

Vancouver

18-Aug-22

REGISTRY

This is the 1st Affidavit
of John Parkinson in this case
and was made on 18/AUG/2022

No. **S-226028**
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36

AND

IN THE MATTER OF SPEAKEASY CANNABIS CLUB LTD.
AND 10161233 CANADA LTD.

PETITIONERS

AFFIDAVIT

I, John Parkinson, President, of 400 – 602 Broughton Street, Victoria, BC, Canada, V8W 1C7, AFFIRM THAT:

1. I am the president of Helmsman Management Ltd., the court-appointed Chief Financial Officer (the "**CFO**") of Speakeasy Cannabis Club Ltd. ("**SpeakEasy**") and 10161233 Canada Ltd. ("**1233**", and together with SpeakEasy, the "**Petitioners**"). As such, I have personal knowledge of the facts and matters herein deposed to save and except where the same are stated to be based on information and belief and where so stated I verily believe the same to be true.

2. This affidavit is made in support of the application by the Petitioners for the Second Amended and Restated Initial Order (the "**Second ARIO**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for approval of the interim credit facility from Travelers Capital Corp. ("**Travelers**") and an extension of the stay of proceedings, amongst other things.

The CFO's Activities

3. The CFO has done the following activities since the time of its appointment in these proceedings on July 27, 2022:

- (a) reached out to interim lenders to request interim financing of \$1,000,000 to the Petitioners for up to a 6 month term;
- (b) met with and engaged in discussions with interested interim lenders to provide details with respect to the Petitioners' business, the Petitioners' cash flow needs and the proposed restructuring process, amongst other things;
- (c) provided preliminary due diligence via a data room to interested interim lenders;
- (d) negotiated terms of the term sheet (the "**Term Sheet**") with Travelers for the interim financing facility (the "**Credit Facility**");
- (e) reviewed and executed the Term Sheet;
- (f) corresponded with and provided information to the Interim Lender to satisfy the due diligence requirements under the Term Sheet;
- (g) reviewed public company reporting and disclosure requirements for SpeakEasy on the Canadian Securities Exchange;
- (h) explored hiring another accounting staff member for the Petitioners and conducted a preliminary interview with a candidate;
- (i) developed a plan with the Petitioners to provide operational resources for post-filing bookkeeping, including implementing accounting applications to improve controls and streamline payment processing and expense reports;
- (j) assisted the Petitioners with adding the CFO to a bank account to assist with required payments and approvals;
- (k) acted as point of contact with critical suppliers, assisting with CCAA communication;
- (l) assisted with insurance renewal for commercial general liability insurance and for property and equipment;
- (m) attended numerous meetings with the Petitioners' controller;
- (n) assessed status of historic accounting records;
- (o) identified ongoing issues, the structure of accounting department, and standard operating procedures;
- (p) attended to preliminary planning for physical inventory count;

- (q) reviewed inventory valuation models for the Petitioners' bio assets and work-in-progress and finished goods inventory;
- (r) reviewed and updated Petitioners' 15 week cash flow statement;
- (s) provided assistance to reporting requirements to the court-appointed monitor; and
- (t) attended meeting with the general manager to discuss the CCAA process and steps forward in the restructuring process.

4. As at August 9, 2022, the CFO has total invoices for work performed in these CCAA proceedings for \$48,785.00.

5. There is work-in-progress of \$7,114.50 from August 10 to 16, 2022.

Interim Financing

6. Interim financing is required by the Petitioners so that they can continue operations and complete a restructuring under the CCAA, including completing a sales and investment solicitation process (the "**SISP**") for its business and assets.

7. Further to the Amended Cash Flow Statement prepared for the 15 week period of July 27, 2022 to November 6, 2022, the Petitioners will require incremental financing for that period in an amount of \$695,000. It is anticipated that further funds will be required beyond the 15 week period, including funds for on-going operating expenses and to finalize the CCAA proceedings. Taking this into consideration, and allowing for a sufficient amount to cover shortfalls or delays in revenues, the Petitioners concluded that an interim financing facility of \$1,000,000 would be required and appropriate in the circumstances.

8. Upon its appointment, the CFO reached out to several interim lenders to advise them of the Petitioners' need for an interim lending facility. The CFO and the Petitioners' legal counsel engaged in meetings and discussions with approximately six (6) lenders to provide them with requested information and answer questions that they had with respect to the Petitioners and the CCAA proceedings. The CFO also provided preliminary due diligence via a data room to interested lenders.

9. The Petitioners received offers from two different lenders to provide an interim lending facility and the terms of each offer were reviewed by the CFO. The CFO reviewed and considered the interim financing options and determined that the facility offered by Travelers Capital Corp. represented the best offer received.

10. The CFO, with input from the Monitor, has negotiated the terms of the Term Sheet and is satisfied with its terms. Attached hereto as **Exhibit "A"** is a copy of the Term Sheet.

11. The key financial terms of the Term Sheet include:

- (a) the Credit Facility would be in the maximum amount of \$1,000,000, inclusive of any Commitment Fees (defined below);
- (b) maturity of the Credit Facility of six (6) months from the date of approval by the Court, expiry of the stay of proceedings without extension, or upon an event of default with 10 days written notice from Travelers;
- (c) interest accruing at a rate equal to Royal Bank of Canada Prime (“**RBC Prime**”), plus 725 basis points, calculated in arrears and payable monthly (as at the date of this Affidavit, the RBC Prime rate is 4.7% - the interest rate under the Term Sheet is therefore 11.95%);
- (d) the following fees:
 - (i) a commitment fee (the “**Commitment Fee**”) equal to 4.25% of the principal amount of the maximum amount;
 - (ii) of the Commitment Fee, \$25,000 to be paid in advance to Travelers upon the completion of all due diligence;
 - (iii) a standby fee on the unused portion of the credit facility equal to 2.5% per annum of the difference between the maximum amount and the amounts outstanding under the facility. This is calculated daily and is payable monthly; and
 - (iv) a break fee in the amount of 5% of the maximum amount in the event the Petitioners obtain Court approval for an alternative financier;
- (e) the Credit Facility will be serviced by payments of interest-only during the term of the loan;
- (f) the Petitioners will pay all reasonable costs incurred by Travelers relating to the Credit Facility; and
- (g) the Credit Facility shall be secured by a priority charge over the Petitioners’ assets, ranking only behind the Administrative Charge and the CFO Charge.

12. The Term Sheet is subject to satisfaction of certain conditions precedents. On August 18, 2022, Travelers confirmed with the Petitioners that the due diligence conditions precedents, being (e) and (f) of the Conditions Precedents to Closing in the Term Sheet, had been satisfied. As of the date of this Affidavit, the closing of the Credit Facility and advance of funds thereunder is subject only to approval by this honourable Court of the Credit Facility, without appeal, and administrative/closing conditions.

13. Travelers has advised that it would be in a position to fund within a week of the approval by this Honourable Court of the Credit Facility.

14. As set out in the Amended Cash Flow Statement, the Petitioners anticipate that the interim financing pursuant to the Term Sheet is sufficient to fund their operations and restructuring efforts to November 6, 2022 and beyond. The Petitioners believe this amount is reasonable given what is required to fund the various costs of the restructuring.

Stay of Proceedings

15. A stay of proceedings is essential to maintain the *status quo* in order to preserve the value of the Petitioners' business, while providing time for the Petitioners to engage in the SISP.

16. The Petitioners have been advised by the Secured Lenders (as defined in the Petition) that they will be submitting a stalking horse bid by the end of August.

17. The Petitioners anticipate returning to Court in the near future for approval of the SISP.

AFFIRMED BEFORE ME at
Victoria, British Columbia,
on August 18, 2022

A Commissioner for taking Affidavits for British
Columbia

CHRISTOPHER J. RAMSAY

[Name of Commissioner (please print)]

Barrister and Solicitor
Clark Wilson LLP
Vancouver
604-605-8585



JOHN PARKINSON

This is Exhibit A referred to in the affidavit of
 John Parkinson sworn (or affirmed)
before me at the City of Victoria on
 August 18, 2022 .

A Commissioner for taking Affidavits
within British Columbia
 CHRISTOPHER J. RAMSAY



**SUMMARY OF APPROVAL TERMS FOR A SENIOR SECURED SUPER-PRIORITY
DEBTOR-IN-POSSESSION CREDIT FACILITY**

August 18, 2022

TO: JOHN PARKINSON
Helmsman Management Ltd.
#400 – 602 Broughton Street, Victoria
BC, V8W 1C7

FROM: TRAVELERS CAPITAL CORP.
400 – 4180 Lougheed Hwy,
Burnaby, BC, V5C 6A7

Re: Debtor-in-Possession Financing Term Sheet

Travelers Capital Corp. (the “**Lender**” or “**TCC**”) is pleased to confirm our intention to proceed immediately with an assessment and complete underwriting of an senior secured super-priority debtor-in-possession credit facility available to the Borrower, pursuant to its court-approved power to borrow in the Proceeding. This summary of approval terms (“**Proposal**”) is not a formal credit agreement for the DIP financing.

Borrower(s): **Speakeasy Cannabis Club Ltd., 10161233 Canada Ltd.**, and any other entity as deemed necessary by the Lender and / or its counsel (collectively referred to herein as the “**Borrower**”).

Trustee: Crowe MacKay & Company Ltd.

CCAA Case: Proceedings to be commenced / have commenced in the Supreme Court of British Columbia (the “**Court**”) pursuant to the *Companies’ Creditor Arrangement Act* in the matter of the Borrower (the “**Proceeding**”). The initial order to be sought / granted in the Proceeding is referred to as the “**Initial Order**”.

Credit Facility: Subject to Court approval in the Proceeding, a senior secured non-revolving super-priority, debtor-in possession interim credit facility up to the Maximum Amount (as defined below) would be made available to the Borrower for interim financing on the general terms set out herein (the “**DIP Financing**”).

Maximum Amount: DIP Financing to be made available up to a maximum amount of \$1,000,000.00 (the “**Maximum Amount**”), inclusive of any Commitment Fees (defined below) to be financed by the Lender.

Availability On and after the date on which the Conditions Precedent shall have been satisfied, the Borrower may request advances under the DIP Financing by delivering to the Lender not less than five (5) business days prior to the requested advance, a drawdown certificate in form acceptable to the Lender detailing the amount of the requested advance and confirming without limitation the accuracy of all representations and warranties, that no event of default has occurred and is continuing, and that the requested advance conforms with the approved cash flow budget.

Termination Date The maturity of the DIP Financing (the “**Termination Date**”) shall be the earliest of:

- a) 6 months from the date of the approval of the DIP Financing;
- b) the date the stay of proceedings expires in the Proceeding without extension; and
- c) 10 days following written notice being provided by the Lender to the Borrower of an event of default.



Note: should the Proceeding or anticipated DIP repayment date extend past the Termination Date, the Lender may renew the DIP Financing on similar terms as laid out herein.

Disbursement: Disbursements/advances of the DIP Financing may be made in minimum installments of \$100,000.00, with a maximum of two (2) drawdowns per month.

Closing Date: The date on which the Conditions Precedent shall have been satisfied provide it is not later than August 31st, 2022, or such a later date as the Lender may approve in writing, in its sole discretion (the "**Closing Date**").

Interest Rate: The DIP Financing shall bear interest at an annual rate equal to Royal Bank of Canada Prime + 725 bp, calculated in arrears and payable monthly.

Fees: **Commitment Fee** - the Borrower shall pay a commitment fee in an amount equal to 4.25% on the Maximum Amount (the "**Commitment Fee**"). The Commitment Fees shall be non-refundable, fully earned and payable no later than the Closing Date. Of this Commitment Fee, \$25,000 is to be paid in advance to the Lender upon the completion of all due diligence and satisfaction of Conditions Precedent (a) and (b) below.

Standby Fee - the Borrower shall pay a standby charge on the unused portion of the DIP Financing equal to 2.5% per annum multiplied by the difference between (a) the Maximum Amount and (b) the amounts outstanding under the DIP Financing, calculated daily and payable monthly in arrears on the last business day of each month.

Break Fee - the Borrower agrees to pay the Lender a break fee in an amount equal to 5.0% of the Maximum Amount (the "**Break Fee**") in the event that the Borrower executes the DIP Credit Agreement and the Borrower obtains Court approval for an alternative financier of the DIP Financing (the "**Alternative DIP Financing**"). The Break Fee shall be payable to the Lender immediately following the closing of the Alternative DIP Financing transaction.

Repayment: The DIP Financing will be serviced by payments of interest-only during the term. The Lender may opt to establish an interest-reserve to facilitate the monthly payments owed to the Lender by the Borrower pursuant to the terms of the DIP Financing.

Any proceeds arising from (i) any disposition or other transaction involving the Collateral subject to the Security including, without limitation, any refinancing thereof; and (ii) any insurance proceeds in respect of any of the Collateral subject to the Security shall, unless otherwise agreed to by the Lender in its sole and absolute discretion, be applied to the repayment of all amounts outstanding under the DIP Financing, including, without limitation, principal, interest and fees and any such repayment shall permanently reduce the Maximum Amount available under the DIP Financing.

Expenses: The Borrower(s) will pay all reasonable costs incurred by the Lender, directly or indirectly, including, without limitation, expenses of legal counsel, due diligence, appraisals, and any other reasonable expenses incurred in conjunction with preparing the DIP Credit Documents.

Security: Security for repayment of the DIP Financing will be by way of contractual security and a fully perfected court-ordered super-priority charge (collectively, the "**Security**") against all of the present and after-acquired property, assets and undertakings of the Borrower (real, personal, tangible or intangible) (collectively, the "**Collateral**") securing all indebtedness, obligations, covenants or liabilities owing by the Borrower to the Lender, including but not limited to the Maximum Amount, all accrued and unpaid interest and any unpaid fees, costs and expenses, which Security shall have priority over all liens against the Collateral of the Borrower other than the Trustee's court-ordered administration charge and CFO charge, of not more, on a combined basis, than \$410,000.



Assignability and Syndication:

The Lender may assign, transfer, or grant participations in its rights or obligations in whole or in part without notice or consent of the Borrower. TCC is authorized to confidentially disclose, such information concerning Borrower(s), as TCC considers appropriate.

Conditions Precedent to Closing:

The Lender's obligation to make the initial and any subsequent advance of the DIP Financing to the Borrower is subject to the satisfaction of the following conditions precedent (the "Conditions Precedent") as determined by the Lender, in its sole discretion:

- a) execution of a definitive credit agreement (the "DIP Credit Agreement") and other required loan and Security documents, in form and substance satisfactory to the Lender (collectively, the "DIP Credit Documents");
- b) issuance of the Initial Order, or a revised Initial Order (and any other required order in the Proceeding), satisfactory in form and substance to the Lender, approving and authorizing the DIP Credit Documents and the Security, establishment of the DIP Financing by the Lender and including the grant by the Court to the Lender of a super-priority charge in favour of the Lender over all Collateral of the Borrower securing all indebtedness, obligations, covenants or liabilities owing by the Borrower to the Lender under this DIP Credit Documents, including, without limitation, all principal, interest, fees, indemnities and expenses owing to the Lender as set out in the DIP Credit Documents and providing, among other things, that the Security of the Lender shall have priority over all other liens, other than solely and exclusively any administration charge in an aggregate amount not to exceed \$420,000, and such Initial Order shall not have been stayed, vacated or otherwise amended, restated or modified in any manner, without the written consent of the Lender;
- c) there will be no appeals, injunctions or other legal impediments relating to the completion of the DIP Financing or pending litigation seeking to restrain or prohibit the completion of the DIP Financing;
- d) the Borrower shall have paid all fees then owing to the Lender including, without limitation, the Commitment Fee and the Good Faith Deposit;
- e) the Lender shall have received title insurance satisfactory to it or a title opinion in scope, form and terms satisfactory to it confirming the Borrower's good and marketable title to the real property owned by it and subject to the Security and other permitted encumbrances;
- f) The Lender shall have been named as additional insured and first loss payee on the Borrower's property and casualty insurance policies, including, but not limited to, insurance with respect to any real property subject to the Security;
- g) Receipt of all constating documents, inclusive of officer's certificates attesting to the completeness of all constating documents and other corporate matters, for the Borrower(s) and Guarantor (as applicable) and satisfaction of the Lender's AML/KYC requirements;
- h) there shall be no material damage or destruction to any of the Collateral, nor any material depreciation in the value thereof and the Borrower's operations shall comply, in all material respects, with all applicable health and safety, environmental, labour and other applicable laws and regulations;
- i) all of the representations and warranties of the Borrower as set out in the DIP Credit Documents shall be true and correct; and
- j) satisfaction of all other standard conditions precedent for a loan transaction of this nature set out in the DIP Credit Agreement.

Reporting:

Standard reporting requirements for a facility of this nature, to be formally defined in the DIP Credit Agreement.

Covenants:

The DIP Credit Agreement will contain affirmative and negative covenants, to be formally defined in the DIP Credit Agreement. The DIP Financing will not contain any fixed covenants relating to the financial performance of the Borrower.



Events of Default: Standard events of default for a loan transaction of this nature.

Expiration Date: This Proposal will expire on **August 18th, 2022.**

Please feel free to contact the undersigned if you have any questions or concerns.

Yours truly,

TRAVELERS CAPITAL CORP.

By: _____
Name: Stephen Jones
Title: Director, Structured Finance

BORROWER(S):

ACCEPTED this 18th day of August, 2022.

SPEAKEASY CANNABIS CLUB LTD.

By: _____
Name: JOHN PARKINSON
Title: Chief Financial Officer

I have authority to bind the corporations

10161233 CANADA LTD.

By: _____
Name: JOHN PARKINSON
Title: Chief Financial Officer

I have authority to bind the corporations