

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

B E T W E E N:

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
BZAM LTD., BZAM HOLDINGS INC., BZAM MANAGEMENT INC., BZAM
CANNABIS CORP., FOLIUM LIFE SCIENCE INC., 102172093 SASKATCHEWAN
LTD., THE GREEN ORGANIC DUTCHMAN LTD., MEDICAN ORGANIC INC., HIGH
ROAD HOLDING CORP. AND FINAL BELL CORP.**

Applicants

**AMENDED NOTICE OF MOTION
(Order Rescinding Share Exchange Agreement)**

Final Bell Holdings International Ltd. will make a Motion to the Honourable Justice Peter J. Osborne on a date to be determined by the Court at the court house, 330 University Avenue, Toronto, Ontario, M5G 1E6.

PROPOSED METHOD OF HEARING: The Motion is to be heard

In person;

THE MOTION IS FOR

1. An Order rescinding the share exchange agreement dated December 5, 2023, between BZAM Ltd., Final Bell Canada Inc., and Final Bell Holdings International Ltd.;

2. In addition or in the alternative, if rescission will not put Final Bell Holdings International Ltd. in the same position as it was in before it entered into the share exchange agreement, an order for equitable compensation, ~~is not possible~~, and/or an Order directing a further hearing to determine an appropriate alternative remedy for Final Bell Holdings International Ltd.;

2.1 Costs of this proceeding; and

3. Such further and other Relief as to this Honourable Court may seem just.

THE GROUNDS FOR THE MOTION ARE

Overview

4. On January 8, 2024, the Applicant, BZAM Ltd. (“**BZAM**”) and Final Bell Holdings International Ltd. (“**Final Bell**”) completed a transaction (the “**Transaction**”) whereby Final Bell sold its Canadian subsidiary, Final Bell Canada Inc. (“**FBC**”), to BZAM. Final Bell received ninety million (90,000,000) shares of BZAM valued at 15 cents (\$0.15) per share and an \$8 million promissory note in exchange for all the outstanding shares of FBC. The total consideration Final Bell received in exchange for FBC was valued at \$21,500,000 when the Transaction closed.

5. Prior to the closing of the Transaction, Final Bell conducted extensive due diligence on BZAM. As part of the due diligence process, BZAM made detailed representations to Final Bell concerning the financial condition of BZAM for the purpose of persuading Final Bell to enter into the Transaction in exchange for equity and unsecured debt.

6. These representations, which Final Bell’s board relied on in deciding to approve the transaction, included:

- i. BZAM had sufficient cash to fund its operations and would experience positive cash flows throughout 2024;
- ii. BZAM had between \$6-7 million in financing available through access to a revolving credit facility it had with Cortland Credit Lending Corporation ("**Cortland**") which in March 2024 would be extended for a further 15 months;
- iii. BZAM had no outstanding tax liabilities other than the \$7,828,000 in liabilities it disclosed to Final Bell; ~~and~~
- iv. BZAM had sufficient cash flow throughout 2024 to funds it tax liabilities; and
- v. BZAM would not commit a "change of control", as that term is defined in the Cortland credit facility, without Cortland's consent in writing.

7. On February 28, 2024, less than two months after the transaction closed, BZAM applied for protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 ("**CCAA**") on the basis that it had insufficient liquidity crisis to meet its obligations when they became due and required immediate protection from its creditors.

8. The materials filed by BZAM in support of its CCAA application and the cross-examination testimony of Sean Bovingdon and Matthew Milich reveal that the representations ~~it~~ BZAM made to Final Bell prior to the closing of the Transaction were false, or else BZAM was reckless as to their truth or falsity. Among other things, BZAM's CEO testified in the CCAA application materials that BZAM has insufficient cash to fund its operations, has limited credit available to it from Cortland, and that it is unable to pay its excise tax and GST liabilities.

9. If BZAM had not misled Final Bell, the Transaction would not have closed. If the CCAA proceedings go forward without a rescission of the Transaction or other relief in the alternative, Final Bell will suffer the loss of the entire consideration it bargained for on January 8, 2024, due to its detrimental reliance on BZAM's false representations.

10. The CCAA was not intended to be a means for debtors to "outwit" counterparties to transactions. But that will be the outcome here if the Court does not grant the relief sought by Final Bell.

The Parties

11. Final Bell is the former owner of the Applicant, High Road Holdings Corp. (previously named Final Bell Canada Inc.). Final Bell sold FBC to BZAM on January 8, 2024.

12. The Applicant, BZAM, is a publicly listed cannabis company that cultivates, processes and markets a range of cannabis products, including dried cannabis and cannabis extract products. The other Applicants to the CCAA proceeding are all directly or indirectly wholly owned subsidiaries of BZAM.

13. Matthew Milich is the CEO of BZAM. On February 28, 2024, Mr. Milich swore an affidavit in support of BZAM's request for CCAA protection. Mr. Milich's affidavit contained various statements about BZAM's financial position.

14. Bassam Alghanim is the largest shareholder of BZAM and the chairman of its board. He is also the principal of Stone Pine, one of the secured creditors of BZAM, which is owed approximately \$9,024,755.67.

BZAM Proposes to Acquire FBC

15. Beginning in October 2023, BZAM and Final Bell engaged in discussions regarding the sale of its Canada subsidiary, FBC, to BZAM.

16. On November 1, 2023, BZAM and Final Bell executed a letter of intent setting out BZAM's proposal to buy all of the issued and outstanding common shares of FBC. A significant amount of the purchase price, as set out in the letter of intent, was to be in the form of shares of BZAM.

Final Bell Conducts Due Diligence

17. Final Bell began conducting due diligence on the proposed transaction. This included diligence on the financial position of the potential purchaser BZAM, as Final Bell would be acquiring a significant shareholding in BZAM pursuant to the terms of the proposed transaction.

18. As part of the due diligence process, BZAM provided Final Bell with detailed financial information about BZAM. The information provided to Final Bell included audited and unaudited financial statements, financial models, spreadsheets, PowerPoint decks, emails, and oral statements by representatives of BZAM to representatives of Final Bell.

19. The information that BZAM filed in support of its application for CCAA protection, in particular the February 28, 2024 affidavit of Matthew Milich, CEO of BZAM (the "**Milich Affidavit**"), demonstrates that the representations BZAM made to Final Bell during the due diligence process were false, or that BZAM was reckless as to their truth.

False or Reckless Representations about BZAM's Cash Flows

20. BZAM provided information to Final Bell about its future cash flows through spreadsheets and a PowerPoint presentation it provided to Final Bell. These materials contained a pro forma cash flow statement for BZAM projected through to the end of 2024.

21. Through these cash flow statements, BZAM represented that it would have positive cash flows beginning in Q1 of 2024 and continuing throughout the year. It also showed that BZAM had more than sufficient cash and access to debt to fund its operations and would continue to do so going forward.

22. The information about BZAM's cash flows contained in the Milich Affidavit contradicts the information that BZAM provided to Final Bell during the due diligence process. For example, at paragraph 8 of the Milich Affidavit, Mr. Milich testified that BZAM was in a dire liquidity crisis and would not be able to meet its obligations as they came due absent additional financing.

23. This evidence, adduced less than two months after the Transaction closed, demonstrates that at the closing of the Transaction on January 8, 2024, BZAM's representations as to its cash flows were false, or else BZAM was reckless as to the truth or falsity of those representations.

24. Among other things, the purchase of FBC by BZAM was cash flow positive for the combined entities. The only way that BZAM could transform from a cash-flow positive to insolvent entity in a matter of weeks was if it did not have a realistic expectation of being cash flow positive in 2024 when the Transaction closed.

False Representations about the Cortland Credit Facility

25. BZAM provided information to Final Bell about its access to credit through a revolving credit facility with Cortland (the “**Cortland Credit Facility**”). In PowerPoint decks and spreadsheets provided to Final Bell, BZAM represented that it expected to have access to between \$6-7 million in financing throughout 2024 under the Cortland Credit Facility.

26. Although Final Bell was aware that the Cortland Credit Facility was due to mature on March 24, 2024, BZAM assured Final Bell it would be able to procure a 15-month extension from Cortland. This assurance was provided by Sean Bovington, the then-CFO of BZAM, to Keith Adams, the CFO of Final Bell, in a virtual meeting held November 21, 2023. Mr. Bovington’s assurances were later confirmed by PowerPoint decks and spreadsheets BZAM provided to Final Bell, in which the Cortland Credit Facility continued to be available to BZAM throughout 2024.

27. The information about the availability of the Cortland Credit Facility contained in the Milich Affidavit contradicts what BZAM told Final Bell during the due diligence process.

28. At paragraph 83 of his affidavit, Mr. Milich testified: “The term of the revolving credit facility expires on March 24, 2024, after which the Company must make monthly prepayments towards the base facility amounts borrowed.” This statement directly contradicts the representations BZAM made to Final Bell concerning BZAM’s access to the Cortland Credit Facility beyond March 2024.

29. In addition, at paragraph 86 of his affidavit, Milich testified that as of February 28, 2024, BZAM had access to less than \$2 million through the Cortland Credit Facility. This evidence

contradicts BZAM's representation to Final Bell that BZAM would have access to between \$6 and \$7 million under the facility throughout 2024.

30. Similar to the cash flow misrepresentations, the availability of credit under the Cortland Credit Facility and the availability of an extension would not meaningfully change between January 8, 2024, and February 8, 2024, when Milich informed the board of BZAM that the company was on the verge of insolvency. The contradictions between the representations BZAM made to Final Bell prior to the closing of the Transaction and the information contained in the Milich Affidavit demonstrates that BZAM either knew its representations to Final Bell about the Cortland Credit Facility were false, or it was reckless as to their truth or falsity.

False Representations about Excise Tax and GST Liabilities

31. In Canada, excise tax is payable by licensed producers on packaged cannabis and related products when they are sold to provincially-approved distributors and retailers. This tax is set at \$1 per gram, or 10% of a producer's selling price (whichever is higher).

32. As part of the due diligence process, BZAM provided Final Bell information about its outstanding tax liabilities. BZAM disclosed that, as of mid-November 2023, two BZAM affiliated companies, BZAM Management Inc. ("**BMI**"), and The Green Organic Dutchman Ltd., ("**TGOD**"), had an excise tax and GST liability of \$7,828,000, which was subject to payment plans with the Canada Revenue Agency ("**CRA**") and would be paid over the course of between 12 and 21 months. These tax liabilities were also set out in a disclosure letter dated December 5, 2023 (the "**BZAM Disclosure Letter**"). The BZAM Disclosure Letter stated that BZAM was current with all its taxes, with the exception of the \$7,828,000 in excise tax and GST liability that had been disclosed to Final Bell.

33. Consistent with this information, the statements of future cash flows BZAM provided to Final Bell incorporated arrears payments to CRA over the course of 2024. BZAM represented to Final Bell that it had the means to pay its tax liabilities for the foreseeable future.

34. The Milich Affidavit disclosed tax liabilities that were not disclosed to Final Bell prior to the closing of the Transaction:

- i. Milich testified at paragraph 62 of his affidavit that as of February 15, 2024, BZAM subsidiaries had approximately \$9,083,289.33 in excise tax arrears. In comparison, BZAM's disclosures to Final Bell indicated that BZAM only had approximately \$6,356,000 million in excise tax arrears, all of which were subject to payment plans with the CRA. The only plausible explanation for this \$2.7 million increase in excise tax arrears over the course of less than two months is that BZAM failed to disclose all of its outstanding tax liabilities to Final Bell prior to the closing of the transaction.
- ii. Milich also testified that on February 2, 2024, BMI, one of BZAM's subsidiaries, agreed to a temporary payment plan with the CRA in which it agreed to pay \$164,474 monthly in excise taxes. The excise tax liability associated with this payment plan was not disclosed by BZAM as part of the due diligence process. If a payment plan was agreed to on February 2, 2024, the liability for tax arrears for these taxes would have started to accrue before January 8, 2024, in which case this was another liability that Final Bell was required to disclose to BZAM.
- iii. Milich testified at paragraph 63 of his affidavit that as of February 15, 2024, BZAM Cannabis, a BZAM subsidiary, has approximately \$923,851.04 outstanding in respect of GST liabilities. No outstanding tax liability of any kind was disclosed to Final Bell

with respect to BZAM Cannabis. Again, it is unlikely this liability was owing as of January 8, 2024, in which case it should have been disclosed to Final Bell.

BZAM Formed Intention to Terminate Its CFO's Employment Before Closing

34.1 Among the material representations made by BZAM that Final Bell relied on to enter into the share exchange agreement was a representation that it was not in material breach of its credit facility with Cortland.

34.2 This representation, like all of the representations in the share exchange agreement, were updated as of the date of closing by the execution of a "bring-down certificate" by Mr. Milich on January 5, 2024. The BZAM bring-down certificate did not advert to any changes to the representations in the share exchange agreement.

34.3 However, as of January 5, 2024, Mr. Milich had already formed an intention to terminate Mr. Bovingdon's employment as BZAM's chief financial officer without cause within days of the closing of the transaction. Mr. Milich formed an intention to do so without seeking the prior written consent of Cortland, in breach of the Cortland credit facility.

34.4 BZAM knowingly or recklessly misrepresented to Final Bell that it was not in breach of the Cortland facility in circumstances where it had already formed an intention to breach the facility within days of closing.

The Final Bell Board Approves the Transaction Based on BZAM's False Representation

35. Final Bell approved the Transaction based on materials containing BZAM's misrepresentation, including multiple PowerPoint presentations. The PowerPoint presentations provided to the Final Bell board—containing data provided by BZAM—noted that BZAM had

strong operational cash flows and had \$6-7 million available through the Cortland Credit Facility which was expected to be renewed. The PowerPoint presentations made no mention of significant outstanding tax liabilities that needed to be managed.

36. Based on the representations made to Final Bell about the financial condition of BZAM, the Final Bell board voted to move forward with the Transaction and enter into a share exchange agreement with BZAM.

The December 5, 2023 Share Exchange Agreement

37. The parties entered into a share exchange agreement (the “SEA”) dated December 5, 2023. The SEA provides that Final Bell would sell all of its issued and outstanding shares of FBC in exchange for ninety million (90,000,000) shares of BZAM. The SEA also provided that FBC would issue promissory notes totalling \$8 million to Final Bell, guaranteed by BZAM. Ultimately, before closing, the parties agreed that Final Bell would be issued a single, unsecured note of \$8 million with a fixed repayment term.

38. The SEA provided that ninety million (90,000,000) BZAM shares would be issued to Final Bell at a deemed price of \$0.15 per share. Accounting for the deemed share price and the \$8 million promissory note, FBC was worth \$21.5 million.

39. The Share Exchange Agreement also provided that Final Bell could appoint a nominee to BZAM’s board on closing.

40. The BZAM Disclosure Letter, described above as setting out the outstanding tax liabilities of BZAM, was incorporated by reference into the SEA. Article 9.7 of the SEA required that each party promptly notify the other in writing prior to closing if their disclosure letters

required updating. BZAM never notified Final Bell that the BZAM Disclosure Letter needed to be updated.

The Transaction Closes

41. The transaction closed on January 8, 2024. On the same day, Kay Jessel, an executive director of Final Bell, was appointed to the board of BZAM.

42. Pursuant to the terms of the transaction, on January 5, 2024, FBC issued an unsecured promissory note to Final Bell for the amount of \$8 million to be paid in monthly installments. The promissory note has a maturity date of June 15, 2027. On the same day, the CEO of BZAM, Matthew Milich, executed an agreement whereby BZAM agreed to guarantee the promissory note owing to Final Bell.

January 24, 2024 Budget Meeting

43. On January 24, 2024, BZAM held a budget meeting to introduce staff at FBC to BZAM (the “**Budget Meeting**”). The Budget Meeting was attended by the entire BZAM board, along with the senior management teams of BZAM and FBC. Approximately thirty people attended. The meeting was led by BZAM’s CEO, Matthew Milich. It lasted roughly two hours.

44. During the Budget Meeting, Mr. Milich said that BZAM expected to continue to draw advances from the Cortland Credit Facility throughout the year. This representation was consistent with the representations made to Final Bell before the transaction closed, namely that the Cortland Credit Facility would be available to BZAM beyond its March 2024 maturity date. During the Budget Meeting, there was no discussion of BZAM facing any financial problems, or of it potentially requiring an insolvency proceeding.

February 8, 2024: First Board Meeting

45. On February 8, 2024, BZAM held its first board meeting since the acquisition of FBC. During this meeting, the BZAM board was informed that BZAM needed to undergo a complete business reorganization. Despite requests from board members, no details were provided about the reason for the reorganization. During the meeting it was also announced that Sean Bovingdon had been fired as BZAM's CFO and had been removed from the board.

46. Mr. Milich informed the board that BZAM would likely have to undergo a restructuring in the near future due to a "funding gap" and excise tax liability. Mr. Milich did not elaborate on or explain what he meant by restructuring. There was no reference to or discussion of BZAM seeking CCAA protection. Nor did Mr. Milich explain why an excise tax liability, being an ordinary course business expense of companies operating in the Canadian cannabis industry, would be unanticipated or require BZAM to seek protection from its creditors.

47. BZAM did not disclose these issues to the market ahead of its CCAA application. Nor has it since publicly disclosed the reasons for Mr. Bovingdon's termination.

February 12, 2024: Second Board Meeting

48. A further BZAM board meeting took place on February 12, 2024. The Monitor and its counsel were in attendance as well as BZAM's insolvency counsel, Sean Sweig of Bennett Jones LLP.

49. Mr. Zweig explained the intended path forward through a CCAA proceeding. Mr. Zweig stated that there would likely be a public stalking horse bid with enough time for others to come in and bid in the process. Mr. Zweig also stated that the stalking horse bid would come from

Stone Pine, the company owned by BZAM's Chair and largest shareholder, Mr. Bassam Alghanim.

BZAM Requests CCAA Protection

50. On February 28, 2024, BZAM made an application seeking CCAA protection and this Court issued an order (the "**Initial Order**") commencing these proceedings. The Initial Order was granted in part based on the February 28, 2024 Milich Affidavit. As set out above, statements about BZAM's financial condition contained in the Milich Affidavit demonstrate that BZAM made false representations to Final Bell to induce it to enter in the SEA for the sale of FBC.

BZAM Induced Final Bell to Sell FBC through Fraudulent Misrepresentations

51. During the due diligence process, BZAM made the following representations to Final Bell about BZAM's financial condition in order to induce Final Bell to enter into the SEA for the sale of FBC:

- i. BZAM had sufficient cash to fund its operations and would experience positive cash flows throughout 2024;
- ii. BZAM had between \$6-7 million in financing available through access to a revolving credit facility it had with Cortland which in March 2024 would be extended for a further 15 months;
- iii. BZAM had no outstanding tax liabilities other than the \$7,828,000 in liabilities it disclosed to Final Bell; ~~and~~
- iv. BZAM had sufficient cash flow throughout 2024 to funds it tax liabilities; and

v. BZAM was not in material breach of its change of control obligations under the Cortland facility.

52. BZAM made these representations with the intention that Final Bell would act on them and agree to enter into the SEA. Final Bell's board reasonably relied on these representations in making its decision to enter into the SEA with BZAM. The Milich Affidavit demonstrates that these representations were false. Prior to or at the closing of the Transaction, BZAM knew the representations were false, or else was reckless as to their truth or falsity.

53. If the CCAA proceedings go forward, Final Bell will suffer a significant loss because of its reliance on BZAM's false representations. Final Bell will be unable to collect on its \$8 million promissory note and the value of its ninety million (90,000,000) shares in BZAM will be wiped out.

Rescission is the Appropriate Remedy

54. Final Bell is an innocent party who was induced to enter into the SEA by a false or misleading representation made by BZAM.

55. BZAM's misrepresentation was material and went to the root of the SEA that Final Bell and BZAM entered into. BZAM's consideration to Final Bell in exchange for all of FBC's shares was in the form of equity in BZAM and unsecured debt. Both are now worthless. BZAM's false representations about its financial condition are directly relevant to the consideration paid to Final Bell in the Transaction – Final Bell would not have agreed to take equity in and grant unsecured debt to a corporation that was on the verge of insolvency.

Statutes and Regulations

56. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-44, sections 11, 11.02, 11.03, 19, and 36.
57. *Courts of Justice Act*, R.S.O. 1990, c. C.43, s. 138.
58. *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, rules 1.04, 6.01, 16.08, and 37.
59. Such further and other grounds as the lawyers may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

1. The affidavit of Kay Jessel sworn March 18, 2024 and the reply affidavit of Kay Jessel sworn April 1, 2024;
2. The affidavit of Keith Adams sworn March 18, 2024 and the reply affidavit of Keith Adams sworn April 1, 2024;
3. The evidence adduced by the responding parties and the transcripts of the cross-examinations of those witnesses on their affidavits;
4. The transcript of the examination of Sean Bovingdon held April 8, 2024; and
5. Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

-17-

~~March 18~~ April 16, 2024

LAX O'SULLIVAN LISUS GOTTLIEB LLP
Counsel
Suite 2750, 145 King Street West
Toronto ON M5H 1J8

Andrew Winton LSO#: 54473I
awinton@lolg.ca
Tel: 416 644 5342

David Ionis LSO#: 79542U
dionis@lolg.ca
Tel: 416 956 0117

Brendan Bohn LSO#: 81443O
bbohn@lolg.ca
Tel: 416 956 5084

Lawyers for Final Bell Holdings International Ltd.

TO: **THE SERVICE LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
BZAM LTD., BZAM HOLDINGS INC., BZAM MANAGEMENT INC., BZAM CANNABIS CORP., FOLIUM LIFE SCIENCE INC.,
102172093 SASKATCHEWAN LTD., THE GREEN ORGANIC DUTCHMAN LTD., MEDICAN ORGANIC INC., HIGH ROAD
HOLDING CORP. AND FINAL BELL CORP.**

Applicants

Court File No. CV-24-00715773-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

AMENDED NOTICE OF MOTION

LAX O'SULLIVAN LISUS GOTTLIEB LLP
Suite 2750, 145 King Street West
Toronto ON M5H 1J8

Andrew Winton LSO#: 54473I
awinton@lolg.ca
Tel: 416 644 5342

David Ionis LSO#: 79542U
dionis@lolg.ca
Tel: 416 956 0117

Brendan Bohn LSO#: 81443O
bbohn@lolg.ca
Tel: 416 956 5084

Lawyers for Final Bell Holdings International Ltd.