with someone yesterday and you know we were talking about the you know how can you identify when maybe your business is starting to spiral downwards because people sometimes bury their head in the sand and they don't acknowledge it by the time they acknowledge it it's too late so what people have to be able to do and we have to kind of give people this platform and this ability um to say hey whether it's you know whether it's a business whether it's mental health whatever it is is you know what I need help I'm not and and then what our responsibility when people express that is is to give them you know a forum where they can get that help without us you know kicking people while they're down because right I remember someone years ago saying to me you know there's the slogan it's okay not to be okay yeah but what happens is sometimes when people are vulnerable so they'll see that they'll hear that and they'll say okay well I'm going to share something with you and then as soon as they share it's like oh and then it's just like kind of like okay that messed up so we need to create a platform or or just um we need to normalize Hey listen we're all going through shit sometimes it's ups and sometimes it's it's downs um and so let's um you know let's let's figure out how we can help each other and and let's not you know let's not just go right to kicking people while they're down um

that's you know some and sometimes it's tempting sometimes it's like well that guy was this or and it's just like we we have to get away from that I think

GS: there's like a uh there's like an escalation game where people like to get together and like elevate the the drama but I I go you know going back to meeting over a beer one of the things that we're doing uh right now that's that's going to be new is uh we're doing a a community brew and what that just means is that we have tank space which breweries in the city just need an extra batch where it's like no cost to them we're not charging breweries to do this but uh if you need a batch of beer to help uh pump up your your for the summer we'll brew a batch for you at our cost and and we you know we sat in our management meeting going it's been a while that we've been so focused on trying to survive we haven't uh dug into supporting the community like we always have what's a great way to give back to the community so we're doing our first brew this week and uh um I don't want to spoil it but we've got a bunch of great breweries that have applied to get a free batch of beer brew at tool shed yeah and uh and then that'll that'll contribute to their revenue this summer at no cost of them and what happens is we sit down and we go over what do you want to brew let's let's plan it let's do all these things and uh and as we have a beer they actually open up and it doesn't actually necessarily have to be about let's meet and let's talk about how we're both totally screwed um we're going to we're going to support you guys and and and and do whatever we can to get some you know some more beer uh uh out for you guys and uh and each time we've met with a brewery over uh planning out the the schedule for the year we get into some amazing conversations about what they're going through turns out I've already been through it and I can I can uh hopefully you know pour into you know uh more you know more stories with with what we've already been through totally yeah

H: um what I always say about the industry and uh you know I know you're busy so we we can we can wrap things up but you know when when the industry first started it was so you know so collaborative um and and I think that and that was that is I think the kind of what makes the the beer community in Alberta special I maybe it's in other provinces and states I don't know I can't speak to that but I I I just know but because I know firsthand what what made Alberta special um I think that's something that you know people are asking is the party over um it doesn't have to be if we don't if we don't let it so it's just it's an opportunity for us to reflect and say okay what are values that we were kind of founded on and how when we're being tested can we can we show that those are the values that we're living by um and so and that that those are great opportunities you know um I remember weird analogy but years ago um the owner Bruce McNall he used to own the LA Kings and uh he he went to jail and he was just like this like whatever and uh Wayne Gretzky was getting interviewed about Bruce McNall and like Oh What A and he's like you know what I I like Bruce McNall he's I consider my friend it's easy to you know disassociate yourself from people when they're going through a hard time he's like he's going through a hard time and that's when you need your friends that's when you need to to band together so I think that this as a community and as an industry is a is a is a very unique opportunity for us to all come together and say okay you know we said we're special we said we're unique [GS: yeah] so how can we specifically help each other because we are in need right now

35:28

GS: right I uh I saw it years ago I took the staff on a on a staff trip out to Victoria for the the Great Canadian Beer Fest and we rented this cool limo boss and filled it full of beer I think we were drunk by Banff we just went out it was it was one of the greatest trips ever but but uh we had a bunch of tours on the way because you know I've been friends with a lot of the breweries out there for some time and and Matt Phillips uh from Philips Brewing um uh gave us the tour at Phillips which is a a tremendous honor a staff for like star struck that Matt Phillips and I remember him saying to me um so how's it going in Alberta you guys all still friends and I'm like yeah of course and he looked at his watch and he went give it time and I'm like what does that mean and and he has just gone you know maybe 10 years before us and seen the trajectory of what happens in an industry the same as as what we're going to go through in Alberta he was forecasting the future and I remember thinking then it doesn't have to be the way that it happened in Victoria I remember thinking like it it's basically up to us if we decide that we're going to continue to pour into our like it's never time for us to eat our young we got we can always support the new brewery we can always you know support craft we can and it's it's it's as I as I travel around I speak to different Industries I think a lot of people go oh you guys in the Brewing industry just get along because you drink beer no man we we fight for the same tap handles we fight for the same shelf space we choose to support each other like Big Rock didn't have to walk through my doors and buy a beer for life membership yeah they're my comp competition but because that's a brewery that you know used to put those sleeves over the hay bales out in the field you know showing off Alberta barley and and the farmers they saw an alignment with what we were doing in the media and saying we need more people doing this for the same reasons in the same Province Big Rock really set the tone for me to I got to keep paying it forward as well so if I'm not doing the job creating that uh where the next brewery is going to pay it forward as well it's not just that I'm doing something nice for new breweries I have to set the tone own for the next generation like Big Rock set it for me yeah abs and so yeah I'm uh I think there's still a lot of hope for us uh creating an environment in Alberta where uh the the craft beer uh industry um is an example for every other industry about how we support each other

37:44

H: well and you don't to your point just because this is how it happened in in another area doesn't mean that that's a predetermined thing um

GS: I've seen enough time time travel movies that we

H: I was just going to say I was going to reference Back to the Future yeah I'm like that's the essence of the story is it's like oh you know what you can write your own destiny so so but I that's what I think is fun is is yeah shit hits the fan shit gets real let's um but that's when you're tested and so let's uh so here we're being tested let's you know let's rise to the occasion right

GS: there's no time for laying down during those tests time to time to fight

H: awesome man thanks for sharing your story

GS: yeah thank you for coming

H: I'm sure there's a few people interested in in hearing from the hope the proverbial horse's mouth

GS: right yeah and uh and and I'm open for anybody that wants to find out more and uh and and hear how and why and what we did and and if I can contribute to anybody else that's that's struggling uh um I'm down for a beer

H: awesome thanks man

GS: thank you buddy see you

[Music]

This is **Exhibit "X"** to the Affidavit of John
Donovan sworn before me at the City of Calgary, in
the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

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Senior Officer and Entrepreneur Growth Business Accelerator

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🌟 Join Me in Writing the Next Chapter of Canada's Craft Brewery™ 🌟
 --> Invest in the new [Tool Shed Brewing Company](#) with me! <--

Dear LinkedIn Community,

I'm thrilled to share some exciting news with you all. This year marks a significant milestone in my journey within the hospitality and entertainment industry — three decades of passion, dedication, and innovation. From humble beginnings pouring nacho cheese at the Calgary Stampede to founding and expanding Pedal Pub nationally across Canada, this industry has been not just a profession, but my true calling.

Now, I stand at the precipice of my most ambitious venture yet, and I'm on the lookout for believers and supporters who share my vision. Some of you may already be aware of my recent involvement with the owners and lenders at [Tool Shed Brewing Company](#) over the past six months, where we endeavored to preserve their investment and the essence of the brewery. While our efforts unfortunately did not yield the desired outcome by the end of December, I am now forging ahead with a formal insolvency proceeding and offering to purchase the brewery while still maintaining operational leadership of the business.

This opportunity feels like a fairytale come true for me. The brewery boasts exceptional customer service, highly scalable manufacturing capabilities, and a world-renowned BBQ restaurant — each area aligning seamlessly with my extensive expertise and passion. However, despite its potential, the brewery has never truly been challenged to scale, nor has it benefited from the guidance of a financial expert at the helm. That's where I come in.

In the short six months since assuming operational duties, we've achieved remarkable milestones: sales have experienced double digit growth, staff morale and retention are at unprecedented highs, and both beer production and restaurant management processes have been streamlined to peak efficiency. There are numerous other exciting projects underway that I can't wait to share more as soon as I can!

If you're a fan of Alberta's most award-winning beer, including the ONLY non-alcoholic beer to win in a beer category, and share my vision of expanding our footprint across Canada and into the US, I invite you to reach out to me directly.

Together, let's craft a success story that transcends borders and defines excellence in craft brewing. We are Canada's Craft Brewery™ and I'd love to have you along for the ride!

Warm regards,

James Costello, CEO
 Tool Shed Brewing Co.



streamlined to peak efficiency. There are numerous other exciting projects underway that I can't wait to share more as soon as I can!

Now, I'm extending an invitation to potential investors to join myself and **Graham Sherman** on this exhilarating journey. I've structured an ownership model that prioritizes transparency and tangible returns, with a front-loaded approach that ensures your capital sees multiple returns before Graham and I achieve any liquidity. If you're a fan of Alberta's most award-winning beer, including the ONLY non-alcoholic beer to win in a beer category, and share my vision of expanding our footprint across Canada and into the US, I invite you to reach out to me directly.

This is **Exhibit "Y"** to the Affidavit of John Donovan sworn before me at the City of Calgary, in the Province of Alberta, this 11th day of April, 2024.



Commissioner for Oaths in and for Alberta

ELOISE HIRST
Student-at-Law

Olivia Volponi (4643) - 11Flr

From: Eloise Hirst (4509) - 11Flr
Sent: Thursday, April 11, 2024 10:33 AM
To: Olivia Volponi (4643) - 11Flr
Subject: FW: Update on Tool Shed, Moving Forward with Creditor Protection and New Ownership
Attachments: Investor letter.pdf

Eloise Hirst | Articled Student
 Lawson Lundell LLP
 D 403.218.7509 | F 403.269.9494

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Thursday, April 11, 2024 10:20 AM
To: Eloise Hirst (4509) - 11Flr <ehirst@lawsonlundell.com>
Subject: Fwd: Update on Tool Shed, Moving Forward with Creditor Protection and New Ownership

[THIS MESSAGE ORIGINATED FROM OUTSIDE OUR FIRM]

Regards,
 John
 John Donovan
 +1 403 615 9110

From: John Donovan <johndonovan@marchadvisory.com>
Sent: Tuesday, April 9, 2024 09:52
To: Alexis E. Teasdale <ateasdale@lawsonlundell.com>
Cc: Myron Tetreault <mtetreault@fitzroydev.com>; Jeff Newman <newyyc@gmail.com>; Darryl Bourne
 (<darryl.bourne@rbc.com>) <darryl.bourne@rbc.com>
Subject: FW: Update on Tool Shed, Moving Forward with Creditor Protection and New Ownership

See highlighted part below

Regards
 John
 +1 403 615 9110

From: James Costello <James@toolshed.beer>
Date: Tuesday, February 13, 2024 at 5:55 PM

To:

Subject: Update on Tool Shed, Moving Forward with Creditor Protection and New Ownership

Dear Toolshed Investors,

I hope this message finds you well. Attached to this email, you will find an update letter regarding the outcomes of our recent court proceedings. I invite you to review it at your earliest convenience.

I want to express my sincere gratitude for your ongoing support and commitment to Toolshed. Your open and honest communications have been invaluable throughout this challenging period. Regrettably, I must inform you that the recent developments mark the conclusion of Toolshed's journey in its current form. However, we are determined to navigate through this transition phase with integrity and resilience.

In light of this, we are proceeding with creditor protection measures and KPMG is actively seeking a new ownership group to lead Toolshed into its next chapter, of which I, Graham and I are leading the bid and will remain in the business with that commitment. I understand that this news may come as disappointing, but I assure you that we are dedicated to exploring every avenue to secure the best possible future for the brewery, at which I am once again leading an offer to purchase the brewery.

Recognizing the unwavering support many of you have shown, I am pleased to extend a 'bonus' equity opportunity for those interested in continuing with us on this journey. For any investor willing to reinvest, we are offering up to 50% of your new investment as a credit, based on your previous investment (i.e., if you loaned or had equity, that will act as a bonus credit on a new investment). If you would like more information or are interested in taking advantage of this opportunity, please do not hesitate to reach out. The model is built to get your investment dollars out with a significant return before myself or Graham receive any opportunity for liquidity, front loading the returns to cash investors.

Once again, I extend my deepest appreciation for your continued support and belief in Toolshed. Despite the challenges we face, I am confident that with your partnership, we will emerge stronger and more resilient than ever before.

Thank you for your attention, and I remain at your disposal for any further questions or discussions.

Warm regards,



James Costello
Chief Executive Officer
Tool Shed Brewing Co.
james@toolshed.beer



February 12, 2024

Dear Investors, Lenders, Friends and Loyal Supporters of our Amazing Brewery,

I address you today with a heavy heart, but also with a sincere commitment to transparency and accountability. In my tenure as CEO over the past six months, I have embarked on a challenging yet deeply rewarding journey, marked by difficult conversations and unwavering dedication to preserving our beloved brewery and the community it serves.

Regrettably, despite tireless efforts to navigate the formidable burden of debt and stabilize our operations, I must acknowledge that we have fallen short of our collective aspirations. I aimed to forge a new ownership structure and transform debt into ownership stakes, envisaging a pathway to future prosperity. Despite the concerted efforts and compromises from a significant portion of our debtholders, our endeavors unfortunately did not yield the desired outcome.

To provide context, let us rewind to late December 2022, a pivotal moment when I was confronted with the stark reality of our financial predicament. Learning that the brewery's accounts had been depleted by debtholders, leaving our dedicated staff facing the prospect of unpaid wages during the holiday season, was simply untenable. I personally intervened to ensure our employees received their due compensation, embodying our unwavering commitment to their well-being. Subsequently, I assumed the role of interim CEO in August, endeavoring to salvage what remained of our once-thriving enterprise.

Throughout this arduous period, we implemented stringent cash management measures and instilled renewed confidence among our staff. Despite our collective efforts, however, the weight of our indebtedness proved insurmountable. Despite valiant attempts, including a offer to acquire the brewery during its initial sales process in the Spring/Summer 2023, our journey has led us to the regrettable juncture of creditor protection.

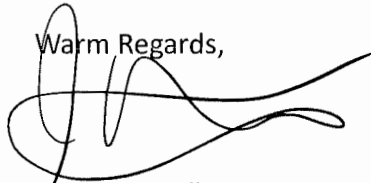
The decision by the CRA to demand outstanding payments and garnish the company's revenue accounts caused to us initiate creditor protection in January 2024 was a somber acknowledgment of our financial reality. This development should not come as a surprise to our stakeholders, as I diligently engaged in over 50 meetings in a bid to address our challenges head-on. Faced with the daunting prospect of bankruptcy, I have personally assumed the further financial burden required to sustain our operations during this insolvency proceeding.

Furthermore, I have submitted a second formal offer to purchase the brewery, underscoring my unwavering belief in our brand and the dedicated families reliant upon our enterprise for their livelihoods. However, I must acknowledge that this endeavor entails the unfortunate likelihood of equity and debt losses for many of you, including those who invested in Golden Growlers.

Despite these challenges, I remain hopeful for the future and extend an invitation to those interested in participating in the next chapter of our journey. I am grateful for every conversation, whether difficult or supportive, and remain steadfast in my commitment to representing your interests to the best of my ability.

Thank you for your unwavering support and understanding during these trying times. While our current circumstances may be challenging, I draw strength from our collective resilience and remain optimistic about the possibilities that lie ahead.

Warm Regards,

A handwritten signature in black ink, appearing to read 'James Costello', with a long, sweeping horizontal line extending to the right.

James Costello
CEO, Tool Shed Brewing Co.