

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 **AFFIDAVIT**

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File No.: 276443.1

AFFIDAVIT OF TOM TAYLOR

Sworn on April 5, 2024

I, TOM TAYLOR, of Calgary, Alberta, SWEAR AND SAY THAT:

1. I was the Chief Financial Officer of Tool Shed Brewing Company Inc. (the "**Company**" or "**Tool Shed**") from March 2023 until January 1, 2024, and was the sole director from March 2023 until I resigned, effective January 10, 2024. As such, I have personal knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief, and where so stated I verily believe the same to be true.

Tool Shed's Financial Issues and Investors

2. Like many industries, the brewing industry was significantly negatively impacted by the COVID-19 pandemic.
3. Unfortunately for Tool Shed, its credit facility with ATB Financial matured over the COVID-19 pandemic and ATB Financial was not willing to renew the facility with Tool Shed.

4. In order to repay its loan to ATB Financial, in 2022, Tool Shed secured several short-term loans from individual investors while it sought long-term financing from a financial institution.
5. John Donovan ("**Donovan**"), and Julianna Bourne ("**Julianna**"), are individuals who invested in Tool Shed during this time. Julianna's husband Darryl Bourne ("**Darryl**"), managed Julianna's investment.
6. When these short-term loans from individual investors matured, certain investors demanded on their loans, obtained judgment against Tool Shed, and garnished the Company's bank account (the "**Garnishment**").
7. Given Tool Shed's financial issues and uncertain future, as CFO, I was in regular contact with investors of Tool Shed, and in particular Donovan, to provide updated financials and to strategize as to how to deal with Tool Shed's liabilities.
8. Since early 2023, I had provided detailed financial information on Tool Shed to Donovan, Darryl and Julianna, through Donovan, including cash flow forecasts, sales forecasts, operation and financing cost breakdowns, and profit and loss breakdowns.
9. The emails between myself and Donovan dated January 16 2023, attaching Profit and Loss balance sheets for Tool Shed's calendar year 2022, cash flow forecasts for 2023, and comparisons between the first half of 2022 and the second half of 2022 are attached as **Exhibit "A"**.
10. Throughout 2023 I provided Donovan with financial reports of Tool Shed as he requested them.
11. An email where I provided Donovan with Tool Shed's working balance sheet and trial balance as of January 31, 2023 is attached as **Exhibit "B"**.
12. Tool Shed ultimately did not have the liquidity required to meet its payroll obligations or pay its critical suppliers and the Canada Revenue Agency ("**CRA**"). Tool Shed's liquidity situation reached a critical point in March of 2023 when its accounts were subject to the Garnishment.
13. In order to address the Garnishment, I held investor meetings to try and find a solution that would see the Garnishment lifted so that Tool Shed could avoid bankruptcy.

14. The discussions with investors focussed on either restructuring Tool Shed, or selling the Company to try and see a return for investors. There were pros and cons to each, and top of mind for all were the amounts owing to the CRA, which would take priority over the secured creditors of Tool Shed in a forced liquidation.
15. Given the priority of the amounts owing to the CRA, the investors agreed to try and find a path forward for Tool Shed short of bankruptcy.
16. A copy of an email from myself to Tool Shed's investors, including Donovan and Darryl, summarizing a March 4, 2023 investors meeting, and attaching the meeting minutes, slide deck, and financials is attached as **Exhibit "C"**.
17. By the end of March 2023, it was determined that given the liquidity situation of Tool Shed, the two options that were available to it were for Tool Shed to either file for creditor protection pursuant to the *Bankruptcy and Insolvency Act* (Canada), or for the creditors of Tool Shed to appoint a receiver to liquidate Tool Shed's assets.
18. On March 20, 2023, I emailed Tool Shed's senior secured lenders, Donovan, Darryl (through Julianna), and Wayne Orr, to discuss each option and the risks and benefits of each. In doing so, I included a breakdown of Tool Shed's current assets and liabilities, including:
 - (a) the amount then owing to the CRA for source deductions;
 - (b) the payroll liabilities;
 - (c) equipment loans;
 - (d) trade payables; and
 - (e) legal fees.
19. The March 20, 2023 email where I provided this breakdown of information to Donovan, Darryl, and Mr. Orr is attached as **Exhibit "D"**.
20. On March 21, 2023, I sent Donovan an updated 2023 Cash Flow Forecast as well as a detailed breakdown of Tool Shed's current operating costs. Attached as **Exhibit "E"** is the March 21, 2023 email to Donovan where I attached the March 2023 financials.

21. On March 22, 2023, Tool Shed retained Miller Thomson LLP to assist it with the restructuring of its affairs and to attend to the release of the funds that were the subject of the Garnishment.
22. Counsel to Tool Shed and counsel to, among others Donovan, Darryl, Julianna, and Mr. Orr, agreed to a form of Consent Order for the release the funds that were the subject of the Garnishment, in order to allow Tool Shed to continue to operate and run a sale and investment solicitation process.
23. It was a condition of the creditor parties to the Consent Order that Graham Sherman would resign as President, CEO, and the sole director of Tool Shed, and that I replace him as the sole director of Tool Shed. Mr. Sherman's resignation letter dated March 23, 2023 is attached as **Exhibit "F"**.

The Initial SISP

24. Given its struggle to obtain financing, Tool Shed, in consultation with its investors including Donovan, Darryl, and Mr. Orr, commenced out an out-of-court sale and investment solicitation process in April of 2023 (the "**Initial SISP**"). The purpose of the Initial SISP was to find a purchaser, equity partner, or a refinancing, that would allow it to payout certain short-term debts and afford the Company the financial stability to continue to grow its brand and operations.
25. To assist it with carrying out the Initial SISP, the Company retained B. Riley Farber Inc., a recognized business advisory group. During the Initial SISP, B. Riley Farber acted as a financial advisor to Tool Shed and provided direction and input as to the administration of the process, as well as providing more accurate cash flow forecasts and fulsome asset/liability lists for Tool Shed to share with the investors.
26. Donovan was heavily involved in the Initial SISP.
27. From the beginning of April, Donovan was consistently provided through the Company and B. Riley Farber:
 - (a) Cash flow forecasts of Tool Shed as well as the critical assumptions of same;
 - (b) Updated balance sheets of Tool Shed;
 - (c) 12-Month Financial Reports of Tool Shed;

- (d) Detailed updates on business development efforts and new contract acquisitions;
 - (e) Marketing teasers for the Company and timelines for posting the teasers in Insolvency Insider;
 - (f) Lists of potential investor targets for the Initial SISP;
 - (g) Updates on efforts to secure financing from Canadian Western Bank; and
 - (h) Details on the content in the data room for the Initial SISP.
28. Attached as **Exhibit "G"** is a thread of emails between April 7, 2023 and April 28, 2023, where either myself or Tool Shed's counsel provided the above information to counsel to Donovan and Darryl, or their counsel, as well as other creditors and their respective counsel.
29. Donovan, Darryl, and Mr. Orr were active participants throughout the Initial SISP. Each would ask follow-up questions and regularly voiced their concerns to me, which the Company always did its best to respond to in the circumstances.
30. For example, Tool Shed accommodated Donovan's and Darryl's requests to, among others:
- (a) provide a list of the key assumptions used to prepare Tool Shed's cash flow forecasts; and
 - (b) work to improve the accuracy and reliability of Tool Shed's balance sheets.
31. Emails dated April 17, 2023 from counsel to Donovan, Darryl, and Mr. Orr, requesting further information, as well as Tool Shed's counsel's reply to same on April 19, 2023 are attached as **Exhibit "H"**.
32. Throughout the spring and summer of 2023, either myself or Tool Shed's counsel reported to the investors of Tool Shed on a weekly basis on the status of the Initial SISP and the Company's financial situation. In addition, we regularly responded to numerous *ad hoc* information requests, meeting requests and phone calls. In an effort to work collaboratively towards finding a path forward, Donovan was provided access to Tool Shed's books and records, which he regularly reviewed with me and commented on.


33. Attached as **Exhibit "I"** are emails dated July 1, 2023 and July 2, 2023 between Tool Shed's counsel and counsel to Donovan, Darryl, and Julianna, indicating that Donovan was welcome to review Tool Shed's books and records.
34. In the summer of 2024, Donovan took on an advisory role to the Company during the Initial SISP. Donovan was actively involved in making decisions regarding potential bidders, including what information they should have access to. For example, with respect to a request for information by a potential investor, Donovan stated:

Regarding his request, I think it would be reasonable to give him a breakdown of sales by product line, but I would hold back customer details and contracts until we know we they are the selected bidder and we enter into exclusive negotiations. At that point there can be a phase 2 for due diligence. (I think it is ok to show the Tap Room sales as a line item).
35. Emails dated July 15, 2023, between myself and Donovan discussing the information request of a potential bidder are attached as **Exhibit "J"**.
36. Donovan, Julianna and Darryl did not execute a non-disclosure agreement to access the data room in the Initial SISP as they had already received the confidential information memorandum prepared by the Company.
37. The data room included the Company's financial information, customer contracts, loan agreements, and other commercially sensitive information available to those who executed a non-disclosure agreement.
38. An email dated April 21, 2023 between Tool Shed's counsel and counsel to the Donovan, Julianna and Darryl, indicating that the data room was being populated with said information is attached as **Exhibit "K"**.
39. During the Initial SISP, Tool Shed's current Chief Executive Officer, James Costello ("**Costello**"), executed a non-disclosure agreement in order to participate in the Initial SISP. Costello gained access to the data room and submitted additional due diligence requests which I worked to provide to him, in consultation with B. Riley Farber.
40. Costello, Donovan, and Darryl each had an opportunity to submit a bid in the Initial SISP.
41. An entity that Costello was involved with, Four Horsemen Ventures Inc., was the only entity to submit an actual bid in the Initial SISP.

Conclusion

42. I make this Affidavit to assist the Court with background information on my time as CFO at Tool Shed as it relates to its financial difficulties and in support of Tool Shed's application for an approval and reverse vesting order and for no improper purpose.

SWORN BEFORE ME at the City of)
Calgary, Alberta, this 5 day of April, 2024.)



Commissioner for Oaths in and for the)
Province of Alberta)



TOM TAYLOR

Kira Lagadin
Student-at-Law
Notary Public & Commissioner for Oaths
in and for the Province of Alberta