

Clerk' Stamp:

COURT / ESTATE FILE NUMBER 25 - 3038201

COURT 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 **APPLICATION**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT MILLER THOMSON LLP
525 – 8 Ave SW, 43rd Floor
Calgary, AB T2P 1G1

Attention: James W. Reid / Bryan A. Hosking

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File No.: 0276443.0001

NOTICE TO RESPONDENT(S):

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the application judge / judge.

To do so, you must be in Court when the application is heard as shown below:

Date February 12, 2024

Time 2:30 P.M.

Where Edmonton Courts Centre
To be held virtually via WebEx

Before Whom The Honourable Justice M.J. Lema

Go to the end of this document to see what else you can do and when you must do it.

Remedy claimed or sought:

1. The Applicant, Tool Shed Brewing Company Inc. ("**Tool Shed**" of the "**Company**") seeks an order substantially in the form attached hereto as **Schedule "A"**, among other things:
 - (a) abridging the time for service of this Application and the supporting materials, as necessary, and deeming service thereof to be good and sufficient;
 - (b) pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, (the "**BIA**"), extending the time by which Tool Shed may file a proposal to its creditors for a 45-day period from the date following the current deadline of March 1, 2024, up to and including 11:59 p.m. (local Calgary time) on April 15, 2024, or such other date as this Honourable Court may order;
 - (c) granting an Administration Charge (as defined below) over the assets and property of Tool Shed, in the amount of \$250,000, as security for the payment of professional fees and disbursements incurred and to be incurred by counsel for the Company, the Proposal Trustee, and counsel to the Proposal Trustee;
 - (d) authorizing the Company to borrow under a credit facility from 2582568 Alberta Inc. (the "**Interim Lender**") on the terms and subject to the conditions set forth in the interim financing term sheet between the Company and the Interim Lender (the "**Interim Loan Agreement**");
 - (e) granting an Interim Lender's Charge (as defined below) over the assets and property of Tool Shed, in the amount of \$300,000, in favour of the Interim Lender as security for the amounts advanced pursuant to the Interim Loan Agreement, plus interest, costs, and fees;
 - (f) approving the proposed sale and investment solicitation process (the "**SISP**") and authorizing and directing the Proposal Trustee, in consultation with the Company, to implement and carryout the SISP;
 - (g) approving the share purchase agreement (the "**Stalking Horse Agreement**") between the Company and 2582568 Alberta Inc. (the "**Stalking Horse Bidder**") as a stalking horse bid (the "**Stalking Horse Bid**") in connection with the SISP and approving the Break Fee as defined in the Stalking Horse Agreement; and

- (h) granting such further and other relief as counsel may request and this Honourable Court may deem appropriate.

Grounds for making this Application:

General

2. Tool Shed is insolvent, and on January 31, 2024 (the “**Filing Date**”), it filed a Notice of Intention to Make a Proposal pursuant to Section 50.4 the BIA (the “**NOI**”). KPMG Inc. was assigned as proposal trustee (the “**Proposal Trustee**”) in respect of these proposal proceedings (the “**NOI Proceedings**”).
3. Tool Shed is a body corporate incorporated pursuant to the laws of the Province of Alberta, having its registered office in the City of Calgary, Alberta.
4. Tool Shed has been brewing craft beer for the last 11 years and specializes in alcoholic and non-alcoholic beverages.
5. Tool Shed employs approximately 20 full-time and part-time staff. It leases its premises in the Franklin Industrial Area of Calgary where it operates (the “**Taphouse**”).
6. Tool Shed’s products are located in approximately 750 retailers and offered by 190 off-premise customers, such as restaurants, bars, pubs, and other establishments that serve alcoholic beverages. Tool Shed’s products have been carried in retail stores such as Ace Liquor, Liquor Depot, Wine & Beyond, Sobeys, and Calgary Co-ops.
7. In addition to servicing the Alberta market, Tool Shed also supplies its product to BC Liquor Stores, an entity controlled by the Liquor and Distribution Branch of the province of British Columbia.
8. Further, the Company distributes its beverages in the provinces of Saskatchewan and Manitoba.
9. In order to be able to produce and distribute its alcoholic beverages, Tool Shed holds a number of licenses and permits, including permits issued by the Alberta Gaming, Liquor, and Cannabis Commission (the “**AGLC**”), as well as licenses from British Columbia, Saskatchewan, and Manitoba (the “**Licenses and Permits**”). These Licenses and Permits are non-assignable and are crucial in order for Tool Shed to operate its business.

Background to the Company's Insolvency and Attempts to Restructure

10. Tool Shed is a seasonal business, with revenue peaking in the late spring through summer, and beginning to decline in the winter. As a result of its seasonality, cash flow management is an important component of the business.
11. Tool Shed's operating funds are mainly derived from wholesale revenue in the Western Canadian Provinces, as well as sales made direct to consumer at the Taphouse. Tool Shed's revenues are insufficient to maintain operations in light of its significant current and ongoing debt obligations.
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 as well as its main credit facility with ATB Financial maturing.
13. Tool Shed attempted to obtain refinancing from financial institutions to payout the ATB Facility, but was unsuccessful. As a result, Tool Shed relied on individual investors to obtain the capital needed to finance its ongoing operations.

Judgment Creditors

14. A number of creditors have obtained judgment against Tool Shed. In March of 2023, one of those creditors garnished certain funds which resulted in Tool Shed being unable to sustain operations. Through negotiations with certain creditors, on March 23, 2023, the Court ordered the release the majority of the garnished funds to Tool Shed, subject to certain terms and conditions (the "**March 2023 Order**").
15. On January 25, 2023, Tool Shed received correspondence from legal counsel for 2086017 Alberta Ltd., serving Tool Shed with a Financial Statement of Corporate Debtor (form 14), pursuant to section 35.10 of the *Civil Enforcement Regulation*, Alta Reg 296/1995. The January 25, 2023 letter required Tool Shed to complete the Financial Statement of Corporate Debtor (form 14) within 15 days of being served.

Amounts Due and Owing to CRA on Account of Source Deductions and the Requirement to Pay

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. 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 immediately due and owing.
18. 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. On Monday January 29, 2024, the AGLC advised Tool Shed that it received a Requirement to Pay notice issued by the CRA (the “**Requirement to Pay**”). The effect of this Requirement to Pay essentially halted all incoming revenue to Tool Shed. Without the funds held by the AGLC being released, Tool Shed does not have the necessary funds to cover payroll and operating expenses.
20. As a result of the AGLC receiving the Requirement to Pay, Tool Shed is bringing an emergency Application returnable February 5, 2024, seeking the release of funds held by AGLC and subject to the Requirement to Pay.

Tool Shed is Insolvent

21. Tool Shed does not have the necessary liquidity to repay the CRA Debt or fund its ongoing operations.
22. This is compounded by the fact that Tool Shed owes certain lenders and investors (exclusive of accounts payable liabilities), approximately \$2,750,519.94.
23. As at January 25, 2024, Tool Shed is indebted to its trade creditors in the approximate amount of \$1,097,853.94.
24. As at November 30, 2023, Tool Shed’s balance sheet reflects assets in the amount of \$1,200,740.53 and liabilities in the amount of \$5,011,947.67.

Pre-Filing Sales Process

25. Shortly following the March 2023 Order, Tool Shed, in consultation with its creditors, carried out an out-of-court sale and investment solicitation process (the “**Initial SISP**”). The purpose of the Initial SISP was to restructure Tool Shed’s debt load, find a purchaser, or find an equity partner to pay out short-term outstanding debts.

26. During the Initial SISP, Tool Shed retained B. Riley Farber Inc., a business advisory group, to assist with the Initial SISP.
27. The Initial SISP opportunity relating to Tool Shed was advertised through “Insolvency Insider” and its e-mail distribution list. In addition to the advertisements in Insolvency Insider, Tool Shed sent out an “opportunity teaser” to a number of potentially interested parties.
28. During the Initial SISP, there were 6 expressions of interest, and only a single party, Four Horsemen Ventures Inc., put forward a non-binding LOI (the “**Four Horsemen LOI**”).
29. The Four Horsemen LOI did not receive the support of Tool Shed’s secured creditors.
30. The Initial SISP was terminated in September of 2023 when it was terminated as no agreement could be reached to implement the Four Horsemen LOI.

Conversion Attempts

31. Despite the Initial SISP not resulting in a transaction which the creditors of Tool Shed supported, Tool Shed retained James Costello as interim Chief executive Officer to continue the Company’s attempts to raise funds and work with stakeholders.
32. On December 22, 2023, after numerous discussions and negotiations with stakeholders, Mr. Costello circulated a debt settlement proposal (the “**Debt Settlement Agreement**”) to its creditors, which proposed the conversion of certain of Tool Shed’s unsecured debt to equity holdings in the Company.
33. The Debt Settlement Agreement would have seen the forgiveness of 100% of the total unsecured debt, with 15% of the amounts owing to unsecured creditors being repaid in the form of Class A common shares in the share capital of the Company at a deemed price per share of \$54.59.
34. Numerous discussions also took place with Tool Shed’s secured creditors relating to a debt to equity conversion or compromise of their secured claims.
35. Despite the attempts to restructure Tool Shed’s balance sheet following the Initial SISP, the necessary thresholds required to make the Debt Settlement Agreement successful was not met, and the proposal failed.

Proposed Sale and Investment Solicitation Process

Framework for SISP

36. 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, the only way to save Tool Shed as an operating business and to maximize value for stakeholders is to restructure or complete a sale of its assets through a Court supervised process.
37. Given the extensive canvassing of interest that took place during the Initial SISP, and the limited pool of potential investors interested in micro-breweries, a truncated SISP is appropriate in the circumstances.
38. The key milestones in the SISP are as follows:

Milestone	Deadline
Commencement of the SISP	February 12, 2024
Bid Deadline (12:00 p.m. MDT)	March 11, 2024
Notice of Auction (if any)	March 13, 2024
Auction (if any)	March 19, 2024
Approval Application	April 15, 2024
Closing Date	April 26, 2024

Stalking Horse Bid

39. The Stalking Horse Bid has been entered into in order to set a floor price in the SISP, which will see, at a minimum, among other things, the obligations owing to the CRA and the priority charges granted in this proceeding assumed and satisfied within a few months of closing.
40. The Stalking Horse Bidder is an entity controlled by the Chief Executive Officer of Tool Shed, Mr. Costello.
41. Due to the nature of the Licences and Permits, which are non-transferable and are essential to the operations of the business, the Stalking Horse Agreement is structured as a reverse-vesting share purchase transaction.
42. In the event that a more favourable bid is received as part of the SISP, the Stalking Horse Agreement entitles the Stalking Horse Bidder to a break-fee in the amount of \$50,000.

Court Ordered Charges

Administration Charge

43. The Company seeks a charge over the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof ("**Property**") in favour of the Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Company to secure payment of their respective professional fees and disbursements incurred in connection with services rendered in respect of the Company up to a maximum amount of \$250,000 (the "**Administration Charge**").
44. The Administration Charge is proposed to rank ahead of and have priority over all encumbrances, including all security interests, trusts, deemed trusts, liens, charges and encumbrances, claims of secured creditors statutory or otherwise, in favour of any person, as well as any other Court-ordered charges against the Company.
45. The Company requires the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these proceedings
46. The Proposal Trustee is of the view that the Administration Charge is fair and reasonable in the circumstances and will provide the necessary assurances and protections to the professionals assisting the Company through the insolvency process.

Interim Loan Facility and Interim Lender's Charge

47. The Company will require interim financing to fund these proceedings in addition to its ordinary course operations over the course of the NOI Proceedings.
48. The Company entered into the Interim Loan Agreement with the Interim Lender, which provides for a credit facility up the principal amount of \$250,000 with interest which accrues at 12% per annum (the "**Interim Loan Facility**").
49. The Company's cash flow forecast indicates that it urgently requires the Interim Loan Facility to ensure that it has the liquidity required to meet its ongoing obligations during the NOI Proceedings, carry out the SISP, and close a transaction for the benefit of stakeholders.

50. It is a term of the Interim Loan Agreement that advances are conditional upon the Court granting a priority charge over the Property in order to provide adequate security for the amounts drawn by Tools Shed on the Interim Loan Facility.
51. The Company is seeking the approval of a charge up to a maximum amount of \$300,000 over the Property in favour of the Interim Lender, to secure the amounts borrowed under the Interim Loan Facility (the “**Interim Lender’s Charge**”) plus costs and interest.
52. The Interim Lender’s Charge is proposed to rank ahead of all encumbrances and Court Ordered charges against the Company, with the exception of the Administration Charge.
53. The Proposal Trustee is of the view that the Interim Lender’s Charge is fair and reasonable in the circumstances and will provide the funds necessary to continue operations and carry out the SISP and close a transaction, whether it is the Stalking Horse Bid or a superior offer.

Charge Priorities

54. The Company is of the view, with the support of the Proposal Trustee, that the quantum of the Administration Charge and the Interim Lender’s Charge, (collectively, the “**Charges**”) are appropriate given the anticipated complexity of these proceedings.
55. The priorities of the Charges as among them, are proposed by the Company with the support of the Proposal Trustee to be as follows:
 - (a) First – the Administration Charge; and
 - (b) Second – the Interim Lender’s Charge.

Extension of Time to File Proposal

56. The Company is acting in good faith and with due diligence in pursuing the SISP for the general benefit of its creditors and other stakeholders.
57. Unless the Company receives an extension of time for filing a proposal, the deadline for the Company to file a proposal with the official receiver expires on March 1, 2024.
58. The proposed extension of time to file a proposal will give the Company time to complete the SISP and bring an application before this Court for approval of a transaction or transactions derived from the SISP that are intended to preserve the going concern business of the Company, and maximize the value of the Company.

59. The Company has reserved Court time on April 15, 2024 at 2:00 pm, for approval of a transaction pursuant to the SISP.

60. No creditors will be materially prejudiced by the requested extension.

Material or evidence to be relied on:

61. Affidavit of James Costello, sworn February 5, 2024, to be filed.

62. First Report of the Proposal Trustee, to be filed.

63. Bench Brief of the Company, to be filed.

64. Such further and other materials as counsel may advise and this Honourable Court may permit.

Applicable Acts and regulations:

65. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, ss. 50.4(8), 50.4(9), , 50.6., 64.2, 65.13(4).

66. *Alberta Rules of Court*, Alta Reg 124/2010.

Any irregularity complained of or objection relied on:

67. None.

How the application is proposed to be heard or considered:

68. On the Commercial List, via WebEx before the Honourable Justice M.J. Lema.

WARNING

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.

Schedule "A"
Proposed Form of Order

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

Clerk's Stamp

DOCUMENT **ORDER**

ADDRESS FOR SERVICE AND
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FILING THIS DOCUMENT MILLER THOMSON LLP
525 – 8 Ave SW, 43rd Floor
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Attention: James W. Reid / Bryan A. Hosking

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Fax: 403.262.0007

Email: jwreid@millerthomson.com /
bhosking@millerthomson.com

File No.: 0276443.0001

DATE ON WHICH ORDER WAS PRONOUNCED: February 12, 2024

LOCATION WHERE ORDER WAS PRONOUNCED: Edmonton, Alberta

NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice M.J. Lema

UPON THE APPLICATION by Tool Shed Brewing Company Inc. (the "**Company**") for an order: (i) extending the time by which the Company may file a proposal to its creditors; (ii) granting the Administration Charge (defined below); (iii) approving the execution of a Interim Loan Agreement between 2582568 Alberta Inc. (the "**Interim Lender**"), as lender, and the Company, as borrower, whereby the Interim Lender will, among other things, extend interim financing to the Company; (iv) granting the Interim Lender's Charge (defined below); (v) approving the stalking horse sales and investment solicitation process (the "**SISP**"), including the share purchase agreement between 2582568 Alberta Inc. (the "**Stalking Horse Bidder**"), as purchaser, and the

Company, as vendor, ("**Stalking Horse Agreement**") acting as a stalking horse bid therein; and (vi) approving the Break Fee as defined in the Stalking Horse Agreement;

AND UPON HAVING READ Affidavit No. 2 of James Costello sworn February 5, 2024 (the "**Second Costello Affidavit**"), the First Report (the "**First Report**") of KPMG INC in its capacity as proposal trustee (the "**Proposal Trustee**") dated February 5, 2024, and the Affidavit of Service of Marica Ceko sworn February 5, 2024;

AND UPON HEARING the submissions of counsel for the Company, the Proposal Trustee and its counsel, counsel to the Interim Lender, and counsel to any other party appearing at the Application;

IT IS HEREBY ORDERED AND DECLARED THAT:

DEFINED TERMS

1. Capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them in the First Report.

SERVICE

2. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application, and time for service of this application is abridged to that actually given.

EXTENSION OF THE PROPOSAL PERIOD

3. Pursuant to subsection 50.4(9) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, (the "**BIA**"), the time for filing a proposal with the Official Receiver in the proceedings of the Company, including the stay of proceedings, is extended up to and including April 15, 2024.

ADMINISTRATION CHARGE

4. The Proposal Trustee, counsel to the Proposal Trustee, and counsel to the Company, as security for the professional fees and disbursements incurred both before and after the granting of this Order, shall be entitled to the benefits of and are hereby granted a charge (the "**Administration Charge**") on the Company's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof ("**Property**"), which charge shall not exceed an aggregate amount of \$250,000, as

security for their professional fees and disbursements incurred at the normal rates and charges of the Proposal Trustee and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 11 and 13 hereof.

INTERIM FINANCING

5. The Company is hereby authorized and empowered to obtain and borrow under a credit facility (the “**Interim Loan Facility**”) from the Interim Lender to finance the Company’s working capital requirements and other general corporate purposes and capital expenditures as described in the interim financing term sheet between the Company and the Interim Lender (the “**Interim Loan Agreement**”), provided that borrowings under such credit facility shall not exceed the principal amount of \$250,000 plus interest, unless permitted by further Order of this Court.

6. The Interim Lending Facility shall be on the terms and subject to the conditions set forth in the Interim Loan Agreement, subject to such minor amendments as may be acceptable to the Company and the Interim Lender, with the approval of the Proposal Trustee.

7. The Interim Lender shall be entitled to the benefit of, and is hereby granted, a charge (the “**Interim Lender’s Charge**”) on the Property as security for the Company’s obligations to the Interim Lender under the Interim Loan Agreement, which Interim Lender’s Charge shall not exceed the principal amount of \$300,000. The Interim Lender’s Charge shall secure advances made both before and after the making of this Order in respect of these proceedings. The Interim Lender’s Charge shall have the priority set out in paragraphs 11 and 13 hereof.

8. Notwithstanding any other provision of this Order or sections 69 and 69.1 of the BIA:

- (a) the Interim Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the Interim Lender’s Charge;
- (b) upon the occurrence of an event of default under the Interim Loan Agreement, the Interim Lender, upon seven business days’ written notice to the Company and the Proposal Trustee, may exercise any and all of its rights and remedies against the Company or the Property under or pursuant to the Interim Loan Agreement and the Interim Lender’s Charge, including, without limitation, to cease making advances to the Company and set off and/or consolidate any amounts owing by the Interim Lender to the Company against the obligations of the Company to the Interim Lender under the Interim Loan Agreement or the Interim Lender’s Charge, to make demand,

accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager, or interim receiver, or for a bankruptcy order against the Company and for the appointment of a trustee in bankruptcy of the Company provided however that the Interim Lender may not appoint a receiver or receiver and manager without further order of this Court; and

- (c) the foregoing rights and remedies of the Interim Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Company or the Property.

9. The Interim Lender shall be treated as unaffected in any proposal filed by the Company under the BIA with respect to any advances made under the Interim Loan Agreement.

10. The Company is immediately authorized to borrow funds under the Interim Loan Facility in accordance with the Interim Loan Agreement and the Interim Lender shall have the benefit of the Interim Lender's Charge and all other provisions of this Order in respect of all amounts so advanced.

PRIORITY AND VALIDITY OF CHARGES

11. The priorities of the Administration Charge and the Interim Lender's Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$250,000); and

Second – Interim Lender's Charge (to the maximum amount of \$300,000).

12. The filing, registration or perfection of the Charges shall not be required, and the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

13. The Charges shall constitute a charge on the Property and the Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any individual, firm, corporation, governmental body or agency or any other entities (all of the foregoing, collectively being "**Persons**", and individually, a "**Person**").

14. Except as otherwise expressly provided for herein, or as may be approved by this Court, the Company shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with the Charges unless the Company also obtains the prior written consent of the Proposal Trustee and the beneficiaries of the Charges, or further Order of this Court.

APPROVAL AND DESIGNATION OF THE STALKING HORSE AGREEMENT

15. The execution of the Stalking Horse Agreement by the Company is hereby authorized and approved, and the Company is authorized and directed to take such additional steps and execute such additional documents and make such minor amendments to the Stalking Horse Agreement as may be necessary or desirable for the completion of the terms of the Stalking Horse Agreement, in all cases subject to the terms of this Order.

16. The Company is hereby authorized to use the Stalking Horse Agreement as the “stalking horse bid” in the SISP (the “**Stalking Horse Bid**”). For greater certainty, nothing in this Order approves the transactions contemplated in the Stalking Horse Agreement and that, if the Stalking Horse Agreement is the successful bid under the SISP, the approval of the transactions contemplated in the Stalking Horse Agreement shall be considered by this Court on a subsequent application made to this Court following completion of the SISP.

17. The Break Fee as defined in the Stalking Horse Agreement is hereby approved.

APPROVAL OF THE SISP

18. The SISP substantially in the form attached as Schedule A is commercially reasonable and is hereby ratified and approved.

19. The Company and the Proposal Trustee are hereby authorized and directed to do all things reasonably necessary to implement, conduct and give full effect to the SISP and carry out the obligations thereunder, including taking any additional steps or executing additional documents as may be necessary or desirable in order to carry out and complete the SISP and a transaction or transactions thereunder.

20. In connection with the SISP and pursuant to section 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), the Company and the Proposal Trustee are authorized and permitted to disclose personal information of identifiable individuals to prospective purchasers or offerors and to their advisors, but only to the extent desirable or required to negotiate and attempt to completed one or more transactions (each, a “**Transaction**”). Each

prospective purchaser or offeror to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Company or the Proposal Trustee; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so. The purchase 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 the Company, and shall return all other personal information to the Company or the Proposal Trustee or ensure that other personal information is destroyed.

21. In the event no superior offers are received in the SISP or if the Stalking Horse Bid is the successful bid in the SISP, either the Company or the Proposal Trustee are authorized to apply to this Court for approval of the Transaction with the Stalking Horse Bidder.

22. In the event a superior bid is received in the SISP, either the Company or the Proposal Trustee shall be at liberty to apply for an Order vesting title to the purchased assets in the name of the successful bidder, or such other Order as may be required by the Transaction and in accordance with the SISP.

23. The Company is authorized to apply to this Court for advice and directions in connection with the SISP.

GENERAL

24. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere, to give effect to this Order and to assist the Company, the Proposal Trustee, and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Company and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist the Company and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

25. Each of the Company and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory, or administrative body, wherever located,

for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Proposal Trustee is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

26. This Order is effective from the date that it is made and is enforceable without any need for entry and filing.

Justice of the Court of King's Bench of Alberta

SCHEDULE "A"

SALE AND INVESTMENT SOLICITATION PROCESS

Sale and Investment Solicitation Process

Introduction

1. On January 31, 2024, Tool Shed Brewing Company Inc. (the “**Company**”) filed a Notice of Intention to Make a Proposal (“**NOI**”) pursuant to s 50.4 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”) in Estate No. 25-3038201 (the “**NOI Proceeding**”).
2. KPMG Inc. is the proposal trustee for the Company in the NOI Proceeding (in such capacity, the “**Proposal Trustee**”).
3. It is anticipated that on February 12, 2024, the Company will apply to the Court of King’s Bench of Alberta (the “**Court**”) for an Order that, among other things: (a) approves this sale and investment solicitation process (the “**SISP**”), and (b) authorizes the execution by the Company of the stalking horse share purchase agreement between the Company and the Stalking Horse Bidder (as defined below) (the “**Stalking Horse Agreement**”) as the stalking horse bid for the purpose of conducting the SISP (the “**SISP Order**”).
4. The purpose of the SISP is to identify one or more financiers, purchasers of, and/or investors in the Company, the Business, and/or Property (each as defined below) to make an offer that is superior to the offer contemplated by the Stalking Horse Agreement, and to complete the transactions contemplated by any such offer, or by the Stalking Horse Agreement if no other offers are accepted.
5. This document (the “**SISP Procedures**”) outlines the SISP, which is comprised of one bidding phase and an auction, if required.
6. In this regard, the Proposal Trustee will conduct the SISP described herein with the assistance of, and in consultation with, the Company, and with the approval of the Court before any material sale or refinancing.
7. All dollar amounts expressed herein, unless otherwise noted, are in Canadian currency. Unless otherwise indicated herein, any event that occurs on a day that is not a Business Day shall be deemed to occur on the next Business Day.

Defined Terms

8. All capitalized terms used but not otherwise defined herein shall have the meanings given to them in the SISP Order and the Stalking Horse Agreement. In addition, in these SISP Procedures:
 - (a) “**Administration Charge**” has the meaning set forth in the Interim Financing Term Sheet;
 - (b) “**Assumed Liabilities**” has the meaning set forth in the Stalking Horse Agreement;
 - (c) “**Break Fee**” means the sum of \$50,000 (inclusive of GST, if any), which shall be paid to the Stalking Horse Bidder in the circumstances described herein;
 - (d) “**Business**” means on going operations, assets, and undertakings of the Company;

- (e) **“Business Day”** means a day on which banks are open for business in Calgary, Alberta, but does not include a Saturday, Sunday or statutory holiday in the Province of Alberta;
- (f) **“Closing Date”** means April 26, 2024, or such other date as the Company, the Proposal Trustee, and the Successful Bidder may agree, acting reasonably;
- (g) **“CRA”** means Canada Revenue Agency;
- (h) **“CRA Debt”** means source deductions owing by the Company to CRA, currently estimated at \$571,091.70;
- (i) **“Interim Lender”** means 2582568 Alberta Inc.;
- (j) **“Interim Lender’s Charge”** has the meaning set forth in the Interim Financing Term Sheet;
- (k) **“Interim Financing Term Sheet”** means the interim financing term sheet between the Company and the Interim Lender, dated February 5th, 2024;
- (l) **“Investment Proposal”** has the meaning given to it at paragraph 23;
- (m) **“Minimum Incremental Overbid”** means a cash (or a non-cash equivalent) value of at least \$20,000;
- (n) **“Property”** means all, substantially all, or certain of the assets, property, and undertakings of the Company;
- (o) **“Purchase Price”** has the meaning set forth in the Stalking Horse Agreement;
- (p) **“Purchased Shares”** has the meaning set forth in the Stalking Horse Agreement;
- (q) **“Recoverable Expenses”** has the meaning set forth in the Interim Financing Term Sheet;
- (r) **“Retained Assets”** has the meaning set forth in the Stalking Horse Agreement;
- (s) **“Sale Proposal”** has the meaning given to it at paragraph 23;
- (t) **“Stalking Horse Bidder”** means 2582568 Alberta Inc.;
- (u) **“Successful Bid”** shall have the meaning given to it in Section 35; and
- (v) **“Superior Offer”** means a credible, reasonably certain and financially viable third party offer for the investment in, or acquisition of some or all of the Property, the Company, or the Business, the terms of which offer are, in the determination of the Proposal Trustee, in consultation with the Company, no less favourable and no more burdensome or conditional than the terms contained in the Stalking Horse Agreement, and which at a minimum includes: (i) payment in cash of the Purchase Price, the Recoverable Expenses, the Break Fee, one Minimum Incremental Overbid, any amounts outstanding under the Administration Charge and Interim

Lender's Charge at the closing of such transaction; and (ii) assumption or satisfaction of the Assumed Liabilities.

Stalking Horse Agreement

9. The Company has entered into the Stalking Horse Agreement with the Stalking Horse Bidder, pursuant to which, if there is no Successful Bid (as defined below) from a party other than the Stalking Horse Bidder, the Stalking Horse Bidder will, by virtue of and in accordance with the transactions set out in the Stalking Horse Agreement, acquire (directly or indirectly) the Post-Consolidation Shares and indirectly the Retained Assets, and Assumed Liabilities through acquiring ownership of the Company.
10. The Stalking Horse Agreement is attached hereto as **Schedule "A"**.

Opportunity

11. As stated above, the SISP is intended to solicit interest in, and opportunities for, the sale of, or investment in, the Business, the Property, or the Company (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Company as a going concern, or a sale of all, substantially all, or one or more components of the Company's Property and Business as a going concern or otherwise.

"As Is, Where Is"

12. Except to the extent otherwise set forth in a definitive sale or investment agreement with a Successful Bidder (as defined herein), the sale of the Business or all or any part of the Property or an investment in the Company will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Proposal Trustee, the Company, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Company in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders.

Timeline

13. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Commencement of the SISP	February 12, 2024
Bid Deadline (12:00 p.m. Calgary time)	March 11, 2024
Notice of Auction (if any)	March 13, 2024
Auction (if any)	March 19, 2024
Approval Application	April 15, 2024, or as soon as reasonably practicable
Closing Date	April 26, 2024

The dates set out in the SISP may be extended by the Proposal Trustee, in consultation with the Company.

SOLICITATION OF INTEREST: NOTICE OF THE SISP

14. As soon as reasonably practicable after the approval of the SISP by the Court:
 - (a) the Proposal Trustee will arrange for a notice of the SISP (and such other relevant information which the Proposal Trustee, in consultation with the Company, considers appropriate) (the “**Notice**”) to be published in *Insolvency Insider* and any industry publication, website, newspaper, or journal as the Proposal Trustee, in consultation with the Company, considers appropriate, if any; and
 - (b) the Proposal Trustee, in consultation with the Company, will prepare:
 - (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and
 - (ii) a non-disclosure agreement in form and substance satisfactory to the Company and the Proposal Trustee, and their respective counsel (an “**NDA**”).
15. The Proposal Trustee shall send the Teaser Letter to any party who requests a copy of the Teaser Letter and NDA or who is identified to the Company or the Proposal Trustee as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

SEEKING QUALIFIED BIDS FROM QUALIFIED BIDDERS

Qualified Bidders

16. Any party who wishes to participate in the SISP (each, a “**Potential Bidder**”) must deliver to the Company and the Proposal Trustee on or before the Bid Deadline, unless the Proposal Trustee confirms to such Potential Bidder that the below documents were already provided to the satisfaction of, or are already available to, the Company and the Proposal Trustee:
 - (a) an executed NDA which shall inure to the benefit of any investor or purchaser of the Business or Property, or any portion thereof. If the Potential Bidder has previously delivered an NDA and letter of this nature to the Company or Proposal Trustee and the NDA remains in effect, the Potential Bidder is not required to deliver a new NDA or letter pursuant to this section unless otherwise requested by the Proposal Trustee;
 - (b) a letter setting forth the Potential Bidder’s (i) identity, (ii) contact information and (iii) full disclosure of its direct and indirect principals; and

- (c) a form of financial disclosure and credit quality support or enhancement that allows the Company and the Proposal Trustee to make a reasonable determination as to the Potential Bidder's financial and other capabilities to close the contemplated transaction on or before the Closing Date and provide adequate assurance of future performance of all obligations to be assumed in such contemplated transaction.
- 17. If the Company, in consultation with the Proposal Trustee, determine that a Potential Bidder has:
 - (a) delivered the documents contemplated in paragraph 16 above; and
 - (b) the financial capability based on the availability of financing, experience and other considerations, to be able to consummate the contemplated transaction,then such Potential Bidder will be deemed to be a "**Qualified Bidder**". For greater certainty, no Potential Bidder shall be deemed to be a Qualified Bidder without the approval of the Proposal Trustee, in consultation with the Company.
- 18. At any time during the SISP, the Company may, in its reasonable business judgment and after consultation with the Proposal Trustee and with the consent of the Proposal Trustee, eliminate a Qualified Bidder from the SISP, in which case such bidder will be eliminated from the SISP.
- 19. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Company.

Due Diligence

- 20. The Proposal Trustee, in consultation with the Company, shall in its reasonable business judgment and subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence material and information relating to the Property and Business as it or the Company deems appropriate. Due diligence access may include management presentations, access to electronic data rooms, on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Company, in its reasonable business judgment and after consulting with the Proposal Trustee, may agree.
- 21. Neither the Company nor the Proposal Trustee make any representations or warranty as to the information to be provided through the due diligence process or otherwise, regardless of whether such information is provided in written, oral or any other form, except to the extent otherwise contemplated under any definitive sale agreement with a Successful Bidder executed and delivered by the Company and approved by the Court.
- 22. The Proposal Trustee shall designate a representative to coordinate all reasonable requests for additional information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Neither the Company nor the Proposal Trustee shall be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders. Furthermore, and for the

avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Company, in consultation with and with the approval of the Proposal Trustee, determine such information to represent proprietary or sensitive competitive information.

Qualified Bids

23. A Potential Bidder that wishes to make an offer to: (a) acquire the Business or all, substantially all or any part of the Property, including any offer to acquire some or all of the Company's intellectual property, manufacturing equipment, accounts receivable and furniture, fixtures and equipment (a "**Sale Proposal**"), or (b) make an investment in the Company by way of private issuances, sale or placement of newly issued or treasury equity, equity-linked or debt securities, instruments or obligations of the Company with one or more lenders and/or investors or security holders (an "**Investment Proposal**"), must deliver written copies of a final, binding proposal (the "**Bid**") that complies with all of the Qualified Bid requirements to the Proposal Trustee and the Company at the addresses specified in **Schedule "B"** hereto (including by e-mail) so as to be received by them on or before the Bid Deadline.
24. A Bid will be considered a Qualified Bid only if it is submitted by a Qualified Bidder and the Bid complies with, among other things, the following (a "**Qualified Bid**"):
 - (a) Timing: it is submitted on or before the Bid Deadline;
 - (b) Sale Proposal: in the case of a Sale Proposal, it contains the following:
 - (i) a duly authorized and executed definitive and binding asset purchase agreement, together with all completed schedules thereto, which includes all or substantially all of the material terms and conditions of the transaction, including identification of the Business or the Property to be acquired, the obligations to be assumed, the purchase price for the Business or Property to be acquired in Canadian dollars, and key assumptions supporting the valuation;
 - (ii) a specific indication of the financial capability of the Qualified Bidder and the structure and financing of the transaction; and
 - (iii) any other terms or conditions of the Sale Proposal that the Qualified Bidder believes are material to the transaction;
 - (c) Investment Proposal: in the case of an Investment Proposal, it contains the following:
 - (i) a duly authorized and executed binding term sheet which includes all or substantially all of the material terms and conditions of the proposed transaction, including details regarding the proposed equity and debt structure of the Company following completion of the proposed transaction, the direct or indirect investment target and the aggregate amount of equity and debt investment (including from sources of such capital, the underlying assumptions regarding the *pro forma* capital structure, as well as anticipated tranches of debt, debt service fees, interest and amortization)

to be made in the Company, and the debt, equity, or other securities, if any, proposed to be allocated to creditors of the Company; and

- (ii) any other terms or conditions of the Investment Proposal that the Qualified Bidder believes are material to the transaction;
 - (d) Deposit: it is accompanied by a cash deposit in an amount equal to 15% of the purchase price (in the case of a Sale Proposal) or imputed value (in the case of an Investment Proposal) that shall be paid to the Proposal Trustee in trust, to be held and dealt with in accordance with this SISP;
 - (e) Irrevocable Bid: it contains a letter stating that the Bid is irrevocable until Court approval of the Successful Bid;
 - (f) Financial Commitment: it provides written evidence of a firm, irrevocable financial commitment for all required funding or financing, or other evidence of ability to consummate the proposed transaction;
 - (g) Identification: it fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is participating in or benefiting from such bid;
 - (h) No Collusion: it provides a written confirmation that the Qualified Bidder has not engaged in any collusion with any other bidder;
 - (i) Authorization: it contains evidence of authorization and approval from the Qualified Bidder's board of directors (or comparable governing body);
 - (j) No Break or Termination Fee: it does not include any request for or entitlement to any break fee or termination fee, expense reimbursement or similar type of payment, and confirmation that it shall be responsible for all of its costs and expenses associated with conducting due diligence and submitting a Bid;
 - (k) Unconditional Bid: it is not conditional upon:
 - (i) the outcome of unperformed due diligence by the Qualified Bidder;
 - (ii) obtaining financing; or
 - (iii) any other material closing conditions;
 - (l) Superior Offer: the bid constitutes a Superior Offer; and
 - (m) Closing Date: it contemplates closing the transaction set out therein on or before April 26, 2024.
25. All Bids will be considered, but the Proposal Trustee, in consultation with the Company, reserves the right to reject any and all Bids in its sole discretion.
26. Notwithstanding anything else in these SISP Procedures, the Stalking Horse Bidder is deemed to be a Qualified Bidder and the Stalking Horse Agreement is deemed to be a

Qualified Bid for all purposes and at all times. No deposit is required in connection with the Stalking Horse Agreement.

No Qualified Bids

27. If none of the Qualified Bids received by the Proposal Trustee constitute a Superior Offer, the Stalking Horse Bidder shall be declared the Successful Bidder and the Stalking Horse Agreement shall be declared the Successful Bid.

If a Superior Offer is Received

28. Following the Bid Deadline, the Proposal Trustee, in consultation with the Company, will assess the Qualified Bids.
29. If the Proposal Trustee, in consultation with the Company, determines that one or more of the Qualified Bids constitutes a Superior Offer, the Proposal Trustee shall provide the parties making Superior Offers and the Stalking Horse Bidder the opportunity to make further bids through the auction process set out below (the "**Auction**").

Auction

30. If the Auction is to be held, the Proposal Trustee shall send notice (the "**Auction Notice**") by email to the Stalking Horse Bidder and all Qualified Bidders that submitted a Superior Offer and invite such bidders to participate in the Auction on or before 12:00 p.m. Calgary time on March 13, 2024.
31. The Auction Notice shall include, amongst other things: (a) the date, time and location of the Auction and (b) a copy of the highest or otherwise best Superior Offer(s) (the "**Starting Bid**").
32. The Proposal Trustee will conduct an Auction commencing at 10:00 a.m. Calgary time on March 19, 2024 at the offices of the Proposal Trustee's legal counsel, MLT Aikins LLP, at 2100 Livingston Place, 222 3rd Ave SW, Calgary, AB, or such other location as shall be identified in the Auction Notice timely communicated to all entities entitled to attend at the Auction, which Auction may be adjourned by the Proposal Trustee, in consultation with the Company.
33. If a Qualified Bidder intends to participate in the Auction, it must advise the Proposal Trustee of such intention in writing prior to 12:00 p.m. Calgary time at least two (2) business days prior to the Auction (a "**Participation Notice**"). If the only Participation Notice is received from the Qualified Bidder that submitted the Starting Bid, that Qualified Bidder shall be deemed to be the Successful Bidder, subject to Court approval.
34. If at least two (2) Participation Notices are received (the parties who so inform the Proposal Trustee that they intend to participate are hereinafter referred to as the "**Auction Bidders**"), the Auction shall run in accordance with the following procedures:
 - (a) during the afternoon of the day that is prior to the Auction, the Proposal Trustee shall make itself available to meet with each of the Auction Bidders to review the procedures for the Auction, and the manner by which Subsequent Bids (as defined below) shall be evaluated during the Auction;

- (b) only representatives of the Auction Bidders, the Proposal Trustee, and such other persons as permitted by the Proposal Trustee (and the advisors to each of the foregoing entities) are entitled to attend the Auction in person (and the Proposal Trustee shall have the discretion to allow such persons to attend by videoconference);
- (c) the Proposal Trustee shall make arrangements to take notes of the Auction;
- (d) each Auction Bidder shall be required to confirm that it has not engaged in any collusion with any other Auction Bidder with respect to the bidding or any sale or investment;
- (e) only the Auction Bidders will be entitled to make any Subsequent Bids at the Auction; provided, however, that in the event that any Qualified Bidder elects not to attend and/or participate in the Auction, such Qualified Bidder's Qualified Bid shall nevertheless remain fully enforceable against such Qualified Bidder if it is selected as the Successful Bid;
- (f) all Subsequent Bids presented during the Auction shall be made and received in one room on an open basis. All Auction Bidders will be entitled to be present for all Subsequent Bids at the Auction with the understanding that the true identity of each Auction Bidder at the Auction will be fully disclosed to all other Auction Bidders at the Auction and that all material terms of each Subsequent Bid will be fully disclosed to all other Auction Bidders throughout the entire Auction;
- (g) all Auction Bidders must have at least one individual representative with authority to bind such Auction Bidder present in person at the Auction;
- (h) the Proposal Trustee may employ and announce at the Auction additional procedural rules that are reasonable under the circumstances (e.g., the amount of time allotted to make Subsequent Bids, requirements to bid in each round, and the ability of multiple Auction Bidders to combine to present a single bid) for conducting the Auction, provided that such rules are (i) not inconsistent with the SISP Procedures, general practice in insolvency proceedings, or the SISP Order or; (ii) disclosed to each Auction Bidder at the Auction;
- (i) bidding at the Auction will begin with the Starting Bid and continue, in one or more rounds of bidding, so long as during each round at least one subsequent bid is submitted by an Auction Bidder (a "**Subsequent Bid**") that the Proposal Trustee determines is (A) for the first round, a higher or otherwise better offer than the Starting Bid, and (B) for subsequent rounds, a higher or otherwise better offer than the Leading Bid (as defined below); in each case by at least the Minimum Incremental Overbid. After the first round of bidding and between each subsequent round of bidding, the Proposal Trustee shall announce the bid (including the value and material terms thereof) that it believes to be the highest or otherwise best offer (the "**Leading Bid**"). A round of bidding will conclude after each Auction Bidder has had the opportunity to submit a Subsequent Bid with full knowledge of the Leading Bid;
- (j) to the extent not previously provided (which shall be determined by the Proposal Trustee), an Auction Bidder submitting a Subsequent Bid must submit, at the

Proposal Trustee's discretion, as part of its Subsequent Bid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Proposal Trustee), demonstrating such Auction Bidder's ability to close the transaction proposed by the Subsequent Bid. For greater certainty, if the Stalking Horse Bidder submits a Subsequent Bid, this paragraph shall only apply to the Stalking Horse Bidder if the cash portion of the Purchase Price in the Stalking Horse Bidder's Subsequent Bid is in excess of any cash portion of the Purchase Price in the Stalking Horse Agreement;

- (k) the Proposal Trustee reserves the right, in its reasonable business judgment, to make one or more adjournments in the Auction of not more than 24 hours each, to among other things (i) facilitate discussions between the Proposal Trustee and the Auction Bidders; (ii) allow the individual Auction Bidders to consider how they wish to proceed; (iii) consider and determine the current highest and best offer at any given time in the Auction; and (iv) give Auction Bidders the opportunity to provide the Proposal Trustee with such additional evidence as the Proposal Trustee, in its reasonable business judgment, may require that that Auction Bidder (including, as may be applicable, the Stalking Horse Bidder) has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed transaction at the prevailing overbid amount;
 - (l) the Stalking Horse Bidder shall be permitted, in its sole discretion, to submit Subsequent Bids, provided, however, that such Subsequent Bids are made in accordance with these SISP Procedures (modified as necessary to reflect and include the non-cash credit bid component of the Stalking Horse Agreement);
 - (m) if, in any round of bidding, no new Subsequent Bid is made, the Auction shall be closed;
 - (n) the Auction shall be closed within five (5) Business Days of the start of the Auction unless extended by the Proposal Trustee; and
 - (o) no bids (from Qualified Bidders or otherwise) shall be considered after the conclusion of the Auction.
35. At the end of the Auction, the Proposal Trustee, in consultation with the Company, shall identify the winning bid (the "**Successful Bid**"). Once a definitive agreement has been negotiated and settled in respect of the Successful Bid as selected by the Proposal Trustee, in consultation with the Company (the "**Selected Superior Offer**"), in accordance with the provisions hereof, the Selected Superior Offer shall be the "Successful Bid" hereunder and the person(s) who made the Selected Superior Offer shall be the "Successful Bidder" hereunder. If the Successful Bidder is a party other than the Stalking Horse Bidder, the Proposal Trustee shall pay the Stalking Horse Bidder the Break Fee, immediately after closing, from the Successful Bidder's payment of cash at closing.

Transaction Approval Application Hearing

36. The Company shall apply to the Court (the "**Approval Application**") for an order approving the Successful Bid as soon as practicable following the determination by it and the Proposal Trustee of the Successful Bidder and the execution of definitive documents.

The Company will be deemed to have accepted the Successful Bid only when it has been approved by the Court.

37. All Qualified Bids and Subsequent Bids (other than the Successful Bid) shall be deemed rejected on and as of the date and of approval of the Successful Bid by the Court, but not before, and shall remain open for acceptance until that time.

Deposits

38. All Deposits shall be retained by the Proposal Trustee in a non-interest-bearing trust account located at a financial institution in Canada.
39. If there is a Qualified Bid that constitutes a Successful Bid, the Deposit paid by the person making such Successful Bid shall be applied to the consideration to be paid by such Qualified Bidder upon closing of the transaction constituting the Successful Bid and shall be non-refundable.
40. The Deposit(s) from all Qualified Bidders submitting Qualified Bids that do not constitute a Successful Bid shall be returned to such Qualified Bidder within five (5) Business Days of Court approval of the Successful Bid.
41. If the Qualified Bidder making a Qualified Bid is selected as the Successful Bid and breaches or defaults on its obligation to close the transaction in respect of its Successful Bid, it shall forfeit its Deposit to the Proposal Trustee for and on behalf of the Company; 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 Company has in respect of such breach or default.
42. If the Company is unable to complete the Successful Bid as a result of its own actions and not as a result of steps or conditions contained in the Successful Bid (or the actions of the Successful Bidder), then the Deposit shall be returned to the Successful Bidder.

Approvals

43. For greater certainty, the approvals required pursuant to the terms hereof are in addition to, and not in substitution for, any other approvals required by the applicable law in order to implement a Successful Bid.

Supervision of the SISP

44. The Proposal Trustee shall oversee, in all respects, the conduct of the SISP, and will participate in the SISP in the manner set out in the SISP Procedures.
45. The Company and the Proposal Trustee will generally consult with the other in respect of all matters arising out of this SISP. For the avoidance of doubt, the completion of any Sale Proposal or Investment Proposal shall be subject to the approval of the Court and the requirement of approval of the Court may not be waived.
46. The Proposal Trustee, in consultation with the Company, may waive compliance with any one or more of the requirements of the SISP Procedures, including, for greater certainty, waive strict compliance with any one or more of the requirements specified above and deem a non-compliant bid to be a Qualified Bid, excepting the requirement that the bid be a Superior Offer pursuant to Section 25(1);.

47. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Company or the Proposal Trustee and any Qualified Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Company.
48. Without limiting the preceding paragraph, neither the Company nor the Proposal Trustee shall have any liability whatsoever to any person or party, including without limitation any Potential Bidder, the Stalking Horse Bidder, Qualified Bidder, the Successful Bidder, the Company, or any creditor or other stakeholder of the Company, for any act or omission related to the process contemplated by the SISP Procedures. By submitting a bid, each Qualified Bidder or Successful Bidder shall be deemed to have agreed that it has no claim against the Company or the Proposal Trustee for any reason, matter or thing whatsoever related to this SISP.
49. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, and any further negotiations or other actions whether or not they lead to the consummation of a transaction.
50. Subject to the terms of the SISP Order, the Company shall have the right to modify the SISP with the prior written approval of the Proposal Trustee if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP, provided that the service list in the NOI Proceeding shall be advised of any substantive modification to the procedures set forth herein.
51. In order to discharge its duties in connection with the SISP, the Company and Proposal Trustee may engage professional or business advisors or agents as the Company and Proposal Trustee deems fit in its sole discretion.

Confidentiality and Access to Information

52. All discussions regarding the Opportunity or the Bid should be directed through the Proposal Trustee.
53. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Qualified Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Company, the Proposal Trustee and such other bidders or Potential Bidders in connection with the SISP.
54. The Proposal Trustee may consult with any parties with a material interest in the NOI Proceeding regarding the status of and material information and developments relating to the SISP, provided that such parties shall have entered into confidentiality arrangements satisfactory to the Company and the Proposal Trustee.

Further Orders

55. At any time during the SISP, the Proposal Trustee or the Company may apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder.

SCHEDULE "A"
STALKING HORSE AGREEMENT

SCHEDULE "B"

NOTICE SCHEDULE

To the Company

Tool Shed Brewing Company Inc.

Attention: Graham Sherman

Email: graham@toolshed.beer

with a copy to

Miller Thomson LLP

3000, 700 – 9th Avenue SW

Calgary, Alberta T2P 3V4

Attention: James Reid

Email: jwreid@millertomson.com

To the Proposal Trustee:

KPMG Inc.

205 5th Avenue SW, Suite 3100

Calgary, AB T2P 4B9

Phone: 403-450-6716

Attention: Joe Sithole

Email: jsithole@kpmg.ca

with a copy to

MLT Aikins LLP

2100 Livingston Place, 222 3 Ave SW,

Calgary, AB T2P 0B4

Attention: Catrina Webster/Ryan Zahara

Email: cwebster@mltaikins.com/rzahara@mltaikins.com