

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**
The Tinley Beverage Company Inc. (the “Company” or “Tinley”)
77 King Street West, Suite 2905
Toronto, Ontario, Canada
M5K 1H1

Item 2 **Date of Material Change**

June 10, 2022

Item 3 **News Release**

On June 10, 2022, a news release in respect of the material change was disseminated by the Company through Global Newswire. A copy of the news release is appended as Schedule “A” and was filed under the Company’s profile on SEDAR at www.sedar.com.

Item 4 **Summary of Material Change**

On June 10, 2022, the Company issued two secured convertible notes, including: (i) a convertible secured grid note in the principal amount up to US\$3,500,000 that will bear interest at a rate of 12% per annum and has a term of 60 months from the date of issuance (the “**Grid Note**”), with all indebtedness under the Grid Note, including all principal amounts and accrued and unpaid interest, convertible into units (“**Units**”) of the Company at the option of the holder at a conversion price of CDN\$0.105 (the “**Conversion Price**”), with each Unit comprised of one common share of the Company (“**Common Share**”) and one-half of one Common Share purchase warrant (each whole common share purchase warrant, a “**Warrant**”), with each Warrant exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price; and (ii) a convertible secured note (the “**Secured Note**”) in the principal amount of US\$612,250 that will bear interest at a rate of 12% per annum and has a term of 12 months from the date of issuance, with all indebtedness under the Secured Note, including all principal amounts and accrued and unpaid interest, convertible into Units on the same terms as the Units issued under the Grid Note.

An initial advance of US\$1,000,000 was made to the Company under the terms of the Grid Note by the holder, Blaze Life Holdings, LLC (“**BLH**”), an arm’s length party to the Company. The Secured Note was issued to Richard Gillis, President and Chief Operating Officer of Tinley’s USA and member of Tinley’s office of the CEO. As a result of the closing of the Grid Note, Anthony Yanow was entitled to receive a US\$100,000 capital markets advisory fee from the Company, which is payable by the Company pursuant to the terms of an advisory services agreement entered into between Anthony Yanow and the Company. The Grid Note provides BLH with the option, but not the obligation, exercisable in whole or in part for five years to purchase Common Shares in such amount as would result in BLH owning, or exercising control or direction over, directly or indirectly, that number of Common Shares as would be equal to at least 50.1% of the then issued and outstanding Common Shares calculated on a fully diluted basis (the “**Majority Ownership Option**”). The purchase price per Common Share under the Majority Ownership Option shall be set at a 20% discount to the closing price of the Common Shares on the facilities of the Canadian Securities Exchange (the “**CSE**”) on the date prior to the exercise of the Majority Ownership Option, or, if such 20% discount is not permitted by the CSE, then the maximum applicable discount permitted by the CSE. The Grid Note also contains certain pre-emptive rights in favour of BLH to purchase Common Shares during the term of the Grid Note.

The issuance of the Secured Note to Mr. Gillis is considered a “related party transaction” within the meaning of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special*

Transactions (“**MI 61- 101**”). The Company relied on exemptions from the formal valuation and minority approval requirements in sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of Mr. Gillis’ purchase of the Secured Note. The Company did not file a material change report in respect of the related party transaction less than 21 days prior to the closing of the Secured Note, which the Company deemed reasonable in the circumstances so as to be able to avail itself of the proceeds of the Secured Note in an expeditious manner. The board of directors of the Company and the independent directors of the Company, acting in good faith, determined that the Secured Note and the involvement of Mr. Gillis thereunder, was in the best interest of the Company and that the terms of the Secured Note are reasonable in the Company’s circumstances. The advance of funds by Mr. Gillis under the Secured note did not materially affect his ownership of securities of the Company. The Company confirms that, to the knowledge of the Company and its directors and senior officers, there has been no prior valuations in respect of the Company in the 24 months prior data of the closing of the Secured Note.

Item 5 Full Description of Material Change

See press release attached as Schedule “A” to this report for a complete description of the material changes to which this report relates.

Item 6 Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

Ted Zittel, Director and Office of the Chief Executive Officer, is knowledgeable about the material change and this report. Mr. Zittel can be contacted at (310) 507-9146 and at info@drinktinley.com.

Item 9 Date of Report

June 20, 2022

SCHEDULE A

(see attached)

Tinley's Announces US \$3.5 Million Strategic Investment by Blaze Life Holdings, LLC Through Convertible Note, Confirms the Convertible Note to Richard Gillis, and Announces Annual and Special Meeting of Shareholders

Toronto, Ontario and Los Angeles, California--(Newsfile Corp. - June 10, 2022) - The Tinley Beverage Company Inc. (CSE:TNY) (OTCQX: TNYBF) ("Tinley's" or the "Company") is pleased to announce that it has issued an up to US\$3.5 million 12% secured convertible grid note (the "BLH Note") of the Company to Blaze Life Holdings, LLC ("BLH"), an arm's length party to the Company, and finalized the terms of its US\$612,250 advance from Richard Gillis, President and Chief Operating Officer of Tinley's USA, and member of Tinley's Office of the CEO, which is now evidenced by a US\$612,250 12% secured convertible promissory note (the "Gillis Note") of the Company.

About Blaze Life Holdings, LLC

Blaze Life Holdings was founded in 2017 by two cannabis visionaries: Los Angeles real estate investor Scott Kim and Paul Burgis, former COO and CFO of Los Angeles-based Golden Road Brewing, which was acquired by Anheuser-Busch InBev in 2015. They saw the opportunity for a sophisticated, vertically integrated cannabis business that operationally parallels the craft brewing and brew pub scene, adapted to drive efficiency and growth in a rapidly growing cannabis beverage industry. The BLH group comprises ILLA Canna (cultivation facility and retail locations), SuLo Distro (full-service cannabis distributor with beverage capabilities), and Delta Bev (cannabis manufacturing), focused on providing clear and simple co-packing solutions for cannabis brands with a focus on beverages. BLH is helmed by professionals with a combined 80 years of experience in beer and beverage production, distribution, and brand building, aligned to bring end-to-end solutions to brands and retailers to increase share and drive category growth.

"The advancements in technology--specifically nano-emulsions--provide consumers with real alternatives to beverage alcohol," said Paul Burgis, BLH co-founder, "Nano-emulsions allow for a wider range of formulations with faster onset times and peak effect more closely matching alcohol than traditional cannabis edibles. Cannabis infused beverages are emerging as a socially acceptable smoke-free consumption method for current consumers and canna-curious new consumers alike."

In discussing the collaboration and investment in Tinley's, Burgis adds, "We love their brand! This was a natural fit. We are positioned to provide Tinley's with the production and operational support needed to accelerate servicing their pipeline of co-pack clients, and to meet and increase market demand for Tinley's own brands. We look forward to working closely with Tinley's to drive efficient growth and to build the overall category."

For more information about BLH's Delta Bev, visit www.deltabev.com

"We are thrilled to welcome BLH as strategic investors in Tinley's," said Ted Zittell, director; office of the CEO. "In addition to capital needed for next-level revenue growth, BLH leadership bring a shared vision, with significant experience as manufacturers, facility operators, brand builders and distributors. Notably, BLH have demonstrated game-changing growth of cannabis beverage share through best-practice distribution, merchandising and promotion in their own LA dispensary. We are committed to ongoing, active sharing and collaboration with BLH and the Delta Bev team designed to leverage our expanded collection of differentiated assets and data-driven insights. We plan to drive efficiencies, unlock revenue,

and deploy cost-effective solutions for overall category growth. This is great news for our contract manufacturing clients and for Tinley's own brands," he added. "The Company believes the path to continued investment and growth with BLH and Delta Bev will accelerate value creation for our shareholders."

Management Collaboration

The Company and BLH have also agreed to enter into a management services agreement pursuant to which BLH will provide certain management services to Tinley's, Algonquin and Tinley's other US-based subsidiaries. Such services are expected to include operations management and engineering support, and collaboration on recruitment, supply chain synergies, best practices, and business systems. The Company and BLH have also agreed to explore natural synergistic relationships between the parties, with a focus on increasing efficiencies and value creation; such synergy initiatives will be further detailed and announced in due course.

Annual and Special Meeting of Shareholders

In connection with the issuance of the BLH Note, the Company has agreed to recommend two director nominees (the "BLH Nominees") of BLH for election to the board of directors of the Company at the next annual and special meeting of shareholders of the Company (the "Meeting"). The BLH Nominees are expected to include Paul Burgis, Co-Founder of BLH, and Anthony ("Tony") Yanow. Mr. Yanow, born in Montréal, has been a pioneer in the Los Angeles craft beer and hospitality scene since 2010 when he opened his first bar in Burbank, CA. He is founder and former CEO of Los Angeles-based Golden Road Brewing, acquired by Anheuser-Busch InBev in 2015.

The date of the Meeting is expected to be on or about the first week in August 2022. Additional details relating to the BLH Nominees, the date of the Meeting and the record date of the Meeting will be set out in the management information circular to be prepared by management and mailed to shareholders in connection with the Meeting.

The BLH Note

The BLH Note is a grid note that will bear interest at a rate of 12% per annum and has a term of five years from the date of issuance. All indebtedness under the BLH Note, including all principal amounts advanced under the note from time to time and accrued and unpaid interest, shall be convertible into units ("Units") of the Company at the option of BLH at a price of CDN\$0.105 per Unit (the "Conversion Price"). Each Unit shall consist of one common share (each, a "Common Share") in the capital of the Company and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "Warrant"), with each Warrant exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price. The initial advance under the BLH Note is US\$1 million, with an additional US\$500,000 to be advanced on the last business day of each calendar month following the issuance of the BLH Note, with the first such advance due on June 30, 2022, subject to any modifications that BLH and the Company mutually agree to in writing. The obligations under the BLH Note are secured against the assets of the Company and the Company's US subsidiary, Algonquin Springs Beverage Management LLC ("Algonquin").

The BLH Note provides for the automatic conversion of: (i) 33.33% of the indebtedness under the BLH Note if the closing price of the Common Shares on the facilities of the Canadian Securities Exchange (the "CSE") exceeds \$0.50 for five consecutive trading days; (ii) an additional 66.66% of the indebtedness under the BLH Note if the closing price of the Common Shares on the facilities of the CSE exceeds \$0.75 for five consecutive trading days; and (iii) the remaining indebtedness under the BLH Note if the closing price of the Common Shares on the facilities of the CSE exceeds \$1.00 for five consecutive trading days.

The BLH Note also provides BLH with the option, but not the obligation, exercisable in whole or in part for five years to purchase Common Shares in such amount as would result in BLH owning, or exercising

control or direction over, directly or indirectly, that number of Common Shares as would be equal to at least 50.1% of the then issued and outstanding Common Shares calculated on a fully diluted basis (the "Majority Ownership Option"). The purchase price per Common Share under the Majority Ownership Option shall be set at a 20% discount to the closing price of the Common Shares on the facilities of the CSE on the date prior to the exercise of the Majority Ownership Option, or, if such 20% discount is not permitted by the CSE, then the maximum applicable discount permitted by the CSE. The BLH Note also contains certain pre-emptive rights in favour of BLH to purchase Common Shares during the term of the BLH Note. The BLH Note is subject to all necessary approvals, including final approval from the CSE.

As a result of the closing of the BLH Note, Mr. Yanow is entitled to receive a US\$100,000 capital markets advisory fee from the Company. This fee is payable by the Company pursuant to the terms of an advisory services agreement entered into between Mr. Yanow and the Company.

The Gillis Note

The Gillis Note will bear interest at a rate of 12% per annum and has a term of one year from the date of issuance. All indebtedness under the Gillis Note, including all principal amounts advanced under the note from time to time and accrued and unpaid interest, shall be convertible into Units at the option of Mr. Gillis at the Conversion Price. Each Unit shall consist of one Common Share in the capital of the Company and one-half of one Warrant, with each whole Warrant exercisable for a period of two years from the date of issuance of such Warrant at an exercise price equal to the Conversion Price. In the event of a Liquidity Event (as defined in the Gillis Note), all of the then remaining indebtedness will automatically convert into Units at a 25% discount to the deemed price per Common Share paid in connection with the Liquidity Event, or, if such discount is not permitted by the CSE, then the maximum applicable discount permitted by the CSE. The obligations under the Gillis Note are secured against the assets of the Company and its US subsidiaries, which security is second in priority behind the security of BLH noted above. The Gillis Note is subject to all necessary approvals, including final approval from the CSE.

Regulatory Matters

The transaction involving the Gillis Note is considered a "related party transaction" within the meaning of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Company relied on exemptions from the formal valuation and minority approval requirements in sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of the Advance. Further details will be provided in the Company's material change report to be filed on SEDAR relating to the BLH Note and Gillis Note. The Company did not file a material change report in respect of the related party transaction less than 21 days prior to the closing of the transaction, which the Company deems reasonable in the circumstances so as to be able to avail itself of the proceeds of the advance under the Gillis Note in an expeditious manner.

About The Tinley Beverage Company and Beckett's Tonics

The Tinley Beverage Company Inc. (CSE:TNY) (OTCQX:TNYBF) develops and has licensed the production through its Long Beach, CA state-licensed manufacturing facility of terpene and cannabis-infused non-alcoholic Tinley's™ '27 and Tinley's™ Classics products which are distributed to licensed dispensaries and home delivery channels in California. Expansion of these products, adapted for manufacturing and sale in Canada, is currently underway. The Beckett's Classics™ and Beckett's '27™ lines of non-alcoholic, terpene-infused non-cannabis versions of these formulations are available in select mainstream food, beverage, and specialty retailers, as well as online, in the United States as well as in select grocery and specialty stores in Canada. Tinley's facility in Long Beach California contains some of the state's most versatile and technologically advanced cannabis-licensed beverage bottling equipment and provides manufacturing and first-mile distribution services under one roof for third-party brands in addition to the Company-owned brands. Please visit www.drinktinley.com, and www.drinkbecketts.com Twitter and Instagram (@drinktinleys and @drinkbecketts) for recipes, product information and home delivery options.

Forward-Looking Statements

This news release contains forward-looking statements and information (collectively, "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are statements and information that are not historical facts but instead include financial projections and estimates, statements regarding plans, goals, objectives and intentions, statements regarding the Company's expectations with respect to its future business and operations, final CSE approval of the BLH Note and Gillis Note and related matters, the timing of the Meeting and contents of the management information circular related thereto, the impact of BLH's involvement with the Company, including with respect to the ability of the parties to achieve any material business synergies, the timing of the Company's manufacturing capability enhancements and production runs, revenue growth, management's expectations regarding growth, the expected benefits from facility and equipment upgrades, expected benefits from first-mile distribution services enabled by the on-site distribution licence, the timing of the manufacturing, distribution and sale of Tinley's infused products in Canada, the timing of the production of new batches of client products at Tinley's Long Beach Facility and phrases containing words such as "ongoing", "estimates", "expects", or the negative thereof or any other variations thereon or comparable terminology referring to future events or results, or that events or conditions "will", "may", "could", or "should" occur or be achieved, or comparable terminology referring to future events or results. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, delays in obtaining or failures to obtain required governmental, environmental, or other project approvals, political risks, uncertainties relating to the availability and costs of financing needed in the future, changes in equity markets, inflation, changes in exchange rates, fluctuations in commodity prices and delays in the development of projects. Forward-looking statements are subject to significant risks and uncertainties, and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and the Company assumes no responsibility to update them or revise them to reflect new events or circumstances other than as required by law. Products, formulations, and timelines outlined herein are subject to change at any time.

For further information, please contact:

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