

RICHTER

District of Ontario
Division No. 5 - London
Court No. 35-2802344
Estate No. 35-2802344

July 18, 2023

REPORT OF TRUSTEE PURSUANT TO SECTION 50(10) OF THE BANKRUPTCY AND INSOLVENCY ACT (CANADA)

**In the Matter of the Proposal of
Ayanda Cannabis Corporation
of the Town of Norwich,
in the Province of Ontario**

Enclosed please find the report of Richter Inc., in its capacity as trustee (the “**Trustee**”) in re the proposal of Ayanda Cannabis Corporation (“**Ayanda**” or the “**Company**”), pursuant to Section 50(10) of the *Bankruptcy and Insolvency Act* (Canada) dated July 18, 2023. As stated therein, the Trustee is of the view that certain events have occurred since Ayanda’s proposal was approved by both the Company’s creditors and the Ontario Superior Court of Justice (Commercial List) that represent a material adverse change in Ayanda’s financial circumstances.

Should you have any questions or require further information, please contact the Trustee at 416-646-7390 or azeldin@richter.ca.

Richter Inc.
Licensed Insolvency Trustee acting *in re* the proposal of
Ayanda Cannabis Corporation
and not in its personal or corporate capacity

**In the Matter of the Proposal of
Ayanda Cannabis Corporation
of the Town of Norwich,
in the Province of Ontario**

INTRODUCTION

The purpose of this report (the “**Material Adverse Change Report**”) is to provide the Official Receiver, the known creditors of Ayanda Cannabis Corporation (“**Ayanda**” or the “**Company**”), and other interested parties with notice, pursuant to Section 50(10) of the *Bankruptcy and Insolvency Act* (the “**BIA**”), that the Trustee (as defined below) has determined that a material adverse change in the Company’s financial circumstances has occurred.

BACKGROUND

On February 4, 2022 (the “**Filing Date**”), Ayanda filed a Notice of Intention to Make a Proposal (“**NOI**”), pursuant to section 50.4 of the BIA, and Richter Inc. (“**Richter**”) agreed to act as proposal trustee under the Company’s NOI (in such capacity, the “**Trustee**”). The primary objectives of the NOI were to:

- (a) create a stabilized environment to permit Ayanda to complete a transaction with 12830353 Canada Inc. (the “**Purchaser**”) for all of Ayanda’s issued and outstanding shares (the “**Transaction**”) pursuant to a share purchase agreement dated February 2, 2022 (the “**SPA**”);
- (b) determine the universe of claims against Ayanda, including a determination of the validity and quantum of such claims, if necessary; and
- (c) present a proposal to the Company’s creditors that, subject to completion of the Transaction, intended to pay Ayanda’s unsecured creditors in full and permit the Company, through its counsel, to provide a distribution to Ayanda’s Class B shareholders.

The Transaction was approved by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on March 1, 2022.

On April 19, 2022, the Company filed a proposal pursuant to section 62 of the BIA, which was amended at the meeting of creditors held on May 9, 2022 (as amended, the “**Proposal**”). The Proposal was approved by the Court on June 3, 2022. Pursuant to the Proposal, it was expected (subject to closing of the Transaction) to provide a 100% recovery (less any levies payable to the Superintendent of Bankruptcy) to unsecured creditors with proven claims and permit the Company to provide recoveries to the Company’s Class B shareholders.

MATERIAL ADVERSE CHANGE

The SPA provided for a closing date of the Transaction on or before June 30, 2022, or such later date as Ayanda and the Purchaser agreed to in writing. Following a series of communications between the Company and the Purchaser (and their respective counsel), at the request of the Purchaser, the parties entered into successive extension agreements amending the SPA such that the closing date for the Transaction and the outside date to close the Transaction was extended to May 19, 2023. In addition to the SPA, Ayanda and the Purchaser also entered into an agreement dated March 1, 2022 (the “**Services Agreement**”), which detailed the terms upon which Ayanda would continue operations during the period prior to the anticipated closing of the Transaction, both for the benefit of and at the expense of the Purchaser.

The closing date under the SPA (as amended) has lapsed. Although the Trustee is aware of recent communications among Ayanda, the Purchaser, and other interested parties in an attempt to complete the Transaction subject to certain amendments required by the Purchaser, as at the date of this Material Adverse Change Report, no such agreement has been reached. In addition, the Trustee understands that following the expiration of the SPA, the Purchaser has not been making any payments pursuant to the Services Agreement jeopardizing the Company’s limited continuing operations.

In the Trustee’s view, failure to close the Transaction (and the effective termination of the Services Agreement) represents a material adverse change in the Company’s financial circumstances and its ability to implement the Proposal, as approved by both the Company’s unsecured creditors and the Court. Given the Company’s limited liquidity, the Trustee has concerns that Ayanda does not have the means to continue its current operations or present a viable alternative proposal to its creditors.

In the circumstances, the Trustee intends to: (i) file this Material Adverse Change Report with the Official Receiver without delay, (ii) distribute this Material Adverse Change Report to all known creditors of Ayanda (and other interested parties), and (iii) make an application to the Court for an order annulling the Proposal and deeming the Company bankrupt (the “**Trustee Application**”). Should the requested relief be granted, Ayanda will be deemed bankrupt, and Richter appointed as trustee of the Company’s bankrupt estate (subject to creditor affirmation). This Material Adverse Change Report and all publicly available information filed in respect of the Trustee Application will be made available on the Trustee’s website for the Ayanda Proposal proceedings at: <https://www.richter.ca/insolvencycase/ayanda-cannabis-corporation>.

Dated at Toronto, Ontario, this 18th day of July 2023.

Richter Inc.
Licensed Insolvency Trustee acting *in re* the proposal of
Ayanda Cannabis Corporation
and not in its personal or corporate capacity