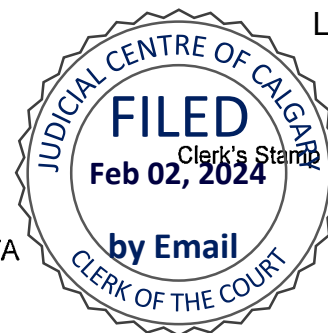


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Feb 5, 2024
COM

COURT / ESTATE FILE NUMBER COURT 25-3038201 B301-038201
 COURT OF KING'S BENCH OF ALBERTA
 JUDICIAL CENTRE CALGARY

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 **AFFIDAVIT NO. 1 OF JAMES COSTELLO**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
 MILLER THOMSON LLP
 525 - 8th Avenue S.W., 43 Floor
 Calgary, AB, Canada T2P 1G1
 Attention: James W. Reid / Bryan A. Hosking
 Telephone: 403.298.2418 / 403.206.6348
 Fax: 403.262.0007
 E-mail: jwreid@millerthomson.com / bhosking@millerthomson.com
 File No.: 276443.1

AFFIDAVIT NO. 1 OF JAMES COSTELLO
 Sworn on February 1, 2024

I, JAMES COSTELLO, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I am the Chief Executive Officer of Tool Shed Brewing Company Inc. (the "**Company**" or "**Tool Shed**"). As such, I have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, and where so stated I verily believe the same to be true.
2. I have been the interim Chief Executive Officer of Tool Shed since August 23, 2023, when I joined the Company in a formal capacity to assist navigating its liquidity troubles.
3. On January 1, 2024, I became an employee of Tool Shed and took on the formal role of Chief Executive Officer.

BACKGROUND ON TOOL SHED

4. Tool Shed is an Alberta corporation with its registered office in Calgary, Alberta. Attached hereto as **Exhibit "A"** is an Alberta corporate search of Tool Shed dated January 30, 2024.

5. Tool Shed does not have any subsidiaries or related entities.
6. Tool Shed has been brewing craft beer for the last 11 years and specializes in alcoholic and non-alcoholic beverages.
7. Tool Shed currently operates out of its leased commercial premises located at 801 30 St NE #9, Calgary, AB TWA 5L7 in the Franklin Industrial area of Calgary (the "Premises").
8. There are approximately 20 full time and part time staff of the Company. There are no unionized employees of Tool Shed.
9. Tool Shed's products are located in approximately 750 retailers and offered by 190 off-Premises customers, such as restaurants, bars, pubs, and other establishments that serve alcoholic beverages.
10. Tool Shed's operating funds are mainly derived from wholesale revenue of its products in Alberta; however, Tool Shed is not directly compensated when they sell its liquor products to retailers, restaurants, and other institutional customers.
11. Tool Shed sells its product to the Alberta Gaming, Liquor, and Cannabis Commission ("AGLC"), who then sells Tool Shed product to customers. The AGLC then remits that sales income to Tool Shed. Therefore, Tool Shed's main revenue stream goes through AGLC due to the nature of its business.

INSOLVENCY OF TOOL SHED

12. Since 2020, Tool Shed has faced an extraordinary strain on its financial resources, including the negative effects on the brewing industry brought on by the Covid-19 pandemic and the maturation of its credit facility which the Company was unable to re-finance.
13. During my time with Tool Shed, Tool Shed has aggressively adjusted its operations and has been exploring various scenarios, both internally and externally, with various stakeholders in order to continue operating as a successful going concern business.
14. Despite attempts to secure alternative financing, Tool Shed has been unsuccessful in securing an operating line of credit or any other method of alternative financing which would allow it to continue operations.
15. Tool Shed is insolvent and faces a serious liquidity crisis.

AMOUNTS DUE AND OWING TO THE CRA ON ACCOUNT OF SOURCE DEDUCTIONS

16. Tool Shed has a significant amount of unremitted source deductions owing to the Canada Revenue Agency (the "CRA"). The amounts owing to the CRA on account of source deductions date back to January 2020.
17. In July of 2023, Tool Shed and the CRA entered into an informal arrangement to begin paying down the arrears, as well as ongoing payments for current source deductions. However, due to the financial constraints of Tool Shed, payments of arrears stopped in November 2023. During this period, payments made toward arrears totaled \$66,400. Tool Shed maintained payment for current source deductions from July 2023 until January 2024. Tool Shed has not made payments for source deductions since December 2023, missing the January 2024 payment.
18. On January 9, 2024, the CRA issued a notice (the "CRA Notice") to Tool Shed advising that a writ was obtained in the Federal Court on December 8, 2023, in the amount of \$564,237.84, and that as of January 9, 2024, \$571,091.70 (the "CRA Debt") was due and owing. The CRA Notice provides that if the amounts owing to the CRA are not paid at once, the CRA may register a lien against Tool Shed's real or personal property, or take enforcement efforts to sell Tool Shed's assets.
19. Attached hereto and marked as **Exhibit "B"** is a true copy of the CRA Notice.
20. I have been advised by the Company's legal counsel that the CRA has a priority charge over the assets of Tool Shed relating to amounts owing for source deductions.

THE REQUIREMENT TO PAY

21. On January 29, 2024, the AGLC advised Tool Shed that it received a requirement to pay notice from the CRA (the "**Requirement to Pay**").
22. Attached hereto and marked as **Exhibit "C"** is a true copy of the email dated January 29, 2024 from Jamie Schenknecht, Senior Liquor Revenue Administrator at AGLC to Cayla Ziegler, Corporate Controller at Tool Shed.
23. Pursuant to the notice of the Requirement to Pay, the AGLC is holding back funds that are currently due and owing to Tool Shed.

24. Tool Shed anticipated receiving funds from AGLC in the amount of up to \$60,000 (the “**Funds**”) which represents approximately 2 weeks’ worth of revenue from the sale of Tool Shed’s products.

NECESSITY OF THE APPLICATION, NOI PROCEEDINGS, AND PROPOSED SISP

25. As a result of the AGLC withholding the Funds, Tool Shed does not have access to the liquidity required to meet its payroll obligations to its employees due February 7, 2024, in the approximate amount of \$50,000.
26. Further, because of this withholding of Funds, Tool Shed is unable to pay its suppliers in order to continue operations.
27. This sudden and critical loss of revenue required Tool Shed to file urgently a Notice of Intention to Make a Proposal pursuant to section 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”) on January 31, 2024.
28. Attached hereto and marked as **Exhibit “D”** is a true copy of the Certificate of Filing of a Notice of Intention to Make a Proposal.
29. KPMG LLP (the “**Proposal Trustee**”) is the proposal trustee in these proceedings (the “**NOI Proceedings**”).
30. Due to the financial difficulties faced by the Company, including its limited cash flow, large CRA Debt, and significant indebtedness owing to secured and unsecured creditors, I am of the view that the only way to save Tool Shed as an operating business and to maximize value for stakeholders, is to restructure through a Court supervised process.
31. Accordingly, Tool Shed has reserved court time before the Honourable Justice M.J. Lema on February 12, 2024 at 2:30 p.m. for an application seeking the approval of a proposed stalking horse sale and investment solicitation process (the “**SISP**”) through the NOI Proceedings (the “**SISP Application**”).
32. Specifically, the Company anticipates seeking the following relief as part of the SISP Application:
 - (a) extension of time to file a proposal to its creditors for a 45-day period;
 - (b) authorizing Tool Shed to borrow under a credit facility from an interim lender;

- (c) granting an administration charge and interim lender's charge over the assets and property of Tool Shed;
 - (d) approval of the SISP; and
 - (e) approval of a stalking horse agreement as the stalking horse bid under the SISP.
33. The intended goal of the SISP is to allow the Company to pursue a restructuring transaction for the benefit of stakeholders, which would see the CRA Debt paid in full within a reasonable amount of time after the closing of the transaction.
34. However, without the Funds currently held by AGLC, Tool Shed's revenues are insufficient to maintain operations long enough to pursue such a restructuring transaction.
35. Tool Shed requires urgent access to the Funds in order to proceed with the NOI Proceedings.

CONCLUSION

36. I swear this Affidavit in support of the Application for an Order for the release of the Funds and for no improper purpose.

SWORN BEFORE ME at the City of)
 Calgary, Alberta, this 1 day of)
 February, 2024.)
)
)
)
)

David Allison

Commissioner for Oaths in and for the Province of Alberta

James Costello

David Josiah Allison
Student-at-Law
Notary Public & Commissioner for Oaths
 in and for the Province of Alberta

This is Exhibit "A" referred to in the
Affidavit of James Costello
sworn before me this 1 day of February 2024

David Allison

A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

David Josiah Allison
Student-at-Law
Notary Public & Commissioner for Oaths
in and for the Province of Alberta

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2024/01/30
 Time of Search: 12:37 PM
 Search provided by: MILLER THOMSON LLP - CALGARY
 Service Request Number: 41365832
 Customer Reference Number: 0276443.0001

Corporate Access Number: 2017145869
 Business Number: 833522444
 Legal Entity Name: TOOL SHED BREWING COMPANY INC.

Legal Entity Status: Active
 Alberta Corporation Type: Named Alberta Corporation
 Registration Date: 2012/11/24 YYYY/MM/DD
 Date of Last Status Change: 2023/03/16 YYYY/MM/DD

Registered Office:
 Street: 525 - 8TH AVENUE S.W., 43RD FLOOR
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P1G1

Records Address:
 Street: 525 - 8TH AVENUE S.W., 43RD FLOOR
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2P1G1

Email Address: CALGARYCORPORATESERVICES@MILLERTHOMSON.COM

Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
REID	JAMES	W.	MILLER THOMSON LLP	525 - 8TH AVENUE S.W., 43RD FLOOR	CALGARY	ALBERTA	T2P1G1	CALGARYCORPORATESERVICES@MILLERTHOMSON.COM

Directors:

Last Name: SHERMAN
 First Name: GRAHAM
 Street/Box Number: 452 MOUNT LORETTE PL SE
 City: CALGARY
 Province: ALBERTA
 Postal Code: T2Z2L7

Voting Shareholders:

Last Name: 2190028 ALBERTA INC.
 Street: 452 MOUNT LORETTE PLACE SE
 City: CALGARY
 Province: ALBERTA

Postal Code: T2X2L7
Percent Of Voting Shares: 49

Last Name: CHAN
First Name: TREVOR
Street: 3632 UTAH DRIVE NW
City: CALGARY
Province: ALBERTA
Postal Code: T2N4A7
Percent Of Voting Shares: 2.61

Last Name: DJSYNERGY INC.
Street: 5732 HATFIELD PLACE
City: POWELL RIVER
Province: BRITISH COLUMBIA
Postal Code: V8A4G4
Percent Of Voting Shares: 2.61

Legal Entity Name: HOTROD HOOLIGANS INC.
Corporate Access Number: 2013030891
Street: 251208 RANGE ROAD 32
City: CALGARY
Province: ALBERTA
Postal Code: T3Z1E4
Percent Of Voting Shares: 5.22

Last Name: SHERMAN
First Name: GRAHAM
Street: 452 MOUNT LORETTE PLACE SE
City: CALGARY
Province: ALBERTA
Postal Code: T2Z2L7
Percent Of Voting Shares: 36.69

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE ATTACHED SCHEDULE A
Share Transfers Restrictions: SEE ATTACHED SCHEDULE B
Min Number Of Directors: 1
Max Number Of Directors: 10
Business Restricted To: NONE
Business Restricted From: NONE
Other Provisions: SEE ATTACHED SCHEDULE B

Other Information:

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2023	2024/01/30

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
------------------------	----------------

2012/11/24	Incorporate Alberta Corporation
2013/04/26	Name/Structure Change Alberta Corporation
2020/02/21	Update BN
2023/01/02	Status Changed to Start for Failure to File Annual Returns
2023/12/01	Change Agent for Service
2023/12/01	Change Address
2024/01/30	Change Director / Shareholder
2024/01/30	Enter Annual Returns for Alberta and Extra-Provincial Corp.

Attachments:

Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2012/11/24
Restrictions on Share Transfers	ELECTRONIC	2012/11/24
Share Structure	ELECTRONIC	2013/04/26
Other Rules or Provisions	ELECTRONIC	2013/04/26

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data contained in the official public records of Corporate Registry.



This is Exhibit "B" referred to in the
Affidavit of James Costello
sworn before me this 1 day of February 2024

David Allison

A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

David Josiah Allison
Student-at-Law
Notary Public & Commissioner for Oaths
in and for the Province of Alberta



Canada Revenue Agency
Agence du revenu
du Canada

Alberta Tax Services Office
Edmonton AB T5J 4C8

January 09, 2024

TOOL SHED BREWING COMPANY INC.
9 - 801 30 STREET NE
CALGARY AB T2A 5L7

Account Number
83352 2444 RP0001

Dear Sir:

Re: Certificate number: ITA-169-24
Amount of Certificate: \$564,237.84

Under the Income Tax Act, we have registered a certificate in the Federal Court on December 08, 2023 and have obtained a Writ.

As of today, you owe \$571,091.70.

If you do not pay the amount at once, we can register a lien against your real or personal property, or both, and seize and sell some of your assets to pay your debt.

To avoid this, send us your payment, payable to the Receiver General for Canada, for the amount owing.

You can make your payment in the following ways:

- use your financial institution's telephone or online banking services
- use My Payment at www.canada.ca/cra-my-payment to pay with your debit card using Interac Online
- pay by pre-authorized debit through My Account at canada.ca/my-cra-account or My Business Account at canada.ca/my-cra-business-account
- pay in person at your financial institution or at an automated banking machine. You will need a personalized remittance voucher. If you don't have a voucher, you can get one by calling the Canada Revenue Agency business enquiries line at 1-800-959-5525

You can also mail your payment to:

.../2

Canada

Prairies Regional
Collections/Compliance Centre
10 - 9700 Jasper Avenue NW
Edmonton AB T5J 4C8

Local : 780-235-7836
Toll Free : 1-877-681-2143
Fax : 780-495-0429
Web site : canada.ca/taxes

Canada Revenue Agency
PO Box 3800 STN A
Sudbury ON P3A 0C3

Write your account number on the front of your payment.

For other payment options, go to cra.gc.ca/payments.

You can get detailed information on your debt by calling us at one of the numbers provided in this letter. Please have your account number available.

Yours truly,

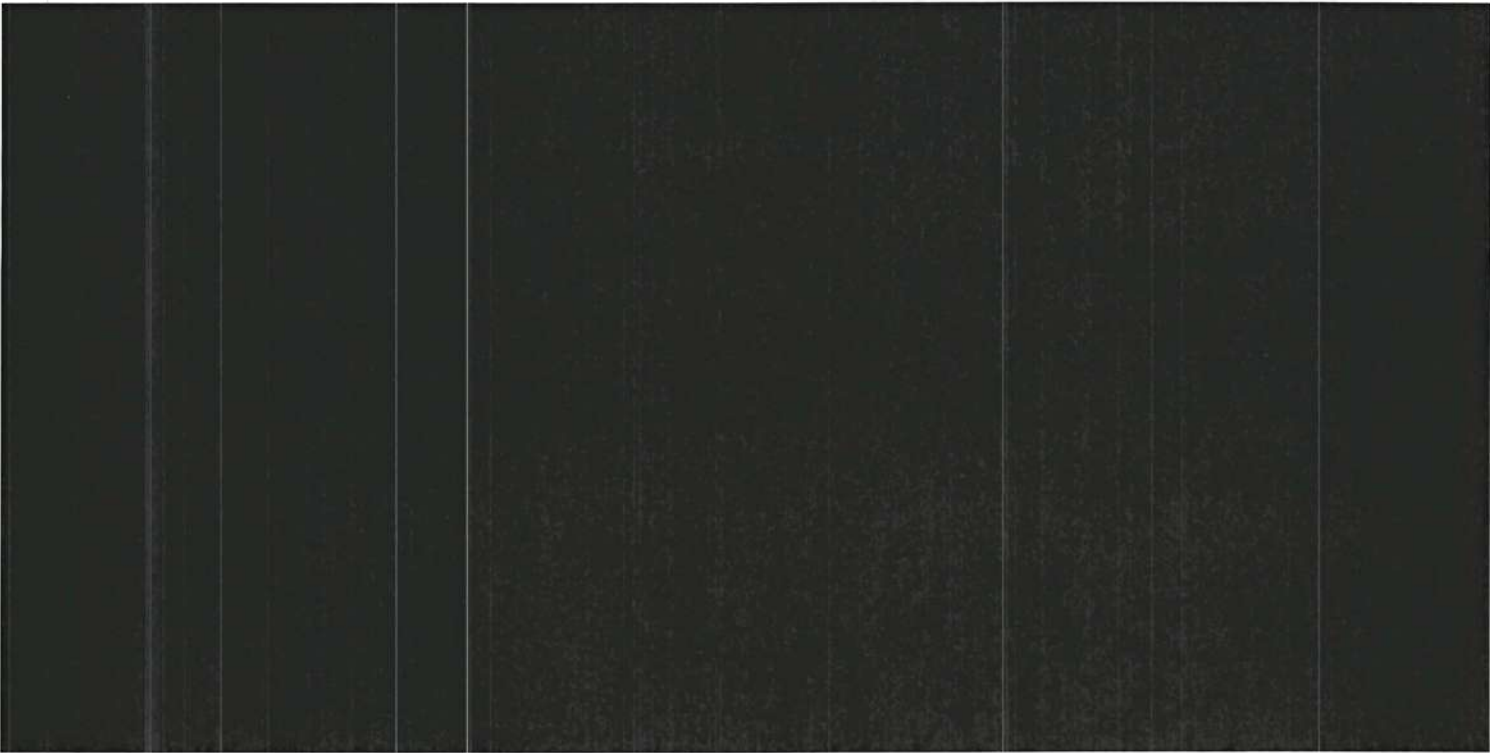
K. Goyal (1225)
Collections Officer

This is Exhibit "C" referred to in the
Affidavit of James Costello
sworn before me this 1 day of February 2024

David Allison

A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

David Josiah Allison
Student-at-Law
Notary Public & Commissioner for Oaths
in and for the Province of Alberta



From: Liquor Revenue <LiquorRevenue@aglc.ca>
Date: Monday, January 29, 2024 at 9:19 AM
To: Finance <finance@toolshed.beer>, Liquor Revenue <LiquorRevenue@aglc.ca>
Cc: Liquor Revenue <LiquorRevenue@aglc.ca>
Subject: RE: 5554 Tool Shed - Invoice & Payment Assistance/ Misc Items on File

Hi Cayla.

Happy Monday.

I am so sorry for the delay in reply. I took Friday off so now I am playing catch up with emails.

So there is no glitch in the matrix and yes, I am sure your LSA outstanding listing does look a bit weird.

AGLC actually received a "Requirement to Pay" notice by the CRA that we are trying to reconcile how to pay the consignment to Tool Shed while also honoring the request of the CRA.

I am not sure if Liquor Services or Inspections have reached out to discuss with Tool Shed?

Thank you,

Jamie

Jamie Schenknecht

Senior Liquor Revenue Administrator

Phone: 1-825-480-4755 Ext. 8886 **Email:** liquorrevenue@aglc.ca **Web:** aglc.ca

50 Corriveau Avenue, St. Albert AB T8N 3T5



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Protected A

From: Finance <finance@toolshed.beer>
Sent: Friday, January 26, 2024 12:51 PM
To: Liquor Revenue <LiquorRevenue@aglc.ca>
Cc: Liquor Revenue <LiquorRevenue@aglc.ca>
Subject: [EXTERNAL] Re: 5554 Tool Shed - Invoice & Payment Assistance/ Misc Items on File

Hi Jamie,

I think it got most of this all cleared up, I still haven't received payment from BK and it appears it hasn't gone through the portal either?

On that note, I was just wondering what was going on with the account there is a scary amount of stuff in the outstanding and paid lol

There also seems to be a glitch in the matrix this week, I've had weird things happening all week.

Licensee 778162 – Willow Park
Invoice 6259 on file for \$2400.00
January 10th payment of \$2190.07 and
January 15th payment of \$401.25

Should I be applying one or both of these payments to the invoice or neither?

Neither, one invoice has been submitted, there was an inventory mishap on the other invoice and will be shipped on Monday!!

Licensee 784386 – Fine Print
Invoice 6232 came through at \$357.14
Cheque payment was for \$345.71
Short paid by \$11.43

This appears to be a pricing error, I'm still investigating this one. We did hire a new sales director, everything should be going back to normalish around here soon!!

Licensee 760031 – Eastport
Invoice 6266 came through at \$650.63
Payment rec'd for \$170.63
Short paid by \$480.00

Keg credits were missing on invoice – this has been uploaded now!!

I hope you have a fantastic weekend!!

Cheers,



Cayla Ziegler
Corporate Controller
Tool Shed Brewing Co.
cayla@toolshed.beer
Office: (403) 775-1749

Protected A

From: Liquor Revenue <LiquorRevenue@aglc.ca>

Date: Wednesday, January 24, 2024 at 12:39 PM

To: Finance <finance@toolshed.beer>

Cc: Liquor Revenue <LiquorRevenue@aglc.ca>

Subject: 5554 Tool Shed - Invoice & Payment Assistance/ Misc Items on File
Hi Cayla.

Happy (wine) Wednesday – you might need with some of my questions and comments below (sorry)

I hope your day has been going great 😊

I am just in need of some assistance when you have a moment to spare.

Licensee 778162 – Willow Park

Invoice 6259 on file for \$2400.00

January 10th payment of \$2190.07 and

January 15th payment of \$401.25

Should I be applying one or both of these payments to the invoice or neither?

Licensee 784386 – Fine Print

Invoice 6232 came through at \$357.14

Cheque payment was for \$345.71

Short paid by \$11.43

Licensee 760031 – Eastport

Invoice 6266 came through at \$650.63

Payment rec'd for \$170.63

Short paid by \$480.00

Any and all help on these couple of items would be greatly appreciated.

Chat soon and thank you!

Jamie

Jamie Schenknecht

Senior Liquor Revenue Administrator

Phone: 1-825-480-4755 Ext. 8886 **Email:** liquorrevenue@aglc.ca **Web:** aglc.ca

50 Corriveau Avenue, St. Albert AB T8N 3T5



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[EXTERNAL EMAIL / COURRIEL EXTERNE]

Please report any suspicious attachments, links, or requests for sensitive information.

Veillez rapporter la présence de pièces jointes, de liens ou de demandes d'information sensible qui vous semblent suspectes.

This is Exhibit "D" referred to in the
Affidavit of James Costello
sworn before me this 1 day of February 2024

David Allison

A COMMISSIONER FOR OATHS IN AND
FOR THE PROVINCE OF ALBERTA

David Josiah Allison
Student-at-Law
Notary Public & Commissioner for Oaths
in and for the Province of Alberta



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Alberta
Division No. 02 - Calgary
Court No. 25-3038201
Estate No. 25-3038201

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

Tool Shed Brewing Company Inc.

Insolvent Person

KPMG INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

January 31, 2024

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

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

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

Date: February 01, 2024, 09:23

E-File/Dépôt Electronique

Official Receiver

Harry Hays Building, 220 - 4th Ave SE, Suite 478, Calgary, Alberta, Canada, T2G4X3, (877)376-9902

Canada