

**No. H-220275
Vancouver Registry**

IN THE SUPREME COURT OF BRITISH COLUMBIA

ROYAL BANK OF CANADA

PETITIONER

AND

**MBA ASSET MANAGEMENT INC., iFLY VANCOUVER INC., FREE FLIGHT
FORMATION INC., 1088384 B.C. LTD., TDR ELECTRIC INC. (aka TDR ELECTRIC
INC.), TAYLOR DOUGLAS ROSS and PARKWAY CONSTRUCTION GP, LLC**

RESPONDENTS

**IN THE MATTER OF THE RECEIVERSHIP OF iFLYVANCOUVER INC., FREE
FLIGHT FORMATION INC. and 1088384 B.C. LTD.**

**FIRST REPORT OF THE RECEIVER TO COURT
JULY 14, 2023**

**KPMG INC., IN ITS CAPACITY AS
COURT-APPOINTED RECEIVER**
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1. INTRODUCTION AND PURPOSE OF REPORT

Introduction

1. On May 19, 2023 (the “**Appointment Date**”), on the application of Royal Bank of Canada (“**RBC**”), the Supreme Court of British Columbia (the “**Court**”) granted an order (the “**Receivership Order**”) pursuant to section 243 of the *Bankruptcy and Insolvency Act* (Canada) R.S.C. 1985, c. B-3 (the “**BIA**”) and section 39 of the *Law and Equity Act*, R.S.B.C. 1996 c. 253 appointing KPMG Inc. (“**KPMG**”) as receiver and manager (in such capacity, the “**Receiver**”) of all the assets, undertakings and properties (collectively, the “**Property**”) of iFlyVancouver Inc. (“**iFlyVancouver**”), Free Flight Formation Inc. (“**Free Flight**”) and 1088384 B.C. LTD (“**108**”, and together with iFlyVancouver and Free Flight, the “**Companies**” or the “**Debtors**”).

Purpose of the Report

2. This is the Receiver’s first report to Court (the “**First Report**”) which has been prepared to provide the Court with:
 - a) background information on the Companies and their creditors;
 - b) a summary of the Companies’ primary assets and liabilities;
 - c) a summary of the activities of the Receiver since the Appointment Date and the status of these proceedings;
 - d) a summary of the Receiver’s proposed sale process (the “**Sale Process**”) for the sale of the Property; and
 - e) the Receiver’s recommendation in respect of its application for an order approving the Sale Process (the “**Sale Process Order**”).

Terms of Reference

3. The Receiver has established a website at www.kpmg.com/ca/ifly-vancouver (the “**Receiver’s Website**”) where it has posted all prescribed materials, in electronic format, for access by all creditors and other stakeholders.

4. In preparing this First Report, the Receiver has been provided with, and has relied upon, unaudited and draft financial statements and other information concerning the Debtors (collectively, the “**Information**”) which was prepared by the Debtors or their representatives and has held discussions with the Debtors’ management and representatives.
5. The Receiver has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the Chartered Professional Accountants Handbook, and accordingly the Receiver expresses no opinion or other form of assurance in respect of the Information.
6. The information contained in this First Report is not intended to be relied upon by any prospective purchaser or investor in any transaction with the Receiver.
7. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

2. BACKGROUND INFORMATION ON THE COMPANIES

8. On August 25, 2016, iFlyVancouver (then 1084761 B.C. Ltd.) entered into a franchise agreement (the “**Franchise Agreement**”) with iFly Franchising LLC (the “**Franchisor**”) in respect of the franchising of an indoor skydiving recreational business (the “**Business**”), which, among other things, authorized iFlyVancouver to: (i) purchase certain equipment from SkyVenture International (UK) Limited (the “**Seller**”), an affiliate of the Franchisor that manufactures and sells vertical wind tunnel equipment to franchisees and other third parties; (ii) use and license certain software of the Franchisor in order to operate the equipment; and (iii) use certain registered trademarks of the Franchisor.
9. iFlyVancouver intended to develop and construct an indoor skydiving recreation facility (the “**Facility**”) at 9151 Van Horne Way, Richmond, British Columbia (the “**Lands**”) and, on or about April 1, 2018, 108, as tenant, entered into a lease agreement (the “**Lease Agreement**”) with MBA Asset Management Inc. (“**MBA**”), as landlord, in respect of the lease of the Lands.
10. 108, iFlyVancouver and MBA subsequently signed an addendum to the Lease Agreement dated November 13, 2019 (the “**Lease Addendum**”) pursuant to which, among other things, iFlyVancouver was joined as a tenant under the lease and MBA agreed to provide a guarantee to RBC in respect of the Loan Facility (defined below) limited to the sum of \$7,200,000 (the “**Guarantee**”).
11. On March 30, 2022, the Franchisor issued a notice of breach of the Franchise Agreement due to iFlyVancouver’s failure to commence daily operations of the Business within eighteen months of execution of the Franchise Agreement as required thereunder (the “**Breach**”).
12. The Franchisor permitted a six-month cure period expiring on October 31, 2022, however, iFlyVancouver failed to cure the Breach on or before that date and, on November 7, 2022, the Franchisor terminated the Franchise Agreement.
13. On or about May 27, 2020, the Companies and RBC entered into a credit agreement (the “**Credit Agreement**”), pursuant to which, among other things, RBC advanced a term loan in the maximum aggregate principal of approximately \$10,700,000 (the “**Loan Facility**”).
14. The Companies, RBC, the Franchisor and the Seller are parties to an inter-creditor agreement dated March 19, 2020 (the “**Intercreditor Agreement**”). As part of this Intercreditor Agreement, it is expressly acknowledged by all parties, including the Franchisor, that MBA constitutes a suitable purchaser, transferee, successor franchisee and successor operator of the equipment.

15. All amounts owing under the Credit Agreement (collectively, the “**Indebtedness**” were to be repaid on or before June 28, 2022 (the “**Maturity Date**”). The Companies and MBA failed to repay the Indebtedness by the Maturity Date.
16. On April 8, 2022, RBC issued letters to the Companies and MBA demanding repayment of the Indebtedness, which at the time was \$11,139,135, and enclosing notices of intention to enforce security pursuant to section 244 of the BIA (together, the “**Demand Letters**”).
17. On the Appointment Date, RBC’s application for the appointment of the Receiver was granted and, on May 24, 2023 (i.e. five days after the Appointment Date), the Receiver took possession and control of the Property.
18. Further background and information regarding the Companies and these receivership proceedings can be found on the Receiver’s Website.

3. THE COMPANIES' PRIMARY ASSETS

19. Based on information provided by the Director of the Company, the primary assets of iFlyVancouver at the Appointment Date consisted of the following:

iFlyVancouver Inc.	
Assets	Books Value (CAD \$)
Guaranteed Investment Certificate	1,100,000
Refundable Deposits	592,449
Plant and Equipment	17,353,488
Franchise Agreement	100,763
Total	19,146,700

The Receiver understands that, aside from 108's rights under the Lease Agreement, neither Free Flight nor 108 had any assets on the Appointment Date.

20. Most remaining equipment required to finish construction of the Facility (the "Equipment"), including equipment provided by the Seller, is stored at an offsite rental facility in Delta, British Columbia. A small amount of Equipment is stored in containers on the Lands. The Equipment is highly specialized and comprised of various electrical panels, perplex glass, industrial sized fans, and parts to install wind tunnels.

4. THE COMPANIES' PRIMARY LIABILITIES

21. Based on its books and records, as at the Appointment Date, iFlyVancouver's unsecured liabilities consist solely of accounts payable, which are comprised of the following:

iFlyVancouver Inc	
Liabilities	Book Value (CAD \$)
Hexcel Construction Ltd	89,000
MBA Asset Management Inc	550,000
Total Site Service Inc	5,400
Pacific Industrial Movers LP	182,616
Total Unsecured Creditors	827,016

The Receiver is not aware of any unsecured liabilities of Free Flight or 108 as at the Appointment Date.

22. RBC is the sole secured creditor of the Companies, with a cross-guaranteed loan in the amount of approximately \$10,700,000.
23. Conversations with management have revealed outstanding indebtedness to Canada Revenue Agency for unpaid goods and services tax ("GST") in the amount of \$312,670, which the CRA has assessed is as a result of a reversal of Income Tax Credits.

5. ACTIVITIES OF THE RECEIVER TO DATE

Initial Receivership Activities

24. Immediately upon issuance of the Receivership Order, the Receiver identified and secured the Property, including the Companies' books and records.
25. The Receiver has also devised Sale Process for the sale of the Property and instructed its legal counsel to prepare the necessary materials for an application to this Honourable Court for the Sale Process Order.

Cash and Banking

26. As at the Appointment Date, there was no cash held by the Companies, nor funds held in financial institutions in the name of the Companies, other than a Guaranteed Investment Certificate in the amount of approximately \$1,100,000 held by iFlyVancouver with RBC, which RBC intends to set off against the Indebtedness owed to it.

Books and Records

27. The books and records of iFlyVancouver were previously held by Winright Law and the books and records of Free Flight and 108 were previously held by RDM Lawyers. All books and records are now in the physical possession of the Receiver.

Lands

28. 108 is party to the Lease Agreement in respect of the Lands where the Facility was to be constructed. At the Appointment Date, the Lands had been vacant for several months as a semi-complete construction site with no fencing to secure the large hole in the ground, and six storage containers on site containing perplex glass.
29. Immediately upon its appointment, the Receiver arranged for a fence to be erected and arranged for a security patrol. The Receiver attended the Lands to confirm what equipment was being held and has satisfied itself that all equipment comprising the Property is safe and secure.

Notice

30. Paragraph 34 of the Receivership Order addresses what is deemed good and sufficient service, and the Receiver confirms that all requirements were met subsequent to its appointment. Copies of the notice and statements of the Receiver are attached hereto as **Appendix “A”**.

Management, Employees, and Contractors

31. At the Appointment Date there were no employees or contractors employed by the Companies.

Legal Matters

32. Other than these receivership proceedings, the Companies are not named parties to any legal actions that the Receiver is aware of.

6. SALES AND INVESTMENT SOLICITATION PROCESS

33. The Companies' marketable assets (the "Assets") primarily consist of the following:
 - a) the Equipment; and
 - b) the Lease Agreement.
34. The Receiver, in consultation with interested stakeholders and its counsel, has developed the Sale Process in order to market the Assets to potential purchasers.
35. The Equipment is extremely specialized and, for the most part, was custom made for the Facility in order to operate the Business. As described in Part 2 hereof, the Franchisor terminated the Franchise Agreement which allowed for the sale, use and operation of the equipment, software and registered trademarks to complete production of and operate the Facility.
36. The book value of the Equipment as at the date of the Receivership Order is approximately \$17,400,000, however, as the assets are so specialized, the market value is anticipated to be significantly less than the recorded book value.

Sale Process

37. A copy of the Sale Process is attached hereto as **Appendix "B"**. Capitalized terms not defined herein are defined in the Sale Process.
38. The Sale Process can be summarized as follows:
 - a) no later than seven days after of the granting of the Sale Process Order, the Receiver shall publish notice of the Sale Process in *The Globe and Mail*;
 - b) with the assistance of iFlyVancouver's shareholders and the KPMG Corporate Finance team, the Receiver shall directly contact potentially interested parties who are known to operate similar recreational facilities in this and other locales;
 - c) in order to participate in the Sale Process and ultimately be considered for qualification as a potential bidder ("**Potential Bidder**"), an interested party must deliver to the Receiver:
 - i. a duly executed Non-Disclosure Agreement ("**NDA**")

- ii. reasonable proof of financial capacity, if requested by the Receiver; and
 - iii. written acknowledgement of receipt of a copy of the Sale Process Order and agreeing to accept and be bound by the provisions contained therein;
 - d) once an interested party has satisfied the foregoing requirements, they will be deemed a Potential Bidder and be granted access to the Receiver's virtual data room containing due diligence materials and information relating to the Companies and the Assets; and
 - e) the Sale Process will be conducted on an "as is, where is" basis with no representations or warranties.
39. The following further provisions of the Sale Process apply to Potential Bidders who wish to submit a bid for the Assets:
- a) the bid deadline for written offers to be received is September 1st, 2023 (the "**Bid Deadline**");
 - b) an offer submitted by a Potential Bidder will be considered a qualified bid ("**Qualified Bid**") only if the offer complies with all of the requirements outlined in paragraph 26 of the Sale Process;
 - c) a Qualified Bid may be for all or a portion of the Assets;
 - d) immediately following the Bid Deadline, all Qualified Bids will be reviewed and assessed as to their likelihood of successful completion;
 - e) upon notifying a Qualified Bidder that it is a successful bidder, the Receiver and the successful bidder will promptly move to finalize the sale; and
 - f) the Receiver shall apply to the Court as soon as practicable for approval by the Court of a proposed sale.
40. The Receiver recommends that the Court grant the Sale Process Order as it is of the view that the Sale Process is reasonable and appropriate in the circumstances for the following reasons:
- a) a streamlined regional and national advertising campaign will expose the highly specialized Assets to a wide audience of potentially interested parties, while minimizing marketing costs;

- b) the Assets will be widely exposed to the market for a sufficient length of time;
- c) the Sale Process contains negotiation provisions with Qualified Bidders to maximize sale value;
- d) the process contemplated by the Sale Process is fair, transparent, and reasonable in the circumstances; and
- e) RBC is supportive of the proposed Sale Process.

7. RECEIVER'S RECOMMENDATIONS

41. The Receiver respectfully requests that the Court:
- a) Approve the activities of the Receiver as set out herein; and
 - b) Approve the Sale Process and the Sale Process Order.

This Report is respectfully submitted this 14th day of July, 2023.

KPMG Inc.

**In its capacity as Court-appointed Receiver of
iFlyVancouver Inc., Free Flight Formation Inc. and 1088384 B.C. LTD.
and not in its personal or corporate capacity**



Per: Huey Lee
Senior Vice President

APPENDIX "A"
NOTICE AND STATEMENT OF THE RECEIVER

BANKRUPTCY AND INSOLVENCY ACT

Form 87

Notice and Statement of the Receiver (Subsections 245(1) and 246(1) of the Act)

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF IFLYVANCOUVER INC.

The Receiver gives notice and declares that:

1. On the 19th day of May 2023, the undersigned, KPMG Inc., became the receiver and manager (the “**Receiver**”) in respect of the property of iFlyVancouver Inc. (the “**Company**”) (the “**Property**”).

The Property of the Company can be summarized as follows¹:

Assets	Estimated Amount (CAD \$)
Guaranteed Investment Certificate	1,100,000
Refundable Deposits	592,449
Plant and Equipment	17,353,488
Franchise Agreement	100,763
Total	19,146,700

2. The undersigned became the Receiver in respect of the assets, undertakings and properties described above by virtue of being appointed by the Supreme Court of British Columbia File No. H-220275, Vancouver Judicial Centre, dated May 19th, 2023.
3. The undersigned took possession or control of the property described above on the 24th day of May, 2023.
4. The following information relates to the Receivership:
 - (a) Address of insolvent persons: 9151 Van Horne Way, Richmond
Vancouver, BC, V6X 1W3
 - (b) Principal line of business: Sports activities
 - (c) Location of business: 9151 Van Horne Way, Richmond
Vancouver, BC, V6X 1W3

¹ The above summary of estimated assets has been prepared without sight of the books and records of the Company and may not accurately reflect the net realizable value of the Company’s assets.

Notice and Statement of the Receiver (Subsections 245(1) and 246(1))

- (d) Estimated amount owed by the Company to each creditor who holds security on the property described above²:

Secured Creditors	Estimated Amount (CAD \$)
Royal Bank of Canada	10,500,000
Canadian Revenue Agency	300,000
Total	10,800,000

- (e) The list of other creditors of the insolvent persons and the amount owed to each creditor (to the extent that it is known) and the total amount due by the insolvent persons is attached to this notice as **Appendix “A”**.
- (f) The intended plan of action of the Receiver during the receivership, to the extent that such a plan has been determined, is to preserve the property and eventually realize on that property, subject to various considerations.

- (g) Contact Person for Receiver:

Michelle Regan
KPMG Inc.
777 Dunsmuir Street
Vancouver, BC, V7Y 1K3
Telephone: (778) 370 3436
Facsimile: (403) 691-8008
Email: michelleregan@kpmg.ca

Joe Sitholé
KPMG Inc.
Suite 3100, 205-5th Avenue SW
Calgary, AB, T2P 4B9
Telephone: (403) 691-8070
Facsimile: (403) 691-8008
Email: jsithole@kpmg.ca

Dated at Vancouver, British Columbia, this 25th day of May 2023.

KPMG Inc., in its capacity as receiver and manager of
iFlyVancouver Inc.
and not in its personal or corporate capacity



Per: Huey Lee
Senior Vice President

²Amounts owing are based on estimates provided and may not accurately reflect the liabilities of the Company.

APPENDIX “A”

LIST OF UNSECURED CREDITORS

Creditor Name	Amount Owning (CAD \$)
Hexcel Construction Ltd	89,000
MBA Asset Management Inc	550,000
Total Site Service Inc	5,400
Pacific Industrial Movers LP	182,616
Total Unsecured Creditors	827,016

BANKRUPTCY AND INSOLVENCY ACT

Form 87

Notice and Statement of the Receiver (Subsections 245(1) and 246(1) of the Act)

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF 1088384 B.C. LTD

The Receiver gives notice and declares that:

1. On the 19th day of May 2023, the undersigned, KPMG Inc., became the receiver and manager (the “**Receiver**”) in respect of the property of 1088384 B.C. Ltd. (the “**Company**”) (the “**Property**”).

The Receiver is not aware if any property held within the Company¹.

2. The undersigned became the Receiver in respect of the assets, undertakings and properties described above by virtue of being appointed by the Supreme Court of British Columbia File No. H-220275, Vancouver Judicial Centre, dated May 19th, 2023.

3. The following information relates to the Receivership:

- (a) Address of insolvent persons: 9151 Van Horne Way, Richmond
Vancouver, BC, V6X 1W3
- (b) Principal line of business: Sports activities
- (c) Location of business: 9151 Van Horne Way, Richmond
Vancouver, BC, V6X 1W3

- (d) Estimated amount owed by the Company to each creditor who holds security on the property described above²:

Secured Creditors	Estimated Amount (CAD \$)
Royal Bank of Canada	10,500,000
Total	10,500,000

- (e) The Receiver is not aware of any unsecured creditors of the Company.
- (f) The intended plan of action of the Receiver during the receivership, to the extent that such a plan has been determined, is to preserve the property and eventually realize on that property, subject to various considerations.

¹ The above summary of estimated assets has been prepared without sight of the books and records of the Company and may not accurately reflect the net realizable value of the Company’s assets.

² Amounts owing are based on estimates provided and may not accurately reflect the liabilities of the Company.

Notice and Statement of the Receiver (Subsections 245(1) and 246(1))

(g) Contact Person for Receiver:

Michelle Regan
KPMG Inc.
777 Dunsmuir Street
Vancouver, BC, V7Y 1K3
Telephone: (778) 370 3436
Facsimile: (403) 691-8008
Email: michelleregan@kpmg.ca

Joe Sitholé
KPMG Inc.
Suite 3100, 205-5th Avenue SW
Calgary, AB, T2P 4B9
Telephone: (403) 691-8070
Facsimile: (403) 691-8008
Email: jsithole@kpmg.ca

Dated at Vancouver, British Columbia, this 25th day of May 2023.

KPMG Inc., in its capacity as receiver and manager of
1088384 B.C. Ltd.
and not in its personal or corporate capacity



Per: Huey Lee
Senior Vice President

BANKRUPTCY AND INSOLVENCY ACT

Form 87

Notice and Statement of the Receiver (Subsections 245(1) and 246(1) of the Act)

IN THE MATTER OF THE RECEIVERSHIP OF THE PROPERTY OF FREE FLIGHT FORMATION INC.

The Receiver gives notice and declares that:

1. On the 19th day of May 2023, the undersigned, KPMG Inc., became the receiver and manager (the “**Receiver**”) in respect of the property of Free Flight Formation Inc. (the “**Company**”) (the “**Property**”).

The Receiver is not aware of any property held within the Company¹:

2. The undersigned became the Receiver in respect of the assets, undertakings and properties described above by virtue of being appointed by the Supreme Court of British Columbia File No. H-220275, Vancouver Judicial Centre, dated May 19th, 2023.

3. The following information relates to the Receivership:

- | | |
|-----------------------------------|--|
| (a) Address of insolvent persons: | 9151 Van Horne Way, Richmond
Vancouver, BC, V6X 1W3 |
| (b) Principal line of business: | Sports activities |
| (c) Location of business: | 9151 Van Horne Way, Richmond
Vancouver, BC, V6X 1W3 |

- (d) Estimated amount owed by the Company to each creditor who holds security on the property described above²:

Secured Creditors	Estimated Amount (CAD \$)
Royal Bank of Canada	10,500,000
Total	10,500,000

- (e) The Receiver is not aware of any unsecured creditors of the Company.
- (f) The intended plan of action of the Receiver during the receivership, to the extent that such a plan has been determined, is to preserve the property and eventually realize on that property, subject to various considerations.

¹ The above summary of estimated assets has been prepared without sight of the books and records of the Company and may not accurately reflect the net realizable value of the Company’s assets.

² Amounts owing are based on estimates provided and may not accurately reflect the liabilities of the Company.

Notice and Statement of the Receiver (Subsections 245(1) and 246(1))

(g) Contact Person for Receiver:

Michelle Regan
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777 Dunsmuir Street
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Telephone: (778) 370 3436
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Calgary, AB, T2P 4B9
Telephone: (403) 691-8070
Facsimile: (403) 691-8008
Email: jsithole@kpmg.ca

Dated at Vancouver, British Columbia, this 25th day of May 2023.

KPMG Inc., in its capacity as receiver and manager of
Free Flight Formation Inc.
and not in its personal or corporate capacity



Per: Huey Lee
Senior Vice President

APPENDIX “B”
PROPOSED SALE PROCESS

Schedule "A" to Sale Process Approval Order

SALE PROCESS

INTRODUCTION

On May 19, 2023, the Supreme Court of British Columbia (the "**Court**") granted an order (the "**Receivership Order**") in Supreme Court of British Columbia Action No. H-220275, Vancouver Registry, which, among other things, appointed KPMG Inc. as receiver (in such capacity, the "**Receiver**") of the assets, undertakings and property (collectively, the "**Property**") of iFLY Vancouver Inc., Free Flight Formation Inc. and 1088384 B.C. Ltd. (together, the "**Debtors**") and granted the Receiver the authority to list, market and sell the Property.

On July 20, 2023, the Court granted an order (the "**Sale Process Order**") authorizing the Receiver to market and sell the Property in accordance with the Sale Process Order and this Sale Process.

The Sale Process Order and this Sale Process shall exclusively govern the process for soliciting and selecting one or more bids for the sale of all or substantially all of the Property, or such part of the Property as the Receiver may determine in its sole discretion.

Capitalized terms used and not otherwise defined herein shall have the definitions ascribed to them in Schedule "A" hereto.

Unless otherwise indicated, any event occurring on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Solicitation Process

1. This Sale Process describes, among other things: (a) the manner in which Prospective Bidders may gain access to due diligence materials concerning the Property; (b) the manner in which bids are to be submitted, received and negotiated; (c) the process for the ultimate selection of one or more successful bids; and (e) the process for the approval thereof by the Court.
2. The Receiver shall conduct the Sale Process, which may involve additional intermediate steps or transactions to facilitate closing of a sale, as required, including obtaining such additional Court orders as may be necessary.
3. In the event that there is a disagreement or clarification required as to the interpretation or application of this Sale Process, the Sale Process Order or the responsibilities of the Receiver thereunder, the Court will have the jurisdiction to hear such matters and provide advice and directions upon the application of the Receiver or any interested party with a hearing on no less than two (2) Business Days' notice.

"As Is, Where Is"

4. The sale of the Property will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature or description by the Debtors, the Receiver, or any of their directors, officers, agents, advisors or other professional advisors, except to the extent expressly set forth in any relevant Purchase Agreement.

“Free of any and all Claims and Interests”

5. In the event of a sale, all of the rights, titles and interests of the Debtors in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, claims, charges, options, royalties, interests or other encumbrances thereon and thereagainst (collectively, the “**Claims**”) pursuant to an approval and vesting order (the “**Approval Order**”) to be made by the Court. Contemporaneously with such Approval Order being made, all such Claims, to the extent valid and enforceable, shall attach to the net proceeds of the sale of such Property (without prejudice to any claims or causes of action regarding priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant Purchase Agreement.

Solicitation of Interest

6. As soon as reasonably practicable after the Sale Process Order is granted, in consultation with the Debtors’ shareholders, including Lynda Sharpe and her counsel, the Receiver will finalize a list of Prospective Bidders who, in the Receiver’s reasonable business judgment, may be interested in acquiring some or all of the Property.
7. As soon as reasonably practicable after the Sale Process Order is granted, the Receiver shall deliver a teaser letter in respect of the Property being offered for sale to the Prospective Bidders, along with a copy of this Sale Process.
8. In addition, the Receiver may place advertising with such publications as it, in its reasonable business judgment, believes may assist in identifying other interested parties.
9. Any Prospective Bidders that contact the Receiver will be sent a blank NDA, in form and substance acceptable to the Receiver, which shall inure to the benefit of the Debtors and any purchaser of the Property.

Participation Requirements

10. Unless otherwise ordered by the Court, in order to receive a Bid Package, conduct its due diligence and participate in the Sale Process, an interested party must deliver to the Receiver:
 - (a) an executed NDA, and
 - (b) reasonable proof of financial capacity, if requested by the Receiver,and upon doing so each such interested party shall be deemed to be a “**Potential Bidder**”.

Due Diligence

11. The Receiver will provide to each Potential Bidder a Bid Package outlining the opportunity to acquire part, all, or substantially all, of the Property.
12. Each Potential Bidder shall have access to such materials and information relating to the Property for the purpose of conducting due diligence as the Receiver, in its reasonable business judgment, deems appropriate. The Debtors and the Receiver shall not be obligated to furnish any due diligence information after the Bid Deadline.
13. The Receiver and its respective officers, directors, employees, agents, counsel and professional advisors are not responsible for, and will have no liability with respect to, any information obtained by any Prospective

Bidder, Potential Bidder or Qualified Bidder in connection with the Property. The Debtors and the Receiver, and their respective officers, directors, employees, agents, counsel and professionals, do not make any representations or warranties whatsoever as to the information or the material provided, except in the case of the Debtors to the extent expressly provided in any Purchase Agreement.

14. Prior to the Bid Deadline, the Receiver may engage in discussions with any or all of the Potential Bidders to determine and explore the level of interest of any such Potential Bidder and may request from any such Potential Bidder such further information as the Receiver deems appropriate.

Sale Bidding Process

15. In order to qualify as a Qualified Bidder, a Potential Bidder must deliver a Qualified Bid to the Receiver on or before the Bid Deadline.
16. A bid will be considered a Qualified Bid only if it includes an executed Purchase Agreement (in a form to be provided by the Receiver no later than 21 days prior to the Bid Deadline) executed by the Potential Bidder, which complies with or is accompanied by all of the following:
 - a) a letter stating that the Purchase Agreement is irrevocable until the earlier of (a) the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline, provided however that if such Purchase Agreement is selected as the Successful Bid it shall remain irrevocable until the closing of the Transaction contemplated in such Successful Bid or is terminated in accordance with the terms of such Successful Bid;
 - b) it specifies the Property being purchased, the purchase price, how the purchase price is to be paid, and provides for a closing of the Transaction no later than 15 Business Days after the granting of the Approval Order;
 - c) there is no request or entitlement to any break-fee, expense reimbursement or similar type of payment;
 - d) evidence, satisfactory to the Receiver, to allow it to make a reasonable determination as to the Potential Bidder's (and its direct and indirect owners and their principals) financial and other capabilities to consummate the Transaction;
 - e) it is not conditioned on the outcome of unperformed due diligence by the Potential Bidder or obtaining any financing and includes an acknowledgement and representation that the Potential Bidder has had an opportunity to conduct any and all required due diligence prior to executing the Purchase Agreement;
 - f) it includes an acknowledgement and representation that the Potential Bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents, information and other due diligence materials and the Property to be acquired; (ii) did not rely upon any written or oral statements, representations, promises, warranties or guarantees whatsoever, whether express or implied (by operation of law or otherwise), regarding the Property to be acquired or the completeness of any information provided in connection therewith, including by the Debtors and the Receiver and their respective officers, directors, employees, agents, counsel and professional advisors, except as expressly stated in the Purchase Agreement submitted by it; (iii) is a sophisticated party capable of making its own assessments in respect of the Purchase Agreement;

- and (iv) has had the benefit of independent legal, tax, accounting and other relevant professional advice in connection with the Purchase Agreement;
- g) it is accompanied by a refundable deposit (the “**Deposit**”), in a form and amount acceptable to the Receiver, to be held in accordance with paragraph 27 herein; and
 - h) it contains any other information reasonably requested by the Receiver.
17. Notwithstanding paragraphs 15 and 16, the Receiver may waive compliance with any one or more of the Qualified Bid requirements specified above and deem such non-compliant bids to be Qualified Bids.

Qualified Bids

18. As soon as reasonably practicable after the Bid Deadline, but in no case later than fifteen (15) days after the Bid Deadline, the Receiver shall review and assess all Qualified Bids received.
19. If the Receiver determines that (a) no Qualified Bid was received; or (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated therein will be consummated, the Receiver shall forthwith (i) terminate this Sale Process; (ii) notify each Potential Bidder (including any Qualified Bidders) that this Sale Process has been terminated; (iii) consult with the Debtors’ creditors regarding the Receiver’s next steps; and (iv) report to the Court as and when the Receiver determines appropriate.
20. If the Receiver determines that (a) one or more Qualified Bids were received; and (b) it is reasonably likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, this Sale Process shall not be terminated and the Receiver will proceed to negotiate with one or more of the Qualified Bidders in an attempt to conclude a transaction.

Selection Criteria

21. In determining the highest and best offer among Qualified Bids, a single Qualified Bid for all or substantially all of the Company Property and/or Company Business generally will be viewed as preferable to a combination of Qualified Bids.
22. Evaluation criteria with respect to any Qualified Bid may include, but are not limited to, factors such as (a) the purchase price, including the form of consideration; (b) the counterparties to the Transaction; (c) any other proposed transaction documents; (d) other factors affecting the speed, certainty and value of the Transaction, including conditions and any regulatory approvals required to close the Transaction; (e) the assets included or excluded from the Qualified Bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the Property; and (f) the likelihood and timing of consummating the Transaction.
23. After considering each of the Qualified Bids received by the Bid Deadline, the Receiver will identify the highest or otherwise best Qualified Bid received (such offer, the “**Successful Bid**”, and the Qualified Bidder(s) who made the Successful Bid is the “**Successful Bidder**”).
24. The Receiver shall finalize any further ancillary or definitive documents required to fulfil the obligations set out in the Purchase Agreement in respect of the Successful Bid, if any, conditional upon the approval of the Court.

25. All Qualified Bids (other than the Successful Bid) shall be deemed rejected by the Receiver on and as of the date of approval of the Successful Bid by the Court.

Approval Hearing

26. As soon as reasonably practicable, the Receiver shall set down a hearing (the “**Approval Hearing**”) to obtain the Approval Order. The Approval Hearing may be adjourned or rescheduled by the Receiver, without further notice, by notice to the service list maintained by the Receiver.

Deposits

27. All Deposits shall be retained by the Receiver and invested in a non-interest bearing trust account in a Schedule I Bank in Canada. Upon closing of the Transaction with the Successful Bidder, the Deposit paid by the Successful Bidder shall be applied to the purchase price to be paid by the Successful Bidder. The Deposits of all Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within five (5) Business Days of the Approval Order being granted by the Court. If the Sale Process is terminated in accordance with the terms herein, all Deposits shall be returned to the bidders within five (5) Business Days of the date upon which it is determined that this Sales Process is terminated.
28. If the Successful Bidder breaches its obligation to close the Transaction, it shall forfeit its Deposit to the Receiver, provided however that the forfeit of such Deposit shall be in addition to, and not in lieu of, any other rights in law or equity that the Receiver has against such Successful Bidder, and the party holding the Deposit shall be obligated to release the funds to the Receiver, subject to the claims of the Receiver and the Debtors’ creditors.

Approvals

29. For greater certainty, the approvals required pursuant to the terms of this Sale Process are in addition to and not in substitution for any other approvals required by the BIA or any other statute or are otherwise required at law in order to implement a definitive agreement with a Successful Bidder, as the case may be.

Notice Party

30. The “Notice Party” is the Receiver. The address to be used for delivering documents to the Notice Party is as follows:

KPMG Inc.
Attention: Huey Lee
Email: hueylee@kpmg.ca

Attention: Michelle Regan
Email: michelleregana@kpmg.ca

31. A bid shall be delivered to all Notice Party at the same time by electronic mail, personal delivery or courier.

Reservation of Rights

32. The Receiver, in its sole discretion:

- a) may reject, at any time, any bid that is (i) inadequate or insufficient; or (ii) not in conformity with the requirements of the BIA, this Sale Process or any orders of the Court;
 - b) in accordance with the terms hereof, may impose additional terms and conditions and otherwise seek to modify this Sale Process at any time in order to maximize the results obtained;
 - c) is not obligated to select the highest bid when determining which Qualified Bid shall be selected as the Successful Bid;
 - d) in accordance with the terms hereof, may accept bids not in conformity with this Sale Process;
 - e) extend the deadlines contained in this Sale Process, provided that the Bid Deadline shall not be extended beyond December 1, 2023; and
 - f) may terminate or abandon this Sale Process if the Receiver determines, in its business judgment, that doing so is in accordance with its duties as court-appointed Receiver.
33. At or before the Approval Hearing, the Receiver may impose such other terms and conditions in the negotiation of a Purchase Agreement as the Receiver may determine to be in the best interest the Debtors' estate and its creditors, provided that such terms and conditions are not inconsistent with this Sale Process.
34. This Sale Process does not, and shall not be interpreted to, create any contractual or other legal relationship between the Receiver and any other party, other than as specifically set forth in definitive agreements that may be executed by the Receiver.

No Amendment

35. Except as provided herein, there shall be no amendments to this Sale Process, including for greater certainty the process and procedures set out in this document, without the prior written consent of the Receiver unless otherwise ordered by the Court upon application and appropriate notice.

Further Orders

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

SCHEDULE "A"

DEFINED TERMS

"Bid Deadline" means October 1, 2023;

"Bid Package" means the package of information to be provided by the Receiver to each Potential Bidder, which shall describe the opportunity to acquire all or substantially all of the Property;

"Business Day" means any day other than (a) a Saturday or Sunday; or (b) a day that is a statutory holiday in Vancouver, British Columbia;

"NDA" means a confidentiality and non-disclosure agreement, in a form and substance acceptable to the Receiver, to be executed and delivered by all parties interested in submitting a bid to purchase some of all of the Property;

"Notice Party" means the Receiver;

"Prospective Bidders" means all parties known to the Receiver that are or may be interested in submitting a bid to purchase some of all of the Property;

"Purchase Agreement" means any agreement entered into for the purposes of purchasing some or all of the Property;

"Qualified Bid" means a bid submitted to the Receiver by a Potential Bidder that complies with the requirements set out in Paragraph 16 of the Sales Process;

"Qualified Bidder" means a Potential Bidder that has submitted a Qualified Bid;

"Sale Process" means the sale process for the sale of some or all of the Property contemplated herein;

"Transaction" means the transaction for the sale of some or all of the Property contemplated in the Successful Bid.