

District of British Columbia  
Division No. 03-Vancouver  
Court No. VLC-S-B-200208  
Estate No. 11-2638450

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE BANKRUPTCY OF  
TBA BEVERAGE INC.**

**TRUSTEE'S REPORT TO CREDITORS**

**OCTOBER 16, 2020**

**BACKGROUND**

This report has been prepared by The Bowra Group Inc., in its capacity as Licensed Insolvency Trustee of the bankrupt estate of TBA Beverage Inc. (the “**Trustee**”) to provide preliminary information to creditors as at October 16, 2020.

TBA Beverage Inc. (“**TBA**” or the “**Company**”) produced a range of alcohol products, including a variety of beers, wines, and spirits. The Company’s production facility was located in Vancouver, British Columbia. TBA produced its own brand of beers and also produced alcoholic beverages on a contractual basis for third parties. TBA was federally and provincially licensed to produce and store alcoholic beverages.

The Company commenced operations in 2016 under the name Factory Brewing Ltd. (“**Factory**”). Factory merged with 0917382 B.C. Ltd. on January 1, 2018. The Company changed its name to TBA Beverage Inc. on February 11, 2020. TBA operated under the name Craft Collective Beerworks.

In March 2020, the Company required additional funding to cover the working capital deficiency from operating losses. TBA was in breach of its loan agreement with the secured lender, MOD

Beverage Inc. (“**MOD**”) (formerly 1241393 B.C. Ltd.). MOD agreed to provide the additional financing required by TBA under a forbearance agreement (“**Forbearance Agreement**”) dated April 13, 2020. A condition of the Forbearance Agreement was that TBA pursue a sale of its assets.

The additional financing made available by MOD to the Company was not sufficient to pay outstanding amounts owing to trade creditors. As part of the Company’s restructuring efforts the Company filed a Notice of Intention to Make a Proposal (“**NOI**”) on April 14, 2020.

The ownership group of MOD is related to certain shareholders and management of TBA.

On May 13, 2020, the Company made an application and was granted an Order extending the stay of proceedings under the NOI to June 28, 2020 and authorized the Company to market and sell the assets of the Company (the “**Sales Process**”). The Trustee was authorized to manage and assist the Company with the Sales Process.

On June 24, 2020, the Company made an application and was granted a further Order that extended the stay of proceedings under the NOI to August 12, 2020.

On July 14, 2020, the Company accepted an offer for the sale of all of the assets of the Company from MOD.

On August 7, 2020, the sale of the assets to MOD was approved by the Court and an extension of the stay of proceedings to September 25, 2020 was granted.

The details of the Sales Process and sale of the assets to MOD are included in the Trustee’s Second Report to Court dated June 22, 2020 which is attached as **Appendix A**.

The sale of the assets to MOD completed on September 22, 2020.

The proceeds from the sale of the assets to MOD were able to satisfy the amounts owed to the first secured creditor however no additional funds were available for unsecured creditors. Accordingly, TBA did not seek an extension of the stay of proceedings and did not file a proposal to creditors by September 25, 2020. On September 28, 2020, the Company was deemed to have

made an assignment into Bankruptcy and The Bowra Group Inc. was appointed Licensed Insolvency Trustee of the Company.

## **FINANCIAL SITUATION**

The table below is a summary of the income statements since fiscal 2018:

	<b>For the period January 1, 2020 to September 6, 2020<sup>1</sup></b>	<b>For the fiscal year ended December 29, 2019<sup>1</sup></b>	<b>For the fiscal year ended December 31, 2018<sup>2</sup></b>
	<b>\$000's</b>		
<b>Sales</b>	4,693	9,322	4,761
<b>Cost of Sales</b>	(3,429)	(7,161)	(4,317)
<b>Gross Profit</b>	1,264	2,162	444
<b>Operating and Other Expenses</b>	(2,539)	(5,144)	(4,408)
<b>Net Loss</b>	(1,275)	(2,982)	(3,964)

**Notes:**

(1) Per internally prepared financial statements.  
(2) Per audited financial statements.

The Company has accumulated losses of \$8.2 million for the period January 1, 2018 to September 6, 2020.

## **CONSERVATORY AND PROTECTIVE MEASURES**

All of the assets of the Company were sold in the NOI proceedings. Accordingly, the Company does not have any assets to be realized on by the Trustee.

## **BOOKS AND RECORDS**

The Trustee has taken possession of the books and records of the Company and is in the process of reviewing financial records available and obtaining additional financial information.

## **PRELIMINARY EVALUATION OF ASSETS**

All of the Company's assets were sold during the NOI Proceedings. The Supreme Court of British Columbia approved the sale of TBA's assets to MOD on August 7, 2020 for the amount of the \$6.7 million that was equal to the amount of the secured debt owing to MOD. Accordingly, there are no excess funds or additional recoveries available to unsecured creditors.

## **SECURED CREDITORS AND PRIORITY CREDITORS**

MOD and TD Toronto Dominion Bank ("TD") both have registered general security agreements over the assets of the Company, however there are no amounts owing to MOD or TD as at the date of the Bankruptcy.

The Company has indicated that there are no amounts owing to employees for outstanding wages and vacation pay.

The Company records indicate no amounts owing to CRA with respect to employee source deductions.

## **UNSECURED CREDITORS**

The Company's records indicate there are unsecured creditors with total claims of \$2,715,972.

## **LEGAL ACTIONS**

The Trustee is not aware of any ongoing litigation. Accordingly, the Trustee has not commenced or continued any actions on behalf of the Company.

## **REVIEWABLE TRANSACTIONS AND PREFERENCE PAYMENTS**

The Trustee has taken possession of certain books and records of the Company and is in the process of obtaining additional records and gathering additional information.

The Trustee has conducted a preliminary review of the information available.

The Trustee has not identified any transactions which could be regarded as preferences transactions or transfers at undervalue to date. Further investigations may be conducted which could reveal such transactions.

## **DIVIDENDS PAID**

The Trustee has identified dividend payments of \$204,000 that were paid between March and November 2019 to class C preferred shareholders. Management has advised the Trustee that these dividend payments were a requirement of the class C preferred shareholders in order to approve the issuance of new promissory notes to raise additional financing of \$2.4 million that was required to fund a working capital deficiency. The \$2.4 million was provided to the Company through promissory notes from existing shareholders. Approximately \$1.2 million of the \$2.4 came from one of the class C preferred shareholders. In November 2019, these promissory notes were converted to equity.

At the time of the dividend payments noted above, the only creditor that would have been prejudiced was the first secured creditor. The first secured creditor was aware and allowed the dividend payments to be made. Subsequent to the dividends paid, the secured creditor paid additional advances to the Company of \$550,000.

## **TRUSTEE'S REMUNERATION**

The Trustee obtained a \$70,000 retainer from the Company to act as the Trustee in the NOI proceedings. In addition, the Trustee received a further \$40,000 retainer from the first secured

creditor, MOD pursuant to a Third Party Retainer Agreement to cover the costs of the administration of the NOI and bankruptcy proceedings.

## **CONCLUSION**

There are no assets to be realized upon and available to unsecured creditors. Accordingly, there will be no recovery to unsecured creditors.

### **The Bowra Group Inc.**

In its capacity as the Licensed Insolvency Trustee of the bankrupt estate of TBA Beverage Inc., and not in its personal capacity.

Per: 

Chris Bowra, CPA, CA, CIRP

## **APPENDIX A**

**Proposal Trustee's Second Report to Court dated June 22, 2020**

Vancouver

22-Jun-20

REGISTRY

COURT NO. VLC-S-B-200208  
ESTATE NO. 11-2638450  
VANCOUVER REGISTRY

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

**IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,  
R.S.C. 1985, C. B-3, AS AMENDED**

**AND**

**IN THE MATTER OF THE PROPOSAL OF  
TBA BEVERAGE INC.**

**SECOND REPORT TO COURT OF THE PROPOSAL TRUSTEE**

June 22, 2020

**IN THE MATTER OF THE PROPOSAL OF  
TBA BEVERAGE INC.**

**Proposal Trustee's Second Report to Court**

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- B. **Sales Process Order and Extension of Notice of Intention dated May 13, 2020**
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## I. BACKGROUND AND PURPOSE OF THE REPORT

### Background

1. On April 14, 2020, TBA Beverage Inc. (the “**Company**” or “**TBA**”) filed a Notice of Intention (the “**NOI**”) to Make a Proposal with the Office of the Superintendent of Bankruptcy. The Bowra Group Inc. was named as the Trustee under the NOI (the “**Proposal Trustee**”). A copy of the NOI is attached as **Appendix A**.
2. An Order of the Supreme Court of British Columbia dated May 13, 2020 granted the following:
  - i. An extension of the time to make a proposal to their creditors to June 28, 2020;
  - ii. An administrative charge in favor of the Proposal Trustee, its legal counsel and TBA’s legal counsel up to \$100,000; and
  - iii. Authority to the Proposal Trustee to conduct a sales process (“**Sales Process**”) on behalf of the Company.
3. A copy of the Court Order dated May 13, 2020 is attached as **Appendix B**.
4. TBA Beverage Inc. (“**TBA**” or the “**Company**”) produces a full range of alcohol products, including a variety of beers, wines, and spirits. The Company’s production facility is located in Vancouver, British Columbia. TBA produces its own brand of beers and produces alcoholic beverages on a contractual basis for third parties. TBA is federally and provincially licensed to produce and store alcoholic beverages.
5. The Company commenced operations in 2016 under the name Factory Brewing Ltd. (“**Factory**”). Factory merged with 0917382 B.C. Ltd. on January 1, 2018. The Company changed its name to TBA Beverage Inc. on February 11, 2020. TBA operates under the name Craft Collective Beerworks.
6. The Company required additional debt or equity to fund the current and future operating losses. The secured lender, 1241393 B.C. Ltd. (“**124 BC**”) issued a Notice of Intention to Enforce a Security against TBA dated April 13, 2020.

7. TBA and 124 BC entered into a forbearance agreement on April 13, 2020. A condition of the forbearance agreement is that TBA pursue a sale of its assets. Accordingly, the Company filed a Notice of Intention to Make a Proposal (“**NOI**”) on April 14, 2020 and commenced a sales process in the NOI proceedings.
8. 124 BC have confirmed that they will provide financial support through the existing operating line of credit available to the Company.

#### **Purpose of the Report**

9. The purpose of this report is to update the Court with respect to:
  - i. The Company’s request to seek an extension of the stay of proceedings;
  - ii. Seek the Court’s approval for additional financing through the existing line of credit; and,
  - iii. The Sales Process.

#### **II. EFFORTS TO FORMULATE A PROPOSAL**

10. TBA is not in a position to make a proposal to its creditors by the time the current stay of proceedings expires on June 28, 2020.
11. The Sales Process requires additional time to allow prospective purchasers to conduct due diligence, finalize an agreement of purchase and sale or investment in the Company and seek Court approval. Therefore, the Company requires an extension of the stay of proceedings to complete a sale of the assets or investment in the Company.
12. Since filing the NOI, TBA has disclaimed four contracts, which have reduced their monthly cash outflows by approximately \$5,000.
13. The company has also cut back on other costs, including design and marketing consultants and storage costs.
14. Despite the cost reductions, the Company requires additional funding. TBA has currently drawn

\$1.15 million of its \$1.2 million authorized line of credit from 124 BC. The Company is requesting the Court's approval to increase the authorized amount of the current line of credit from \$1.2 million to \$1.7 million.

15. The increased borrowings are to fund working capital requirements due to an increase in production. The increased production is due to the increased demand from the easing of Covid-19 restrictions as restaurants and bars re-open. The Company is currently out of stock in certain brands of beer.
16. TBA expects the increased production volumes will continue to the end of the summer. The increased revenues will result in higher collection of cash at the end of July 2020.
17. 124 BC supports the increase to the limit of the authorized line of credit.
18. As a result of the increased production volumes, management has prepared a revised cash flow forecast. The cash flow forecast for the period April 20, 2020 to August 30, 2020 is attached as **Appendix C**.
19. The Proposal Trustee supports the Company's request for an increased limit to the line of credit as it will provide a financial benefit to the Company.
20. 124 BC is the only secured creditor. The Proposal Trustee supports a priority charge of up to \$500,000 for the increase to the authorized limit of the line of credit.
21. Since the filing of the NOI, TBA has been working with the Proposal Trustee to submit a proposal to its creditors. A proposal is likely to occur from an investment or a sale in which case it may be a liquidating proposal.
22. The Proposal Trustee supports a further extension to provide the Company with the necessary time to market the assets for sale in accordance with the Sales Process Order dated May 13, 2020. The Proposal Trustee is of the view that the marketability and value of the assets is higher if the Company continues to operate. The Proposal Trustee does not believe that the creditors will be prejudiced by an extension. A successful proposal will result in continued employment,

supplier continuity and an operating business on the go forward.

23. The Proposal Trustee understands that 124 BC will continue to fund the operations and also supports the extension of the NOI.

### **III. SALES PROCESS**

24. The Proposal Trustee has been conducting a Sales Process since May 13, 2020.
25. The Proposal Trustee has:
  - i. Completed and finalized an investment teaser letter;
  - ii. Completed and finalized a confidential information memorandum;
  - iii. Completed and finalized a non-disclosure agreement for interested parties to sign;
  - iv. Compiled a list of prospective purchasers;
  - v. Advertised the opportunity in the National Post newspaper;
  - vi. Compiled financial information and documents and finalized a virtual data room for prospective purchasers;
  - vii. Sent out 58 teaser letters to prospective purchasers;
  - viii. Had correspondence and discussions with 71 parties; and
  - ix. Signed 17 NDA's and provided access to the data room to those parties;
26. TBA are up to date and current with all of their filing and post-filing payment obligations to Canada Revenue Agency and have continued to meet their obligations under the *Bankruptcy and Insolvency Act*.
27. The Proposal Trustee supports an extension of the stay of proceedings for the following reasons:
  - i. No creditor will be materially prejudiced by an extension;
  - ii. The Sales Process will likely result in a greater recovery and likelihood of a proposal to the creditors than a liquidation of the Company's assets in a bankruptcy;

- iii. A successful proposal will result in continued employment, supplier continuity and on operating business going forward; and,
- iv. The Company continues to act in good faith and with due diligence in formulating a Proposal.

#### **IV. CONCLUSION**

28. The Proposal Trustee is of the opinion that:

- i. The Court approve an increase to the authorized limit of the line of credit from \$1.2 million to \$1.7 million;
- ii. The increase in the authorized limit of the line of credit be granted a charge that ranks in priority over the claim of any secured creditor, behind the administrative charge;
- iii. TBA continues to act in good faith and with due diligence in formulating a proposal;
- iv. The Company will have a greater likelihood of being able to make a viable proposal if a further 45-day extension is granted; and
- v. No creditor will be materially prejudiced if an extension is granted.

29. All of which is respectively submitted this 22<sup>nd</sup> day of June, 2020.

**The Bowra Group Inc.**

Trustee in the Matter of the Notice of Intention  
to Make a Proposal of TBA Beverage Inc.

Per: 

Chris Bowra, CA, CIRP

## **APPENDIX A**

**Notice of Intention to make a Proposal dated April 21, 2020**



Industry Canada  
**Office of the Superintendent  
of Bankruptcy Canada**

Industrie Canada  
**Bureau du surintendant  
des faillites Canada**

District of      British Columbia  
Division No.    03 - Vancouver  
Court No.       11-2638450  
Estate No.      11-2638450

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

**TBA BEVERAGE INC.**  
Insolvent Person

**THE BOWRA GROUP INC.**  
Licensed Insolvency Trustee

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Date of the Notice of Intention:                          April 14, 2020

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**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: April 14, 2020, 16:52

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E-File/Dépôt Electronique

Official Receiver

300 Georgia Street W, Suite 2000, Vancouver, British Columbia, Canada, V6B6E1, (877)376-9902

**Canada**

## **APPENDIX B**

**Sales Process Order and Extension of Notice of Intention dated May 13, 2020**

SUPREME COURT  
OF  
BRITISH COLUMBIA  
**SEAL**  
13-May-20

Vancouver  
REGISTRY



Court File No.B-200208  
Estate No. 11-2638450  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA  
IN THE BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF TBA  
BEVERAGE INC.**

**ORDER MADE AFTER APPLICATION**

BEFORE THE HONORABLE MADAM )      THE 13<sup>th</sup> DAY OF MAY, 2020  
JUSTICE FITZPATRICK                )  
                                       )

ON THE APPLICATION of TBA Beverage Inc. ("TBA"), coming on for hearing at the Courthouse at 800 Smithe Street, Vancouver, British Columbia on the 13th day of May, 2020 and on hearing Jeremy West, counsel for TBA Beverage Inc. and those other counsel listed on Schedule "A" hereto, AND UPON READING the materials filed herein; AND PURSUANT TO the *Bankruptcy and Insolvency Act*, R.S.C. 1983 c. 8-3 (the "BIA") and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS that:

1. The time for service of the Notice of Application herein be and is hereby abridged such that the Notice of Application is properly returnable today and service thereof on any interested party is hereby dispensed with.

**Extension of time to file a Proposal and Stay**

2. The time for the filing of a Proposal by TBA be extended from May 14, 2020 to 11:59 p.m. June 28, 2020.
3. The stay of proceedings be extended from May 14, 2020 to 11:59 p.m., June 28, 2020.

**Administrative Charge**

4. An administrative charge in favour of the Proposal Trustee, its legal counsel, and TBA's legal counsel, not to exceed the amount of \$100,000.00 (the "Administrative Charge"), as security for their professional fees and disbursements incurred in this proceeding at their standard rates, both before and after the making of this order, is hereby approved.

5. The filing, registration or perfection of the Administrative Charge shall not be required, and the Administrative Charge shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Administrative Charge coming into existence, notwithstanding any such failure to file, register, record or perfect, and that the Administrative Charge shall immediately attach to all of the TBA's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "Property").
  
6. The Administrative Charge shall constitute a charge on the Property and such charge shall rank in priority to all other security interests, trusts, liens, charges, encumbrances, or other secured claims (collectively, "Encumbrances") in favour of any person or entity (a "Person") save and except for the following registrations:
  - a. PPSA Base Reg. #389647K in favour of Jim Pattison Industries Ltd.;
  - b. PPSA Base Reg. #389717K in favour of Jim Pattison Industries Ltd.;
  - c. PPSA Base Reg. #466238K in favour of Jim Pattison Industries Ltd.
  - d. PPSA Base Reg. #861812K in favour of Jim Pattison Industries Ltd.;
  - e. PPSA Base Reg. #140851K in favour of First West Leasing Ltd.;
  - f. PPSA Base Reg. #242517K in favour of First West Leasing Ltd.;
  - g. PPSA Base Reg. #983350K in favour of First West Leasing Ltd.;
  - h. PPSA Base Reg. #640756K in favour of Blueshore Leasing Ltd.; and
  - i. PPSA Base Reg. #184431L in favour of G.N. Johnston Equipment Co. Ltd..
  
7. Except as otherwise expressly provided for herein, or as may be approved by this Court, TBA shall not grant any Encumbrances over any Property that ranks in priority to, or *pari passu* with the Administrative Charge.

#### Approval of Sales Process

8. TBA is hereby authorized to take steps to market and sell its assets and undertakings (the "Property") and engage in a sales process substantially in the form as set out in Schedule "B" to this Order (the "Sale Process").
  
9. For the purpose of undertaking the Sales Process, the Proposal Trustee is hereby authorized to take all steps and actions as may be necessary to carry out the Sales Process for and on behalf of TBA, including without limitation the following:
  - a. execute, assign, issue and endorse documents of whatever nature in connection with the Sales Process, whether in the Proposal Trustee's name or in the name and on behalf of TBA, for any purpose pursuant to this Order;

- b. market any or all of the Property pursuant to and in accordance with the Sales Process, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Proposal Trustee considers appropriate; and
- c. apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers, free and clear of any liens or encumbrances.

and in each case where Proposal Trustee takes any such actions or steps, it shall be authorized and empowered to do so, and in the event of conflict between the actions or steps taken or proposed to be taken by the Proposal Trustee and TBA, or opinion as to how any of the above shall be undertaken or proposed to be undertaken, the actions, steps and opinion of the Proposal Trustee shall prevail.

10. Pursuant to Section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5 or Section 18(1)(o) of the *Personal Information Protection Act*, S.B.C. 2003, c. 63, TBA and the Proposal Trustee may disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors (collectively, “Potential Bidders”), but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a “Sale”). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Proposal Trustee, or in the alternative destroy all such information and provide proof of same. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by TBA, and shall return all other personal information to the Proposal Trustee, or ensure that all other personal information is destroyed, and provide proof of same.
11. From and after the date of this Order, all communications and information requests made by Potential Bidders will be made to the Proposal Trustee.
12. Except upon request by, or with the consent of, the Proposal Trustee, no director, officer or employee of TBA shall engage in any communications with any Potential Bidder regarding the Sales Process, an actual or potential bid for the assets of TBA, or any other matter relating to the Sale Process.

13. The Proposal Trustee shall incur no liability or obligation as a result of it carrying out the Sales Process, save and except in the event of any gross negligence or willful misconduct on its part.

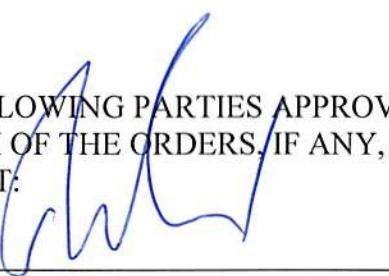
## SERVICE AND NOTICE

14. TBA and the Proposal Trustee be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to any of TBA's creditors or other interested parties at their respective addresses as last shown on the records of TBA and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.
15. TBA, the Proposal Trustee, and any party who has filed an Application Response may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsel's email addresses as recorded on the Service List from time to time.

## GENERAL

16. TBA or the Proposal Trustee may, from time to time, apply to this Honourable Court for advice and directions in connection with the Sales Process or the discharge of their powers and duties hereunder.
17. Endorsement of this Order by counsel appearing on this application, other than counsel for TBA, is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

  
 Signature of Jeremy D West  
 Solicitor for TBA Beverage Inc.

Digitally signed by  
 Fitzpatrick, J

By the Court.  
 Digitally signed by  
 Kristen Day

Registrar *in Bankruptcy*

**Schedule "A"- List of Counsel Appearing**

Jeremy D. West	Counsel for TBA Beverage Inc.

## SCHEDULE “B”

### SALES PROCESS

On April 14, 2020, TBA Beverage Inc. (“**TBA or the Company**”) filed a notice of intention to make a proposal (the “**NOI**”) under the *Bankruptcy and Insolvency Act* (the “**BIA**”).

The Sales Process Order and this Sales Process shall exclusively govern the process for soliciting and selecting bids for the sale of all or substantially all of the assets or business of TBA.

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.

#### **Defined Terms**

“*Bid Package*” means the package of information to be provided by the Proposal Trustee to each Potential Bidder, which shall describe the opportunity to acquire all or substantially all of the Company Property or to invest in the Company;

“*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;

“*Company Business*” means the business carried on by TBA;

“*Company Property*” means the property, assets and undertakings of TBA;

“*Court*” means the Supreme Court of British Columbia;

“*Investment Agreement*” means any agreement entered into for the purposes of making a financial investment in TBA.

“*Purchase Agreement*” means any agreement entered into for the purposes of purchasing of some or all of the Company Business or the Company Property.

“*Proposal Trustee*” means The Bowra Group Inc.;

“*Sale Proposal*” means an offer or proposal to purchase all or substantially all, or any specified portion, of the Company Property or the Company Business;

“*Sales Process*” means this Sales Process;

“*Sales Process Order*” means the Order of the Court pronounced May 13, 2020 approving this Sales Process and making other related orders and directions;

#### **Solicitation Process**

1. This Sales Process describes, among other things, the TBA property, assets and undertakings available for sale, the manner in which prospective bidders may gain access

to due diligence materials concerning TBA, the manner in which bids and investment offers are to be submitted, the receipt and negotiation of bids and investment offers received, the ultimate selection of one or more successful bids, and the approval thereof by the Court (collectively, the “Sales Process”).

2. The Proposal Trustee, acting as agent on behalf of, and with the assistance of, TBA shall conduct the Sales Process. In addition, the closing of any sale transaction may involve additional intermediate steps or transactions to facilitate completion of such sale or investment, including additional Court filings.
3. In the event that there is a disagreement or clarification required as to the interpretation or application of this Sales Process, the Sales Process Order or the responsibilities the Proposal Trustee, the Court will have the jurisdiction to hear such matters and provide advice and directions upon the application of TBA or the Proposal Trustee with a hearing on no less than two (2) Business Days’ notice.

**“As Is, Where Is”**

4. The sale of the Company Property and/or the Company Business will be on an “as is, where is” basis and without surviving representations, warranties, covenants or indemnities of any kind, nature or description by TBA, the Proposal Trustee, or any of their agents, advisors, professionals or otherwise, except to the extent expressly set forth in any relevant Purchase Agreement or Investment Agreement.

**“Free of any and all Claims and Interests”**

5. In the event of a sale, all of the rights, titles and interests of TBA in and to the property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, royalties and interests thereon and there against (collectively, the “Claims and Interests”) pursuant to approval and vesting orders made by the Court. Contemporaneously with such approval and vesting orders being made, all such Claims and Interests, 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 sale agreement with a Successful Bidder.

**Solicitation of Interest**

6. As soon as reasonably practicable, the Proposal Trustee will finalize a list of prospective purchaser and investor groups (the “Known Potential Bidders”) for an investment in TBA or the purchase of some or all of the Company Business or the Company Property. Such list will include parties who, in the Proposal Trustee’s reasonable business judgment, may be interested in acquiring the Company Business or the Company Property.
7. Commencing May 14, 2020 the Proposal Trustee shall deliver a Teaser Letter of the assets being offered for sale to the Known Potential Bidders, along with a copy of this Sales Process.

8. In addition, the Proposal Trustee may place advertising with such publications as it, in its reasonable business judgment, believes may assist in locating other interested parties.
9. Any prospective purchasers that contact the Proposal Trustee will be sent a blank confidentiality and non-disclosure agreement (the "NDA") in form and substance acceptable to the Proposal Trustee, which shall inure to the benefit of TBA and any purchaser of the Company Business or Company Property.

#### **Participation Requirements**

10. Unless otherwise ordered by the Court, in order to receive the Bid Package, conduct its due diligence and participate in the Sales Process, an interested party must deliver to the Proposal Trustee an executed NDA, and upon doing so each such interested party shall be deemed to be a "Potential Bidder".

#### **Due Diligence**

11. The Proposal Trustee will provide to each Potential Bidder a Bid Package, including a Confidential Information Memorandum ("CIM") prepared in consultation with TBA, describing the opportunity to acquire all, or substantially all, of the Company Business or the Company Property, or to invest in the Company.
12. Each Potential Bidder shall have such access to materials and information relating to the Company Property and the Company Business for the purpose of conducting due diligence as the Proposal Trustee, in its reasonable business judgment, deems appropriate. TBA and the Proposal Trustee shall not be obligated to furnish any due diligence information after the Bid Deadline.
13. TBA and the Proposal Trustee (and their respective officers, directors, employees, agents, counsel and professionals) are not responsible for, and will have no liability with respect to, any information obtained by any Known Potential Bidder, Potential Bidder or Qualified Bidder in connection with the Company Business or the Company Property. TBA and the Proposal Trustee (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 TBA to the extent expressly provided.
14. Prior to the Bid Deadline, the Proposal Trustee 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 TBA and the Proposal Trustee deem appropriate.

#### **Sale Bidding Process**

15. In order to qualify as a "Qualified Bidder", a Potential Bidder must deliver a Qualified Bid to the Proposal Trustee so as to be received by the Notice Parties no later than 4:00 p.m. PST on July 14, 2020 (the "Bid Deadline").

16. A Sale Proposal will be considered a "Qualified Bid" only if the Sale Proposal complies with all of the following:

- a. It includes a letter stating that the Sale Proposal is irrevocable until the earlier of the approval by the Court of a Successful Bid; and (b) 30 days following the Bid Deadline; provided however that if such Sale Proposal is selected as the Successful Bid it shall remain irrevocable until the closing of the Successful Bid;
- b. It includes a duly authorized and executed purchase and sale agreement (the "Purchase Agreement") substantially in a form to be approved by the Proposal Trustee (and delivered with the Bid Package) specifying the assets being purchased, the purchase price, how the purchase price is to be paid, and requiring a closing of the purchase transaction no later than 15 business days after court approval;
- c. It does not include any request or entitlement to any break-fee, expense reimbursement or similar type of payment;
- d. It includes evidence, satisfactory to the Proposal Trustee, 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 contemplated by the Sale Proposal;
- e. It is not conditioned on (i) the outcome of unperformed due diligence by the Potential Bidder; and/or (ii) 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 making its Sale Proposal;
- f. It fully discloses the identity of each entity that is bidding or otherwise that will be sponsoring or participating in the Sale Proposal, including the identification of the Potential Bidder's direct and indirect owners and their principals, and the complete terms of any such participation;
- g. It includes an acknowledgement and representation that the Potential Bidder will assume the obligations of the Company under any executory contracts and unexpired leases proposed to be assigned and, to the extent applicable, contains full details of the Potential Bidder's proposal for the treatment thereof; and it identifies with particularity any executory contract or unexpired leases the assumption and assignment of which is a condition to closing;
- h. 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/or the assets to be acquired and liabilities to be assumed in making its Sale Proposal; (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 assets to be acquired or liabilities to be assumed or the

completeness of any information provided in connection therewith, including by the Company, the Proposal Trustee or the Financial Advisor (and their respective officers, directors, employees, agents, counsel and professionals), 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 making its Sale Proposal; and (iv) has had the benefit of independent legal, tax, accounting and other relevant professional advice in connection with its Sale Proposal;

- i. It is accompanied by a refundable deposit (the “Deposit”), in a form and amount acceptable to the Proposal Trustee, to be held in accordance with paragraph 27;
  - j. It includes evidence, in form and substance reasonably satisfactory to the Proposal Trustee, of compliance or anticipated compliance with any and all applicable regulatory approvals (including regulatory approval from Liquor and Cannabis Regulation Branch and the requirements of the *Liquor Control and Licensing Act*, SBC 2015, c19) or the anticipated time frame for such compliance and any outstanding conditions or anticipated impediments for obtaining such approvals; and
  - k. It contains any other information reasonably requested by the Proposal Trustee.
17. Notwithstanding paragraphs 14 and 15, the Proposal Trustee 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.

#### **No Qualified Bids**

18. The Proposal Trustee, will assess the Qualified Bids received, if any, and will determine whether it is likely that the transactions contemplated by such Qualified Bids are likely to be consummated and whether proceeding with this Sales Process is in the best interests of the Company and its stakeholders. Such assessments will be made as promptly as practicable but no later than five (5) Business Days after the Bid Deadline.
19. If the Proposal Trustee determines that (a) no Qualified Bid was received, (b) at least one Qualified Bid was received but it is not likely that the transactions contemplated in any such Qualified Bids will be consummated; or (c) proceeding with this Sales Process is not in the best interests of the Company and its stakeholders, the Proposal Trustee shall forthwith (i) terminate this Sales Process; (ii) notify each Potential Bidder (including any Qualified Bidder(s)) that this Sales Process has been terminated; (iii) consult with the TBA’s stakeholders regarding TBA’s next steps; and (iv) report to the Court if it considers it appropriate to do so.
20. If the Proposal Trustee determines that (a) one or more Qualified Bids were received, (b) it is likely that the transactions contemplated by one or more of such Qualified Bids will be consummated, and (c) proceeding with this Sales Process is in the best interests of TBA and its stakeholders, this Sales Process will not be terminated and the Company, the Proposal Trustee, will proceed to negotiate with one or more of the Qualified Bidders in

an attempt to conclude a transaction by **July 22, 2020**.

### **Selection Criteria**

21. In selecting any bid, the Proposal Trustee will review each Qualified Bid. 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, items such as (a) the purchase price and the net value, including assumed liabilities or other obligations to be performed or assumed by the bidder; (b) the claims likely to be created by such bid in relation to the other bids; (c) the counterparties to the transaction; (d) the terms of the proposed Purchase Agreement and other transaction documents; (e) other factors affecting the speed, certainty and value of the transaction, including conditions and any regulatory approvals required to close the transaction; (f) the assets included or excluded from the bid and the transaction costs and risks associated with closing multiple transactions versus a single transaction for all or substantially all of the Company Property and/or the Company Business; (g) the estimated number of employees of the Company that will be offered post-closing employment by the bidder and any proposed measures associated with their continued employment; (h) the transition services required from the Company post-closing and any related restructuring costs; and (i) the likelihood and timing of consummating the transaction.
23. Upon the conclusion of the bidding, the Proposal Trustee 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**”). By **July 22, 2020** the Proposal Trustee will notify the Qualified Bidders of the identities of the Successful Bidder.
24. The Proposal Trustee, for and on behalf of the Company, 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 Company and the Proposal Trustee on and as of the date of approval of the Successful Bid by the Court.

### **Approval Hearing**

26. Within **five Business Days** of the date of the definitive agreement(s) with the Successful Bidder), the Company shall seek a hearing to be held on a date, no later than **July 27, 2020**, or such other date as the court may assign, (the “**Approval Hearing**”) to authorize TBA to enter into an agreement with the Qualified Bidder or in respect to the Successful Bid (the “**Approval Order**”). The Approval Hearing may be adjourned or rescheduled by the Proposal Trustee, in consultation with TBA, without further notice, by notice to

the service list maintained by TBA.

### **Deposits**

27. All Deposits shall be retained by the Proposal Trustee and invested in an interest-bearing trust account in a Schedule I Bank in Canada. Upon closing of the transaction with the Successful Bidder, the Deposit (plus accrued interest) paid by the Successful Bidder shall be released by the Proposal Trustee to TBA (and/or to other third parties as otherwise directed by Court Order) and applied to the purchase price to be paid by the Successful Bidder. The Deposits (plus applicable interest) of all Qualified Bidders not selected as the Successful Bidder shall be returned to such bidders within **five Business Days** of the date upon which the Successful Bid is approved by the Court. If the Sales Process is terminated in accordance with the terms in this document, all Deposits shall be returned to the bidders within **five Business Days** of the date upon which it is determined that this Sales Process is terminated.
28. If the Successful Bidder breaches its obligations to close, it shall forfeit its Deposit to TBA, 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 TBA has against such breaching entity, and the party holding the deposit shall be obligated to release the funds to TBA, subject to the claims of TBA's creditors.

### **Approvals**

29. For greater certainty, the approvals required pursuant to the terms of this Sales 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 Parties**

30. As used herein, the "Notice Party" is the Proposal Trustee and TBA. The addresses to be used for delivering documents to the Notice Party is as follows:

**The Bowra Group Inc.**  
Suite 430-505 Burrard St,  
Vancouver, BC V7X 1M3

Attention: Mario Mainella/Chris Bowra  
Email: [mmainella@bowragroup.com](mailto:mmainella@bowragroup.com)  
[cbowra@bowragroup.com](mailto:cbowra@bowragroup.com)

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

### **Reservation of Rights**

32. TBA, at the direction of the Proposal Trustee, and not in its sole discretion:

- a. may reject, at any time any bid that is (i) inadequate or insufficient; (ii) not in conformity with the requirements of the BIA, this Sales Process or any orders of the Court applicable to TBA; and/or (iii) contrary to the interests of TBA, its estate or stakeholders, as determined by TBA and the Proposal Trustee;
  - b. in accordance with the terms hereof, may impose additional terms and conditions and otherwise seek to modify this Sales Process at any time in order to maximize the results obtained;
  - c. in accordance with the terms hereof, may accept bids not in conformity with this Sales Process to the extent that TBA and the Proposal Trustee determine, in their reasonable business judgment, that doing so will benefit TBA, its estate and its stakeholders; and,
  - d. extend the deadlines contained in this Sales Process, provided that the Bid Deadline shall not be extended beyond July 14, 2020.
33. At or before the Approval Hearing, the Proposal Trustee may impose such other terms and conditions in the negotiation of a Purchase Agreement, as applicable, as the Proposal Trustee may, in consultation with TBA, determine to be in the best interest of TBA and its stakeholders, provided that such terms and conditions are not inconsistent with this Sales Process.
34. This Sales Process does not, and shall not be interpreted to, create any contractual or other legal relationship between TBA, the Proposal Trustee and any other party, other than as specifically set forth in definitive agreements that may be executed by TBA.

#### **No Amendment**

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

#### **Further Orders**

36. At any time during this Sales Process, TBA or the Proposal Trustee may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

## **APPENDIX C**

**Cash Flow for the period April 20, 2020 to August 30, 2020**

**TBA BEVERAGE INC.**  
In the Matter of the Notice of Intention to File a Proposal of TBA Beverage Inc.  
**Statement of Projected Cash flow**  
For the period April 20, 2020 to August 30, 2020