

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL 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
FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC.,
11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS
CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

**MOTION RECORD OF THE APPLICANTS
(RE: COMEBACK HEARING)
(RETURNABLE JUNE 15, 2023)**

June 14, 2023

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TO: THE SERVICE LIST

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Applicants

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(as at June 14, 2023)**

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Applicants

I N D E X

TAB	DOCUMENT
1.	Notice of Motion, dated June 9, 2023
2.	Affidavit of Stephane Trudel, sworn June 14, 2023
A.	Exhibit "A" – Affidavit of Stephane Trudel, sworn June 5, 2023 (without exhibits)
B.	Exhibit "B" – Initial Order, June 5, 2023
C.	Exhibit "C" – Press Release
D.	Exhibit "D" – Globe and Mail Notice, June 9, 2023
E.	Exhibit "E" – Stalking Horse Agreement
F.	Exhibit "F" – Cash Flow Statement
3.	Draft Amended and Restated Initial Order
4.	Amended and Restated initial Order blackline to Initial Order
5.	Amended and Restated Initial Order blackline to Model CCAA Order
6.	Draft SISP Order

TAB 1

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HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**NOTICE OF MOTION
(Returnable June 15, 2023)
(Re: Amended and Restated Initial Order and SISP Approval Order)**

Fire & Flower Holdings Corp. ("**FFHC**" or the "**Company**"), Fire & Flower Inc. ("**FFI**"),
13318184 Canada Inc., ("**133 Canada**"), 11180703 Canada Inc. ("**Hi-Line Ventures**"), 10926671
Canada Ltd. ("**Open Fields Distribution**"), Friendly Stranger Holdings Corp. ("**Friendly
Stranger**"), Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**"), Hifyre Inc.
("**Hifyre**", and collectively, the "**Applicants**") will make a motion before Justice Steele of the
Ontario Superior Court of Justice (Commercial List) on **Thursday, June 15, 2023 at 11:00 a.m.**,
or as soon after that time as the Motion can be heard.

PROPOSED METHOD OF HEARING: The Motion is to be heard

- In writing under subrule 37.12.1(1);
- In writing as an opposed motion under subrule 37.12.1(4);
- In person;
- By telephone conference;
- By video conference.

at the following location: Courtroom 8-5, 330 University Avenue, Toronto, Ontario M5G

THE MOTION IS FOR

1. An amended and restated initial order (the “**Initial Order**”) of the Honourable Justice Steele dated June 5, 2023 (the “**ARIO**”) granting, among other things:

- (a) if necessary, abridging the time for service of this Notice of Motion and Motion Record and dispensing with service on any person other than those served;
- (b) an extension of the period in which any proceedings and remedies that might be taken against or in respect of the Applicants any of their assets, property, and undertakings (“**Property**”) or business, or their directors and officers (the “**D&Os**”) from June 15, 2023 (the “**Initial Stay Period**”) to and including September 1, 2023 (the “**Stay Period**”);
- (c) approval of the key employee retention plan (the “**KERP**”) and granting a Court-ordered priority charge against the Property for security for payments under the KERP (the “**KERP Charge**”);
- (d) a sealing order in respect of the unredacted KERP;
- (e) authority for the Applicants to draw the remainder of the aggregate principal amount of \$9.8 million under the interim facility loan agreement (the “**DIP Facility Agreement**”) entered into on June 5, 2023 with 2707031 Ontario Inc. (“**ACT Investor**”, and in its capacity as lender under the DIP Facility Agreement, the “**DIP Lender**”);
- (f) authority for the Applicants to pay pre-filing amounts owing to certain suppliers that provide the Applicants with essential services and/or products (the “**Critical Suppliers**”) to the maximum amount of \$250,000;
- (g) authority for the Applicants to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange (collectively, the “**Securities Provisions**”) and declare that none of the D&Os, employees, and other

representatives of the Applicants or FTI Consulting Canada Inc. (“**FTI**”), in its capacity as the monitor of the Applicants (“the **Monitor**”) in these *Companies’ Creditors Arrangement Act* (“**CCAA**”) proceedings (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings;

- (h) an extension of the time limit to hold the annual general meeting of shareholders of FFHC (the “**AGM**”) scheduled for June 22, 2023 until after the conclusion of the CCAA proceedings, subject to further order of this Court; and
- (i) the following priority charges against the Property and increasing certain of the charges granted in the Initial Order (ordered in priority):
 - (i) First – an “**Administration Charge**” against the Property in the amount of \$600,000 as security for the payment of the professional fees and disbursements incurred and to be incurred by the Monitor, counsel to the Monitor, and counsel to the Applicants, in connection with these CCAA proceedings both before and after the making of the ARIO;
 - (ii) Second – an increase to the “**DIP Lender’s Charge**” against the Property to \$9.8 million as security for the Applicants’ obligations under the DIP Facility Agreement;
 - (iii) Third – a “**D&O Charge**” against the Property in the amount of \$2.8 million as security for the Applicants’ obligation to indemnify such D&Os for obligations and liabilities they may incur in such capacities after the commencement of the CCAA Proceedings, including with respect to employee vacation pay which may have accrued prior to the commencement of these proceedings, but which may become due and payable after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct; and
 - (iv) Fourth – a new “**KERP Charge**” against the Property in an amount to be disclosed prior to the hearing of the Motion, as security for the Applicants’ obligations under the KERP to pay the key employees.

(collectively, the “**Charges**”).

2. An order (the “**SISP Order**”) granting, among other things:
 - (a) approval of the sale and investment solicitation process (the “**SISP**”) in a form substantially similar to the form attached as Schedule “A” to the SISP Order;
 - (b) authority for the Applicants and the Monitor to immediately commence the SISP; and
 - (c) authority and direction to the Monitor, the Applicants, and their respective affiliates, partners, employees, advisors and agents (collectively, the “**Assistants**”) to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and the SISP Order.

3. Such further and other relief as may be requested by the Applicants and as this Honourable Court considers just.

THE GROUNDS FOR THE MOTION ARE:

Background

4. The Applicants are an independent cannabis retail chain with 91 retail stores open across Canada. Certain of the Applicants also carry on business as a wholesale cannabis distributor, a logistics provider, and operate digital platforms which provide various services and software products relating to cannabis products.

5. The Applicants, together with Hifyre US, Inc. and PGED Corp. (collectively, the “**Companies**”) have been operating at a loss since they began operating in 2018. Most recently, the Companies have suffered significant operating losses of approximately \$45.4 million and \$83.4 million, in the fiscal years ended January 29, 2022 and December 31, 2022, respectively. From December 31, 2022 to March 31, 2023, the Companies suffered operating losses of approximately \$8.7 million, with losses continuing to accrue.

6. As a result of these severe liquidity issues and an inability to meet their obligations as they became due, the Applicants determined that it was in their best interest and the best interests of their stakeholders to commence these CCAA Proceedings. Accordingly, on June 5, 2023, the Applicants sought and obtained relief under the CCAA pursuant to the Initial Order.

7. Pursuant to the Initial Order, among other things:
 - (a) FTI was appointed Monitor of the Applicants in the CCAA Proceedings;
 - (b) an initial 10-day Stay of Proceedings was granted in favour of the Applicants and their respective D&Os up to and including June 15, 2023;
 - (c) the DIP Facility Agreement was approved, pursuant to which the Applicants were permitted to borrow the Initial Advance of \$2.7 million from the DIP Lender; and
 - (d) the Administration Charge was granted in the amount of \$600,000, the DIP Lender's Charge was granted in the amount of \$2.7 million, and the D&O Charge was granted in the amount of \$2.8 million, in each case covering amounts only necessary for the Initial Stay Period.
8. The Applicants commenced these CCAA Proceedings to, among other things, implement an orderly court-approved SISP to obtain a going concern solution to maximize value for their stakeholders.

Extension of the Stay Period

9. The Applicants request an extension of the Stay Period up to and including September 1, 2023 to allow the Applicants and the Monitor to conduct the SISP and take certain steps to streamline their operations and restructure unprofitable segments.
10. The requested extension will provide the Applicants with continued breathing space while they attempt to maximize value for the benefit of their stakeholders through the CCAA Proceedings and the SISP.
11. The Applicants have acted, and continue to act, in good faith and with due diligence during the course of the CCAA Proceedings.
12. Since the granting of the Initial Order, among other things, the Applicants have reached out to various suppliers, the regulatory entities in each province for which the Applicants have ongoing operations, their employees, and developed the SISP.

13. The Applicants have also engaged with the DIP Lender regarding disclaimer notices for all of the non-operating leases for which one or more of the Applicants are a party to, in an effort to preserve liquidity.

14. Accordingly, the Applicants' activities since the granting of the Initial Order have all been made with a view to maximizing the value of the Applicants' business, for the benefit of their stakeholders.

15. The cash flow statement prepared by the Applicants and reviewed by the Monitor (the "**Cash Flow Statement**") demonstrates that the Applicants have sufficient liquidity to operate through the proposed Stay Period (subject to obtaining the necessary advances under the DIP Facility).

16. The Monitor and the DIP Lender are both supportive of the proposed extension of the Stay Period.

KERP and KERP Charge

17. The Applicants seek approval of the KERP and related KERP Charge. The KERP was developed by the Applicants, with input from its legal counsel and the Monitor, to facilitate and encourage the continued participation of senior management and other key employees of the Applicants who are required to guide the business through the restructuring and preserve value for the Applicants' stakeholders.

18. The beneficiaries of the KERP are employees with significant experience and specialized expertise that cannot be easily replicated or replaced. Further, these key employees will also be faced with a significantly increased workload during the restructuring process.

19. The proposed KERP Charge will act as a priority charge on the Property in an amount to be disclosed prior to the hearing of the Motion.

20. The Applicants also seek to have the unredacted KERP sealed, as it reveals individually identifiable information, including, among other things, compensation information. Disclosure of such sensitive personal and compensation information may cause harm to the key employees in the KERP and to the Applicants, and the protection of such information is an important commercial and privacy interest that should be protected.

21. The Monitor is supportive of the proposed KERP, corresponding KERP Charge, and the sealing of the unredacted KERP.

Increased Amounts to DIP Facility and DIP Lender's Charge

22. The Applicants seek to increase the maximum amount permitted to be drawn on the DIP Facility from \$2.7 million to \$9.8 million and correspondingly, an increase in the DIP Lender's Charge in the same amount.

23. The Cash Flow Statement indicates that the Applicants anticipate the need for interim financing to fund these CCAA proceedings. While the Applicants reasonably required \$2.7 million of financing through the DIP Facility during the initial Stay Period, the Cash Flow Statement indicates that the Applicants anticipate the need for interim financing of up to \$9.8 million to continue operating up to and including September 1, 2023.

24. The Monitor is supportive of the proposed authority for the Applicants to borrow up to \$9.8 million under the DIP Facility and the corresponding increase to the DIP Lender's Charge.

Relief from Reporting Obligations and Extension of Time to Hold the AGM

25. The Applicants seek (a) to incur no further expenses in relation to the Securities Filings; (b) a declaration that none of the directors, officers, employees and other representatives of the Applicants or the Monitor shall have any personal liability for failure by the Applicants to make any Securities Filings that may be required by the Securities Provisions; and (c) to extend the time limit to hold the AGM.

26. On June 6, 2023, the Toronto Stock Exchange suspended trading in the securities of FFHC. The securities of FFHC will also likely be delisted as a result of the commencement of these CCAA proceedings.

27. In the circumstances, it is in the best interest of the Applicants and their stakeholders to incur no further expenses to maintain the currency of its securities reporting going forward and to extend the time limit to hold the AGM until after the conclusion of the CCAA Proceedings, subject to further order of this Court.

28. The Applicants' resources and time are better directed towards its restructuring efforts.

Pre-Filing Payments to Critical Suppliers

29. The Applicants are seeking authorization to make payments for pre-filing arrears to the Critical Suppliers that provide the Applicants with essential services and/or products to the maximum amount of \$250,000.

30. The cooperation of the Critical Suppliers is necessary for the Applicants to maintain their operations, and in certain circumstances, for the Applicants to be compliant with the applicable provincial and/or municipal legislation relating to cannabis.

31. The Applicants do not have any readily available means to replace the Critical Suppliers.

32. Payments to Critical Suppliers will only be made with the express authorization of the Monitor, and only to Critical Suppliers that the Monitor agrees are essential to the Applicants' business and operations.

33. The Monitor is supportive of the Applicants' request to make payments for pre-filing arrears to Critical Suppliers.

Priority of Charges

34. The proposed ARIO provides that the Charges, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$600,000);

Second – DIP Lender's Charge (to the maximum amount of \$9.8 million);

Third – D&O Charge (to the maximum amount of \$2.8 million); and

Fourth – KERP Charge (in an amount to be disclosed prior to the hearing of the Motion).

35. While the Charges in the Initial Order only primed ACT Investor's position as secured lender, the proposed Charges in the ARIO rank ahead of all Encumbrances. The proposed ranking of the Charges is reasonable and appropriate in the circumstances. The Applicants will serve all secured parties who may be affected by the Charges.

SISP

36. The Applicants propose to conduct a SISIP that is intended to maximize the value of the Applicants' business assets, on a going concern basis.

37. The SISP is intended to solicit interest in, and opportunities for (a) sales or partial sales in respect of the Applicants' Business and/or Property; and/or (b) an investment, restructuring, recapitalization, refinancing, or other form of reorganization transaction, in respect of the Applicants or their Business.

38. If approved, the SISP will commence as soon as reasonably practicable following the date on which the SISP Order is granted with a two-phase bidding process, which includes the following key deadlines (which can be modified pursuant to the terms of the SISP):

- (a) Phase I Bid Deadline of July 13, 2023;
- (b) Phase II Bid Deadline of August 11, 2023;
- (c) Auction (if applicable) on August 15, 2023; and
- (d) Outside Date for closing of September 15, 2023.

39. Further details on the proposed SISP will be provided prior to the hearing of the motion.

40. The Monitor is supportive of the Applicants commencing a SISP as soon as practicably possible.

OTHER GROUNDS:

41. Sections 11 and 36 of the CCAA and the inherent and equitable jurisdiction of this Court.

42. Rules 1.04, 2.03, 3.02, 16, 37, and 39 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended.

43. Such further and other grounds as counsel may advise and this Court may permit.

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

44. The affidavits of Stephane Trudel sworn June 5, 2023 and to be sworn prior to the hearing of the Motion, and the Exhibits thereto.

45. The Factum of the Applicants, to be filed.

46. The Pre-Filing Report of the Proposed Monitor dated June 5, 2023 and the First Report of the Monitor, to be filed.

47. Such further and other evidence as counsel may advise and this Court may permit.

June 9, 2023

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

**NOTICE OF MOTION
(Re: AMENDED AND RESTATED INITIAL
ORDER AND SISP ORDER)**

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TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL 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
FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC.,
11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS
CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

**AFFIDAVIT OF STEPHANE TRUDEL
(Sworn June 14, 2023)**

I, Stephane Trudel, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Executive Officer ("**CEO**") of Fire & Flower Holdings Corp. ("**FFHC**" or the "**Company**"), Fire & Flower Inc. ("**FFI**"), 13318184 Canada Inc., ("**133 Canada**"), 11180703 Canada Inc. ("**Hi-Line Ventures**"), 10926671 Canada Ltd. ("**Open Fields Distribution**"), Friendly Stranger Holdings Corp. ("**Friendly Stranger**"), Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**"), Hifyre Inc. ("**Hifyre**", and collectively, the "**Applicants**"), Hifyre US, Inc., ("**Hifyre US**"), and PGED Corp. ("**PotGuide**", and together with Hifyre US and the Applicants, the "**Companies**") and a member of its board of directors. I have been a member of the board of directors of FFHC since June 8, 2020 and have been the CEO of the Companies and a member of the boards of directors of the Companies, other than FFHC, since June 1, 2022.

2. I am responsible for overseeing the operations of the Companies, their liquidity management and, ultimately, for assisting in their restructuring process. Because of my involvement with the Companies, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the records, press releases, and public filings of the Companies and have spoken with certain of the directors, officers and/or employees of the Companies, as necessary. Where I have relied upon such information, I do verily believe such information to be true.

3. Capitalized terms used herein and not otherwise defined have the meaning ascribed to them in my affidavit sworn on June 5, 2023 (the “**Initial Trudel Affidavit**”), a copy of which is attached (without Exhibits) as **Exhibit “A”**. All references to monetary amounts in this affidavit are in Canadian dollars unless otherwise noted.

4. This affidavit is sworn in support of a motion (the “**Motion**”) by the Applicants for:

(a) An amended and restated Initial Order (the “**ARIO**”) granting, among other things:

- (i) if necessary, abridging the time for service of the Notice of Motion and Motion Record and dispensing with service on any person other than those served;
- (ii) an extension of the Stay Period to and including September 1, 2023;
- (iii) approval of the key employee retention plan (the “**KERP**”) and granting a Court-ordered priority charge against the Property for security for payments under the KERP (the “**KERP Charge**”);
- (iv) a sealing order in respect of the unredacted KERP;
- (v) authority for the Applicants to increase the amounts which may be borrowed by the Applicants under DIP Facility Agreement to \$9.8 million;
- (vi) authority for the Applicants to pay pre-filing amounts owing to certain suppliers that provide the Applicants with essential services and/or products (the “**Critical Suppliers**”);
- (vii) authority for the Applicants to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange (collectively, the “**Securities Provisions**”) and declare that none of the D&Os, employees, and other representatives of the

Applicants or the Monitor in these CCAA Proceedings (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings;

- (viii) an extension of the time limit to call and hold the annual general meeting of shareholders of FFHC (the “**AGM**”) scheduled for June 22, 2023 until after the conclusion of the CCAA proceedings, subject to further order of this Court;
- (ix) the following priority Charges against the Property and increasing the Charges (where applicable) granted in the Initial Order (ordered in priority):
 - (A) First – the Administration Charge in the amount of \$600,000;
 - (B) Second – an increase to the DIP Lender’s Charge to \$9.8 million;
 - (C) Third – the D&O Charge in the amount of \$2.8 million; and
 - (D) Fourth – a new KERP Charge in the amount of \$1,160,000;
- (b) An order (the “**SISP Order**”) granting, among other things:
 - (i) approval of the sale and investment solicitation process (the “**SISP**”) in a form substantially similar to the form attached as Schedule “A” to the SISP Order;
 - (ii) authority for the Applicants and the Monitor to immediately commence the SISP;
 - (iii) authority and direction to the Monitor, the Applicants, and their respective affiliates, partners, employees, advisors and agents (collectively, the “**Assistants**”) to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and the SISP Order; and
 - (iv) approving the Stalking Horse Agreement (the “**Stalking Horse Agreement**”) to be entered into between the Applicants and ACT Investor

(in such capacity, the “**Stalking Horse Bidder**”) solely for the purpose of constituting the “**Stalking Horse Bid**” under the SISP.

I. OVERVIEW OF THE APPLICANTS’ ACTIVITIES SINCE THE INITIAL ORDER

5. On June 5, 2023, the Applicants were granted protection under the CCAA pursuant to the Initial Order, a copy of which is attached as **Exhibit “B”**.

6. In support of the Initial Order, I swore the Initial Trudel Affidavit which described, among other things, the events leading up to the Applicants’ insolvency, their urgent need for relief under the CCAA, and their intention to conduct a court-approved SISP to obtain a going concern solution to maximize value for their stakeholders.

7. The Initial Order, among other things:

- (a) appointed FTI as Monitor of the Applicants;
- (b) granted a Stay of Proceedings in favour of the Applicants until and including June 15, 2023;
- (c) approved the execution of the DIP Facility Agreement, pursuant to which the Applicants were authorized to borrow up to the Initial Advance of \$2.7 million, and granted the corresponding DIP Lender’s Charge in the amount of the Initial Advance; and
- (d) granted the Administration Charge in the amount of \$600,000 and the D&O Charge in the amount of \$2.8 million.

8. Since the granting of the Initial Order, the Applicants, in close consultation and with the assistance of the Monitor, have been working in good faith and with due diligence to stabilize its business and operations as part of these CCAA Proceedings.

9. Immediately after obtaining CCAA protection, the Applicants published a press release in order to inform its various stakeholders of the granting of the Initial Order. A copy of the press release is attached as **Exhibit “C”**.

10. Shortly thereafter, individual targeted communications were also sent by the Applicants to employees, suppliers, and landlords, explaining the general nature of the Initial Order and the

CCAA Proceedings, the role of the Court and the Monitor, as well as the immediate implications of the Initial Order for each particular stakeholder group. These communications also included “*Frequently Asked Questions*”.

11. The Applicants have also had discussions with the various cannabis regulatory entities in the six (6) jurisdictions which the Applicants operate their business, advising each entity of the granting of the Initial Order.

12. Since June 5, 2023, in an effort to preserve the Applicants’ liquidity and limit its cash burn during the CCAA Proceedings:

- (a) the Applicants proceeded to lay-off employees in its highly unprofitable Delivery Segment, reducing its workforce from 774 total employees to 713 total employees; and
- (b) the Applicants have also engaged with the DIP Lender regarding disclaimer notices for all of the non-operating leases for which one or more of the Applicants are a party to, in an effort to preserve liquidity. Prior to the hearing of the Motion, the Applicants will be sending disclaimer notices in respect of 47 non-operating leases, 18 operating leases which are highly unprofitable, and 2 motor vehicle leases.

13. The Applicants and the Monitor have also developed the SISF and responded to numerous creditor and stakeholder enquiries regarding these CCAA Proceedings.

14. In accordance with the Initial Order, I am informed by the Monitor that it has:

- (a) established a website at <http://cfcanada.fticonsulting.com/fireandflower> (the “**Monitor’s Website**”) on which updates on the CCAA Proceedings will be posted periodically, together with all the Court materials filed in the CCAA Proceedings;
- (b) established a dedicated email address (fireandflower@fticonsulting.com) and hotlines (416-649-8129 or 1-833-981-8009) to allow stakeholders to communicate directly with the Monitor in order to address any questions or concerns in respect of the CCAA Proceedings;

- (c) on June 5, 2023, the Monitor posted the Initial Order and the motion materials on the Monitor's Website; and
- (d) on June 9, 2023, published a notice in the Globe and Mail (National Edition) containing the information prescribed under the CCAA, a copy of which is attached as **Exhibit "D"**. The notice will be published again in the same newspaper in the week following its initial publication.

II. SISP ORDER

15. As set out in greater detail in the Initial Trudel Affidavit, the Applicants intend to, among other things, conduct a court-approved SISP to obtain a going concern solution to maximize value for their stakeholders.

16. Accordingly, the SISP has been developed by the Applicants and the Monitor as a means of seeking to maximize the value of the Applicants' business assets.

17. The Applicants have also negotiated with ACT Investor (in its capacity as both the senior secured creditor of the Applicants and the DIP Lender) regarding a potential "stalking horse bid". These discussions have resulted in ACT Investor and the Applicants negotiating the Stalking Horse Agreement, a copy of which is attached as **Exhibit "E"**.

18. Accordingly, while the SISP has been developed to identify and consummate a value-maximizing transaction, the Stalking Horse Agreement ensures that the Applicants will emerge from these CCAA Proceedings on a going-concern basis.

19. The SISP and the Stalking Horse Agreement are described in greater detail immediately below.

A. The SISP¹

20. The SISP was designed to be broad and flexible. The SISP is intended to solicit interest in, and opportunities for: (a) one or more sales or partial sales of all, substantially all, or certain portions of the Property or the Business; and/or (ii) an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the Applicants or their Business.

¹ Capitalized terms used in this subsection and not otherwise defined have the meaning ascribed to them in the SISP.

21. The Monitor, in consultation with the Applicants may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, the Successful Bidder or the Back-Up Bidder, provided that the Monitor determines that such modification, amendment, variation or supplement is expressly limited to non-material changes that do not materially alter, amend or prejudice the rights of such bidders.

22. The SISP provides for a two-staged process. Phase 1 of the SISP calls for non-binding LOIs. The Monitor, in consultation with the Applicants, will determine which Phase 1 Qualified Bidders shall proceed to Phase 2 of the SISP. In the event that no Phase 1 Satisfactory Bid is selected (other than the one from the Stalking Horse Bidder), the Applicants will promptly proceed to seek Court approval of the Stalking Horse Agreement and Phase 2 of the SISP will not be conducted.

23. Phase 2 of the SISP calls for unconditional Binding Offers which are irrevocable and capable of acceptance until the earlier of (a) two business days after the date of closing of the Successful Bid; and (b) the Outside Date, being September 15, 2023.

24. A summary of the key dates pursuant to the SISP is as follows:

Event	Timing
<u>Phase 1</u>	
1. Preparation	In advance of Court approval of the SISP Order
Applicants to assemble due diligence information and set up VDR	
Monitor to prepare a Teaser Letter and NDA	
2. Notice	As soon as reasonably practicably following the date on which the SISP Order is granted.
Applicants to issue a press release regarding the Opportunity and the Monitor to publish a notice of the SISP on the Monitor's website and other industry trade publications, as determined appropriate.	
Monitor to distribute Teaser Letter and NDA to potentially interested parties	

3. Phase 1

June 15, 2023 to July 13, 2023

Phase 1 Qualified Bidders provided access to a VDR

4. Phase 1 Bid Deadline

By no later than July 13, 2023, at 5:00 p.m. (Eastern Time)

Deadline for Qualified Bidders to submit non-binding LOIs in accordance with the requirement of paragraph 14 of the Bidding Procedures

5. Phase 1 Satisfactory Bid

By no later than July 14, 2023, at 5:00 p.m. (Eastern Time)

Monitor to assess non-binding LOIs using criteria outlined in the SISF to determine if a LOI is a Satisfactory Bid.

Phase 1 Satisfactory Bidders designated by the Monitor as Phase 2 Qualified Bidders invited to participate in Phase 2 if the Monitor proceeds to Phase 2

6. Approval Motion if No Other Bids

Week of July 24, 2023

Filing of Approval Motion in respect of the Stalking Horse Agreement in the event that no other Phase 1 Satisfactory Bid is received and issuance of the Vesting Order.

7. Closing – No Other Bids

August 4, 2023

Anticipated deadline for closing of the Stalking Horse Agreement in the event that no other Phase 1 Satisfactory Bid is received

Phase 2

8. Phase 2 Bid Deadline & Qualified Bidders

August 11, 2023

Phase 2 Bid Deadline (for delivery of definitive offers by Phase 2 Qualified Bidders in accordance with the requirement of paragraph 22 of the Bidding Procedures)

9. Auction

August 15, 2023

Anticipated Auction (if needed)

10. Selection of Successful Bid and Back-Up Bidder

By no later than August 17, 2023 at 5:00 p.m. (Eastern Time)

Deadline for selection of Successful Bid

11. Definitive Documentation By no later than August 22, 2023

Deadline for completion of definitive documentation in respect of Successful Bid

12. Approval Motion – Successful Bid Week of August 28, 2023

Deadline for filing of Approval Motion in respect of Successful Bid

13. Closing – Successful Bid September 8, 2023 or such earlier date as is achievable

Anticipated deadline for closing of Successful Bid being the Target Closing Date

14. Outside Date – Closing September 15, 2023

Outside Date by which the Successful Bid must close

25. The key dates referred to in the above table are described in greater detail below. I believe the timelines and terms of the SISP are reasonable. I am advised by the Monitor that it also believes the timelines and terms of the SISP are reasonable.

(i) Solicitation of Interest

26. The SISP prescribes certain requirements and timelines for the Monitor, in consultation with the Applicants, to solicit interest and provide notice of the SISP after the SISP Order. However, in anticipation of the SISP Order, the Monitor (in consultation with the Applicants) has already:

- (a) prepared a list of Known Potential Bidders which include:
 - (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity;
 - (ii) local and international strategic and financial parties who the Monitor, in consultation with the Applicants, believe may be interested in purchasing all or part of the Business or Property or investing in the Applicants pursuant to the SISP; and

- (iii) parties that showed an interest in the Applicants and/or their assets prior to the date of the SISP Order including by way of the previous, out-of-court strategic review process;
- (b) prepared 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;
- (c) prepared a form of NDA; and
- (d) began preparing the VDR, with access being granted to Potential Bidders who have executed the NDA.

27. The Monitor will apprise the market of the SISP by arranging for notice of the SISP (the “**Notice**”) to be published in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor. Additionally, the Applicants will issue a press release with Canada Newswire setting out the information contained in the Notice.

(ii) Phase I – Non-Binding LOIs

28. In order to participate in the SISP, and prior to the distribution of any confidential information to an interested party (including access to the VDR), such interested party must deliver to the Monitor an executed NDA. Each potential bidder who has executed an NDA with the Applicants is considered a “**Potential Bidder**”.

29. Each Potential Bidder who has executed an NDA and provided any additional required information will be deemed a “**Phase 1 Qualified Bidder**”. The Monitor will then send each Phase 1 Qualified Bidder the Stalking Horse Agreement.

30. If a Phase 1 Qualified Bidder (other than the Stalking Horse Bidder) wishes to submit a bid, it must deliver a non-binding LOI to the Monitor by the Phase 1 Bid Deadline (July 13, 2023).

31. An LOI submitted by a Phase 1 Qualified Bidder will only be considered a “**Phase 1 Qualified Bid**” if the LOI, among other things:

- (a) the Phase 1 Qualified Bidder is (i) seeking to acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a

combination thereof (either one, a "**Sale Proposal**") or some other portion of the Business (a "**Partial Sale Proposal**"); or (ii) offering to make an investment in, restructure, recapitalize or refinance the Applicants or the Business (an "**Investment Proposal**");

- (b) provides written evidence, satisfactory to the Monitor, in consultation with the Applicants, of the ability to consummate the transaction within the timeframe contemplated by the SISP;
- (c) identifies all proposed material conditions to closing including, without limitation, any internal, regulatory or other approvals and any form of consent, agreement or other document required from a government body, stakeholder or other third party, and an estimate of the anticipated timeframe and any anticipated impediments for obtaining such conditions, along with information sufficient for the Monitor, in consultation with the Applicants, to determine that these conditions are reasonable in relation to the Phase 1 Qualified Bidder;
- (d) identifies any additional due diligence required to be completed in order to submit a Binding Offer;
- (e) in the case of a Sale Proposal, identifies (i) the purchase price or price range and key assumptions supporting the valuation and the anticipated amount of cash payable on closing of the proposed transaction; and (ii) whether the proposed transaction is to be implemented by way of a "reverse vesting order"; and
- (f) in the case of an Investment Proposal, identifies (i) the aggregate amount of the equity and/or debt investment to be made in the Applicants or their Business; and (ii) whether the proposed transaction is to be implemented by way of a "reverse vesting order".

32. Only Phase 2 Qualified Bidders will be permitted to proceed to Phase 2 of the SISP. The Stalking Horse Agreement shall constitute a Phase 1 Qualified Bid and the Stalking Horse Bidder shall be deemed to be a "**Phase 2 Qualified Bidder**" for all purposes under the SISP, including the Auction.

33. Following the Phase 1 Bid Deadline, the Monitor, in consultation with the Applicants, will determine which Phase 1 Qualified Bid(s) shall proceed to Phase 2 of the SISP and be deemed

a "**Phase 1 Satisfactory Bid(s)**" and which Phase 1 Qualified Bidder(s) accordingly will be deemed "**Phase 2 Qualified Bidder(s)**", if any. For greater certainty, there can be more than one Phase 1 Qualified Bid that may be determined as being a Phase 1 Satisfactory Bid, and more than one Phase 1 Qualified Bidder that may be determined as being a Phase 2 Qualified Bidder.

34. In the event that no Phase 1 Satisfactory Bid is selected (other than the one from the Stalking Horse Bidder), the Applicants will promptly proceed to seek Court approval of the Stalking Horse Agreement and Phase 2 of the SISP will not be conducted.

(iii) ***Phase II – Formal Offers and Removal of Conditions (If Required)***

35. Any Phase 2 Qualified Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer with respect to its Sale Proposal or Investment Proposal must submit by the Phase 2 Bid Deadline, a Binding Offer:

- (a) in the case of a Sale Proposal, in the form of a template agreement of purchase and sale if one is provided in the VDR (if any), along with a marked version showing edits to the original form of the template provided in the VDR and otherwise with a marked version compared to the Stalking Horse Agreement; or
- (b) in the case of an Investment Proposal, a plan or restructuring support agreement in form and substance satisfactory to the Monitor, in consultation with the Applicants (each, such Binding Offer constituting a "**Phase 2 Qualified Bid**").

36. A Binding Offer will only be considered as a Phase 2 Qualified Bid if the Binding Offer, among other things:

- (a) is a Binding Offer: (i) to purchase all, substantially all, or a portion of the Property or the Business; and/or (ii) to make an investment in, restructure, recapitalize or refinance the Applicants or the Business, on terms and conditions reasonably acceptable to the Applicants;
- (b) identifies all executory contracts of the Applicants that the Phase 2 Qualified Bidder will assume and clearly describes, for each contract or on an aggregate basis, how all monetary defaults and non-monetary defaults will be remedied, as applicable;

- (c) is not subject to any financing condition;
- (d) is unconditional, other than upon the receipt of the Approval Order(s) (as defined below) and satisfaction of any other conditions expressly set forth in the Binding Offer;
- (e) provides for net cash proceeds that are not less than the Minimum Purchase Price; unless it is a part of a bid that qualifies as an Aggregated Bid, as the case may be, in which case the total net cash proceeds of the Aggregated Bids will be not less than the Minimum Purchase Price;
- (f) is accompanied by a letter that confirms that the Binding Offer: (i) may be accepted by the Applicants by countersigning the Binding Offer, and (ii) is irrevocable and capable of acceptance until the earlier of (A) two business days after the date of closing of the Successful Bid; and (B) the Outside Date;
- (g) in the case of a Sale Proposal, includes (i) the specific purchase price in Canadian dollars and a description of any non-cash consideration, including any future royalty payments or other deferred payment, details of any liabilities to be assumed by the Phase 2 Qualified Bidder and key assumptions supporting the valuation; (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded; and (iii) a description of those liabilities and obligations (including operating liabilities) which the Phase 2 Qualified Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
- (h) in the case of an Investment Proposal, includes (i) a description of how the Phase 2 Qualified Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration; (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars; and (iii) a description of those liabilities and obligations (including operating liabilities) which the Phase 2 Qualified Bidder intends to assume and which liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;

- (i) is accompanied by a deposit in the amount of not less than 10% of the cash purchase price payable on closing or total new investment contemplated, as the case may be (the "**Deposit**"), along with acknowledgement that (i) if the Phase 2 Qualified Bidder is selected as the Successful Bidder, that the Deposit will be non-refundable subject to approval of the Successful Bid by the Court; and (ii) if the Phase 2 Qualified Bidder is selected as the Back-Up Bidder, that the Deposit will be held and dealt with as prescribed by the SISP; and
- (j) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on or before the Target Closing Date, and in any event no later than the Outside Date.

(iv) Selection of Successful Bid

37. The Applicants and the Monitor will: (a) review and evaluate each Phase 2 Qualified Bid; (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**"); and (c) identify the next highest or otherwise second best bid (the "**Back-Up Bid**", and the Phase 2 Qualified Bidder making such Back-Up Bid, the "**Back-Up Bidder**").

38. In the event that no Phase 2 Qualified Bid is selected (other than the Stalking Horse Bid), the Applicants will promptly seek Court approval of the Stalking Horse Agreement. In the event there is at least one Phase 2 Qualified Bid in addition to the Stalking Horse Bid, the Monitor, in consultation with the Applicants may determine the Successful Bid or may determine that the Successful Bid will be identified through an Auction.

(v) Auction

39. The Auction (if necessary) shall proceed on August 15, 2023 and will be conducted in accordance with the following procedures, among others:

- (a) The Auction will commence on August 15, 2023, and may, in the discretion of the Monitor, be held virtually;
- (b) The identity of each Phase 2 Qualified Bidder participating in the Auction will be disclosed, on a confidential basis, to other Phase 2 Qualified Bidders participating in the Auction;

- (c) Each Phase 2 Qualified Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with the Applicants or any other person, without the consent of the Applicants and the Monitor, regarding the SISP, that has not been disclosed to all other Phase 2 Qualified Bidders. For greater certainty, communications between the Stalking Horse Bidder and either the Applicants or the Monitor with respect to and in preparation of the Stalking Horse Agreement, the SISP, the Bidding Procedures and other ancillary matters prior to the issuance of the SISP Order and the commencement of the SISP will not represent collusion nor communications;
- (d) Prior to the Auction, the Monitor will identify, in consultation with the Applicants, the highest and best of the Phase 2 Qualified Bids received and such Phase 2 Qualified Bid will constitute the opening bid for the purposes of the Auction (the "**Opening Bid**"). Subsequent bidding will continue in minimum increments valued at not less than \$250,000 cash in excess of the Opening Bid;
- (e) Each participating Phase 2 Qualified Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Phase 2 Qualified Bidder. The Monitor, in consultation with the Applicants, shall determine which Phase 2 Qualified Bidders have submitted the (i) highest and otherwise best Phase 2 Qualified Bid of the Auction, and (ii) the next highest and otherwise second best Phase 2 Qualified Bid of the Auction, in each case, taking into account, as the case may be, the monetary value of the non-cash considerations. Upon the conclusion of the bidding, the Auction will be closed, and the final remaining Phase 2 Qualified Bidder will be the Successful Bidder and the next highest and otherwise second best Phase 2 Qualified Bidder will be the Back-Up Bidder;
- (f) Upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Monitor will require the Successful Bidder and the Back-Up Bidder, if any, to each deliver, as soon as practicable, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during

the Auction, prior to the filing of the application material for the hearing to consider the Approval Motion; and

- (g) The Monitor, in consultation with the Applicants, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions.

40. The Successful Bid and the Back-Up Bid will be selected by no later than 5:00 p.m. (Eastern Time) on August 17, 2023 and the completion and execution of definitive documentation in respect of the Successful Bid and the Back-Up Bid, as applicable, must be finalized and executed no later than September 4, 2023, which definitive documentation will be conditional only upon the receipt of the Approval Order(s) and the express conditions set out therein and will provide that the Successful Bidder will use all reasonable efforts to close the proposed transaction by no later than the Target Closing Date, or such longer period as may be agreed to by the Monitor, in consultation with the Applicants and the Successful Bidder.

41. In any event, the Successful Bid must be closed by no later than the Outside Date. If a Back-Up Bid is identified in accordance with the SISP, then such Back-Up Bid shall remain open until the date (the “**Back-Up Bid Outside Date**”) on which the transaction contemplated by the Successful Bid is consummated or such earlier date as the Monitor, in consultation with the Applicants, determines.

42. If the transactions contemplated by the Successful Bid have not closed by the Outside Date or the Successful Bid is terminated for any reason prior to the Outside Date, the Applicants may elect, in consultation with the Monitor, to seek to complete the transactions contemplated by the Back-Up Bid and will promptly seek to close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Applicants will be deemed to have accepted the Back-Up Bid only when the Applicants have made such election.

B. The Stalking Horse Agreement

43. It is proposed that the SISP will be backstopped by the Stalking Horse Agreement. At this time, approval of the Stalking Horse Agreement is only being sought for the purposes of approving it as the Stalking Horse Bid under the SISP. To the extent the Stalking Horse Agreement is ultimately designated as the Successful Bid in the SISP, further approval will be sought from the Court to consummate the transactions contemplated therein.

44. The principal terms of the Stalking Horse Agreement are summarized below.²

Term	Details
Seller	Fire & Flower Holdings Corp.
Purchaser	2707031 Ontario Inc.
Transaction Structure	Reverse vesting structure Prior to Closing, the Company will incorporate a new company (" Residual Co. ") and all the Excluded Assets and Excluded Liabilities of the Applicants will be transferred to Residual Co.
Purchase Price	Credit Bid Consideration: The total aggregate consideration payable by Purchaser for the Purchased Shares shall be the release of the applicable members of the Applicants from all amounts outstanding and obligations owing pursuant to the Bridge Loan Agreement and the DIP Term Sheet as of the Closing Date, including the principal amount of such claims and interest accrued as of the Closing Date, plus any additional principal amounts incurred thereafter, and accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith (collectively, the " Credit Bid Consideration ").
Purchased Assets	The Purchased Shares, which represent all the equity interests in FFHC, and for the avoidance of doubt, every direct and indirect subsidiary of FFHC. All contracts, other than the Excluded Contracts and Excluded Leases will remain with the Applicants.
Retained Liabilities	<ul style="list-style-type: none"> • All Post-Filing Claims • All liabilities of the Applicants arising from and after Closing • Tax liabilities • Intercompany Claims • Indemnification obligations to current and former directors and officers of the Applicants, subject to certain conditions • Amount sufficient to satisfy the amounts owing in respect of the obligations secured by the D&O Charge and KERP Charge not otherwise paid by the Applicants on or before the Closing Date • Priority Payments not otherwise paid by the Applicants on or before the Closing Date including pursuant to the Implementation Steps • an amount sufficient to satisfy the Administration Expense Costs owing secured by the Administration Charge not otherwise paid by the F&F Group on or before the Closing Date
As is Where is	The Business and Purchased Shares will be sold to the Purchaser, and

² Capitalized terms used in table below and not otherwise defined have the meaning ascribed to them in the Stalking Horse Agreement.

	the Retained Liabilities will be retained by the Purchaser, on an “as is, where is basis”, subject to representations and warranties contained in the Stalking Horse Agreement.
Employees	The Purchaser will determine which employees it will assume and employ prior to Closing.
Key Conditions to Closing	<ul style="list-style-type: none"> • SISP Order and the Approval and Vesting Order shall have been issued and entered and shall be Final Orders • The Stalking Horse Agreement shall be the Successful Bid (as determined pursuant to the SISP) • Certain stipulated Transaction Regulatory Approvals in full force and effect, except for those that need not be in full force and effect prior to Closing • The applicable Applicant shall have terminated the employment of the Terminated Employees, and all liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of or damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements, shall be Excluded Liabilities
Administrative Expenses Reserve	<p>On the Closing Date, the Applicants shall pay the Monitor the portion of the Administrative Expense Amount which may be satisfied from its cash on hand, which the Monitor shall hold in trust for the benefit of the Persons entitled to be paid the Administrative Expense Costs and amounts secured by the CCAA Charges.</p> <p>From time to time after the Closing Date, the Monitor may pay from the Administrative Expense Amount the Administrative Expense Costs and amounts secured by the CCAA Charges, with unused amounts (if any) being transferred by the Monitor to FFHC.</p>
Closing Date	<p>No later than five (5) Business Days after the conditions to Closing have been satisfied or waived, other than those that are to be satisfied or waived at the Closing.</p> <p>The Closing Date shall be no later than the Outside Date of September 15, 2023.</p>
Other	<p>Upon closing, the Purchaser shall release the Company, the Monitor and their respective directors and officers and legal counsel from all actual or potential Released Claims relating to the Business, the Purchased Shares or the Retained Liabilities, save and except for Released Claims arising out of fraud, bad faith or illegal acts.</p> <p>Upon closing, FFHC and its Affiliates shall release the Purchaser, the Monitor and their respective directors and officers and legal counsel from actual or potential Released Claims relating to (i) the Purchased Shares; (ii) all other Equity Interests of the Company which remain after the application of the Vesting Order, (iii) the Retained Liabilities, (iv) the</p>

	Excluded Assets or (v) the Excluded Liabilities, save and except for Released Claims arising out of fraud, bad faith or illegal acts.
Break Fee	In consideration for Purchaser's expenditure of time and money (including professional fees) in connection with its agreement to act as the Stalking Horse Bid, and the preparation of the Stalking Horse Agreement, and in performing due diligence, Purchaser shall be entitled to a Break Fee equal to \$750,000.

45. While the Applicants are optimistic that the SISP will result in a competitive bidding process in furtherance of a value maximizing transaction, the Stalking Horse Agreement assures the preservation and continuity of the core business of the Applicants as a going concern, and the continued employment of many of the Applicants' employees.

46. The terms of the Stalking Horse Agreement were negotiated extensively between the Applicants and the Stalking Horse Bidder. Accordingly, I believe that the consideration provided under the Stalking Horse Agreement is both fair and reasonable in the circumstances, and reflects the product of extensive, good faith negotiations.

47. The Monitor supports the approval of the Stalking Horse Agreement solely for the purpose of approving it as the Stalking Horse Bid under the SISP.

III. THE ARIO

A. Extension of the Stay Period

48. The Applicants are seeking to extend the Stay Period to and including September 1, 2023. The extension of the Stay Period is necessary and appropriate in the circumstances to provide the Applicants with continued breathing space while they attempt to maximize value for the benefit of their stakeholders through the CCAA Proceedings and the SISP.

49. As set out above, since the granting of the Initial Order, among other things, the Applicants have reached out to several of their stakeholders, including various suppliers, the regulatory entities in each province for which the Applicants have ongoing operations, their employees, and landlords, and developed the SISP.

50. The Applicants have also terminated several employees and delivered disclaimer notices for all of the non-operating leases for which one or more of the Applicants are a party to, all with a view to preserving the Applicants' liquidity.

51. Accordingly, the Applicants have acted, and are continuing to act in good faith and with due diligence in these CCAA Proceedings since the granting of the Initial Order.

52. The Cash Flow Statement referenced in the Initial Trudel Affidavit and attached as Appendix "A" to the Pre-Filing Report of the Proposed Monitor dated June 5, 2023 is attached as **Exhibit "F"** to this affidavit. The Cash Flow Statement demonstrates that the Applicants have sufficient liquidity to operate through the proposed extension of the Stay Period to and including September 1, 2023.

53. The Applicants' stakeholders will benefit from the extension of the Stay Period.

54. The Monitor and the DIP Lender are both supportive of the proposed extension of the Stay Period.

B. Increased Amounts to DIP Facility and DIP Lender's Charge

55. The Applicants seek to increase the maximum amount permitted to be drawn on the DIP Facility from \$2.7 million to \$9.8 million, and a corresponding increase to the DIP Lender's Charge in the same amount.

56. As set out in the Initial Trudel Affidavit, the Cash Flow Statement indicates that the Applicants anticipate the need to draw up to \$9.8 million under the DIP Facility in order to maintain operations and fund these CCAA Proceedings up to the proposed extension of the Stay Period to and including September 1, 2023.

57. It is proposed that the DIP Lender's Charge will rank subordinate to the Administration Charge but ahead of the D&O Charge and the KERP Charge.

58. The Monitor supports the increase to the maximum amount permitted to be drawn on the DIP Facility by the Applicants and the corresponding increase to the DIP Lender's Charge.

C. KERP and KERP Charge

59. As referenced in the Initial Trudel Affidavit, the Applicants have certain Key Employees who perform roles critical to advancing the Applicants' restructuring, including varied institutional knowledge related to the Companies' business and operations.

60. The retention of employees is of vital importance to the Applicants during these CCAA proceedings. The Applicants, with the assistance of the Monitor, have developed the KERP to facilitate and encourage the continued participation of Key Employees during these CCAA Proceedings.

61. Pursuant to the terms of the KERP:

- (a) certain Key Employees will receive a bonus payment at the earlier of:
 - (i) the completion of the CCAA Proceedings; or
 - (ii) October 31, 2023;
- (b) certain Key Employees will be eligible to receive an additional incentive payment if the Applicants successfully complete a transaction under the Stalking Horse Agreement;
- (c) certain Key Employees will receive an additional incentive payment if the Applicants successfully complete a transaction that generates gross proceeds that exceed a certain amount; and
- (d) lastly, one Key Employee will only receive an incentive payment if the Applicants successfully complete a transaction that generates gross proceeds that exceed a certain amount.

62. The KERP was designed to incentivize the Key Employees to continue their employment with the Applicants and to maximize value for all stakeholders through the SISP.

63. Employees forfeit their entitlement to their KERP payment if, among other things, they resign or their employment is terminated with just cause prior to the completion of a transaction pursuant to the SISP or the completion of the CCAA Proceedings. This does not include termination as a result of the Successful Bidder not offering them employment, in which case the Key Employee will remain entitled to receive their KERP entitlement.

64. The Stalking Horse Agreement contemplates that the Stalking Horse Bidder may (but is not obligated to), on behalf of the Applicants, make offers of employment to existing employees of the Applicants, on such terms as it may determine in its absolute and sole discretion. Such offers would recognize the employee's years of service with the applicable Applicant, except as

would result in duplication of benefits and subject to any required consents of any applicable third-party insurer or plan administrator. In the event that no conditional offer of employment is made to an employee or an employee who receives an offer of employment rejects such offer in writing or fails to accept such offer of employment up to and including one day prior to the Closing Date, such employee shall be deemed to be considered a terminated employee.

65. Given the uncertainty facing the Applicants' employees, I believe that the KERP is a fair and just solution for the retention of Key Employees of the Applicants.

66. If the KERP were not approved, I believe it is likely that the Key Employees will consider other employment options. Finding qualified individuals to replace them would be disruptive, difficult and time consuming, particularly given the Key Employees institutional knowledge related to the Applicants' business. I also believe that the Key Employees will be critical to maintaining the Applicants' ongoing operations and to assist with the conduct of the SISP, as certain Key Employees will be required in connection with any third party's due diligence during the SISP.

67. The maximum aggregate amount payable under the KERP is \$1,160,000. The proposed ARIO provides for the granting of the KERP Charge in the maximum amount of \$1,160,000 to secure the obligations of the Applicants to the Key Employees under the KERP. It is proposed that the KERP Charge will rank subordinate to all the other Charges.

68. The Applicants are also seeking to seal the unredacted KERP, which will be attached as a confidential appendix to the First Report of the Monitor. The KERP contains sensitive personal and compensation information which I believe may cause harm to the Key Employees in the KERP and to the Applicants if such information became public.

69. The Monitor and the DIP Lender are both supportive of the proposed KERP and KERP Charge.

70. The Monitor is supportive of having the unredacted KERP sealed and not form part of the public record.

D. Authority to Incur No Further Costs in Connection with Securities Filings and Extension of Time Limit to Hold AGM

71. The Applicants seek (a) to incur no further expenses in relation to the Securities Filings; (b) a declaration that none of the directors, officers, employees and other representatives of the Applicants or the Monitor shall have any personal liability for failure by the Applicants to make any Securities Filings that may be required by the Securities Provisions; and (c) to extend the time limit to call and hold the AGM.

72. As FFHC is incorporated under the CBCA, FFHC must call an annual meeting of shareholders no later than six months after the end of its preceding financial year, which was on December 31, 2022.

73. As at June 6, 2023, the Toronto Stock Exchange (the “**TSX**”) suspended trading in the securities of FFHC. The securities of FFHC will also likely be delisted as a result of the commencement of these CCAA Proceedings.

74. In the circumstances, the Applicants have determined that incurring further expenses to maintain the currency of FFHC’s securities reporting going forward and holding the AGM is not appropriate at this juncture. The Applicants’ resources and time are better directed towards its restructuring efforts. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Companies will continue to be made publicly available through the materials filed in these CCAA Proceedings.

E. Critical Suppliers

75. The Applicants are seeking authorization to make payments for pre-filing arrears to the Critical Suppliers that provide the Applicants with essential services and/or products to the maximum aggregate amount of \$250,000.

76. The cooperation of the Critical Suppliers is necessary for the Applicants to maintain their operations, and in certain circumstances, for the Applicants to be compliant with the applicable provincial and/or municipal legislation relating to cannabis.

77. The Applicants do not have any readily available means to replace the Critical Suppliers; even if they did, doing so would be time consuming and costly.

78. The proposed form of ARIO provides that Payments to Critical Suppliers will only be made with the express authorization of the Monitor, and only to Critical Suppliers that the Monitor agrees are essential to the Applicants' business and operations. I believe that this provides the necessary flexibility required to deal with the circumstances in a time-sensitive manner.

79. The Monitor and the DIP Lender both support the Applicants' request to make payments to Critical Suppliers.

F. Proposed Ranking of the Court-Ordered Charges

80. The Initial Trudel Affidavit sets out the evidentiary basis for the appropriateness and necessity of the Administration Charge and the D&O Charge (and their quantum) in the circumstances.

81. While the Charges in the Initial Order only primed ACT Investor's position as secured lender, the proposed Charges in the ARIO rank ahead of all Encumbrances. I am advised by Philip Yang of Stikeman Elliott LLP, the Applicants' counsel, that all secured parties who may be affected by the Charges were served with notice of this motion.

82. The proposed ARIO provides that the Charges, as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$600,000);

Second – DIP Lender's Charge (to the maximum amount of \$9.8 million);

Third – D&O Charge (to the maximum amount of \$2.8 million); and

Fourth – KERP Charge (to the maximum amount of \$1,160,000).

IV. CONCLUSION

83. For the reasons set out above, I believe that it is in the interests of the Applicants and their stakeholders that this Court grant the relief requested in accordance with the terms of the proposed ARIO and SISP Order.

84. I swear this affidavit in support of the Applicants' motion pursuant to the CCAA and for no other or improper purpose.

SWORN remotely via videoconference, by
Stephane Trudel, stated as being located in
the City of Toronto, in the Province of
Ontario, before me at the City of Toronto,
in Province of Ontario, this day of June
14, 2023, in accordance with O. Reg
431/20, *Administering Oath or Declaration
Remotely*.



Commissioner for Taking Affidavits, etc.
PHILIP YANG



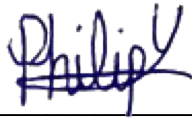
STEPHANE TRUDEL

EXHIBIT "A"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 14, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is stylized with a large initial 'P' and a long horizontal stroke at the end.

Commissioner for Taking Affidavits

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL 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
FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC.,
11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS
CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.**

Applicants

**AFFIDAVIT OF STEPHANE TRUDEL
(Sworn June 5, 2023)**

I, Stephane Trudel, of the City of Toronto, in the Province of Ontario, MAKE OATH
AND SAY:

1. I am the Chief Executive Officer ("**CEO**") of Fire & Flower Holdings Corp. ("**FFHC**" or the "**Company**"), Fire & Flower Inc. ("**FFI**"), 13318184 Canada Inc., ("**133 Canada**"), 11180703 Canada Inc. ("**Hi-Line Ventures**"), 10926671 Canada Ltd. ("**Open Fields Distribution**"), Friendly Stranger Holdings Corp. ("**Friendly Stranger**"), Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**"), Hifyre Inc. ("**Hifyre**", and collectively, the "**Applicants**"), Hifyre US, Inc., ("**Hifyre US**"), and PGED Corp. ("**PotGuide**", and together with Hifyre US and the Applicants, the "**Companies**") and a member of its board of directors. I have been a member of the board of directors of FFHC since June 8, 2020 and have been the CEO of the Companies and a member of the boards of directors of the Companies, other than FFHC, since June 1, 2022.

2. I am responsible for overseeing the operations of the Companies, their liquidity management and, ultimately, for assisting in their restructuring process. Because of my involvement with the Companies, I have knowledge of the matters to which I hereinafter depose, except where otherwise stated. I have also reviewed the records, press releases, and public filings of the Companies and have spoken with certain of the directors, officers and/or employees of the Companies, as necessary. Where I have relied upon such information, I do verily believe such information to be true.

3. This affidavit is sworn in support of an application (the “**Application**”) returnable before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on June 5, 2023 to commence proceedings (the “**CCAA Proceedings**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) in respect of the Applicants. The Applicants are seeking an initial order (the “**Initial Order**”) in the form contained in the Application Record, among other things:

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are each a debtor company to which the CCAA applies;
- (c) staying all proceedings and remedies taken or that might be taken against or in respect of the Applicants, any of their assets, property, and undertakings (“**Property**”) or business, or their directors and officers (the “**D&Os**”), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay of Proceedings**”), for an initial period of ten (10) days in accordance with the CCAA (the “**Stay Period**”);
- (d) appointing FTI Consulting Canada Inc. (“**FTI**” or the “**Proposed Monitor**”) as the monitor of the Applicants in these CCAA Proceedings;
- (e) approving the execution by the Applicants of an interim facility loan agreement (the “**DIP Facility Agreement**”) entered into on June 5, 2023 with 2707031 Ontario Inc. (“**ACT Investor**”, and in its capacity as lender under the DIP Facility Agreement, the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance to the Applicants a total amount of up to \$9.8 million (the “**DIP Facility**”), which will be made available to the Applicants during these CCAA Proceedings, of which an initial amount of \$2.7 million will be advanced during the initial 10-day Stay Period (the “**Initial Advance**”);
- (f) granting the following priority charges against the Property:
 - i. an “**Administration Charge**” against the Property in the initial amount of \$600,000, as security for the payment of the professional fees and disbursements incurred and to be incurred by the Proposed Monitor,

counsel to the Proposed Monitor, and counsel to the Applicants, in connection with the CCAA Proceedings both before and after the making of the Initial Order;

- ii. a “**DIP Lender’s Charge**” against the Property in the amount of the Initial Advance as security for the Applicants’ obligations under the DIP Facility Agreement; and
- iii. a “**D&O Charge**” against the Property in the maximum amount of \$2,800,000 in favour of the D&Os of the Applicants as security for the Applicants’ obligation to indemnify such D&Os for obligations and liabilities they may incur in such capacities after the commencement of the CCAA Proceedings, including with respect to employee vacation pay which may have accrued prior to the commencement of these proceedings, but which may become due and payable after the commencement of these proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

4. I also swear this affidavit in support of a motion (the “**Comeback Motion**”), which the Applicants request to be heard on or about June 15, 2023 (subject to the Initial Order being granted by the Court) for an amended and restated Initial Order (the “**ARIO**”) granting, among other things:

- (a) an extension of the Stay Period until September 1, 2023;
- (b) authority for the Applicants to increase the amounts which may be borrowed by the Applicants under the DIP Facility Agreement to \$9.8 million;
- (c) an increase in the amounts which may be borrowed by the Applicants under the DIP Facility Agreement;
- (d) approval of the key employee retention plan (the “**KERP**”);
- (e) approval of a sale and investment solicitation process (the “**SISP**”) and authorizing the Applicants and the Monitor to immediately commence the SISP;

- (f) authority for the Applicants to incur no further expenses in relation to the Securities Filings (as defined below) and declare that none of the D&Os, employees, and other representatives of the Applicants or the Monitor (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings;
- (g) an extension of the time limit to hold the annual shareholders' meeting of FFHC scheduled for June 22, 2023 until after the conclusion of the CCAA Proceedings, subject to further order of this Court;
- (h) the following priority charges (collectively, the "**Charges**") against the Property:
 - i. the Administration Charge;
 - ii. an increased DIP Lender's Charge;
 - iii. the D&O Charge; and
 - iv. a new "**KERP Charge**" against the Property as security for payments under the KERP.

5. All references to currency in this affidavit are references to Canadian dollars, unless otherwise indicated.

PART I – OVERVIEW¹

6. FFHC, through its wholly-owned subsidiaries, is an independent cannabis retail chain with 91 retail stores open across Canada. Certain subsidiaries of FFHC also carry on business as a wholesale cannabis distributor, a logistics provider, and operate digital platforms which provide various services and software products relating to cannabis products.

7. The Companies have been operating at a loss since they began operating in 2018. Most recently, the Companies have suffered significant operating losses of approximately \$45.4 million and \$83.4 million, in the fiscal years ended January 29, 2022 and December 31, 2022,

¹ Capitalized terms used in this section and not otherwise defined have the meanings ascribed to them in the balance of this affidavit.

respectively. From December 31, 2022 to March 31, 2023, the Companies suffered operating losses of approximately \$8.7 million, with losses continuing until the date of this affidavit.

8. While the Companies' financial difficulties were driven by a variety of factors, the significant net losses suffered by the Companies have largely stemmed from their cannabis retail operations. Increased competition and operating costs, margin pressure, and regulatory restrictions experienced by the Companies and the cannabis industry generally have collectively contributed to significantly lower revenues and higher costs than what the Applicants expected their cannabis retail stores would face.

9. The Applicants' largest liabilities are in respect of its lease obligations. Without the corresponding expected revenue for each of the Applicants' leased operating locations and several "dead leases" – leases entered into in anticipation of receiving a license from the applicable regulatory authority, with the regulatory authority ultimately not issuing such license, or a decline in revenue expectations for a store due to deterioration in market conditions and/or increased competition resulting in the Applicants deciding not to invest the necessary capital to commence or continue operations, the Applicants have been operating at a significant loss.

10. Certain investments made by the Applicants have also resulted in a net drain on the Companies' resources.

11. The Applicants have been funded by outside investments for a number of years. Since February 2021, the sole source of outside investment has been the exercise of warrants and debt financing by the Company's largest shareholder, ACT Investor, a wholly-owned subsidiary of Alimentation Couche-Tard ("**ACT Parent Co.**"), a Canadian-based multinational operator of convenience stores with over 14,000 stores across several countries.

12. This Application is filed in a context wherein the Applicants have made various efforts since September 2022 to raise additional liquidity and pursue strategic alternatives.

13. In September 2022, a special committee of the board of directors of the Company was formed to assist the Board in reviewing and negotiating matters related to the Companies' existing strategic capital investments and financing arrangements (including with respect to a financing proposal received from ACT Investor) and, if necessary, present the Board with alternative strategic capital investments and financing arrangements and the special committee retained Canaccord Genuity Corp. ("**Canaccord**") as financial advisor.

14. Shortly thereafter, in October 2022, the Company entered into (i) a loan agreement with ACT Investor in respect of a \$11 million working capital loan pursuant to a secured loan facility with ACT investor, which was fully drawn down on October 21, 2022; and (ii) a subscription agreement and warrant amending agreement that collectively contemplated a \$5 million equity investment by ACT Investor and amendments to certain terms of existing warrants held by ACT Investor (the “**Warrant and Share Transaction**”). The Warrant and Share Transaction was amended on December 15, 2022 to provide that the maturity date for approximately \$2.4 million of unsecured convertible debentures held by ACT Investor would be extended from June 30, 2023 to August 31, 2024. The Warrant and Share Transaction was subject to shareholder approval (including by a majority of the minority shareholders) and in recommending that shareholders vote in favour of the Warrant and Share Transaction at a special meeting initially called for December 16, 2022 and subsequently held on December 29, 2022, the special committee relied in part on a fairness opinion from Canaccord that the Warrant and Share Transaction was fair from a financial point of view to the Companies. The shareholders voted down the Warrant and Share Transaction and the Companies did not receive the additional \$5 million of working capital or the extension of the maturity date of the unsecured convertible debentures.

15. In April 2023, the Company once again formed a special committee of the board of directors to review and assess potential financing opportunities and strategic alternatives. The special committee has engaged in discussions pertaining to potential financing, acquisitions and/or sale transactions with ACT Investor, key stakeholders of the Company and other industry participants and financial institutions. Despite these efforts, the Applicants have been unable to secure additional financing.

16. Without the protection of the CCAA and the relief available thereunder, the Applicants will be unable to meet their obligations as they become due imminently. If the Applicants are insolvent without the protection of the CCAA, the Applicants would be forced to shut down operations, which would be extremely detrimental to the Applicants’ landlords, suppliers, lenders, customers, and their 774 employees.

17. If granted the Stay of Proceedings and the protections of the CCAA, the Applicants intend to, among other things:

- (a) maintain operations, for the benefit of most of its employees and other stakeholders;

- (b) disclaim unprofitable leases and the “dead leases” referenced above;
- (c) streamline their remaining operations with a view to generating a profit; and
- (d) conduct a court-approved SISP to obtain a going concern solution to maximize value for their stakeholders.

18. The board of directors for each Applicant has authorized this Application and commencement of these CCAA Proceedings.

PART II – THE COMPANIES

A. Corporate Structure

(i) Parent and Holding Company

19. FFHC is a non-operating holding company. FFHC was incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”) on December 12, 2017 and continued to become a company under the *Canada Business Corporations Act* (the “**CBCA**”) on February 12, 2019. FFHC’s registered and head office is located in Toronto, Ontario. Each of the other Companies are wholly owned, directly or indirectly, by FFHC.

20. FFHC is a publicly traded company whose common shares (the “**Common Shares**”) are traded on the Toronto Stock Exchange (the “**TSX**”) under the symbol “*FAF*”. As of the date of this affidavit, ACT Investor holds approximately 35.7% of the issued and outstanding Common Shares. ACT Investor also holds the right to exercise certain Common Share purchase warrants of FFHC which, if fully exercised, would result in ACT Investor holding 50.1% of the issued and outstanding Common Shares, on a fully-diluted basis.

(ii) Canadian Operating Entities

21. FFI is the main operating entity with respect to the Companies and operates under the “Retail Segment” of the Applicants. FFI owns and operates 80 licensed cannabis retail stores under the trademark banner name of “Fire and Flower” throughout Canada.

22. Friendly Stranger (together with FFI, the “**Retailers**”) is the other entity operating under the Retail Segment of the Applicants. Friendly Stranger owns and operates 11 licensed cannabis retail stores under the trademark banner name “Friendly Stranger” throughout Ontario.

23. Each of the stores owned and operated by the Retailers sells cannabis products and accessories.

24. Open Fields Distribution operates a wholesale distribution business under the “Wholesale Segment” of the Applicants. Open Fields Distribution purchases cannabis products directly from licensed producers and distributes such products to the Retailers’ stores, as well as third-party independent retailers in Saskatchewan and Manitoba.

25. Pineapple Express Delivery was acquired by FFHC and Hifyre in January 2022 to operate the delivery aspect of the Retailers’ business. Pineapple Express Delivery provided the Retailers with cannabis e-commerce and delivery services for their retail stores. Pineapple Express Delivery operated out of British Columbia, Saskatchewan, Manitoba, and Ontario. As described in greater detail below, due to changes in government regulations relating to delivery of cannabis products, the Applicants had to shift Pineapple Express Delivery’s operations to other entities within the group.

26. Hifyre operates under the “Digital Platform Segment” of the Companies. Hifyre has developed and deployed a proprietary, omni-channel digital platform to drive the Retailers’ operations and provide insight into consumer behaviours. Hifyre licenses its digital platform to third parties and operates a virtual marketplace and last-mile delivery service to support the Retailers’ operations.

27. FFHC has an option, but not an obligation, to acquire all of the shares or all or substantially all of the assets of Fire & Flower US Holdings Inc. (“**FAFUS**”), an entity unaffiliated to the Applicants. The consideration is at FFHC’s option, consisting of cash or common shares of FFHC equivalent to the fair market value of FAFUS less the value of refundable deposits provided by FFHC. As at March 31, 2023, FFHC has delivered refundable deposits valued at approximately \$7,237,000. FAFUS owns and operates one (1) cannabis retail store in California under the “Fire & Flower” brand and one (1) cannabis retail store in Colorado under an independent retail brand. FFHC also has an option to acquire a secured debt instrument that has been granted by FAFUS in the event that FAFUS fails to repay its debt as it becomes due.

(iii) US Entities

28. PotGuide is the other operating entity with respect to the Digital Platform Segment of the Companies. PotGuide operates two websites and content platforms, “Potguide.com” and

“Wikileaf.com”. In addition, these websites and content platforms also function as a directory and referral service for cannabis retailers and delivery services. PotGuide does not sell any cannabis products.

29. Hifyre US (together with PotGuide, the “**US Entities**”) is a non-operating subsidiary of Hifyre. Hifyre US has no employees or operations and holds all the issued and outstanding shares of PotGuide.

(iv) Holding Companies

30. 133 Canada is a non-operating subsidiary of FFI. 133 Canada is a signatory for certain licensing agreements but otherwise does not have any employees or operations. 133 Canada sub-licenses the “Fire and Flower” brand to certain affiliates of ACT Parent Co.

31. Hi-Line Ventures is a non-operating subsidiary of FFI. Hi-Line Ventures licenses the majority of the Applicants’ intellectual property and sub-licenses same to Fire & Flower US Holdings Corp. (“**FAFUS**”), an unrelated entity which owns and operates a cannabis retail store in each of Colorado and California. Hi-Line Ventures otherwise does not have any employees or operations.

32. Attached as **Exhibit “A”** is a chart showing the Companies’ corporate structure, including jurisdiction of incorporation and location of the head office for each entity.

B. The Companies’ Business and Operations

(i) Operations

33. FFHC, through its wholly-owned subsidiaries, is an independent cannabis retail chain with four distinct segments: (a) the “Retail Segment” which sells cannabis products and accessories under its trademark banners; (b) the “Wholesale Segment” which operates as a wholesale cannabis business; (c) the “Delivery Segment” which delivers cannabis products across Canada; and (d) the “Digital Platform Segment” which develops digital experiences and retail analytical insights.

(A) Retail Segment

34. The Applicants’ retail operations across Canada are summarized below:

Jurisdiction	Stores Operated
Alberta	34
Saskatchewan	15
Manitoba	8
Yukon Territory	1
Ontario	31
British Columbia	2
Total	91

35. FFI owns and operates 80 cannabis retail stores under the trademark banner name of “Fire and Flower” throughout Canada. FFI also conducts online sales of cannabis products and accessories in British Columbia, Saskatchewan, and Ontario.

36. Friendly Stranger owns and operates 11 cannabis retail stores under the trademark banner names of “Friendly Stranger” throughout Ontario.

37. Each of the Retailers’ stores sell cannabis products and accessories and are permitted to operate by all the relevant municipalities.

38. In addition to serving as traditional brick-and-mortar retail shops, the Retailers’ network of retail stores also serves as distribution nodes and last-mile fulfilment outposts for delivery direct to consumers.

39. The Applicants employ approximately 645 employees in their retail operations. The Retail Segment accounted for approximately seventy-five percent (75%) of the Companies’ gross revenue for the quarter ended March 31, 2023.

40. FFHC is not substantially dependent on any individual retail cannabis store.

41. The Applicants also license the Companies’ intellectual property to third parties to brand their cannabis retail stores through Hi-Line Ventures, 133 Canada, and Hifyre.

42. In particular, Hi-Line Ventures has licensed the “Fire and Flower” trademark to FAFUS which is currently operating one (1) “Fire and Flower” branded retail cannabis store licensed under California state laws.

43. Similarly, pursuant to a master licensing agreement, 133 Canada has licensed the “Fire and Flower” trademark to MC Cannabis Inc. (“**MC Cannabis**”), a wholly-owned subsidiary of ACT Parent Co. As a result, there are currently five (5) licensed cannabis retail stores being operated by MC Cannabis in Ontario next to existing Circle K locations. For each of these stores, MC Cannabis has branded its stores as “Fire and Flower” pursuant to the Master Licensing Agreement.

44. 133 Canada has also entered into master franchising agreements with MC Cannabis, pursuant to which 133 Canada licensed its trademarks to MC Cannabis for its use in Alberta, Manitoba, and Saskatchewan.

45. Hifyre also licenses its “Hifyre” digital platform to FAFUS, pursuant to which FAFUS is currently operating one (1) retail cannabis store licensed under Colorado state laws.

46. Altogether, there are seven (7) cannabis retail stores operating pursuant to licensing agreements with Hi-Line Ventures, 133 Canada, and/or Hifyre. Of these cannabis retail stores, five (5) are being operated in Ontario under the “Fire & Flower” brand and two (2) are being operated in the United States, one of which operates under the “Fire & Flower” brand.

47. As will be described in greater detail below, Hifyre also licenses certain of its trademarks and other intellectual property to FAFUS and MC Cannabis for use in their retail cannabis stores.

(B) Wholesale Segment

48. In Saskatchewan, Open Fields Distribution operates a cannabis wholesale business. Open Fields Distribution purchases cannabis products directly from licensed producers in Saskatchewan and distributes such products to FFI’s stores as well as other third-party independent retailers in Saskatchewan.

49. Open Fields Distribution is also party to a distribution agreement (the “**Distribution Agreement**”) with the Manitoba Liquor & Lotteries Corporation (the “**MBLL**”), pursuant to which Open Fields Distribution, at the direction of the MBLL, offers distribution of cannabis products from provincially authorized licensed producers to cannabis retailers in the province of Manitoba. Under the Distribution Agreement, Open Fields Distribution does not purchase or sell cannabis products but receives fees from the provincially authorized licensed producers for its distribution services.

50. Further, Open Fields Distribution also operates a cross-docking cannabis logistics and distribution facility in Manitoba pursuant to the Distribution Agreement. Cross-docking is a practice in logistics management that includes receiving incoming deliveries for loading into outbound delivery vehicles, omitting traditional warehouse logistical practices, which saves time and money.

51. Open Fields Distribution leases warehouse space in Saskatchewan and Manitoba as distribution centres.

52. The Applicants employ approximately 6 employees in their wholesale operations.

(C) Delivery Segment

53. Pineapple Express Delivery was acquired in January 2022 and operated as a delivery and logistics company servicing the Retailers' customers across Canada, as well as third party business-to-consumer ("**B2C**") and business-to-business customers. Pineapple Express Delivery provides the Retailers with a full cannabis e-commerce and delivery service, supporting the Retailers' network of retail stores and same-day delivery to customers through its trademark "Firebird Delivery".

54. Pineapple Express Delivery leases six (6) dispatch centers, across British Columbia, Saskatchewan, Manitoba, and Ontario. Pineapple Express Delivery has 4 leased cars used in connection with its delivery services.

55. In Ontario, only the government-operated Ontario Cannabis Store ("**OCS**") was permitted to offer delivery services of non-medical cannabis until private retailers were granted temporary authorization to offer delivery pursuant to pandemic emergency orders in April 2020. On March 15, 2022, new rules were adopted in Ontario to permanently authorize private retailers to offer delivery services. However, private cannabis retailers are restricted from using third party delivery services like Pineapple Express Delivery for deliveries, which required the Applicants to restructure the way that their internal delivery services were operated and prevented the Applicant's ability to offer its services to third party customers. Therefore, in November 2022, the Applicants transitioned all of Pineapple Express Delivery's non-management employees to the Retailers. In total, approximately 50 employees are employed in the delivery aspect of the Applicants' business. It is to be noted that these restrictions do not apply to the Ontario Government's OCS' own delivery service. It can continue using efficient third-party services,

directly competing with FFI's delivery service at a cost advantage, further resulting in competitive revenue and margin pressure for FFI and Pineapple Express Delivery.

56. The Applicants expect that they will be seeking to terminate all of its "Pineapple Express Delivery Segment" employees shortly after filing, as the delivery aspect of the Companies' operations has been highly unprofitable.

(D) Digital Platform Segment

57. Hifyre owns and operates the Hifyre digital platform, which is a proprietary, omni-channel digital platform to drive the Retailers' operations and provide insight into consumer behaviours. By capturing user behaviour data and applying predictive analytics, the Hifyre digital platform is able to facilitate the retail business' delivery of a highly personalized customer experience.

58. The Hifyre digital platform includes an industry-leading data platform and high-margin subscription revenue stream, "Hifyre IQ", which is subscribed to by a significant number of Canadian licensed producers, equity research analysts, and a variety of customers in business, finance, banking, and consulting.

59. As referenced above, the trademark Hifyre IQ digital platform has been licensed to both MC Cannabis and FAFUS for use in their cannabis retail operations.

60. Hifyre also launched the proprietary "Spark Perks" loyalty program across the Retailers' network. This program offers exclusive deals, access to member-only events, the "Spark Fastlane" 'click-and-collect' checkout and collects data on consumer purchase behaviours. As at the date of this affidavit, this program has over 575,000 members.

61. The Spark Perks loyalty program and Spark Fastlane 'click-and-collect' checkout have both been licensed to MC Cannabis for use in their cannabis retail operations.

62. PotGuide is based in Delaware. It operates two websites and content platforms, "Potguide.com" and "Wikileaf.com". In addition, these websites and content platforms also function as a directory and referral service for cannabis retailers and delivery services. PotGuide does not sell any cannabis products.

63. The Digital Platform Segment accounted for approximately seven percent (7%) of the Companies' revenue for the quarter ended March 31, 2023.

(ii) Cannabis Licenses

64. The Companies operate in a highly regulated environment, in accordance with the *Cannabis Act* (Canada) and applicable provincial and municipal legislation. Each province and territory is responsible for determining the regime for the sale and distribution of cannabis within its jurisdiction. Among other things, these governments establish rules regarding how cannabis can be sold, how retail stores must be operated, where such stores can be located and who is allowed to sell cannabis. Adult-use recreational cannabis products are only permitted to be sold through retailers authorized by provincial and territorial governments.

65. As set out below, each provincial/territorial government has established its own rules and criteria for obtaining and maintaining a private cannabis retail licence. In general, all provinces and territories require:

- (a) that a licence be obtained and maintained prior to the commencement of any activities with cannabis. The licensing application process considers the physical location of the proposed retail outlet, as well as the financial and personal backgrounds of key persons associated with the proposed licensed operation, including directors and officers of a corporation, investors, retail store managers and security personnel;
- (b) that a licence is required for each cannabis retail store, and that the location of all cannabis stores is subject to municipal oversight/approval;
- (c) that specified physical security measures be in place at the retail store location (including physical security requirements around locks, as well as visual monitoring and protection by way of a third-party monitored alarm system) to ensure that there is no unauthorized entry and/or unauthorized access to cannabis;
- (d) certain requirements for employees of the proposed cannabis retail store, including background and/or criminal record checks and requirements for employee training prior to beginning their employment at the store; and
- (e) that the licensee maintain and submit certain records, and be subject to inspection by the provincial or territorial regulator.

66. In British Columbia, FFI holds two (2) licenses to operate cannabis retail stores, issued by the British Columbia Liquor and Cannabis Regulation Branch.

67. In Alberta, FFI holds thirty-four (34) licenses to operate cannabis retail stores, issued by the Alberta Gaming, Liquor and Cannabis Commission.

68. In Saskatchewan, FFI holds fifteen (15) licenses to operate cannabis retail stores, issued by the Saskatchewan Liquor and Gaming Authority (the “**SLGA**”). Additionally, Open Fields Distribution holds a cannabis wholesale permit issued by the SLGA for its wholesale cannabis business.

69. In Manitoba, FFI holds eight (8) licenses to operate cannabis retail stores, issued by the Liquor, Gaming and Cannabis Authority of Manitoba (the “**LGCM**”). In addition, Open Fields Distribution holds a distribution license from the LGCM for its cross-docking cannabis logistics and distribution business.

70. In Ontario, FFI and Friendly Stranger, collectively hold two (2) operator licences and thirty-one (31) store authorizations issued by the Alcohol and Gaming Commission of Ontario.

71. In the Yukon, FFI holds one (1) license to operate cannabis retail stores, issued by the Yukon Liquor Corporation.

72. The Retailers hold all required permits and licenses to sell cannabis at all currently operated stores.

(iii) Cannabis Suppliers

73. The Retailers and Open Fields Distribution purchase their cannabis products from provincially authorized licensed suppliers in each of the provinces which they operate, with the exception of Saskatchewan.

74. The regulatory authorities in British Columbia, Alberta, Yukon, Manitoba, and Ontario mandate that all cannabis products must be purchased from a provincially-prescribed distributor of cannabis products. In Ontario, the Retailers are parties to retailer agreements with OCS, pursuant to which they are authorized to purchase cannabis from OCS for retail sale. In Manitoba, FFI is a party to Retailer Agreements with Manitoba Liquor and Lotteries Corporation (“**MBLL**”) pursuant to which it is authorized to purchase cannabis supplied by the MBLL for retail sale.

75. Conversely, in Saskatchewan, the Retailers and Open Fields Distribution are authorized to purchase cannabis products from both provincially authorized distributors and licensed producers.

76. In Manitoba, Open Fields Distribution is a party to a Limited Cannabis Distribution Agreement with MBLL, pursuant to which it is authorized to distribute cannabis supplied by MBLL to authorized retailers in Manitoba.

(iv) Other Suppliers

77. Under their regulatory framework, the Applicants are required to obtain and maintain certain security and other services. The Companies have and maintain ongoing relationships with all the service providers required by the applicable statutes.

(v) Real Property and Leased Locations

78. FFI owns a property located in Ottawa, Ontario, from which one of its cannabis retail stores operates. This property is valued at approximately \$2.3 million.

79. All of the Company's other retail stores are operated from leased premises. FFI has also entered into lease agreements with respect to properties for which FFI intends to pursue additional retail stores.

80. FFI also has a leased property in Edmonton, Alberta, which is used as a corporate office.

81. Open Fields Distribution leases warehouse space in Saskatchewan and Manitoba.

82. The Companies' head office is located in Toronto, Ontario. FFHC has subleased these premises. Hifyre also leases office space in Hamilton, Ontario.

83. Pineapple Express Delivery leases warehouse space in Burlington, Ottawa, Chatham, Hamilton, Kingston, and London in Ontario, as well as Richmond, British Columbia and Winnipeg, Manitoba. Each of the warehouse spaces are used for dispatch services.

84. In total, the Applicants are parties to approximately 146 leases.

(vi) Intellectual Property

85. FFI, Friendly Stranger, and Hifyre each own various trademarks used in connection with their respective business operations. As referenced above, among others, the following trademarks are associated with each of FFI, Friendly Stranger, and Hifyre:

- (a) FFI: “Fire and Flower”
- (b) Friendly Stranger: “Friendly Stranger” and “Happy Dayz”
- (c) Hifyre: “Hifyre”, “Hifyre IQ”, “Spark Perks”, and “Spark Fastlane”

86. A comprehensive list of the Applicants’ trademarks is attached as **Exhibit “B”**.

87. As noted above, Hi-Line Ventures licenses “Fire and Flower”, which is being sub-licensed to FAFUS for use in its cannabis retail stores being operated in certain US States. 133 Canada also licenses “Fire and Flower” which is being sub-licensed to MC Cannabis for use in its cannabis retail stores being operated in Ontario, Alberta, Saskatchewan, and Manitoba. Hifyre directly sub-licenses its digital platforms protected by each of its marks to various third parties, including MC Cannabis and FAFUS.

88. Hi-Line Ventures licenses several of these trademarks, which are then sub-licensed to FAFUS. Hifyre also licenses its digital platform protected by the trademark “Hifyre” to a wholly-owned subsidiary of ACT Parent Co.

(vii) Cash Management System

89. In the ordinary course of business, the Companies use a cash management system (the **“Cash Management System”**) to, among other things, collect funds and pay expenses associated with its operations. This Cash Management System provides the Companies with the ability to efficiently and accurately track and control corporate funds and to ensure cash availability.

90. As part of this Cash Management System, the Companies maintain twelve (12) bank accounts, which are summarily described below:

- (a) Bank of Montreal: CAD operating account for each of FFHC, 133 Canada, Open Fields Distribution, Hifyre, and Pineapple Express Delivery, and two CAD operating accounts for each of FFI and Friendly Stranger;

- (b) Bank of Montreal: USD operating account for Hifyre; and
- (c) ATB Financial: CAD operating and savings account for FFI.

(viii) Employees

91. As at June 2, 2023, the Applicants employed a total of 774 employees. Of these 774 employees, 581 were paid hourly, 6 were paid on contract, 185 were paid by salary, and two were on salary continuance.

92. As referenced above, the majority of the Applicants' employees are under the Applicants' retail operations. As at June 2, 2023, the Applicants' employees were distributed geographically as follows:

- (a) Alberta: 250;
- (b) British Columbia: 18;
- (c) Manitoba: 56;
- (d) Ontario: 328;
- (e) Saskatchewan: 110; and
- (f) Yukon: 7.

93. As referenced above, the majority of the Applicants' employees are under the Applicants' retail operations.

94. None of the Applicants' employees are subject to a collective bargaining agreement. The Applicants do not have a pension plan in place.

95. However, on or around October 18, 2022, United Food and Commercial Workers, Local No. 400 ("**UFCW**") filed an application for bargaining rights with respect to certain employees of FFI's retail stores in Saskatoon, Saskatchewan.

96. On October 26, 2022, the Saskatchewan Labour Relations Board ("**SLRB**") directed that a vote by secret ballot be conducted among all eligible employees pursuant to which votes were required to be received by the SLRB on or before November 16, 2022 (the "**Certification Vote**").

97. On November 8, 2022, UFCW filed an application with the SLRB with respect to alleged unfair labour practices by FFI in relation to the Certification Vote (the “**UFCW ULP Application**”) and, on November 16, 2022, filed an application with the SLRP with respect to alleged unfair labour practices by UFCW in relation to the Vote (the “**FFI ULP Application**”).

98. The SLRB held hearings with respect to the UFCW ULP Application and the FFI ULP Application on April 10-13, 2023 and on May 23, 2023, and further hearings are scheduled to be held on August 8-11, 2023. The results of the Certification Vote remain sealed pending the results of these hearings.

PART III – THE COMPANIES’ FINANCIAL POSITION

99. Copies of the Companies’ audited financial statements for the fiscal years ended February 2, 2019, February 1, 2020, January 30, 2021, January 29, 2022, and December 31, 2022² are attached as **Exhibit “C”**, **Exhibit “D”**, **Exhibit “E”**, **Exhibit “F”**, and **Exhibit “G”**, respectively.

100. A copy of the Companies’ unaudited interim consolidated (which includes PotGuide and Hifyre US) financial statement for the quarter ended March 31, 2023 (the “**Q1 2023 Financial Statement**”) is attached as **Exhibit “H”**.

101. The Companies have been operating at a loss since they began operating in 2018. The Companies suffered operating losses of:

- (a) over \$25.2 million for the fiscal year ended February 2, 2019;
- (b) over \$35.6 million for the fiscal year ended February 1, 2020 (“**FY 2020**”);
- (c) over \$17.5 million for the fiscal year ended January 30, 2021 (“**FY 2021**”);
- (d) approximately \$45.4 million for the fiscal year ended January 29, 2022 (“**FY January 2022**”);
- (e) approximately \$83.4 million for the fiscal year ended December 31, 2022 (“**FY December 2022**”); and

² As at December 31, 2022 the Companies’ fiscal year was changed from a 52 or 53-week period ending the Saturday closest to January 31 to a calendar 12-month period ending December 31 to enhance comparability of its periodic financial statements with those of their peers.

(f) approximately \$8.7 million for the quarter ended March 31, 2023.

102. For FY January 2022 and FY December 2022, the Companies suffered net losses of over \$63.5 million and nearly \$89.5 million, respectively.³ From December 31, 2022 to March 31, 2023, the Companies suffered a net loss of approximately \$10.1 million, with losses continuing until the date of this affidavit.

103. While the Companies experienced significantly increased revenues from \$51.1 million in FY 2020 to \$128 million in FY 2021 and \$175.5 million in FY January 2022, the Companies' operating expenses in the same time period increased at a higher rate than its revenues. The Companies operating expenses increased from \$86.8 million in FY 2020 to \$145.6 million in FY 2021 and \$220.8 million in FY January 2022. Additionally, while the Companies' revenue slightly decreased from \$175.5 million in FY January 2022 to \$156 million in FY December 2022, the Companies' operating expenses increased from \$220.8 million in FY January 2022 to \$239.4 million in FY December 2022.

104. The Companies lack working capital. Over the course of the past two years, the Companies' cash position has continually deteriorated. As at January 30, 2021, the Companies had \$30.6 million in cash. As at January 29, 2022, the Companies had \$19.8 million in cash. As at December 31, 2022, the Companies had \$12.4 million in cash. As at March 31, 2023, the Companies had \$8.2 million in cash and over \$50.8 million in current liabilities. As described below, that position only deteriorated further since then.

A. Assets

105. As appears from the Q1 2023 Financial Statement, as at March 31, 2023, the assets of the Companies had an unaudited net book value of approximately \$147,031,000 (of which \$62,513,000 consisted of non-tangible assets) and consisted of the following:

Asset Type	Value (\$)
Cash	8,185,000
Trade and other receivables	10,607,000
Merchandise inventories	13,139,000
Prepaid and other assets	2,829,000

³ Note: The Companies' auditor determined that the subtotal of loss from operations was no longer relevant to an understanding of the Companies' financial performance, and, accordingly, no subtotal for operating loss was provided in the Companies' audited financial statements for the fiscal year ended January 29, 2022.

Lease receivables	374,000
Assets Held for Sale	2,880,000
Current Assets	38,014,000
Deposits	3,175,000
Refundable deposit to acquire	7,327,000
Property and equipment, net	33,287,000
Lease receivables	2,610,000
Right-of-use assets, net	28,410,000
Intangible assets, net	28,696,000
Deferred tax assets	105,000
Goodwill	5,407,000
Non-Current Assets	109,017,000
Total Assets:	147,031,000

B. Liabilities

106. As appears from the Q1 2023 Financial Statement, as at March 31, 2023, the liabilities of the Companies had an unaudited book value of approximately \$88,601,000 and consisted of the following:

Liability Type	Value (\$)
Accounts payable and accrued liabilities	18,049,000
Income tax payable	6,707,000
Debentures and loans	13,913,000
Derivative liability	79,000
Contract Liability	250,000
Provisions	3,958,000
Lease liabilities	5,602,000
Other current liabilities	809,000
Liabilities Held for Sale	1,456,000
Current Liabilities	50,823,000
Provisions	454,000
Lease liabilities	37,216,000
Deferred tax liability	108,000

Non-Current Liabilities	37,778,000
Total Liabilities:	88,601,000

107. With respect to Companies' intangible assets, the Companies recorded an impairment charge of over \$18.9 million for FY January 2022 and an impairment charge of over \$8.4 million for FY December 2022 due to recent changes to the competitive landscape which are expected to negatively impact expected future store performance. Impairment charges continued to be recorded for intangible assets in the Q1 2023 Financial Statement and the realizable value of the Companies' intangible assets are likely to continue to decrease.

108. With respect to the Companies' goodwill, the Companies recorded an impairment charge of over \$24.9 million for FY December 2022, as the carrying amounts for its Retail Segment and Digital Platform Segment were expected to significantly exceed its value in use. As a result, the realizable value of the Companies' goodwill is likely to be lower than its book value as the Companies have not operated at a profit since they began operations.

109. Lastly and as described above, the Companies lack working capital, with \$8.2 million in cash and over \$50.8 million current liabilities as at March 31, 2023. Therefore, even assuming that the Companies are able to realize on the full book value of their current assets, being their receivables, inventories, prepaids, and assets held for sale, the Companies are still unable to satisfy their current liabilities in the immediate term.

PART IV – THE COMPANIES' DEBT STRUCTURE

A. Secured Obligations

(i) ACT Loan Agreement

110. On October 17, 2022, FFHC, as borrower, and ACT Investor, as lender, entered into a loan agreement (the "**ACT Loan Agreement**"), pursuant to which ACT Investor made a \$11 million non-revolving credit facility available to FFHC (the "**ACT Facility**"). The ACT Facility has been fully funded. A copy of the ACT Loan Agreement is attached as **Exhibit "I"**.

111. The ACT Facility bears interest a rate of eleven percent (11%) per annum, payable quarterly on March 31, June 30, September 30, and December 31 of each calendar year for the period commencing on the closing date of the ACT Facility and ending on the earlier of the maturity date and any date on which FFHC makes a full prepayment of the ACT Facility. During

the first six (6) months of the term of the ACT Facility, FFHC could and did elect to increase the principal amount of the ACT Facility by the amount of accrued interest during such period in lieu of paying such accrued interest to ACT Investor. The ACT Facility matures on December 31, 2023.

112. FFHC's obligations under the ACT Loan Agreement are guaranteed by each of the Canadian subsidiaries of FFHC (except the US Entities), being FFI, Friendly Stranger, Open Fields Distribution, Hifyre, Hi-Line Ventures, 133 Canada, and Pineapple Express Delivery (collectively, the "**Guarantors**"). On October 17, 2022, the Guarantors each executed the guarantee in favour of ACT Investor (the "**Guarantee**"). A copy of the Guarantee is attached as **Exhibit "J"**.

113. FFHC's obligations under the ACT Loan Agreement are secured by a general security dated October 17, 2022, executed by each of the Applicants (the "**GSA**"). Pursuant to the GSA, the Applicants granted a first-ranking charge on all of the Applicants' assets in favour of ACT Investor. A copy of the GSA is attached as **Exhibit "K"**.

114. An event of default occurs under the ACT Loan Agreement if FFHC defaults under any other agreement or instrument pertaining to indebtedness for borrowed money in excess of \$500,000. As referenced below, FFHC previously issued debentures to ACT Investor to raise funding. Pursuant to same, FFHC has liabilities in excess of \$2.3 million to ACT Investor, with the maturity date being June 30, 2023. Absent CCAA protection, FFHC will not be able to make this required payment, which will ultimately trigger a default under the ACT Loan Agreement.

115. As at the date of this affidavit, the outstanding principal amount under the ACT Facility is \$11,551,000, as FFHC elected to increase the principal amount of the ACT Facility in lieu of paying accrued interest on December 31, 2022 and March 31, 2023.

(ii) Other Secured Creditors

116. Attached as **Exhibit "L"** are summaries of the searches against each of the Applicants under the *Personal Property Security Act* (the "**PPSA**") in Ontario, British Columbia, Yukon, Saskatchewan, Manitoba, and Alberta, with currency dates of May 29 and 30, and June 1, 2023. As seen from the PPSA searches, in addition to ACT Investor, the following entities hold registered secured interests against certain personal property of some of the Companies:

- (a) Computershare Trust Company of Canada in respect of a secured convertible debenture which has been repaid. These security registrations should be discharged;
- (b) Namaste Technologies Inc. in respect of debt that has been repaid. These security registrations should be discharged;
- (c) ATB Financial in respect of debt that has been repaid. These security registrations should be discharged;
- (d) Alterna Savings & Credit Union Limited for a letter of credit issued to FFI in the amount of \$5 million that has been returned. These security registrations should be discharged;
- (e) Ford Credit Canada Company in respect of a motor vehicle in Ontario;
- (f) World Class Extractions Inc. in respect of a debt that has been repaid. These security registrations should be discharged; and
- (g) Receivables Management Office – Sonja Shaw.

B. Unsecured Obligations

(i) Taxes/Duties

117. As at the date of this affidavit, Hifyre owed approximately \$6.7 million in unpaid income taxes. The Applicants were also in arrears with respect to their sales tax remittances and made a payment in the approximate amount of \$1.65 million shortly before the date of this affidavit.

(iii) Debentures

118. In August 2019, FFHC issued debentures to ACT Investor (the “**ACT Unsecured Convertible Debentures**”). As at March 31, 2023, the Companies recorded a liability of \$2,362,000 for outstanding ACT Unsecured Convertible Debentures.

(iv) Employee Liabilities

119. The Companies are up to date in their payroll obligations.

120. The Companies also have approximately \$150,000 in liabilities for fees payable to its independent directors sitting on the Companies' special committee.

121. As at June 1, 2023, the Companies have accrued vacation pay of approximately \$775,000 (of which a certain amount relates to claims for prior year accruals by Pineapple Express Delivery which are disputed as being obligations of the Companies).

(v) Trade Payables

122. Approximately 20% of the Companies' aggregate total liabilities are in respect of their ordinary course unsecured trade payables. In general, the Companies have operating costs of approximately \$51.7 million in fiscal quarter ended March 31, 2023. As at May 31, 2023, the Companies had liabilities in respect of trade payables in the aggregate approximate amount of \$13.8 million.

(vi) Lease Obligations

123. As mentioned above, the Companies are tenants under 146 leases. Of the 146 leases, 101 are operating and broken down as follows:

- (a) Retail: 91
- (b) Office (FFI and Hifyre): 2
- (c) Warehouse (Open Fields Distribution): 2
- (d) Offices/Dispatch (Pineapple Express Delivery): 6

124. Of the 146 leases, 45 are non-operating and 20 are being subleased to third parties.

125. Approximately 48% of the Companies' aggregate total liabilities are in respect of their lease obligations. As at March 31, 2023, the Companies had current and non-current lease liabilities in the aggregate approximate amount of \$5.6 million and \$37.22 million, respectively.

126. The Companies have monthly lease obligations of approximately \$1,328,283 in the most recent month, broken down as follows:

- (a) FFI and Hifyre – Offices: \$90,104

- (b) Pineapple Express – Dispatch centres: \$34,844
- (c) FFI – Retail stores (operating and non-operating): \$977,937
- (d) Friendly Stranger – Retail stores (operating and non-operating): \$203,772
- (e) Open Fields – Warehouses: \$21,626

127. The Companies' monthly lease obligations in respect of its non-operating retail stores are significant and total approximately \$394,911.

128. Shortly following commencement of these proceedings, the Companies intend to disclaim the "dead" and subleased leases, as well as leases utilized in the Pineapple Express Delivery's delivery business, in order to preserve their liquidity. The Companies are also reviewing the remainder of their lease portfolio to identify any other stores operating at a significant loss and may be disclaiming some of the related leases as well

(vii) Contingent Liabilities

129. One or more of the Applicants are named as defendants in certain routine litigation matters. In the aggregate, the amounts being claimed are over \$15 million.

PART V – THE COMPANIES' FINANCIAL DIFFICULTIES

130. As referenced above, the Companies have been operating at a loss since they began operating in 2018.

131. While the Companies' financial difficulties were driven by a variety of factors, the significant net losses suffered by the Companies have largely stemmed from their Retail Segment. Increased competition, margin pressure, and regulatory uncertainty have collectively contributed to significantly lower revenues than what the Retailers had expected, and several lease liabilities for locations in which the Retailers could not ultimately operate.

132. I understand that there are several major cannabis retailers in Canada who have several "dead leases" – leases entered into by a cannabis retailer in anticipation of receiving a license from the applicable regulatory authority, with the regulatory authority ultimately not issuing such license or alternatively, leases that were entered into in respect of stores that were stores that were opened or planned to be opened but were either closed after opening or were not developed

and opened due to reduced expectations regarding their potential profitability. FFI and Friendly Stranger entered into several leases in anticipation of receiving a license from the applicable regulatory authority. Ultimately, licenses for these locations were not issued for a variety of unexpected reasons, such as proximity to a sensitive use or a decline in revenue expectations for a store due to deterioration in market conditions and/or increased competition, resulting in FFI and Friendly Stranger having several “dead leases”. FFI and Friendly Stranger have also entered into leases for stores that were licensed and subsequently closed following review of their operating results and revised expectations regarding their potential profitability.

133. The regulatory environment has also encouraged significantly increased competition amongst cannabis retailers. The Retailers were unaware that many of its retail stores would have several other cannabis retailers within close proximity. There have also been significant margin pressures from competitors, and, in certain provinces, competition from government operated physical stores, online stores and delivery sales. Retailers also have to compete with the illicit market that continues to sell cannabis products that do not comply with the strict regulations of the *Cannabis Act* (Canada). I understand that, according to the Government of Canada's 2022 Canadian Cannabis Survey, only 61% of the respondents who purchased cannabis in the last twelve (12) months reported they had made a purchase from a legal storefront.

134. As referenced above, approximately 48% of the Companies' aggregate liabilities are in respect of its lease obligations. Without the corresponding revenue that the Retailers expected for these retail locations, including from delivery sales, the Retailers have been operating at a significant loss with respect to its Retail Segment.

135. Certain investments made by the Applicants have also resulted in a net drain on the Companies' resources. For example, shortly after acquiring Pineapple Express Delivery in January 2022, regulatory changes provided that only employees of the licensed cannabis retailers could deliver cannabis directly to customers. This resulted in the Delivery Segment of the business no longer being profitable. Additionally, shortly after acquiring PotGuide in August 2021, both of its websites encountered issues with Google's search engine algorithm, which had a negative impact on web traffic and resulted in declining revenues.

PART VI – RESPONSE TO FINANCIAL DIFFICULTIES

136. In September 2022, in response to the Companies' liquidity challenges, a special committee of the board of directors of the Company was formed to assist the Board in reviewing

and negotiating matters related to the Companies' existing strategic capital investments and financing arrangements (including with respect to a financing proposal received from ACT Investor) and, if necessary, present the Board with alternative strategic capital investments and financing arrangements and the special committee retained Canaccord as financial advisor in connection with this mandate.

137. As referenced above, shortly thereafter, in October 2022, the Company entered into (i) the ACT Loan Agreement, which was fully drawn down on October 21, 2022; and (ii) the Warrant and Share Transaction. The Warrant and Share Transaction was amended on December 15, 2022 to provide that the maturity date for approximately \$2.4 million of unsecured convertible debentures held by ACT Investor would be extended from June 30, 2023 to August 31, 2024. The Warrant and Share Transaction was subject to shareholder approval (including by a majority of the minority shareholders) and in recommending that shareholders vote in favour of the Warrant and Share Transaction at a special meeting initially called for December 16, 2022 and subsequently held on December 29, 2022, the special committee relied in part on a fairness opinion from Canaccord that the Warrant and Share Transaction was fair from a financial point of view to the Companies. The shareholders voted down the Warrant and Share Transaction and the Companies did not receive the additional \$5 million of working capital or the extension of the maturity date of the unsecured convertible debentures.

138. On January 9, 2023, the Applicants implemented a restructuring of its operations resulting in a reduction in headcount of approximately 13 employees, and, on March 20, 2023, the Applicants implemented a further restructuring of its Pineapple Express Delivery business resulting in a further reduction in headcount of 23. The Applicants have pursued further opportunities for cost reduction measures through more aggressive efforts to sub-lease "dead lease" properties with lower recovery rates, a thorough review of ongoing selling, general and administrative expenses, and by shutting down unprofitable retail stores or services.

139. Also in January 2023, the Applicants sold a warehouse that it previously owned and received proceeds of approximately \$1.1 million and entered into a lease-back agreement with respect to that property.

140. In April 2023, the Company once again formed a special committee of the board of directors to review and assess potential financing opportunities and strategic alternatives. The special committee has engaged in discussions pertaining to potential financing, acquisitions

and/or sale transactions with ACT Investor, key stakeholders of the Company and other industry participants and financial institutions. Despite these efforts, the Applicants have been unable to secure additional financing or identify a transaction that, the Companies, in consultation with their legal and financial advisors, identified as being executable in the Companies' strained liquidity situation and/or would maximize recovery for their stakeholders.

PART VII – NEED FOR CCAA PROTECTION

141. As referenced above, the Applicants do not have the necessary liquidity to pay all their obligations as they become due. Accordingly, without the protection of the CCAA and the relief available thereunder, the Applicants will be unable to meet their obligations as they become due and their creditors will be in a position to exercise their remedies for payment default by the Applicants as early as mid-June.

142. If the Applicants are insolvent without the protection of the CCAA, the Applicants would be forced to shut down operations, which would be extremely detrimental to the Applicants' landlords, suppliers, lenders, customers, and 774 employees.

143. The Applicants intend to utilize the Stay of Proceedings and the protections of the CCAA to, among other things:

- (a) disclaim unprofitable leases and the "dead leases" referenced above;
- (b) restructure or wind-down unprofitable segments;
- (c) maintain operations for the benefit of many of its 774 employees and other stakeholders; and
- (d) conduct a court-approved SISF to obtain a going-concern solution for their business and operations and to maximize recovery for their stakeholders.

PART VIII – THE PROPOSED INITIAL ORDER & ARIO

A. Initial Order Relief

(i) Stay of Proceedings

144. As referenced above, the Companies will run out cash and be unable to meet their obligations as they become due in the very short term. As set out in the cash flow projection (the “**Cash Flow Statement**”) that was prepared by the Applicants and reviewed by the Proposed Monitor for the period from the date of filing to September 1, 2023, a copy of which will be provided in the Pre-Filing Report of the Proposed Monitor, with the benefit of the Stay of Proceedings, the Applicants will be able to operate until the end of the initial requested 10-day stay period.

145. As set out in the Cash Flow Statement, the Companies expect that, with the funds to be advanced under the DIP Facility Agreement referenced below, they will have sufficient cash to fund its projected operating costs during until September 1, 2023.

146. The Companies, therefore, request the Stay of Proceedings for an initial period of ten days, and, if granted by this Court, the Companies will subsequently request an extension of the Stay Period until and including September 1, 2023 at the Comeback Motion.

147. In addition to the Stay of Proceedings against the Companies and their Property, the Companies are seeking a stay of proceedings against the D&Os to ensure that they are able to focus their efforts on the Companies’ restructuring efforts and to prevent creditors and others from seeking to do indirectly what they cannot do directly by asserting claims or other relief relating to the debts and obligations of the Companies against the D&Os.

(ii) Appointment of FTI as Monitor

148. FTI has consented to act as the Court-appointed monitor of the Applicants, subject to Court approval. A copy of FTI’s consent to act is attached as **Exhibit “M”**.

149. I am advised by Jeffrey Rosenberg of FTI that FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* (as amended) and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

150. I understand that FTI has extensive experience in matters of this nature and is therefore well-suited to this mandate. Further, FTI was engaged as a financial advisor pursuant to an

engagement letter dated May 26, 2023. FTI has provided no accounting or auditing advice to the Companies.

151. I am advised by Mr. Rosenberg of FTI that the Proposed Monitor is supportive of the relief being sought by the Applicants in the draft Initial Order, as described in this affidavit. Mr. Rosenberg has also advised me that the Proposed Monitor will be filing a pre-filing report of the Monitor in respect of such relief, and if appointed as Monitor, FTI will also file a report in respect of the relief to be sought at the Comeback Motion.

(iii) Administration Charge

152. The Initial Order provides for a Court-ordered Administration Charge in favour of the Monitor, counsel to the Monitor, and the Applicants' counsel over all of the Applicants' Property in order to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of the Applicants up to a maximum amount of \$600,000.

153. The Administration Charge is proposed to rank ahead of and have priority over all of the other Charges and ACT's security.

154. The Applicants require the expertise, knowledge, and continued participation of the proposed beneficiaries of the Administration Charge during these CCAA proceedings in order to complete a successful restructuring. Each of the beneficiaries of the Administration Charge will have distinct roles in the Applicants' restructuring.

155. The Applicants have worked with the Proposed Monitor to estimate the proposed quantum of the Administration Charge. The Proposed Monitor has reviewed the quantum of the Administration Charge and has advised that it believes that the Administration Charge (including its proposed quantum) is reasonable and appropriate in the circumstances, given the services to be provided by the beneficiaries of the Administration Charge and the complexities of the CCAA Proceedings.

156. At the Comeback Motion, the Companies intend to request an increase in the amount of the Administration Charge and super-priority ranking over all existing encumbrances.

(iv) DIP Facility and DIP Lender's Charge

157. As appears from the Cash Flow Forecast, the Applicants expect the need for interim financing, including during the 10-day Stay Period prior to the Comeback Motion, to fund these CCAA Proceedings.

158. As a result of needing financing to fund the operations of the Applicants during these CCAA Proceedings in very short order, the Applicants commenced negotiations with ACT Investor to provide debtor-in-possession financing. Based on both: (a) the results of the Company's previous efforts to seek additional liquidity dating back to September 2022; and (b) ACT Investor being the major secured creditor of the Applicants, the Applicants, in consultation with their legal and financial advisors, did not believe that any third party would be able to provide the financing urgently required on significantly better terms on the timeline required by the Applicants.

159. Accordingly, on June 5, 2023, the DIP Facility Agreement was entered into between FFHC, as borrower, the Guarantors, as guarantors, and ACT Investor, as the DIP Lender. A copy of the DIP Facility Agreement is attached hereto as **Exhibit "N"**.

160. The DIP Facility is subject to customary covenants, conditions precedent, and representations and warranties made by the Applicants to the DIP Lender. Among other things, the DIP Facility Agreement provides for the following:

- (a) DIP Facility: non-revolving loan up to the maximum amount of \$9.8 million, with an Initial Advance of \$2.7 million during the initial 10-day Stay Period.
- (b) Additional Tranches: two additional tranches made no earlier than every four (4) weeks from the date of the Initial Advance, in the amounts of \$3 million and \$4.1 million, respectively (each additional advance being a "**Subsequent Advances**").
- (c) Interest Rate: twelve percent (12%) per annum, compounded and calculated weekly.
- (d) Fees: exit fee of \$400,000.

161. Per the DIP Facility Agreement, the DIP Facility must be repaid in full by the date that is the earliest of: (a) the date on which the Stay of Proceedings is lifted or terminated; (b) September 15, 2023 (or such other date as may be agreed to in writing by the DIP Lender, in its sole

discretion); and (c) the date on which the DIP Lender elects to terminate the DIP Facility as a result of an event of default under the DIP Facility Agreement.

162. While the DIP Facility Agreement is also subject to customary events of default, including that the Applicants may not have a negative variance of net cash flows calculated in accordance with the methodology set out in Schedule “B” to the DIP Facility Agreement of more than ten percent (10%).

163. The proposed Initial Order contemplates that the DIP Lender’s Charge will rank subordinate only to the Administration Charge.

164. The DIP Lender’s Charge will secure all of the credit advanced under the DIP Facility. However, during the initial 10-day Stay Period, the Applicants are only authorized to borrow a maximum of \$2.7 million. The DIP Lender’s Charge will not secure any obligations incurred prior to these CCAA Proceedings.

165. As the DIP Facility will be provided by ACT Investor, who already benefits from a first-ranking security interest over the Applicants’ Property, I do not expect any material prejudice to any of the other existing secured creditors of the Applicants should the Court approve the DIP Facility Agreement and grant the DIP Lender’s Charge.

166. The Proposed Monitor has advised that it is supportive of the approval of the DIP Facility Agreement and the corresponding DIP Lender’s Charge. Accordingly, I believe that it is appropriate in the circumstances for this Court to approve the DIP Facility Agreement and grant the DIP Lender’s Charge.

(v) D&O Charge

167. In order to continue to carry on business during these CCAA Proceedings, the Applicants require the active and committed involvement of their D&Os.

168. Since the continued assistance of the D&Os is required to ensure that these CCAA Proceedings are successfully completed, these D&Os require, in turn, that the Applicants indemnify them for liabilities which they may incur in the context of their positions with the Applicants after the filing of these CCAA Proceedings, including liabilities relating to employee vacations accrued prior to these CCAA Proceedings, but which may be crystallized after the commencement of such proceedings.

169. Although the Applicants intend to comply with all applicable laws and regulations, including with respect to the timely remittance of deductions at source and federal and provincial sales taxes, the D&Os remain nevertheless concerned about their potential personal liability, particularly in the present circumstances.

170. The Applicants maintain directors and officers' liability insurance (the "**D&O Insurance**") for the D&Os which provides up to \$40 million in coverage⁴. It is uncertain whether all claims for which the D&Os may be personally liable will be covered by the D&O Insurance given the convoluted nature of the exclusions provided for under the D&O Insurance. It is also uncertain whether the amount of coverage provided by the D&O Insurance will be sufficient to adequately protect the D&Os from liability and to incentivize the D&Os to continue their service with the Applicants.

171. Absent the approval by this Court of the D&O Charge in the amounts set out above, I have been advised that all or a significant amount of the Applicants' D&Os will resign, which would, in all likelihood, render these CCAA Proceeding much more challenging, and possibly much more costly, to the detriment of the Applicants' creditors and other stakeholders.

172. The Applicants therefore seek the D&O Charge over its Property in the amount of \$2,800,000 as part of the Initial Order to secure the above referenced indemnity of the Applicants in favour of the D&Os in connection with any claim which may be asserted against them from and after the commencement of these proceedings, including claims relating to employee vacation entitlements accrued prior to these CCAA Proceedings, but which may be crystallized after the commencement of such proceedings, to the extent that such claims are not covered or sufficiently by the D&O Insurance. The Companies intend to request an increase in the amount of the D&O Charge at the Comeback Motion.

173. The proposed Initial Order provides that the D&O Charge ranks behind the other Charges.

174. The Proposed Monitor has advised that it is supportive of the proposed D&O Charge and quantum thereof.

175. I believe that in these circumstances, the requested D&O Charge is reasonable and adequate given, notably, the complexity of their business, and the corresponding potential

⁴ The D&O Insurance policy is coming up for renewal on June 19, 2022 and the Companies have been in discussions with their insurer to finalize the terms of the renewal; however, as at the date of this affidavit, the renewal of the policy has not been finalized.

exposure of the Applicants' D&Os to personal liability, especially in the present context. The quantum of the D&O Charge contemplated in the Initial Order was specifically sized by the Applicants, in consultation with the Proposed Monitor, based upon the potential director liabilities that could be outstanding at any time during the CCAA Proceedings.

(vi) Proposed Ranking of the Court-Ordered Charges

176. The proposed ranking of the court ordered charges is as follows:

First – Administration Charge \$600,000 in the Initial Order

Second – DIP Lender's Charge \$2.7 million in the Initial Order

Third – D&O Charge \$2,800,000 in the Initial Order

177. Pursuant to the proposed Initial Order, the charges on the assets and property of the Company would rank in priority to the claims of ACT, which has received notice of this Application. The Companies intend to ask for an order declaring that the charges would rank ahead of all Encumbrances on the Comeback Motion (if the Initial Order is granted).

B. Comeback Motion Relief

(i) Authorization to Incur no Further Costs in Connection with Securities Filings

178. At the initial hearing for the commencement of these CCAA proceedings, the Applicants will not be seeking authorization to dispense with securities filing requirements.

179. If the Initial Order is granted, at the Comeback Motion, the Applicants will seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for the Applicants to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (Ontario), and comparable statutes enacted by other provinces of Canada, the Canadian Securities Exchange ("**CSE**") Policies 1-10 and other rules, regulations and policies of the CSE.

180. In my view, incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants' successful restructuring. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA Proceedings.

(ii) KERP

181. The Applicants have certain key employees (the "**Key Employees**"), who perform roles critical to advancing the Applicants' restructuring, including various institutional knowledge related to the Companies' business and operations. Accordingly, the Applicants have worked with their advisors to develop a key employee retention plan and a key employee incentive plan (collectively, the "**KERP**") to provide certain Key Employees if they maintain their roles through the Applicants' restructuring and to incentivize their continued participation in the operation of the Applicants and in the SISP, if the Initial Order is granted.

182. The Applicants' boards of directors, in consultation the Proposed Monitor and the Companies' legal counsel, are reviewing, commenting on and modifying the terms of the KERP in order to ensure that those employees subject to the KERP were properly incentivized to maximize the Companies' operational success and their chance at a going-concern solution for the benefit of the Companies and their stakeholders. The Applicants will provide details of their proposed KERP prior to the Comeback Hearing.

(iv) SISP

183. If the Initial Order is granted, the Applicants intend to seek approval of a SISP at the Comeback Motion. The terms of the SISP will be detailed in a supplementary affidavit, to be sworn.

(v) Proposed Ranking of the Court-Ordered Charges

184. The proposed ranking of the court ordered charges is as follows:

First – Administration Charge

Second – DIP Lender's Charge

Third – the KERP Charge

Fourth – D&O Charge

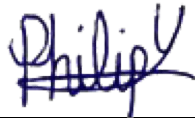
185. Pursuant to the proposed ARIO, the charges on the assets and property of the Company would rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any person, notwithstanding the order of perfection or attachment, on notice to those persons likely to be affected thereby.

IX. CONCLUSION

186. For the reasons set out above, I believe that it is in the interests of the Applicants and its stakeholders that the Applicants be granted protection under the CCAA in accordance with the terms of the proposed Initial Order.

187. I swear this affidavit in support of the Companies Application pursuant to the CCAA and for no other or improper purpose.

SWORN remotely via videoconference, by Stephane Trudel, stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in Province of Ontario, this day of June 5, 2023, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*.



Commissioner for Taking Affidavits, etc.
PHILIP YANG



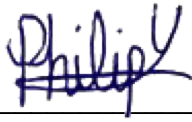
STEPHANE TRUDEL

EXHIBIT "B"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 14, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits



Court File No. CV-23-00700581-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE)
JUSTICE STEELE) MONDAY, THE 5TH DAY
OF JUNE, 2023

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE &
FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703
CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP.,
PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC

Applicants

INITIAL ORDER

THIS APPLICATION, made by Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("**133 Canada**"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "**Applicants**"), for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day by judicial videoconference via Zoom.

ON READING the affidavit of Stephane Trudel sworn June 5, 2023 (the "**Trudel Affidavit**") and the Exhibits thereto, the pre-filing report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as proposed monitor of the Applicants (in such capacity, the "**Monitor**") dated June 5, 2023 (the "**Pre-Filing Report**"), the consent of FTI to act as the Monitor, on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for FTI, counsel for 2707031 Ontario Inc. ("**ACT Investor**") and ACT Investor in its capacity as the DIP Lender (as defined below), and such other parties as listed on the Counsel Slip, with no one else appearing although duly served as appears from the affidavit of service of Philip Yang sworn June 5, 2023,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Trudel Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that each of the Applicants are companies to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.
5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize their existing central cash management system currently in place or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person or Persons (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management

System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of arrangement or compromise under the CCAA with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order, subject to compliance with the Updated Bi-Weekly Budget (as defined in the DIP Facility Agreement), as may be amended from time to time:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee and director expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled, subject to compliance with the Updated Bi-Weekly Budget, as may be amended from time to time, but not required to pay all reasonable expenses incurred by the Applicants in carrying on their Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be

deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, monthly in equal payments on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;
- (b) to grant no security interests, trust, liens, mortgages, charges or encumbrances upon or in respect of any of the Property; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) terminate the employment of such its employees or temporarily lay off such of its employees as it deems appropriate;
- (b) pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing; and

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

12. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant’s claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against

the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

14. **THIS COURT ORDERS** that until and including June 15, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest, or (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to renew per the same terms and conditions, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the Applicants and the Monitor, or leave of this Court. For greater certainty, MC Cannabis Inc. and Alimentation Couche-Tard Inc. shall not discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by 133 Canada.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses, email addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

21. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2,800,000, as security for the indemnity provided in paragraph 20 of this Order. The D&O Charge shall have the priority as set out in paragraphs 39 and 41 herein.

22. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements and the Applicants' compliance with the Updated Bi-Weekly Budget;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination of financial and other information to the DIP Lender and its counsel on a periodic basis of financial and other information as agreed to between the Applicants and the DIP Lender, or as may reasonably be requested by the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, or as may reasonably be requested by the DIP Lender;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants', or the direct or indirect subsidiaries or affiliates of any of the Applicants', including any joint venture entities, for which a permit or license is issued or required pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and*

Substances Act, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017, S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation, and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or take Possession of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act, 1999*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, the *Ontario Mining Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the date of this Order by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis. In addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Monitor, retainers in the amounts of \$50,000 each, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Applicants' counsel, the Monitor and its counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$600,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs 39 and 41 hereof.

DIP FACILITY

32. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under the DIP Facility from ACT Investor, in its capacity as the DIP Lender, in order to finance the Applicants' working capital requirements, and other general corporate purposes and capital expenditures.

33. **THIS COURT ORDERS** that such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Facility Loan Agreement between the Applicants and the DIP

Lender dated as of June 5, 2023, appended as **Exhibit “N”** to the Trudel Affidavit (the “**DIP Facility Agreement**”).

34. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to borrow, in accordance with the terms and conditions of the DIP Facility Agreement, interim financing of up to \$2,700,000 during the Stay Period.

35. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such agreements, instruments, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively with the DIP Facility Agreement, the “**Definitive Documents**”), as may be contemplated by the DIP Facility Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents (collectively, the “**DIP Obligations**”) as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

36. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property as security for the DIP Obligations, which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender’s Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority as set out in paragraphs 39 and 41 hereof.

37. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon three business days’ notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts

owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP 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 Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

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

38. **THIS COURT ORDERS AND DECLARES** that ACT Investor and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise under the CCAA, or any proposal filed under the BIA, with respect to any advances made by ACT Investor, as secured lender to the Applicants, and under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

39. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge, and the Directors' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First - Administration Charge (to the maximum amount of \$600,000);

Second – DIP Lender's Charge (to the maximum amount of \$2,700,000; and

Third - Directors' Charge (to the maximum amount of \$2,800,000).

40. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and 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.

41. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and 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

Person, provided that the Charges shall rank behind Encumbrances in favor of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.

42. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

43. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal, provincial or other statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Facility Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Definitive Documents, and the granting of the Charges, do not and will not constitute

preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

44. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

45. **THIS COURT ORDERS** that the Monitor shall (a) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (b) within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of any individual persons who are creditors available.

46. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.cfcanada.fticonsulting.com/Fire&Flower

47. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

48. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

COMEBACK MOTION

49. **THIS COURT ORDERS** that the Comeback Motion shall be heard on June 15, 2023.

GENERAL

50. **THIS COURT ORDERS** that the Applicants, the DIP Lender, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

51. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

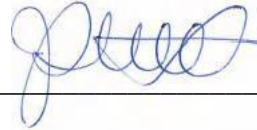
52. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

53. **THIS COURT ORDERS** that each of the Applicants and the Monitor shall be at liberty and are 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 Monitor 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.

54. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

55. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

INITIAL ORDER

STIKEMAN ELLIOTT LLP

Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
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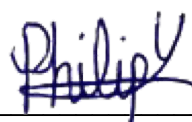
Lawyers for the Applicants

EXHIBIT "C"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 14, 2023

A handwritten signature in blue ink, appearing to read "Philip", written over a horizontal line.

Commissioner for Taking Affidavits

FIRE & FLOWER FILES FOR CCAA PROTECTION

NEWS PROVIDED BY

Fire & Flower Holdings Corp. →

06 Jun, 2023, 07:30 ET

/NOT FOR DISSEMINATION IN THE UNITED STATES OR FOR DISTRIBUTION TO UNITED STATES WIRE SERVICES/

TORONTO, June 6, 2023 /CNW/ - Fire & Flower Holdings Corp. ("**Fire & Flower**" or the "**Company**") (TSX: FAF) (OTCQX: FFLWF) today announced that the Company and its subsidiaries, Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc. and Hifyre Inc. (collectively, the "**Fire & Flower Group**"), have received an order for creditor protection (the "**Initial Order**") from the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**").

As previously disclosed, the Company has been actively pursuing additional financing to raise capital to fund its operations, and on May 26, 2023, engaged a financial advisor to assist the Company with reviewing strategic options, including financing options. Following such review and after careful consideration of all available alternatives, and consultation with legal and financial advisors, the directors of the Company determined that it was in the best interests of the Company to file an application for creditor protection under the CCAA.

The Initial Order includes, among other things: (i) a stay of proceedings in favour of the Fire & Flower Group; (ii) approval of the DIP Loan (as described below); and (iii) the appointment of FTI Consulting Canada Inc. as monitor of the Fire & Flower Group (in such capacity, the "**Monitor**").



The Fire & Flower Group sought creditor protection under the CCAA in order to receive a stay of proceedings that will allow the Fire & Flower Group to work with the Monitor to facilitate the development of an orderly process designed to streamline its operations and conduct a Court-supervised sales process to obtain a going concern solution for its operations and maximize the value of the Fire & Flower Group's assets for the benefit of its stakeholders. The DIP Loan (as described below) is anticipated to fund the operations of the Fire & Flower Group in the ordinary course during this process.

The board of directors of the Company will remain in place and management will remain responsible for the day-to-day operations of the Company, under the general oversight of the Monitor.

In order to fund the CCAA proceedings and other short-term working capital requirements, the Fire & Flower Group has executed a facility agreement with 2707031 Ontario Inc. (the "**DIP Lender**"), an affiliate of Alimentation Couche-Tard Inc. ("**ACT**"), pursuant to which the DIP Lender has agreed to advance a debtor-in-possession loan in the amount of C\$9,800,000 (the "**DIP Loan**"). The continued availability of the DIP Loan is conditional on, among other things, certain conditions being satisfied, including the Initial Order remaining in effect.

It is anticipated that the Toronto Stock Exchange (the "**TSX**") will place the Company under delisting review and there can be no assurance as to the outcome of such review or the continued qualification for listing on the TSX.

Each of ACT and the DIP Lender is a "related party" of the Company and, accordingly, the DIP Loan constitutes a "related party transaction" of the Company under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). Related party transactions under MI 61-101 typically require a formal valuation and minority shareholder approval unless exemptions from these requirements are available. The DIP Loan is not subject to the formal valuation requirement of MI 61-101. The Company will rely on the exemption from the minority approval requirement contained in Section 5.7(d) of MI 61-101 (Bankruptcy, Insolvency, Court Order) in respect of the DIP Loan. The Company did not file a material change report more than 21 days before the expected closing of the DIP Loan, as the details of the DIP Loan were not finalized until immediately prior to the closing thereof and the Company wished to close the DIP Loan as soon as practicable for sound business reasons.

About Fire & Flower

Fire & Flower is a technology-powered, adult-use cannabis retailer with more than 90 corporate-owned stores in its network. The Company leverages its wholly-owned technology development subsidiary, Hifyre, to continually advance its proprietary retail operations model while also providing additional independent revenue streams. Fire & Flower guides consumers through the complex world of cannabis through education-focused, best-in-class retailing while the Hifyre digital retail and analytics platform empowers retailers to optimize their connections with consumers. The Company's leadership team combines extensive experience in the technology, logistics, cannabis and retail industries.

Fire & Flower is a multi-banner cannabis retail operator that owns and operates the Fire & Flower, Friendly Stranger and Firebird Delivery brands. Fire & Flower Holdings Corp. owns all issued and outstanding shares in Fire & Flower Inc. and Friendly Stranger Holdings Corp., licensed cannabis retailers that own and operate cannabis retail stores in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, and the Yukon territory. Fire & Flower also has strategic licensing agreements for its brand and Hifyre digital platform in Canada and certain U.S. States.

For further information regarding the CCAA proceedings you can refer to the Monitor's website at <http://cfcanda.fticonsulting.com/fireandflower>.

Cautionary Statement Regarding Forward Looking Statements

Information in this press release that is not current or historical factual information may constitute forward-looking information within the meaning of securities laws. Implicit in this information are assumptions regarding our future operational results. These assumptions, although considered reasonable by the company at the time of preparation, may prove to be incorrect. Readers are cautioned that actual performance of the Company is subject to a number of risks and uncertainties, including the Fire & Flower Group's intention to complete proceedings under the CCAA, the results of the proceedings under the CCAA and any potential recovery for stakeholders of the Company, and results could differ materially from what is currently expected as set out above.

For more exhaustive information on these risks and uncertainties you should refer to our annual information form dated March 28, 2023 and "Risks and Uncertainties" in our management discussion and analysis for the year ended December 31, 2022 and the quarter ended March 31, 2023, in each case filed on our issuer profile on SEDAR at www.sedar.com.

Forward-looking information contained in this press release is based on our current estimates, expectations and projections, which we believe are reasonable as of the current date. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

No stock exchange, securities commission or other regulatory authority has approved or disapproved the information contained herein.

SOURCE Fire & Flower Holdings Corp.

For further information: Investor Relations, investorrelations@fireandflower.com

EXHIBIT "D"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 14, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is stylized with a large 'P' and a long horizontal stroke at the end.

Commissioner for Taking Affidavits



Jerome Leroy, vice-president of the Canadian business unit of cable supplier Nexans, says his company could reach up to 30-per-cent recycled copper wire content if its return and recovery plan is successful. FRED LUM/THE GLOBE AND MAIL

Predicting copper shortage, major cable supplier urges increased recycling

Jerome Leroy of Nexans is looking to get ahead of a potential supply dilemma for the metal that is key to so many of our modern amenities

MATTHEW McCLEARN

Copper has been called the “metal of electrification.” It’s crucial for electric vehicles; whereas a conventional car contains about 23 kilograms of copper, an EV has 83. It’s found in wind turbines, solar-power components, geothermal technologies and virtually every other kind of renewable energy system. And it’s used extensively in power cables. So our increasingly electrified world needs a lot more copper.

Jerome Leroy, vice-president of the Canadian business unit of cable supplier Nexans, worries that copper mines won’t be able to keep up. This concern partly stems from the fact it takes many years to secure regulatory approvals for new mines. Moreover, ore grades at existing mines have long been in decline. (Production is concentrated in Chile, Peru and China.) Mr. Leroy points to forecasts suggesting production capacity will grow to 27 million tonnes a year by the end of this decade, whereas demand could rise as high as 35 million tonnes. A shortfall could materialize as soon as next year, he warns.

“I start to see it happening at the power utility level,” he said. “People are requesting more and more cable. The likes of BC Hydro and Hydro-Québec, and others, say that probably they will need at least 5-per-cent more cable every year starting from now.”

But Mr. Leroy says there’s a simple solution: recycling. Nexans’s Montreal plant already strips the plastic from its own scrap cable and melts the metal down in a furnace. That, combined with scrap returned by some customers, has nudged the recycled copper content of its wire to 10 per cent. Now the company has embarked on a campaign to entice customers to return more scrap cable, maintaining that by doing so customers can recover 3 per cent of their total cable costs. Nexans even encourages them to dig up decommissioned wire and send it back. If the campaign is successful, Mr. Leroy says, the company could reach 30-per-cent recycled content.

“We know that by pushing hard, we could go easily to 20 per cent,” he said. “And we are making some trials with up to 30 per cent, and that still works. But

the challenge is to find those scraps.”

Such levels are by no means inconceivable. Unlike plastics and many other materials, copper doesn’t degrade during recycling; it can be every bit as conductive and ductile as virgin material. The International Copper Study Group, a Lisbon-based organization, estimates that in recent years recycled copper has accounted for as much as one-third of global consumption.

As electricity networks expand, copper demand for power lines will double by 2040, the International Energy Agency predicted in a report published last year. Because copper (coupled with aluminum) accounts for one-fifth of the cost of expanding the grid, the implications could be significant.

Blair DeBruyne, the director of operations, inventory and fleet services at SaskPower, points out that copper is a major ingredient in transformer coils and almost every power line. But he’s worried about all mined materials because order lead times are being pushed out.

“I don’t think we’re zeroed in on copper, but we certainly realize how important it is to our infrastructure,” he said.

As part of its recycling program, SaskPower incorporates recycling requirements into its long-term contracts with transformer and wire suppliers. Its contracts with PTI, its primary transformer supplier, contain provisions for refurbishment and repurposing. And it sends excess wire to metal recyclers in Saskatchewan and occasionally to Nexans in Montreal.

BC Hydro, another Nexans customer, also recycles extensively. In a written response to questions, spokesperson Kevin Aquino said the utility recycled more than 356,000 pounds of copper last year.

“When copper is removed from electrical infrastructure, our crews classify and sort the material to determine whether it can be reused or recycled,” he wrote.

Last year, IHS Markit (a market research firm owned by S&P Global) projected that copper demand could double in little more than a decade – from 25 million tonnes today to 50 million by 2035.

“The chronic gap between worldwide copper supply and demand projected to begin in the middle of this decade will have serious consequences across the global economy,” an IHS report warned, “and will affect the timing of net-zero

emissions by 2050.”

But such forecasts are not universally accepted. National governments seem divided on the copper market: Canada has designated copper a “critical” mineral; the United States has not. In its latest factbook, the International Copper Study Group stressed that it’s “highly improbable” that the world will run out of copper.

“Since 1960, there have always been, on average, 38 years of reserves, and significantly greater amounts of known resources. ... Despite increased demand for copper produced from ore in recent years, increases in reserves have grown, and there is more identified copper available to the world than at any other time in history.”

In that more reassuring view, the global movement toward electric cars and cleaner energy will “support” long-term copper demand. Increased reuse and recycling is completely in keeping with how the group sees future demand being satisfied.

Nexans is doing more than simply asking customers to send more scrap: It’s providing tools to facilitate that. Some of its cable spools now have GPS trackers and devices that count the spool’s revolutions, so customers can estimate the length of cable left. If a spool is nearly depleted, it can be located and sent for recycling.

“In Canada, when you start spreading all of those reels throughout the country, it becomes a real challenge,” Mr. Leroy said. “And it is our duty as a supplier to give solutions.”

Nexans’s greater challenge will be to convince utilities to retrieve more decommissioned copper from their networks and send it in for recycling. It’s a form of urban mining – the process of recovering metals, minerals and other materials from electronic waste retrieved from cities. This is a tougher sell. Mr. Leroy acknowledges that extracting this copper requires time and investment. Moreover, older cable was insulated with oil rather than plastic, making it harder to recycle.

Mr. DeBruyne said SaskPower already removes decommissioned power lines but doubts they will become a significant source of copper.

“There isn’t going to be enough reusable components, especially copper, in a lot of that stuff,” he said. “There isn’t enough volume out there that’s going to solve Nexans’s copper concerns, let’s put it that way.”

Last year, IHS Markit (a market research firm owned by S&P Global) projected that copper demand could double in little more than a decade – from 25 million tonnes today to 50 million by 2035.

ROOTS REPORTS \$8-MILLION LOSS IN FIRST-QUARTER

Roots Corp. reported a first-quarter loss of \$8-million compared with a loss of \$5.3-million a year earlier, as its sales edged down on lower demand for its popular sweatpants.

Roots chief executive Meghan Roach says the results aligned with the company’s internal projections and reflected a challenging economic environment.

The retailer says the loss amounted to 19 cents per diluted share for the quarter ended April 30 compared with a loss of 13 cents per diluted share in the same quarter last year.

Sales in the quarter totalled \$41.5-million, down from \$43.1-million a year ago.

Roots says the decline in sales came as its direct-to-consumer sales amounted to \$35.4-million, down from \$37.4-million in the same quarter last year.

Partner and other sales, which includes wholesale Roots branded products, licensing to select manufacturing partners and the sale of certain custom products, totalled \$6.1-million, up from \$5.7-million a year ago.

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LEGALS

NOTICE TO CREDITORS of FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., HIFYRE INC. AND PINEAPPLE EXPRESS DELIVERY INC. (collectively, the “Applicants” or “Fire & Flower”)

NOTICE IS HEREBY GIVEN that on June 5, 2023, the Applicants sought and obtained an initial order (the “Initial Order”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) from the Ontario Superior Court of Justice (Commercial List) (the “Court”). Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed as Monitor of the Applicants (in such capacity, the “Monitor”). The comeback motion to consider certain additional relief in respect of the Applicants’ CCAA proceedings is scheduled for June 15, 2023, where the Applicants also intend to seek approval of a proposed sale and investment solicitation process (the “Proposed SISP”) in respect of their business and assets.

TAKE NOTICE that a copy of the Initial Order and other public information concerning these CCAA proceedings can be found on the Monitor’s website at <http://cfcanada.fticonsulting.com/fireandflower> or may be obtained by contacting the Monitor at:

FTI Consulting Canada Inc.

Monitor of Fire & Flower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto, Ontario M5K 1G8

Phone: 416-649-8129
Toll Free: 1-833-981-8009
Email: fireandflower@fticonsulting.com

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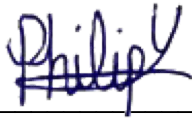


EXHIBIT "E"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 14, 2023

A handwritten signature in blue ink that appears to read "Philip". The signature is written in a cursive style with a prominent loop at the end.

Commissioner for Taking Affidavits

SUBSCRIPTION AGREEMENT

FIRE & FLOWER HOLDINGS CORP.

as Company

-and-

2707031 ONTARIO INC.

as Purchaser

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SUBSCRIPTION AGREEMENT

THIS SUBSCRIPTION AGREEMENT is made as of June 15, 2023

BETWEEN:

Fire & Flower Holdings Corp. ("**F&F Holdings**" or "**Company**")

-and-

2707031 Ontario Inc. ("**Purchaser**")

RECITALS:

- A. F&F Holdings, through its wholly-owned subsidiaries, is an independent cannabis retail chain, operating in accordance with the *Cannabis Act* (Canada) and applicable provincial, territorial and municipal legislation in the provinces of Alberta, British Columbia, Manitoba, Saskatchewan and Ontario, as well as the Yukon Territory (collectively, the "**Business**").
- B. On June 5, 2023, the F&F Group (as hereinafter defined) commenced proceedings under the CCAA before the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") to, among other things, seek creditor protection for, and certain relief in respect of, certain of the members of the F&F Group.
- C. The F&F Group plans to obtain an order (the "**SISP Order**") from the CCAA Court approving, among other things, the SISP (as hereinafter defined).
- D. Pursuant to the SISP, Purchaser has been selected as the stalking horse bidder and as such Purchaser has agreed to buy and Company has agreed to sell the Purchased Shares on and pursuant to the terms set forth herein if Purchaser becomes the successful bidder pursuant to the SISP.

NOW THEREFORE, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement,

"**10926671**" means 10926671 Canada Ltd., a corporation duly constituted under the federal laws of Canada.

"**11180703**" means 11180703 Canada Inc., a corporation duly constituted under the federal laws of Canada.

"**13318184**" means 13318184 Canada Inc., a corporation duly constituted under the federal laws of Canada.

"**Administration Charge**" has the meaning given to it in the Initial Order.

“Administrative Expense Amount” means cash in an amount of the Administrative Expense Costs and CCAA Charge Amount and shall be paid by the members of the F&F Group to the Monitor on the Closing Date out of the cash and cash equivalents of the members of the F&F Group as at the Closing Date and held in trust by the Monitor for the benefit of Persons entitled to be paid the Administrative Expense Costs and CCAA Charge Amount, subject to the terms hereof;

“Administrative Expense Costs” means the reasonable and documented fees and costs of the Monitor and its professional advisors and professional advisors of the members of the F&F Group and Residual Co. in each case for services performed prior to and, other than in respect of the members of the F&F Group, after the Closing Date, in each case, relating directly or indirectly to the CCAA Proceedings, and this Agreement and including without limitation: (i) costs required to wind down and/or dissolve and/or bankrupt Residual Co.; and (ii) costs and expenses required to administer the Excluded Assets, Excluded Liabilities and Residual Co.

“Affiliate” means, with respect to any specified Person, any other Person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise). For greater certainty, an Affiliate of a Person shall include such Person’s investment funds and managed accounts and any funds managed or directed by the same investment advisor. Notwithstanding the above, Purchaser and its Affiliates on one hand, and the F&F Group and Residual Co. on the other hand, shall not be considered Affiliates of each other for the purposes of this Agreement.

“Agreement” means this subscription agreement and all attachments and Exhibits, in each case as the same may be supplemented, amended, restated or replaced from time to time, and the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this transaction agreement and all attached Exhibits, and unless otherwise indicated, references to Articles, Sections, and Exhibits are to Articles, Sections, and Exhibits in this transaction agreement.

“Applicable Law” means any transnational, domestic or foreign, federal, provincial, territorial, state, local or municipal (or any subdivision of any of them) law (including common law and civil law), statute, ordinance, rule, regulation, restriction, limit, by-law (zoning or otherwise), judgment, order, direction or any consent, exemption, Transaction Regulatory Approval, or any other legal requirements of, or agreements with, any Governmental Authority, that applies in whole or in part to the transactions contemplated by this Agreement, the members of the F&F Group, Purchaser, the Business, or any of the Purchased Shares or the Retained Liabilities.

“Applicants” means the F&F Group and the Residual Co. (at the time the Residual Co. become Applicants).

“Articles of Amendment” means articles of amendment in respect of Company’s authorized and issued capital to: (i) create a new class of shares of the Company, being the Class “A” Common shares; and (ii) provide for the redemption or cancellation by the Company of the common shares and other equity interests thereof other than the Purchased Shares for no consideration on Closing; such articles of amendment to be in form and substance satisfactory to Purchaser, acting reasonably.

“Back-up Bid” has the meaning given to such term in the SISP.

“Break Fee” has the meaning given to such term in Section 8.1.

“Bridge Loan Agreement” means that certain loan agreement dated as of October 18, 2022 between Company, as borrower, and Purchaser, as lender, providing for a credit facility in the aggregate principal amount of \$11,000,000, pursuant to which the Company increased the aggregate principal amount owing thereunder to \$11,151,000 on December 31, 2022 and March 31, 2022 in lieu of paying accrued interest owing pursuant thereto on the dates thereof.

“Business Day” means any day, other than a Saturday or Sunday, on which the principal commercial banks in Toronto, Ontario are open for commercial banking business during normal banking hours.

“Business” has the meaning given to such term in Recital A.

“Causes of Action” means any action, claim, cross claim, third party claim, damage, judgment, cause of action, controversy, demand, right, action, suit, obligation, liability, debt, account, defense, offset, power, privilege, license, lien, indemnity, interest, guaranty, or franchise of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, contingent or non-contingent, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, matured or unmatured, suspected or unsuspected, in contract or in tort, at law or in equity, or pursuant to any other theory of law or otherwise, of the members of the F&F Group against any Person, in each case based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Closing Time (which Causes of Action for the avoidance of doubt shall be retained by the applicable member of the F&F Group on Closing).

“CCAA” means the *Companies’ Creditors Arrangement Act* (Canada).

“CCAA Charge Amount” means cash in an amount sufficient to satisfy the amounts owing in respect of obligations secured by the CCAA Charges (without duplication to amounts satisfied as Administrative Expense Costs, Employee Priority Claims or Priority Payments).

“CCAA Charges” means the Administration Charge, Directors’ Charge and KERP Charge.

“CCAA Court” has the meaning given to such term in Recital B.

“CCAA Order” means the order of the CCAA Court pursuant to the CCAA commencing the CCAA Proceedings, as amended, restated, supplemented and/or modified from time to time.

“CCAA Proceedings” means the proceedings commenced under the CCAA by the Applicants pursuant to the Initial Order.

“Claims” means any and all demands, claims, liabilities, actions, causes of action, counterclaims, expenses, costs, damages, losses, suits, debts, sums of money, refunds, accounts, indebtedness, rights of recovery, rights of set-off, rights of recoupment and liens of whatever nature (whether direct or indirect, absolute or contingent, asserted or unasserted, secured or unsecured, matured or not yet matured due or to become due, accrued or unaccrued or liquidated or unliquidated) and including all costs, fees and expenses relating thereto.

“Closing” means the completion of the purchase of the Purchased Shares and the transactions in accordance with the provisions of this Agreement.

“Closing Date” means a date no later than five (5) Business Days after the conditions set forth in Article 7 have been satisfied or waived, other than the conditions set forth in Article 7 that by their terms are to be satisfied or waived at the Closing (or such other date agreed to by the Parties in writing); provided that, if there is to be a Closing hereunder, then the Closing Date shall be no later than the Outside Date.

“Closing Documents” means all contracts, agreements, certificates and instruments required by this Agreement to be delivered at or before the Closing.

“Closing Time” means 10:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“Company” has the meaning given to such term in the preamble to this Agreement.

“Confidential Information” means non-public, confidential, personal or proprietary information which is furnished to Purchaser or any of its Affiliates by Company or any of the members of the F&F Group’ representatives, including information about identifiable individuals, any information relating to the members of the F&F Group, or any customer or supplier of the members of the F&F Group, but does not include information that is or becomes generally available to the public other than as a result of disclosure by Purchaser or its representatives in breach of this Agreement or that is received by Purchaser from an independent third party that, to the knowledge of Purchaser, obtained it lawfully and was under no duty of confidentiality (except to the extent that applicable privacy laws do not exclude such information from the definition of personal information) or that is independently developed by Purchaser or its representatives without reference to any Confidential Information.

“Credit Bid Consideration” has the meaning given to such term in Section 3.1.

“DIP Facility” means the credit facility in the maximum principal amount of \$9,800,000 made available by the Purchaser to F&F Holdings pursuant to the DIP Facility Term Sheet.

“DIP Facility Term Sheet” means the DIP Facility Term Sheet dated as of June 5, 2023 among F&F Holdings, (as borrower) F&F, 13318184, 11180703, 10926671, Friendly Stranger, Pineapple Express, and Hifyre (as guarantors), the Purchaser (as lender), as such agreement may be amended, restated, supplemented and/or otherwise modified from time to time in accordance with the terms thereof.

“Directors Charge” has the meaning given to it in the Initial Order.

“Employee Priority Claims” means any Claim for: (i) accrued and unpaid wages and vacation pay owing to an employee of any of the members of the F&F Group whose employment was terminated between the Filing Date and the Closing Date, including the Terminated Employees; and (ii) unpaid amounts provided for in Section 6(5)(a) of the CCAA.

“Encumbrance” means any security interest (whether contractual, statutory or otherwise), lien, prior claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage, trust (including any statutory, deemed or constructive trust), option or adverse claim or encumbrance of any nature or kind.

“Equity Interests” means any capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or nonvoting, whether preferred, common or otherwise, and including share appreciation, contingent interest or similar rights) of a Person.

“ETA” means the *Excise Tax Act* (Canada).

“Excluded Assets” has the meaning given to such term in Section 2.2.

“Excluded Contracts” means contracts of the members of the F&F Group as specified on Schedule 2.2(c).

“Excluded Leases” means those leases of the members of the F&F Group as specified in Schedule 2.2(c).

“Excluded Liabilities” has the meaning given to such term in Section 2.4.

“F&F Group” means F&F Holdings, F&F, 13318184, 11180703, 10926671, Friendly Stranger, Hifyre, and Pineapple Express.

“F&F” means Fire & Flower Inc., a corporation duly constituted under the federal laws of Canada.

“Filing Date” means June 5, 2023.

“Final Order” means with respect to any order or judgment of the CCAA Court, or any other court of competent jurisdiction, with respect to the subject matter addressed in the CCAA Proceedings or the docket of any court of competent jurisdiction, that such order or judgement has not been vacated, set aside, reversed, stayed, modified or amended, and as to which the applicable periods to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal, leave to appeal, or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken or filed, or as to which any appeal has been taken or any petition for certiorari or leave to appeal that has been timely filed has been withdrawn or resolved in a manner acceptable to Company and Purchaser, each acting reasonably, by the highest court to which the order or judgment was appealed or from which leave to appeal or certiorari was sought or the new trial, reargument, or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

“Friendly Stranger” means Friendly Stranger Holdings Corp., a corporation duly constituted under the laws of the province of Ontario.

“Fundamental Representations and Warranties of Company” means the representations and warranties of Company included in Sections 4.1 [Due Authorization and Enforceability of Obligations], 4.2 [Existence and Good Standing] and 4.4 [Absence of Conflicts].

“GAAP” means generally accepted accounting principles as set out in the *CPA Canada Handbook – Accounting* for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

“Governmental Authority” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them, or (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“GST/HST” means all goods and services tax and harmonized sales tax imposed under Part IX of the ETA or any other statute in any jurisdiction of Canada.

“Hifyre” means Hifyre Inc. a corporation duly constituted under the laws of the province of Ontario.

“Implementation Steps” has the meaning given to such term in Section 2.7(b).

“Initial Order” means the Amended and Restated Initial Order dated June 5, 2023 granted by the CCAA Court pursuant to the CCAA as may be further amended and restated from time to time.

“Intercompany Claim” means any claim that may be asserted against any of the members of the F&F Group by or on behalf of any of the members of the F&F Group or any of their affiliated companies, partnerships, or other corporate entities.

“KERP Charge” has the meaning given to it in the Initial Order.

“Material Adverse Effect” means any change, effect, event, occurrence, state of facts or development that has had a material adverse effect on: (i) the business, assets, liabilities, financial conditions or results of operations of the members of the F&F Group, taken as a whole; or (ii) prevents the ability of any of the members of the F&F Group to perform its obligations under, or to consummate the transactions contemplated by, this Agreement, but excluding any such change, effect, event, occurrence, state of facts or development attributable to or arising from: (A) general economic or business conditions; (B) Canada, the U.S. or foreign economies, or financial, banking or securities markets in general, or other general business, banking, financial or economic conditions (including: (I) any disruption in any of the foregoing markets; (II) any change in the currency exchange rates; or (III) any decline or rise in the price of any security, commodity, contract or index); (C) acts of God or other calamities, pandemics (including COVID-19 and any Governmental Authorities response thereto), national or international political or social conditions, including the engagement and/or escalation by the U.S. or Canada in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the U.S. or Canada or any of their territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the U.S. or Canada; (D) the identity of Purchaser or its Affiliates; (E) conditions affecting generally the industry in which the members of the F&F Group participates; (F) the public announcement of, entry into or pendency of, actions required or contemplated by or performance of obligations under, this Agreement or the transactions contemplated by this Agreement, or the identity of the Parties; (G) changes in Applicable Laws or the interpretation thereof; (H) any change in GAAP or other accounting requirements or principles; (I) national or international political, labor or social conditions; (J) the failure of the members of the F&F Group to meet or achieve the results set forth in any internal projections (but not the underlying facts giving rise to such failure unless such facts are otherwise excluded pursuant to the clauses

contained in this definition); or (K) any change resulting from compliance with the terms of, or any actions taken (or not taken) by any Party pursuant to or in accordance with, this Agreement; provided that the exceptions set forth in clauses (A), (B), (C), (E), (G), (H) or (I) shall not apply to the extent that such event is disproportionately adverse to the members of the F&F Group, taken as a whole, as compared to other companies in the industries in which the members of the F&F Group operate.

“Monitor” means FTI Consulting Canada Inc., as Court-appointed monitor of the members of the F&F Group in the CCAA Proceeding and not in its personal or corporate capacity.

“Monitor’s Certificate” means the certificate delivered to Purchaser and filed with the CCAA Court by the Monitor certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor from Company and Purchaser that all conditions to Closing have been satisfied or waived by the applicable Parties and the transactions contemplated by this Agreement have been completed.

“Order” means any order of the Court made in the CCAA Proceedings, or any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

“Outside Date” has the meaning given to such term in Section 10.1(b).

“Parties” means Company and Purchaser collectively, and **“Party”** means either Company or Purchaser, as the context requires.

“Permitted Encumbrances” means the Encumbrances listed in Schedule 1.1(a).

“Person” includes an individual, partnership, firm, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, entity, corporation, unincorporated association, or organization, syndicate, committee, court appointed representative, the government of a country or any political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality, or department of such government or political subdivision, or any other entity, howsoever designated or constituted, including any Taxing Authority, and the trustees, executors, administrators, or other legal representatives of an individual, and for greater certainty includes any Governmental Authority.

“Pineapple Express” means Pineapple Express Delivery Inc.

“Post-Closing Straddle Tax Period” has the meaning given to such term in Section 8.5(c).

“Post-Filing Claim” or **“Post-Filing Claims”** means any or all indebtedness, liability, or obligation of the members of the F&F Group of any kind that arises during and in respect of the period commencing on the Filing Date and ending on the day immediately preceding the Closing Date in respect of services rendered or supplies provided to the members of the F&F Group during such period; provided that, for certainty, such amounts are not a Restructuring Period Claim or a Restructuring Period D&O Claim.

“Priority Payments” means those priority payments prescribed under subsections 6(3), 6(5) and 6(6) of the CCAA, and the amounts owing under the Employee Priority Claims, and including those amounts identified in the Implementation Steps.

“Purchase Price” has the meaning given to such term in Section 3.1.

“Purchased Shares” has the meaning given to such term in Section 2.1(a).

“Purchaser” has the meaning given to such term in the preamble to this Agreement.

“Released Claims” means all claims, demands, complaints, grievances, actions, applications, suits, causes of action, Orders, charges, indictments, prosecutions, informations or other similar processes, assessments or reassessments, judgments, debts, liabilities, expenses, costs, damages or losses, contingent or otherwise, whether liquidated or unliquidated, matured or unmatured, disputed or undisputed, contractual, legal or equitable, including loss of value, professional fees, including “claims” as defined in the CCAA and including fees and disbursements of legal counsel on a full indemnity basis, and all costs incurred in investigating or pursuing any of the foregoing or any proceeding relating to any of the foregoing.

“Residual Co.” means a company to be formed by Company, such entity in form satisfactory to Purchaser, acting reasonably, prior to the Closing; provided, that no such entity shall be a flow through entity for Canadian purposes unless approved by Purchaser.

“Restructuring Period Claim” means any Claim owed by any member of the F&F Group arising out of the restructuring, disclaimer, resiliation, termination or breach by such member of the F&F Group on or after the Filing Date of any contract, lease or other agreement, whether written or oral.

“Restructuring Period D&O Claim” means any Claim against one or more of the directors and/or officers of a member of the F&F Group arising after the Filing Date, whether or not such right or claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any assessments and any right or ability of any Person to advance a claim for contribution, indemnity or otherwise against any of such directors and/or officers with respect to any matter, action, cause or chose in action, whether existing at present or arising or commenced in the future, for which any such director or officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a director or officer.

“Retained Liabilities” has the meaning given to such term in Section 2.3.

“SISP” means the Sale and Investment Solicitation Process approved by the SISP Order, as may be amended by the CCAA Court from time to time, which must be acceptable to Purchaser and substantially in the form of the Sale and Investment Solicitation Process attached hereto as Schedule 1.1 (c).

“SISP Order” has the meaning ascribed to it in the preamble.

“Stalking Horse Bid” has the meaning given to such term in the SISP

“Successful Bid(s)” has the meaning given to such term in the SISP.

“Successful Bidder(s)” has the meaning given to such term in the SISP.

“Tax” and **“Taxes”** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever (including withholding on amounts paid to or by any

Person) imposed by any Taxing Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Taxing Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, escheat, property, development, occupancy, employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and Canada, Ontario and other government pension plan premiums or contributions.

“Tax Act” means the *Income Tax Act* (Canada) and shall also include a reference to any applicable and corresponding provisions under the income tax laws of a province or territory of Canada, as applicable.

“Tax Return” means any return, declaration, report, statement, information statement, form, election, amendment, claim for refund, schedule or attachment thereto or other document filed or required to be filed with a Taxing Authority with respect to Taxes.

“Taxing Authority” means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, the United States Internal Revenue Service, any similar revenue or taxing authority of the U.S. and each and every state and locality of the U.S., and any Canadian, U.S. or other Governmental Authority exercising taxing authority or power, and “Taxing Authority” means any one of the Taxing Authorities.

“Terminated Employees” means those individuals employed by a member of the F&F Group whose employment has or shall be terminated by the applicable member of the F&F Group prior to Closing, being those individuals deemed to be Terminated Employees pursuant to Section 8.6(c).

“Transaction Regulatory Approvals” means any material licenses, permits or approvals required from any Governmental Authority or under any Applicable Laws relating to the business and operations of the members of the F&F Group that would be required to be obtained in order to permit the members of the F&F Group and Purchaser to complete the transactions contemplated by this Agreement.

“Vesting Order” means an order of the CCAA Court in a form to be mutually agreed upon by the Purchaser and Company, each acting reasonably.

1.2 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended, re-enacted or replaced.

1.3 Headings, Table of Contents, etc.

The provision of a table of contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and do not

affect the interpretation of this Agreement. The recitals to this Agreement are an integral part of this Agreement.

1.4 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.5 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian dollars. References to "\$" are to Canadian dollars. References to USD\$ are to United States Dollars.

1.6 Certain Phrases

In this Agreement (i) the words "including", "includes" and "include" and any derivatives of such words mean "including (or includes or include) without limitation" and (ii) the words "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of". The expression "Article", "Section" and other subdivision followed by a number, mean and refer to the specified Article, Section or other subdivision of this Agreement.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon (i) such a determination of invalidity or unenforceability or (ii) any change in Applicable Law or other action by any Governmental Authority which materially detracts from the legal or economic rights or benefits, or materially increases the obligations, of any Party or any of its Affiliates under this Agreement, the Parties shall negotiate to modify this Agreement in good faith so as to effect the original intent of the Parties as closely as possible in an acceptable manner so that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

1.8 Knowledge

Any reference to the knowledge of (i) Company or the members of the F&F Group, means the actual knowledge, after reasonable inquiry of Stephane Trudel and John Chou, and (ii) Purchaser, means the actual knowledge, after reasonable inquiry, of Claude Tessier and Filipe Da Silva.

1.9 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement among the Parties, and set out all the covenants, promises, warranties, representations, conditions and agreements among the Parties in connection with the subject matter of this Agreement, and supersede all prior

agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral among the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

1.10 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by all Parties hereto, and provided that such amendment is consented to by the Monitor. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.11 Governing Law; Jurisdiction and Venue

This Agreement, the rights and obligations of the Parties under this Agreement, and any Claim or controversy directly or indirectly based upon or arising out of this Agreement or the transactions contemplated by this Agreement (whether based on contract, tort or any other theory), including all matters of construction, validity and performance, shall in all respects be governed by, and interpreted, construed and determined in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties consent to the jurisdiction and venue of the CCAA Court for the resolution of any such disputes arising under this Agreement. Each Party agrees that service of process on such Party as provided in Section 12.7 shall be deemed effective service of process on such Party.

1.12 Incorporation of Schedules and Exhibits

Any schedule or exhibit attached thereto, and any schedule or exhibit attached to this Agreement, is an integral part of this Agreement.

1.13 Accounting Terms

All accounting terms used in this Agreement are to be interpreted in accordance with GAAP unless otherwise specified.

1.14 Non-Business Days

Whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment will be made or such action will be taken on or not later than the next succeeding Business Day.

1.15 Computation of Time Periods

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the first day of the period is not counted, but the day of its expiry is counted.

ARTICLE 2 PURCHASE AND SALE

2.1 Agreement to Purchase and Sell Purchased Shares

- (a) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, Company shall issue to Purchaser, and Purchaser shall purchase from Company, free and clear of all Encumbrances (other than Permitted Encumbrances), 1,000,000,000 common shares in the share capital of Company from treasury (the "**Purchased Shares**").
- (b) Pursuant to the Vesting Order, in accordance with the Implementation Steps, all Equity Interests of Company outstanding prior to the issuance of the Purchased Shares other than the Purchased Shares shall be cancelled, without consideration, and the Purchased Shares shall represent 100% of the outstanding Equity Interests in Company after such cancellation and issuance.
- (c) For the avoidance of doubt, upon the Closing and after the completion of the Implementation Steps, Company and each and every direct and indirect subsidiary of Company shall be wholly owned, directly or indirectly, by Purchaser.

2.2 Excluded Assets

Notwithstanding any provision of this Agreement to the contrary, as of the Closing, the assets of the members of the F&F Group shall not include any of the following assets, together with any other assets as set forth on Schedule (collectively, the "**Excluded Assets**"):

- (a) the Tax records and returns, and books and records pertaining thereto and other documents, in each case, that primarily or solely relate to any of the Excluded Liabilities, provided that the applicable member of the F&F Group may take copies of all Tax records and books and records pertaining to such records (as redacted, if applicable) to the extent necessary or useful for the carrying on of the Business after Closing, including the filing of any Tax Return, provided, however that Residual Co. shall retain the original copies of any of the records required to be provided to the applicable member of the F&F Group hereunder (and provide the applicable member of the F&F Group with a copy thereof) to the extent Residual Co. is required to do so under Applicable Law;
- (b) the Administrative Expense Amount;
- (c) the Excluded Contracts;
- (d) the Excluded Leases;
- (e) all communications, information or records, written or oral, that are in any way related to (i) the transactions contemplated by this Agreement, (ii) the sale of the Purchased Shares, (iii) any Excluded Asset or (iv) any Excluded Liability;

- (f) any rights which accrue to Residual Co. under the transaction documents; and
- (g) any other asset, including contracts and leases, identified by Purchaser to Company in writing as an Excluded Asset no later than two (2) Business Days before the Closing Date.

2.3 Retained Liabilities

Pursuant to this Agreement and the Vesting Order, as of the Closing Time the only obligations and liabilities of the F&F Group shall consist of only the items specifically set forth below, as applicable (collectively, the “**Retained Liabilities**”); provided, for the avoidance of doubt the Retained Liabilities of any member of the F&F Group pursuant to this Section 2.3 shall continue to be liabilities of the applicable member of the F&F Group (and, except as applied to Section 2.3(c) no other Person) as of the Closing; provided, further, however, that each of the members of the F&F Group shall take such steps as are necessary to ensure that any claim that could give rise to responsible person liability is satisfied if the applicable member of the F&F Group is, for any reason, unable to satisfy such claim:

- (a) all Post-Filing Claims;
- (b) all liabilities of the members of the F&F Group arising from and after Closing;
- (c) (A) Tax liabilities of the members of the F&F Group for any tax period or the portion thereof beginning on or after the Filing Date, and (B) any other Taxes, including sales or use taxes, payable to a Taxing Authority for any period whereby the nonpayment of which by any member of the F&F Group could result in a responsible person (including for greater certainty, employees, officers or directors) associated with a member of the F&F Group being held personally liable for such nonpayment, excluding from (A), for the avoidance of doubt (x) all income tax or similar liabilities of any member of the F&F Group for any tax period ending prior to the Filing Date, other than Taxes with respect to which any current or former employee, officer, director or other individual may be held liable under any applicable statute imposing responsible person liability for unpaid taxes, and (y) any Tax or similar liability directly and solely related to the Excluded Assets, other than Taxes with respect to which any current or former employee, officer, director or other individual may be held liable under any applicable statute imposing responsible person liability for unpaid taxes (excluding, for the avoidance of doubt, any such person serving in such capacity at Residual Co.);
- (d) Intercompany Claims between members of the F&F Group;
- (e) any and all indemnification obligations of the members of the F&F Group to current and former directors, officers and or other person employed or previously employed by the members of the F&F Group (excluding, for the avoidance of doubt, Residual Co.), provided that such indemnification both: (i) arises under the corporate by-laws of the applicable member of the F&F Group; and (ii) is covered under the director and officer insurance policies of such member of the F&F Group, and only to the extent covered by such director and officer insurance policy;

- (f) an amount sufficient to satisfy the amounts owing in respect of the obligations secured by the Directors Charge and KERP Charge not otherwise paid by the F&F Group on or before the Closing Date including pursuant to the Implementation Steps;
- (g) Priority Payments not otherwise paid by the F&F Group on or before the Closing Date including pursuant to the Implementation Steps;
- (h) an amount sufficient to satisfy the amounts owing in respect of the obligations secured by the Administration Charge as of the Closing Date and not otherwise paid by the F&F Group on or before the Closing Date at the condition that each professional firms benefitting from the Administration Charge has invoiced the F&F Group on a weekly basis as of June 18, 2023 and until the Closing Date;
- (i) an amount sufficient to satisfy the Administration Expense Costs owing secured by the Administration Charge not otherwise paid by the F&F Group on or before the Closing Date and not to exceed \$100,000 in the aggregate or such greater amount approved by Purchaser in writing in its sole discretion; and
- (j) those specific Retained Liabilities set forth in Schedule 2.3.

2.4 Excluded Liabilities

Except as expressly retained pursuant to or specifically contemplated by Section 2.3, all Claims and all debts, obligations, and liabilities of the members of the F&F Group or any predecessors of the members of the F&F Group, of any kind or nature, shall be assigned and become the sole obligation of the Residual Co. pursuant to the terms of the Vesting Order and this Agreement, and, as of the Closing, the members of the F&F Group shall not have any obligation, duty, or liability of any kind whatsoever, except as expressly retained pursuant to Section 2.3, whether accrued, contingent, known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, unliquidated, absolute, accrued, contingent or otherwise, and whether due or to become due, and such liabilities or obligations shall be the sole responsibility of Residual Co., including inter alia, the non-exhaustive list of those certain Liabilities set forth in Schedule 2.4, and any and all liability relating to any change of control provision that may arise in connection with the change of control contemplated by the transactions hereunder and to which the members of the F&F Group may be bound as at Closing, all liabilities relating to or under the Excluded Contracts, the Excluded Leases and Excluded Assets, liabilities for employees whose employment with Company or its Affiliates is terminated on or before Closing, including the Terminated Employees, the Restructuring Period Claims, and the Restructuring Period D&O Claims (collectively, the “**Excluded Liabilities**”). For avoidance of doubt, Excluded Liabilities shall not include any debts, obligations, liabilities or Encumbrances that are or are deemed to be an interest in land and, to the extent that any of the Excluded Liabilities listed in Schedule 2.4 hereof is determined by the Court to be an interest in land, and any interest in land shall be deemed to be Retained Liabilities hereunder. Purchaser may, with the consent of Company, which consent shall not be unreasonably withheld, amend the clarifying items listed in Schedule 2.4 as specifically enumerated Excluded Liabilities no later than five (5) Business Days before the Closing Date.

2.5 Transfer of Excluded Liabilities to Residual Co.

On the Closing Date, pursuant to the terms of the Vesting Order, the members of the F&F Group shall assign and transfer the Excluded Liabilities to Residual Co., and Residual Co. shall assume the applicable Excluded Liabilities. All of the Excluded Liabilities shall be discharged from the members of the F&F Group as of the Closing, pursuant to the Vesting Order.

2.6 Transfer of Excluded Assets to Residual Co.

On the Closing Date, pursuant to the terms of the Vesting Order and, where applicable, in consideration for Residual Co. assuming the Excluded Liabilities pursuant to Section 2.5 from a member of the F&F Group, the members of the F&F Group shall assign and transfer the Excluded Assets to Residual Co. and the Excluded Assets shall be vested in Residual Co. pursuant to the Vesting Order.

2.7 Pre-Closing and Closing Reorganization

- (a) The specific mechanism for implementing the Closing, payment of the Credit Bid Consideration, and the structure of the transactions contemplated by this Agreement shall be structured in a tax efficient manner mutually agreed upon by the Parties, each acting reasonably.
- (b) If Purchaser is the Successful Bidder, the members of the F&F Group shall effect on or prior to the Closing Date all transactions reasonably requested by Purchaser to settle all or part of the Intercompany Claims.
- (c) On or prior to the Closing Date, the members of the F&F Group shall effect the transaction steps and pre-closing reorganization (collectively, the **"Implementation Steps"**) of the members of the F&F Group as set forth on a schedule to be agreed upon by Company and Purchaser, each acting reasonably, at least seven (7) days prior to the hearing of the members of the F&F Group's motion to the CCAA Court seeking the Vesting Order; provided that in no event will the Implementation Steps described in Schedule 2.7(c) be materially prejudicial to the interests of Purchaser under the other sections of this Agreement. The Implementation Steps may include, without limitation, the formation of new entities required to implement the transactions contemplated by this Agreement in a tax efficient manner, consistent with Section 2.7(a).
- (d) The Implementation Steps shall occur, and be deemed to have occurred in the order and manner to be set out in Schedule 2.7(c).
- (e) The steps to be taken and the compromises and releases to be effective on the Closing Date are deemed to occur and be effected in the steps and sequential order set forth in Schedule 2.7(c), beginning on or before the Closing Date at such time as is specified therein.
- (f) If Purchaser is the Successful Bidder, the timing and/or sequence of the Implementation Steps and the Closing on the Closing Date may be altered at the request of Purchaser acting reasonably.

ARTICLE 3 PURCHASE PRICE AND RELATED MATTERS

3.1 Purchase Price

The total aggregate consideration payable by Purchaser for the Purchased Shares (the “**Purchase Price**”) is equal to all amounts outstanding and obligations payable by Company as of the Closing Date to Purchaser pursuant to the Bridge Loan Agreement which amount as of June 12, 2023 is \$11,779,041.10, and the DIP Term Sheet, including the principal amount of such claims and interest accrued as of the Closing Date, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith (such aggregate amount, the “**Credit Bid Consideration**”).

3.2 Payment of Purchase Price

The Purchase Price shall be paid and satisfied as follows on the Closing Date by Purchaser releasing the applicable members of the F&F Group from repayment of the Credit Bid Consideration.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF COMPANY

Company represents and warrants, on behalf of itself and all other members of the F&F Group, to Purchaser as follows, and acknowledges that Purchaser is relying upon the following representations and warranties in connection with its purchase of the Purchased Shares:

4.1 Due Authorization and Enforceability of Obligations

Subject to the granting of the Vesting Order, this Agreement has been duly authorized, executed and delivered by it, and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors’ rights generally or by equitable principles relating to enforceability.

4.2 Existence and Good Standing

Each of the members of the F&F Group is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and (i) has all requisite power and authority to execute and deliver this Agreement and (ii) has taken all requisite corporate or other action necessary for it to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transaction contemplated hereunder.

4.3 Sophisticated Parties

Each of the members of the F&F Group (i) is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement, (ii) has conducted its own analysis and made its own decision to enter into this Agreement and has obtained such independent advice in this regard as it deemed appropriate, and (iii) has not relied on such analysis or decision of any Person other than its own independent advisors.

4.4 Absence of Conflicts

The execution and delivery of this Agreement by Company and the completion by Company of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, (subject to the receipt of any Transaction Regulatory Approvals and the granting of the Vesting Order) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under the certificate of incorporation, articles, by-laws or other constituent documents of any member of the F&F Group. Subject to the granting of the Vesting Order, the execution, delivery and performance by Company does not and will not violate any Order.

4.5 Approvals and Consents

The execution and delivery of this Agreement by Company, the completion by Company of its obligations hereunder and the consummation by Company of the transactions contemplated herein, do not and will not require any consent or approval or other action, with or by, any Governmental Authority, other than as contemplated by the Transaction Regulatory Approvals and the entry of the Vesting Order by the CCAA Court.

4.6 No Actions

Except for as previously disclosed in writing to the Purchaser, there is not, as of the date hereof, pending or, to Company's knowledge, threatened against any member of the F&F Group or any of its properties, nor has any member of the F&F Group received any written notice in respect of, any claim, potential claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body, other than the CCAA Court, that, would prevent Company from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

4.7 Subsidiaries

Schedule 4.7 sets forth a complete and correct list of the name and jurisdiction of organization of each member of the F&F Group.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Company as follows, and acknowledges that Company is relying upon the following representations and warranties in connection with the sale of the Purchased Shares:

5.1 Due Authorization and Enforceability of Obligations

This Agreement has been duly authorized, executed and delivered by Purchaser, and, assuming the due authorization, execution and delivery by it, this Agreement constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

5.2 Existence and Good Standing

Purchaser is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated by this Agreement.

5.3 Sophisticated Party

Purchaser (i) is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Agreement, (ii) has conducted its own analysis and made its own decision to enter into this Agreement and has obtained such independent advice in this regard as it deemed appropriate, and (iii) has not relied on such analysis or decision of any Person other than its own independent advisors.

5.4 Absence of Conflicts

The execution and delivery of this Agreement by Purchaser and the completion by Purchaser of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, or any of its properties or assets, (subject to the receipt of any Transaction Regulatory Approvals) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, by-laws or other constituent documents.

5.5 Approvals and Consents

The execution and delivery of this Agreement by Purchaser, the completion by Purchaser of its obligations hereunder and the consummation by Purchaser of the transactions contemplated herein, do not and will not require any consent or approval or other action, with or by, any Governmental Authority, other than as contemplated by the Transaction Regulatory Approvals and the granting of the Vesting Order by the CCAA Court.

5.6 No Actions

There is not, as of the date hereof, pending or, to Purchaser's knowledge, threatened against it or any of its properties, nor has Purchaser received notice in respect of, any claim, potential claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body, other than the CCAA Court, that, would prevent it from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

5.7 Accredited Investor

Purchaser is an "accredited investor", as such term is defined in NI 45-106 and in Rule 501 of Regulation D under the United States Securities Act of 1933 (the "**Securities Act**") and it was not created or used solely to purchase or hold securities as an accredited investor as described in paragraph (m) of the definition of "accredited investor" in NI 45-106 and acknowledges that the Purchased Shares may be subject to resale restrictions under applicable securities laws. The Purchased Shares are being acquired by Purchaser for its own account, and not with a

view to, or for the offer or sale in connection with, any public distribution or sale of the Purchased Shares or any interest in them.

5.8 Credit Bid; Availability of Funds

- (a) Purchaser has executed, on or prior to the date hereof, the requisite instruction letters to fully authorize Purchaser, and Purchaser is duly authorized, to, among other things, deliver the Credit Bid Consideration in connection with the consummation of the Closing hereunder.
- (b) Purchaser has sufficient unrestricted funds and financial capacity to consummate the transactions contemplated by this Agreement, including payment of the Priority Payments.

5.9 Residence

Purchaser is not a non-resident of Canada within the meaning of the Tax Act.

ARTICLE 6 AS IS, WHERE IS

Purchaser acknowledges and agrees that it has conducted to its satisfaction an independent investigation and verification of the Business, the Purchased Shares, the Retained Liabilities and all related operations of the members of the F&F Group, and, based solely thereon and the advice of its financial, legal and other advisors, has determined to proceed with the transactions contemplated by this Agreement. The Purchaser has relied solely on the results of its own independent investigation and verification and, except for the representations and warranties of the Company expressly set forth in Article 4, the Purchaser understands, acknowledges and agrees that all other representations, warranties, conditions and statements of any kind or nature, expressed or implied (including any relating to the future or historical financial condition, results of operations, prospects, assets or liabilities of the members of the F&F Group or the Business, or the quality, quantity or condition of the Purchased Shares) are specifically disclaimed by the Company, the other members of F&F Group, their respective financial and legal advisors and the Monitor and its legal counsel. THE PURCHASER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANY EXPRESSLY AND SPECIFICALLY SET FORTH IN Article 4: (A) THE PURCHASER IS ACQUIRING THE PURCHASED SHARES ON AN "AS IS, WHERE IS" BASIS; AND (B) NONE OF THE COMPANY, THE OTHER MEMBERS OF THE F&F GROUP, THE MONITOR OR ANY OTHER PERSON (INCLUDING ANY REPRESENTATIVE OF THE COMPANY, THE OTHER MEMBERS OF THE F&F GROUP OR THE MONITOR WHETHER IN ANY INDIVIDUAL, CORPORATE OR ANY OTHER CAPACITY) IS MAKING, AND THE PURCHASER IS NOT RELYING ON, ANY REPRESENTATIONS, WARRANTIES, CONDITIONS OR OTHER STATEMENTS OF ANY KIND WHATSOEVER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO ANY MATTER CONCERNING THE MEMBERS OF THE F&F GROUP, THE BUSINESS, THE PURCHASED SHARES, THE RETAINED LIABILITIES, THE EXCLUDED ASSETS, THE EXCLUDED LIABILITIES, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THE AGREEMENT, OR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION PROVIDED TO (OR OTHERWISE ACQUIRED BY) THE PURCHASER OR ANY OF ITS RESPECTIVE REPRESENTATIVES, INCLUDING WITH RESPECT TO MERCHANTABILITY, PHYSICAL OR FINANCIAL CONDITION, DESCRIPTION, FITNESS

FOR A PARTICULAR PURPOSE, OR IN RESPECT OF ANY OTHER MATTER OR THING WHATSOEVER, INCLUDING ANY AND ALL CONDITIONS, WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, PURSUANT TO ANY APPLICABLE LAWS IN ANY JURISDICTION, WHICH THE PURCHASER CONFIRMS DO NOT APPLY TO THIS AGREEMENT, AND ARE HEREBY WAIVED IN THEIR ENTIRETY BY THE PURCHASER.

ARTICLE 7 CONDITIONS

7.1 Conditions for the Benefit of Purchaser and Company

The respective obligations of Purchaser and Company to consummate the transactions contemplated by this Agreement are subject to the satisfaction of, or compliance with, at or prior to the Closing Time, each of the following conditions:

- (a) *No Law* – no provision of any Applicable Law and no Order preventing or otherwise frustrating the consummation of the purchase of the Purchased Shares or any of the other transactions pursuant to this Agreement, including, for the avoidance of doubt, a cease trade or similar order issued by a Governmental Authority in respect of any member of the F&F Group, shall be in effect;
- (b) *Final Orders* – each of the SISP Order and the Vesting Order shall have been issued and entered and shall be Final Orders;
- (c) *Successful Bid* – this Agreement will be the Successful Bid (as determined pursuant to the SISP); and
- (d) *Transaction Regulatory Approvals* – the members of the F&F Group shall have received the required Transaction Regulatory Approvals set forth in Schedule 7.1(d), and all such Transaction Regulatory Approvals shall be in full force and effect, except for Transaction Regulatory Approvals that need not be in full force and effect prior to Closing.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of Company and Purchaser. Any condition in this Section 7.1 may be waived by Company and by Purchaser, in whole or in part, without prejudice to any of their respective rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver will be binding on Company or Purchaser, as applicable, only if made in writing.

7.2 Conditions for the Benefit of Purchaser

The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver by Purchaser of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of Purchaser):

- (a) *Performance of Covenants* – the covenants contained in this Agreement to be performed or complied with by Company at or prior to the Closing Time shall have been performed or complied with in all material respects as at the Closing Time;

- (b) *Truth of Representations and Warranties* – (i) the Fundamental Representations and Warranties of Company shall be true and correct in all respects as of the Closing Date, as if made at and as of such date (except for *de minimus* inaccuracies) and (ii) all other representations and warranties of Company contained in Article 4 shall be true and correct in all respects as of the Closing Date, as if made at and as of such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not, in the aggregate, have a Material Adverse Effect (and, for this purpose, any reference to “**material**”, “**Material Adverse Effect**” or other concepts of materiality in such representation and warranties shall be ignored);
- (c) *Officer’s Certificates* – Purchaser shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.2(a) (*Performance of Covenants*) and 7.2(b) (*Truth of Representations and Warranties*), signed for and on behalf of Company without personal liability by an executive officer of Company or other Persons acceptable to Purchaser, in each case in form and substance reasonably satisfactory to Purchaser;
- (d) *No Material Adverse Effect* – since the date hereof, no change effect, event, occurrence, state of facts or development shall have occurred that resulted in, or would reasonably be expected to result in, a Material Adverse Effect;
- (e) *Company’s Deliverables* – Company shall have delivered to Purchaser all of the deliverables contained in Section 11.2 in form and substance reasonably satisfactory to Purchaser;
- (f) *Implementation Steps* – the members of the F&F Group shall have completed the Implementation Steps that are required to be completed prior to Closing, in form and substance reasonably acceptable to Purchaser, acting reasonably;
- (g) *Terminated Employees* - the applicable member of the F&F Group shall have terminated the employment of the Terminated Employees, and all liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of or damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements, shall be Excluded Liabilities which, pursuant the Vesting Order, shall be assigned and transferred as against the applicable member of the F&F Group to and assumed by Residual Co.

7.3 Conditions for the Benefit of Company

The obligation of Company to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver where applicable by Company of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of Company):

- (a) *Truth of Representations and Warranties* – the representations and warranties of Purchaser contained in Article 5 will be true and correct in all respects on and as of the date of this Agreement and on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of

specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not reasonably be expected to have a material and adverse effect on Purchaser's ability to consummate the transactions contemplated by this Agreement;

- (b) *Performance of Covenants* – the covenants contained in this Agreement to be performed by Purchaser at or prior to the Closing Time shall have been performed in all material respects as at the Closing Time;
- (c) *Officer's Certificate* – Company shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.3(a) and 7.3(b) signed for and on behalf of Purchaser without personal liability by an executive officer of Purchaser or other Persons acceptable to Company, acting in a commercially reasonable manner, in each case, in form and substance satisfactory to Company, acting in a commercially reasonable manner; and
- (d) *Purchaser Deliverables* – Purchaser shall have delivered to Company all of the deliverables contained in Section 11.3 in form and substance satisfactory to Company, acting in a commercially reasonable manner.

ARTICLE 8 ADDITIONAL AGREEMENTS OF THE PARTIES

8.1 Break Fee

In consideration for Purchaser's expenditure of time and money (including professional fees) in connection with its agreement to act as the Stalking Horse Bid, and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, Purchaser shall be entitled to a break fee equal to \$750,000 (the "**Break Fee**"). The Break Fee is subject to Court approval and shall be approved in the SISP Order and shall be payable to Purchaser out of the sale proceeds derived from, and upon completion of, a Successful Bid other than the Stalking Horse Bid. Each of the F&F Group and Purchaser acknowledges and agrees that the Break Fee (i) represents a fair and reasonable estimate of the costs and damages that will be incurred by Purchaser as a result of non-completion of this Agreement, and (ii) is not intended to be punitive in nature nor to discourage competitive bidding with respect to the SISP. The Break Fee shall be paid by Company to Purchaser without deduction or withholding for taxes ("**Tax Deduction**") unless required by Applicable Law.

8.2 Access to Information

- (a) Until the Closing Time, Company shall give to Purchaser's personnel engaged in the transactions contemplated by this Agreement and their accountants, legal advisers, consultants, financial advisors and representatives during normal business hours reasonable access to its premises and to all of the books, records, and other information relating to the Business, the members of the F&F Group, the Retained Liabilities and the employees, and shall furnish them with all such information relating to the Business, the members of the F&F Group, the Retained Liabilities and the employees as Purchaser may reasonably request in connection with the transactions contemplated by this Agreement; provided that such access shall be conducted at Purchaser's expense, in accordance with Applicable Law and under supervision of Company's personnel and in such a

manner as to maintain confidentiality, and Company will not be required to provide access to or copies of any such books and records if: (i) the provision thereof would cause Company to be in contravention of any Applicable Law; or (ii) making such information available would: (1) result in the loss of any lawyer-client or other legal privilege; or (2) cause Company to be found in contravention of any Applicable Law, or contravene any fiduciary duty or agreement (including any confidentiality agreement to which Company or any of its Affiliates are a party). Notwithstanding anything in this Section 8.1 to the contrary, any such investigation shall be conducted upon reasonable advance notice and in such manner as does not materially disrupt the conduct of the Business or the possible sale thereof to any other Person.

- (b) Following the Closing, the members of the F&F Group shall make all books and records of the members of the F&F Group reasonably available to the Monitor and any trustee in bankruptcy of any of the members of the F&F Group upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such party's expense, permit any of the foregoing Persons to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that Purchaser shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the members of the F&F Group and their Affiliates, as determined by the members of the F&F Group, acting reasonably.

8.3 Approvals and Consents

- (a) The Parties shall use commercially reasonable efforts to apply for and obtain any Transaction Regulatory Approvals as soon as reasonably practicable and no later than the time limits imposed by Applicable Laws, in accordance with Section 8.3(b), in each case at the sole cost and expense of Company.
- (b) The Parties shall use commercially reasonable efforts to apply for and obtain the Transaction Regulatory Approvals and shall co-operate with one another in connection with obtaining such approvals. Without limiting the generality of the foregoing, the Parties shall: (i) give each other reasonable advance notice of all meetings or other oral communications with any Governmental Authority relating to the Transaction Regulatory Approvals, as applicable, and provide as soon as practicable but in any case, if any, within the required time, any additional submissions, information and/or documents requested by any Governmental Authority necessary, proper or advisable to obtain the Transaction Regulatory Approvals; (ii) not participate independently in any such meeting or other oral communication without first giving the other Party (or their outside counsel) an opportunity to attend and participate in such meeting or other oral communication, unless otherwise required or requested by such Governmental Authority; (iii) if any Governmental Authority initiates an oral communication regarding the Transaction Regulatory Approvals, promptly notify the other Party of the substance of such communication; (iv) subject to Applicable Laws relating to the exchange of information, provide each other with a reasonable advance opportunity to review and comment upon and consider in good faith the views of the other in connection with all written communications (including any filings,

notifications, submissions, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) made or submitted by or on behalf of a Party with a Governmental Authority regarding the Transaction Regulatory Approvals as applicable; and (v) promptly provide each other with copies of all written communications to or from any Governmental Authority relating to the Transaction Regulatory Approvals as applicable.

- (c) Each of the Parties may, as advisable and necessary, reasonably designate any competitively or commercially sensitive material provided to the other under this Section 8.3 as “Outside Counsel Only Material”, provided that the disclosing Party also provides a redacted version to the receiving Party. Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and, subject to any additional agreements between the Parties, will not be disclosed by such outside legal counsel to employees, officers or directors of the recipient unless express written permission is obtained in advance from the source of the materials or its legal counsel.
- (d) The obligations of either Party to use its commercially reasonable efforts to obtain the Transaction Regulatory Approvals does not require either Party (or any Affiliate thereof) to undertake any divestiture of any business or business segment of such Party, to agree to any material operating restrictions related thereto or to incur any material expenditure(s) related therewith, unless agreed to by the Parties. In connection with obtaining the Transaction Regulatory Approvals, no member of the F&F Group shall agree to any of the foregoing items without the prior written consent of Purchaser.

8.4 Covenants Relating to this Agreement

- (a) Each of the Parties shall perform all obligations required to be performed by the applicable Party under this Agreement, co-operate with the other Parties in connection therewith and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, from the date hereof until the Closing Date, each Party shall and, where appropriate, shall cause each of its Affiliates to:
 - (i) negotiate in good faith and use its commercially reasonable efforts to take or cause to be taken all actions and to do, or cause to be done, all things necessary, proper or advisable to satisfy the conditions precedent to the obligations of such Party hereunder (including, where applicable, negotiating in good faith with the applicable Governmental Authorities and/or third Persons in connection therewith), and to cause the fulfillment at the earliest practicable date of all of the conditions precedent to the other Party’s obligations to consummate the transactions contemplated hereby; and
 - (ii) not take any action, or refrain from taking any action, or permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.

- (b) From the date hereof until the Closing Date, Purchaser hereby agrees, and hereby agrees to cause its representatives to, keep Company informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by Company or the Monitor, as to Purchaser's progress in terms of the satisfaction of the conditions precedent contained herein.
- (c) From the date hereof until the Closing Date, Company hereby agrees, and hereby agrees to cause its representatives to, keep Purchaser informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by Purchaser or the Monitor, as to Company's progress in terms of the satisfaction of the conditions precedent contained herein.
- (d) Company and Purchaser agree to execute and deliver such other documents, certificates, agreements and other writings, reasonably necessary for the consummation of the transactions contemplated by this Agreement, and to take such other actions to consummate or implement as soon as reasonably practicable, the transactions contemplated by this Agreement.
- (e) From the date hereof until the Closing Date, Company hereby agrees, and hereby agrees to cause its representatives to, promptly notify Purchaser of (i) any event, condition, or development that has resulted in the inaccuracy in a material respect or material breach of any representation or warranty, covenant or agreement contained in this Agreement, or (ii) any Material Adverse Effect occurring from and after the date hereof prior to the Closing Date.
- (f) Company and Purchaser agree to use commercially reasonable efforts to timely prepare and file all documentation and pursue all steps reasonably necessary to obtain any material third-party consents and approvals as may be required in connection with the transaction contemplated by this Agreement.
- (g) The Company and the Purchaser shall cooperate and use commercially reasonable efforts to have Company to cease to be a reporting issuer (or equivalent thereof) in the applicable jurisdictions of Canada as soon as reasonably practicable after the Closing Date.
- (h) If Purchaser is the Successful Bidder, at the request of Purchaser, Company shall proceed with the liquidation, winding-up, dissolution and/or amalgamation of any of the members of the F&F Group designated by Purchaser on or prior to the Closing Date.

8.5 Tax Matters

- (a) Purchaser and Company agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Shares and the Retained Liabilities as is reasonably necessary for the preparation and filing of any Tax Return, claim for refund or other required filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution of any suit or other proceedings relating to Tax matters and for the answer to any

governmental or regulatory inquiry relating to Tax matters. Purchaser and Company also agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the members of the F&F Group, the Purchased Shares and the Retained Liabilities as is reasonably necessary for Purchaser to acquire them in a tax efficient manner for both Company and the members of the F&F Group.

- (b) Purchaser and Company shall each be responsible for the preparation of their own statements required to be filed under the Tax Act, the ETA and the Code and other similar forms and returns in accordance with Applicable Law.
- (c) For all purposes under this Agreement for which it is necessary to apportion taxes in a taxable period which includes (but does not end on) the Closing Date or Filing Date, as applicable (a "**Straddle Period**"), all real property Taxes, personal property Taxes and similar ad valorem obligations shall be apportioned between the taxable period up to and including the Closing Date or Filing Date, as applicable (such portion of such Straddle Period, the "**Pre-Closing Straddle Tax Period**") and the taxable period after the Closing Date or Filing Date, as applicable (such portion of such Straddle Period, the "**Post-Closing Straddle Tax Period**"), on a per diem basis. Except as otherwise provided herein, with respect to the Purchased Shares, Company shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Pre-Closing Straddle Tax Period, and Purchaser shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Post-Closing Straddle Tax Period. For all purposes under this Agreement, in the case of any Tax based upon or related to income, receipts, sales, use, payroll, or withholding, in respect of any Straddle Period, the portion of such Tax allocable to the Pre-Closing Straddle Tax Period shall be deemed to be the amount that would be payable if the relevant Straddle Period ended on and included the Closing Date or Filing Date, as applicable. To the extent such closing of the books method is not incorporated under the law of a jurisdiction for particular types of entities, allocations of income among the periods shall be made to replicate the closing of the books method to the maximum extent possible.

8.6 Employee Matters

- (a) Purchaser may in as many separate instances as it may require, notify Company that Purchaser wishes to interview any employees or contractors or consultants of the F&F Group, and upon receipt of a request thereof Company will use all commercially reasonable efforts to facilitate such interviews as soon as reasonably practicable. Purchaser may, but is not obligated to, in the name of the applicable member of the F&F Group, make conditional (upon Closing) continued or new (as applicable) offers of employment on such terms as it may determine in its absolute and sole discretion.
- (b) Purchaser shall make commercially reasonable efforts to make such offers in writing on or prior to the date that is ten (10) days prior to the anticipated Closing Date, provided that such offers shall be made no later than five (5) days prior to the anticipated Closing Date, and leave such offers open for acceptance up to

and including one (1) day prior to the Closing Date, provided that Purchaser notifies Company, in writing, on or prior to the date that is five (5) days prior to the anticipated Closing Date, of the list of individuals to whom it has made or intends to make offers of employment. Such offers shall recognize the employee's years of service with the Company, except as would result in duplication of benefits and subject to any required consents of any applicable third-party insurer or plan administrator. Notwithstanding any other provision of this Agreement, Purchaser has no obligation to offer employment to any employee, but will make commercially reasonable efforts to make offers of employment to F&F Group employees if the job function will continue to exist after Closing.

- (c) In the event:
- (i) no conditional offer of employment is made to such employee of the F&F Group; or
 - (ii) an employee who receives an offer of employment rejects such offer in writing or fails to accept such offer of employment up to and including one (1) day prior to the Closing Date,

such employee shall be deemed to be a Terminated Employee.

8.7 Administrative Expense Amount

- (a) On the Closing Date, the F&F Group shall pay to the Monitor the portion of the Administrative Expense Amount which may be satisfied from its cash on hand, which the Monitor shall hold in trust for the benefit of Persons entitled to be paid the Administrative Expense Costs and amounts secured by the CCAA Charges.
- (b) From time to time after the Closing Date, the Monitor may pay from the Administrative Expense Amount the Administrative Expense Costs and amounts secured by the CCAA Charges at its sole discretion and without further authorization from Company or Purchaser. Any unused portion of the Administrative Expense Amount after payment or reservation for all Administrative Expense Costs, as determined by the Monitor, shall be transferred by the Monitor to Company.
- (c) Notwithstanding the foregoing or anything else contained herein or elsewhere, each of Company and Purchaser acknowledges and agrees that: (i) the Monitor's obligations hereunder are and shall remain limited to those specifically set out in this Section 8.6(a); and (ii) Monitor is acting solely in its capacity as the CCAA Court-appointed Monitor of the Applicants pursuant to the CCAA Order and not in its personal or corporate capacity, and the Monitor has no liability in connection with this Agreement whatsoever, in its personal or corporate capacity or otherwise, save and except for and only to the extent of the Monitor's gross negligence or intentional fault.
- (d) The Parties acknowledge that the Monitor may rely upon the provisions of this Section 8.6(a) notwithstanding that the Monitor is not a party to this Agreement.

The provisions of this Section 8.6(a) shall survive the termination or non-completion of the transactions contemplated by this Agreement.

8.8 Release by Purchaser

Except in connection with any obligations of Company or the Monitor contained in this Agreement and any Closing Documents, effective as of the Closing, Purchaser and its Affiliates hereby releases and forever discharges the Company, the Monitor, and their respective Affiliates, and each of their respective successors and assigns, and all present and former officers, directors, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors of each of them, from any and all actual or potential Released Claims which such Person had, has or may have in the future to the extent relating to the Business, the Purchased Shares or the Retained Liabilities, save and except for Released Claims arising out of fraud, bad faith or illegal acts (unless such Person believed in good faith that its conduct was legal).

8.9 Release by Company

Except in connection with any obligations of Purchaser and the Monitor contained in this Agreement and any Closing Documents, effective as of the Closing, Company and its Affiliates hereby release and forever discharges Purchaser, the Monitor and their respective Affiliates, and each of their respective successors and assigns, and all former and present officers, directors, partners, members, shareholders, limited partners, employees, agents, financial and legal advisors of each of them, from any and all actual or potential Released Claims which such Person had, has or may have in the future to the extent relating to (i) the Purchased Shares; (ii) all other Equity Interests of the Company which remain after the application of the Vesting Order, (iii) the Retained Liabilities, (iv) the Excluded Assets or (v) the Excluded Liabilities, save and except for Released Claims arising out of fraud, bad faith or illegal acts (unless such Person believed in good faith that its conduct was legal).

ARTICLE 9 INSOLVENCY PROVISIONS

9.1 Court Orders and Related Matters

- (a) From and after the date of this Agreement and until the Closing Date, Company shall deliver to Purchaser drafts of any and all pleadings, motions, notices, statements, applications, schedules, and other papers to be filed or submitted by any member of the F&F Group in connection with or related to this Agreement, including with respect to the Vesting Order, for Purchaser's prior review at least three (3) days in advance of service and filing of such materials (or where circumstances make it impracticable to allow for three (3) days' review, with as much opportunity for review and comment as is practically possible in the circumstances). Company acknowledges and agrees (i) that any such pleadings, motions, notices, statements, applications, schedules, or other papers shall be in form and substance satisfactory to Purchaser, acting reasonably, and (ii) to consult and cooperate with Purchaser regarding any discovery, examinations and hearing in respect of any of the foregoing, including the submission of any evidence, including witnesses testimony, in connection with such hearing.

- (b) Notice of the motions seeking the issuance of the Vesting Order shall be served or be caused to be served by Company on all Persons required to receive notice under Applicable Law and the requirements of the CCAA, the CCAA Court, and any other Person determined necessary by Company or Purchaser, acting reasonably.
- (c) As soon as practicable if Purchaser is selected or deemed to be the Successful Bidder in accordance with the SISP, F&F Group shall file a motion seeking the issuance of the Vesting Order.
- (d) Notwithstanding any other provision herein, it is expressly acknowledged and agreed that in the event that: (i) the Vesting Order has not been issued and entered by the CCAA Court by September 15, 2023 or such later date agreed to in writing by Purchaser in its sole discretion or such later date agreed to in writing by Purchaser in its sole discretion, Purchaser may terminate this Agreement.
- (e) If the Vesting Order relating to this Agreement is appealed or a motion for leave to appeal, rehearing, reargument or reconsideration is filed with respect thereto, Company agrees (subject to the available liquidity of the Company) to take all action as may be commercially reasonable and appropriate to defend against such appeal, petition or motion.
- (f) Company acknowledges and agrees, that the Vesting Order shall provide that, on the Closing Date and concurrently with the Closing, the Purchased Shares shall be transferred to Purchaser free and clear of all Encumbrances, other than Permitted Encumbrances.

ARTICLE 10 TERMINATION

10.1 Termination

This Agreement may be terminated at any time prior to Closing as follows:

- (a) by mutual written consent of Company and Purchaser;
- (b) by Purchaser or Company, if (i) this Agreement is not the Successful Bid or the Back-Up Bid (as determined pursuant to the SISP); or (ii) this Agreement is the Back-Up Bid and the transaction contemplated by the Successful Bid is closed;
- (c) by Purchaser or Company, if Closing has not occurred on or before September 15, 2023 or such later date agreed to by both Company and Purchaser in writing in consultation with the Monitor (the “**Outside Date**”), provided that the terminating Party is not in breach of any representation, warranty, covenant or other agreement in this Agreement which would prevent the satisfaction of the conditions in Article 7 by the Outside Date;
- (d) by Purchaser or Company, if at any time after the date hereof any of the conditions in Article 7 is not capable of being satisfied by the applicable dates required in Article 7 of this Agreement or if not otherwise required, by the Outside Date;

- (e) by Purchaser, pursuant to Section 9.1(a);
- (f) by Purchaser, upon the appointment of a receiver, trustee in bankruptcy or similar official in respect of any member of the F&F Group or any of the property of any member of the F&F Group, other than with the prior written consent of Purchaser;
- (g) by Purchaser or Company, upon the termination, dismissal or conversion of the CCAA Proceedings;
- (h) by Purchaser or Company, upon dismissal of the motion for the Vesting Order (or if any such order is stayed, vacated or varied without the consent of Purchaser);
- (i) by Purchaser or Company, if a court of competent jurisdiction, including the CCAA Court or other Governmental Authority has issued an Order or taken any other action to restrain, enjoin or otherwise prohibit the consummation of Closing and such Order or action has become a Final Order;
- (j) by Company, if there has been a material violation or breach by Purchaser of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.3, as applicable, by the Outside Date and such violation or breach has not been waived by Company or cured within ten (10) Business Days after written notice thereof from Company, unless Company is in material breach of their obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.2, as applicable, by the Outside Date; and
- (k) by Purchaser, if there has been a material violation or breach by Company of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.2, as applicable, by the Outside Date and such violation or breach has not been waived by Company or cured within ten (10) Business Days after written notice thereof from Purchaser, unless Purchaser is in material breach of its obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.3, as applicable, by the Outside Date.

The Party desiring to terminate this Agreement pursuant to this Section 10.1 (other than pursuant to Section 10.1(a)) shall give written notice of such termination to the other Party or Parties, as applicable, specifying in reasonable detail the basis for such Party's exercise of its termination rights.

10.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 10.1, this Agreement shall become void and of no further force or effect without liability of any Party to any other Party to this Agreement except that: (i), this Section 10.2, Section 12.1, Section 12.3, Section 12.5, Section 12.6, Section 12.77 and Section 11.8 shall survive; and (ii) no termination of this Agreement shall relieve any Party of any liability for any wilful breach by it of this Agreement, or impair the right of any Party to compel specific performance by any other Party of its obligations under this Agreement in accordance with Section 12.3.

ARTICLE 11 CLOSING

11.1 Location and Time of the Closing

The Closing shall take place at the Closing Time on the Closing Date at the offices of Stikeman Elliott LLP in Toronto, or at such other location as may be agreed upon by the Parties.

11.2 Company's Deliveries at Closing

At Closing, Company shall deliver to Purchaser the following:

- (a) a true copy of each of the Vesting Order and the SISP Order, each of which shall be final;
- (b) executed copy of the Monitor's Certificate;
- (c) a certificate of a senior officer or director of Company (in such capacity and without personal liability) in form and substance reasonably satisfactory to Purchaser : (i) certifying that the board of directors of Company, has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (ii) certifying as to the incumbency and signatures of the officers and directors of Company;
- (d) the certificates contemplated by Section 7.2(c);
- (e) confirmation of the due incorporation and organization of Residual Co. on the terms set forth herein;
- (f) evidence of the filing of the Articles of Amendment; and
- (g) all other documents as reasonably requested by Purchaser in good faith.

11.3 Purchaser's Deliveries at Closing

At Closing, Purchaser shall deliver to Company:

- (a) the payment in the form of a release contemplated by Section 3.1;
- (b) a certificate of a senior officer or director of Purchaser (in such capacity and without personal liability), in form and substance reasonably satisfactory to Company: (i) certifying that the board of directors has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (ii) certifying as to the incumbency and signature of the authorized signatory of Purchaser executing this Agreement and the other transaction documents contemplated herein, as applicable;

- (c) the certificate contemplated by Section 7.3(c); and
- (d) all other documents as reasonably requested by Company in good faith.

11.4 Monitor

When all conditions to Closing set out in Article 7 other than delivery by the Company to the Purchaser of an executed copy of the Monitor's Certificate have been satisfied and/or waived by Company or Purchaser, as applicable, Company and Purchaser, or their respective counsel, shall each deliver to the Monitor written confirmation that all conditions to Closing other than delivery by the Company to the Purchaser of an executed copy of the Monitor's Certificate have been satisfied or waived. Upon receipt of such written confirmation, the Monitor shall: (i) issue forthwith its Monitor's Certificate in accordance with the Vesting Order; and (ii) file as soon as practicable a copy of the Monitor's Certificate with the CCAA Court (and shall provide a true copy of such filed certificate to Company and Purchaser). The Parties hereby acknowledge and agree that the Monitor will be entitled to file the Monitor's Certificate with the CCAA Court without independent investigation upon receiving written confirmation from Company and Purchaser that all conditions to Closing have been satisfied or waived, and the Monitor will have no liability to Company or Purchaser or any other Person as a result of filing the Monitor's Certificate.

11.5 Simultaneous Transactions

All actions taken and transactions consummated at the Closing shall be deemed to have occurred in the manner and sequence set forth in the Implementation Steps and the Vesting Order (subject to the terms of any escrow agreement or arrangement among the Parties relating to the Closing), and no such transaction shall be considered consummated unless all are consummated.

11.6 Further Assurances

As reasonably required by a Party in order to effectuate the transactions contemplated by this Agreement, Purchaser and Company shall execute and deliver at (and after) the Closing such other documents, and shall take such other actions, as are necessary or appropriate, to implement and make effective the transactions contemplated by this Agreement.

ARTICLE 12 GENERAL MATTERS

12.1 Confidentiality

After the Closing Time, Company shall maintain the confidentiality of all confidential information relating to the Business and the members of the F&F Group (but does not include information that is or becomes generally available to the public other than as a result of disclosure by Purchaser or its representatives in breach of this Agreement or that is received by Purchaser from an independent third party that, to the knowledge of Purchaser, obtained it lawfully and was under no duty of confidentiality (except to the extent that applicable privacy laws do not exclude such information from the definition of personal information) or that is independently developed by Purchaser or its representatives without reference to any Confidential Information), including the Confidential Information, except any disclosure of such information and records as may be required by Applicable Law. If Company or any member of the F&F

Group, or any of its or their respective representatives, becomes legally compelled by deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar judicial or administrative process, to disclose any such information, such party shall, or shall cause Company or its representative to, provide Purchaser with reasonably prompt prior oral or written notice of such requirement (including any report, statement, testimony or other submission to such Governmental Authority) to the extent legally permissible and reasonably practicable, and cooperate with Purchaser, at Purchaser's expense, to obtain a protective order or similar remedy to cause such information not to be disclosed; provided that in the event that such protective order or other similar remedy is not obtained, Company shall, or shall cause the applicable member of the F&F Group or representative to, furnish only that portion of such information that has been legally compelled, and shall, or shall cause such Affiliate or representative to, exercise its commercially reasonable efforts to obtain assurance that confidential treatment will be accorded such disclosed information. Company shall instruct each member of the F&F Group and representatives having access to such information of such obligation of confidentiality and shall be responsible for any breach of the terms of this Section 12.1 by any of the members of the F&F Group or representatives.

12.2 Public Notices

No press release or other announcement concerning the transactions contemplated by this Agreement shall be made by Company or Purchaser without the prior consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed); provided, however, that subject to the last sentence of this Section 12.2, any Party may, without such consent, make such disclosure if the same is required by Applicable Law (including the CCAA Proceedings) or by any stock exchange on which any of the securities of such Party or any of its Affiliates are listed, or by any insolvency or other court or securities commission, or other similar Governmental Authority having jurisdiction over such Party or any of its Affiliates, and, if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other Party to the extent legally permissible and reasonably practicable, and if such prior notice is not legally permissible or reasonably practicable, to give such notice reasonably promptly following the making of such disclosure. Notwithstanding the foregoing: (i) this Agreement may be filed by Company: (A) with the CCAA Court; and (B) on its profile on www.sedar.com; and (ii) the transactions contemplated in this Agreement may be disclosed by Company to the CCAA Court. The Parties further agree that:

- (a) the Monitor may prepare and file reports and other documents with the CCAA Court containing references to the transactions contemplated by this Agreement and the terms of such transactions; and
- (b) Company, Purchaser and their respective professional advisors may prepare and file such motions, affidavits, materials, reports and other documents with the CCAA Court containing references to the transactions contemplated by this Agreement and the terms of such transactions as may reasonably be necessary to complete the transactions contemplated by this Agreement or to comply with their obligations in connection therewith.

Purchaser shall be afforded an opportunity to review and comment on such materials prior to their filing; provided in the case of reports or other documents prepared or to be filed by the Monitor with the CCAA Court the Purchaser shall be entitled to review only factual information contained therein relating to the terms of the transactions contemplated in this Agreement. The

Parties may issue a joint press release announcing the execution and delivery of this Agreement, in form and substance mutually agreed to them.

12.3 Injunctive Relief

- (a) The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek specific performance, injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, and to enforce compliance with the terms of this Agreement, without any requirement for the securing or posting of any bond in connection with the obtaining of any such specific performance, injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.
- (b) Each Party hereby agrees not to raise any objections to the availability of the equitable remedies provided for herein and the Parties further agree that by seeking the remedies provided for in this Section 12.3, a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement.
- (c) Notwithstanding anything herein to the contrary herein, under no circumstances shall a Party be permitted or entitled to receive both monetary damages and specific performance and election to pursue one shall be deemed to be an irrevocable waiver of the other.

12.4 Survival

None of the representations, warranties, covenants (except the covenants in Article 2, Article 3, Article 12 and Sections 8.2(b), 8.5, 8.8 and 8.9, to the extent they are to be performed after the Closing) of any of the Parties set forth in this Agreement, in any Closing Document to be executed and delivered by any of the Parties (except any covenants included in such Closing Documents, which, by their terms, survive Closing) or in any other agreement, document or certificate delivered pursuant to or in connection with this Agreement or the transactions contemplated hereby shall survive the Closing.

12.5 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, security holder, Affiliate, agent, lawyer or representative of the respective Parties, in such capacity, shall have any liability for any obligations or liabilities of Purchaser or Company, as applicable, under this Agreement, or for any Causes of Action based on, in respect of or by reason of the transactions contemplated hereby.

12.6 Assignment; Binding Effect

No Party may assign its right or benefits under this Agreement without the consent of each of the other Parties, except that without such consent Purchaser may, upon prior notice to Company, assign this Agreement, or any or all of its rights and obligations hereunder, to one or more of its Affiliates; provided that no such assignment or direction shall relieve Purchaser of its

obligations hereunder. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective permitted successors and permitted assigns. Although no Parties to this Agreement and the Monitor and their respective Affiliates and advisors shall have the benefits expressed to be conferred upon them in this Agreement including in Article 6 and sections 8.8, 8.9 and 11.4 (in respect of the Monitor) hereof. Subject to the preceding sentence, nothing in this Agreement shall create or be deemed to create any third Person beneficiary rights in any Person not a Party to this Agreement.

12.7 Notices

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (i) the date of personal delivery; (ii) the date of transmission by email, with confirmed transmission and receipt (if sent during normal business hours of the recipient, if not, then on the next Business Day); (iii) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (iv) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by email will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

(a) If to Purchaser at:

2707031 Ontario Inc.
c/o 4204 Industriel Boulevard
Laval, Québec
H7L 0E3

Attention: Valery Zamuner
Email: Valery.Zamuner@couche-tard.com

and to:

Davies Ward Phillips & Vineberg LLP
1501 McGill College Ave
Montreal, QC H3A 3N9

Attention : Sébastien Thériault
Christian Lachance
Natalie Renner

Email: stheriault@dwpv.com
clachance@dwpv.com
nrenner@dwpv.com

(b) If to Company at:

77 King Street West
Suite 400
Toronto, Ontario
M5K 0A1

Attention: Stephane Trudel

Email: strudel@fireandflower.com

and to:

Stikeman Elliott LLP
Commerce Court West
5300, 199 Bay St.
Toronto, ON M5L 1B9

Attention: Maria Konyukhova
Philip Yang

Email: mkonyukhova@stikeman.com
pyang@stikeman.com

and to:

FTI Consulting Canada Inc.

TD Waterhouse Tower
79 Wellington Street West
Suite 2010, P.O. Box 104
Toronto ON M5K 1G8

Attention: Jeffrey Rosenberg
Jodi Porepa

Email: jeffrey.rosenberg@fticonsulting.com
Jodi.Porepa@fticonsulting.com

Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

12.8 Counterparts; Electronic Signatures

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by electronic signature which, for all purposes, shall be deemed to be an original signature.

[Signature pages to follow]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

FIRE & FLOWER HOLDINGS CORP.

By: _____
Name:
Title:

By: _____
Name:
Title:

We have the authority to bind the corporation.

2707031 ONTARIO INC.

By: _____
Name:
Title:

Schedule 1.1(a)
Permitted Encumbrances

- Encumbrances securing Retained Liabilities to the extent that such Retained Liabilities are secured by Encumbrances as of the Closing Time;
- Encumbrances given to a public utility or any Governmental Authority when required by such utility or authority in connection with the operations of that person in the ordinary course of the business but only insofar as they relate to any amounts not due as at the Closing Date;
- the reservations, limitations, provisos and conditions (if any) expressed in any original grant from the Crown;
- Encumbrances for Taxes, assessments or governmental charges incurred in the ordinary course that are not yet due and payable or the validity of which is being actively and diligently contested in good faith by the F&F Group and in respect of which the F&F Group has established on its books reserves considered by it and its auditors to be adequate therefor;
- normal and customary rights of setoff or compensation upon deposits in favour of depository institutions, and liens of a collecting bank on cheques and other payment items in the course of collection;
- servitudes, easements, rights of way or similar rights in land granted to or reserved by other persons including minor title defects effecting real property such as reservations and limitations expressed in any original grant from the Crown or as a result of statutory reservations and exceptions to title;
- Encumbrances imposed by Applicable Law which rank in priority to the Encumbrances in respect of the DIP Facility Term Sheet amounts including, but not limited to, Encumbrances of mechanics, labourers, workmen, builders, contractors, suppliers of material or architects or other similar Encumbrances incidental to construction, maintenance or repair operations, provided such Encumbrances secure amounts which are not yet due or delinquent and have not been registered on title to any real property or written notice thereof has not been received by Company or Purchaser;
- Encumbrances associated with, and financing statements evidencing, the rights of equipment lessors under any of the personal property leases;
- undetermined or inchoate liens and charges incidental to construction or repairs or operations which have not at such time been filed pursuant to law against Company or which relate to obligations not due or delinquent; and
- the right reserved to or vested in any municipality or government, or to any statutory or public authority, by the terms of any lease, license, franchise, grant or permit acquired by Company or any statutory provision to terminate any such lease, license, franchise, grant or permit, or to require annual or other periodic payments as a condition to the continuance thereof.

Schedule 1.1(c)
Sale and Investment Solicitation Process

Schedule 2.2
Excluded Assets

Nil.

Schedule 2.2(c)
Excluded Contracts and Excluded Leases

All leases and contracts that will be terminated pursuant to disclaimer notice Section 32 CCAA sent as of June 15, 2023 and any further leases and contracts that may be terminated prior to the Closing Date.

Schedule 2.3
Retained Liabilities

Nil.

Schedule 2.4
Excluded Liabilities

All pre-filing Claims and any liabilities arising from the termination of leases or other contracts.

Schedule 2.7(c)
Implementation Steps

1. At least three (3) Business Days prior to the Closing Date, the Company shall form Residual Co. in accordance with the terms contained herein, in form satisfactory to Purchaser, acting reasonably, and the directors thereof shall not include the directors or related parties of the Purchaser, and no such entity shall be a flow through entity for Canadian or U.S. tax purposes unless approved by Purchaser.
2. On the Closing Date, all employees deemed to be Terminated Employees pursuant to Section 8.6 will be terminated by the Company, and all Employee Priority Claims shall be calculated to include such Terminated Employees and if not paid at the time of such termination by the Company, shall be included in the calculation of the Priority Payments required to be paid by the Company at Closing.
3. At Closing, the following amounts shall be paid and satisfied from the funds on hand of the F&F Group:
 - a. the Priority Payments in accordance with the Vesting Order and Section 3.2 hereof; and
 - b. the Administrative Expense Amount to the Monitor in accordance with the Vesting Order and Section 8.6(a) hereof.

Schedule 4.7
Subsidiaries

	Name	Jurisdiction of Incorporation
1.	Fire & Flower Inc.	Canada
2.	13318184 Canada Inc.	Canada
3.	11180703 Canada Inc.	Canada
4.	10926671 Canada Ltd.	Canada
5.	Friendly Stranger Holdings Corp.	Ontario
6.	Hifyre Inc.	Ontario
7.	Pineapple Express Delivery Inc.	Canada

Schedule 7.1(d)
Transaction Regulatory Approvals

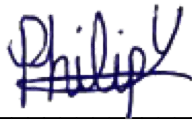
Any consent upon change of control of Company as required under Cannabis Laws. For the purposes hereof “**Cannabis Laws**” shall mean the *Cannabis Licence Act*, 2018, S.O. 2018, c.12, Sched. 2, the Cannabis Act, S.C. 2018, c. 16 (Canada), the Cannabis Control Act, 2017, S.O. 2017, c. 26, Schedule 1 (Ontario), and any other applicable governing legislation and the regulations thereunder, all as may be amended, supplemented or replaced from time to time and those which regulate the sale or distribution of Cannabis (in various forms), cannabinoid product or paraphernalia commonly associated with Cannabis and/or related cannabinoid products.

EXHIBIT "F"

referred to in the Affidavit of

STEPHANE TRUDEL

Sworn June 14, 2023

A handwritten signature in blue ink that reads "Philip". The signature is written in a cursive style with a horizontal line under the name.

Commissioner for Taking Affidavits

Fire & Flower Holdings Corp.

Consolidated Cash Flow Forecast

(\$CAD in thousands)

Forecast Week Ending		09-Jun-23	16-Jun-23	23-Jun-23	30-Jun-23	07-Jul-23	14-Jul-23	21-Jul-23	28-Jul-23	04-Aug-23	11-Aug-23	18-Aug-23	25-Aug-23	01-Sep-23	13 Week
Forecast Week	[1]	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
Receipts															
Receipts from Operations	[2]	\$ 3,140	\$ 3,090	\$ 3,040	\$ 3,047	\$ 3,238	\$ 3,238	\$ 3,238	\$ 3,238	\$ 3,247	\$ 3,684	\$ 3,684	\$ 3,684	\$ 3,705	\$ 43,273
Miscellaneous Receipts	[3]	351	306	300	301	361	322	322	322	322	416	377	377	379	4,456
Total Receipts		\$ 3,491	\$ 3,396	\$ 3,340	\$ 3,348	\$ 3,599	\$ 3,560	\$ 3,560	\$ 3,560	\$ 3,569	\$ 4,100	\$ 4,061	\$ 4,061	\$ 4,084	\$ 47,729
Disbursements															
<i>Operating Disbursements</i>															
Inventory Purchases	[4]	\$ (2,074)	\$ (2,074)	\$ (2,374)	\$ (2,374)	\$ (2,385)	\$ (2,561)	\$ (2,561)	\$ (2,561)	\$ (2,826)	\$ (2,564)	\$ (2,564)	\$ (2,564)	\$ (2,862)	\$ (32,344)
Rent	[5]	(1,151)	-	-	-	(1,092)	-	-	-	(897)	-	-	-	-	(3,140)
Payroll	[6]	(1,262)	-	(1,223)	-	(1,260)	-	(1,120)	-	(1,105)	-	(1,105)	-	(2,255)	(9,330)
Taxes	[7]	(661)	(238)	(282)	(267)	(426)	(283)	(283)	(283)	(308)	(471)	(283)	(283)	(312)	(4,380)
Other Operating Expenses	[8]	(545)	(384)	(584)	(384)	(413)	(363)	(413)	(363)	(413)	(1,962)	(416)	(366)	(416)	(7,022)
Total Operating Disbursements		\$ (5,693)	\$ (2,696)	\$ (4,463)	\$ (3,025)	\$ (5,576)	\$ (3,207)	\$ (4,377)	\$ (3,207)	\$ (5,549)	\$ (4,997)	\$ (4,368)	\$ (3,213)	\$ (5,845)	\$ (56,216)
Net Cash from Operations		\$ (2,202)	\$ 700	\$ (1,123)	\$ 323	\$ (1,977)	\$ 353	\$ (817)	\$ 353	\$ (1,980)	\$ (897)	\$ (307)	\$ 848	\$ (1,761)	\$ (8,487)
<i>Restructuring Disbursements</i>															
Restructuring Legal and Professional Costs	[9]	(300)	(300)	(150)	(150)	(150)	(300)	(300)	(150)	(150)	(150)	(150)	(150)	(100)	(2,500)
Net Cash Flows		\$ (2,502)	\$ 400	\$ (1,273)	\$ 173	\$ (2,127)	\$ 53	\$ (1,117)	\$ 203	\$ (2,130)	\$ (1,047)	\$ (457)	\$ 698	\$ (1,861)	\$ (10,987)
Cash															
Beginning Balance		\$ 2,256	\$ 2,454	\$ 2,854	\$ 1,581	\$ 1,754	\$ 2,627	\$ 2,680	\$ 1,563	\$ 1,766	\$ 3,736	\$ 2,689	\$ 2,232	\$ 2,930	\$ 2,256
Net Receipts/ (Disbursements)		(2,502)	400	(1,273)	173	(2,127)	53	(1,117)	203	(2,130)	(1,047)	(457)	698	(1,861)	(10,987)
DIP Advances/ (Repayments)	[10]	2,700	-	-	-	3,000	-	-	-	4,100	-	-	-	-	9,800
DIP Fees & Interest Payment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ending Balance		\$ 2,454	\$ 2,854	\$ 1,581	\$ 1,754	\$ 2,627	\$ 2,680	\$ 1,563	\$ 1,766	\$ 3,736	\$ 2,689	\$ 2,232	\$ 2,930	\$ 1,069	\$ 1,069
DIP Facility															
Opening Balance		\$ -	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ -
DIP Advances		2,700	-	-	-	3,000	-	-	-	4,100	-	-	-	-	9,800
Ending Balance DIP		\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800
DIP Accrued Interest	[11]	4	11	17	23	36	50	63	76	99	122	144	167	190	190
Closing Balance (DIP & Interest)		\$ 2,704	\$ 2,711	\$ 2,717	\$ 2,723	\$ 5,736	\$ 5,750	\$ 5,763	\$ 5,776	\$ 9,899	\$ 9,922	\$ 9,944	\$ 9,967	\$ 9,990	\$ 9,990
Undrawn DIP Facility															
Total DIP Facility		\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800	\$ 9,800
(-) DIP Advances		(2,700)	(2,700)	(2,700)	(2,700)	(5,700)	(5,700)	(5,700)	(5,700)	(9,800)	(9,800)	(9,800)	(9,800)	(9,800)	(9,800)
Total Undrawn DIP		\$ 7,100	\$ 7,100	\$ 7,100	\$ 7,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ 4,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to the Consolidated Cash Flow Forecast:

[1] The purpose of the Cash Flow Forecast is to estimate the liquidity requirements of Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Strangers Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. ("F&F", or the "Company") during the forecast period. The forecast above is presented in Canadian Dollars. The forecast 13-week Cash Flow Forecast is on a cash-basis only and does not include timing differences for cash in transit.

[2] Receipts from Operations are based on management's current expectations regarding retail revenue sales and collections, Hifyre services, and wholesale revenue and collections. Receipts from operations have been forecast based on current payment terms, historical trends in collections, and expected demand.

[3] Forecast Miscellaneous Receipts include other receipts from operations.

[4] Forecast Inventory Purchases relate to costs pertaining to retail stores across Canada and wholesale costs in the provinces of Saskatchewan and Manitoba.

[5] Forecast Rent includes payments to landlords across Canada for retail stores, warehouses, and office space.

[6] Forecast Payroll is based on recent payroll amounts and future forecast amounts.

[7] Forecast Taxes include payments related to sales and other tax.

[8] Forecast Other Operating Expenses include selling, general, and administrative payments.

[9] Forecast Restructuring Legal and Professional Costs include legal and professional fees associated with the CCAA proceedings and are based on estimates provided by the advisors.

[10] Forecast DIP Advances/Repayments are based on funding requirements and maintaining a minimum of \$1 million cash balance.

[11] Forecast DIP Accrued Interest reflects PIK interest of 12% accrued on the DIP Advances under the DIP Facility during the forecast period. Although not included in the 13-week Cash Flow Forecast above, it is expected that a DIP fee of \$400,000 will be paid upon exit.

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 FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**AFFIDAVIT OF STEPHANE TRUDEL
(SWORN JUNE 14, 2023)**

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
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Toronto, Canada M5L 1B9

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Lawyers for the Applicants

TAB 3

one else appearing although duly served as appears from the affidavits of service of Philip Yang, as filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Initial Trudel Affidavit and the Second Trudel Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that each of the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

4. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

5. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize their existing central cash management system currently in place or replace it with another

substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person or Persons (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after the Initial Filing Date, subject to compliance with the Updated Bi-Weekly Budget (as defined in the DIP Facility Agreement), as may be amended from time to time:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee and director expenses payable on or after the Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges; and
- (c) with the consent of the Monitor, amounts owing for goods or services supplied to the Applicants prior to the Initial Filing Date up to a maximum amount of \$250,000, if, in the opinion of the Applicants and the Monitor, the supplier is critical to the Restructuring (as hereinafter defined).

8. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled, subject to compliance with the Updated Bi-Weekly Budget, as may be amended from time to time, but not required to pay all reasonable expenses incurred by the Applicants in carrying on their Business in the ordinary course after the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of the Initial Filing Date.

9. **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the Initial Filing Date or where such Sales Taxes were accrued or collected prior to the Initial Filing Date but not required to be remitted until on or after the Initial Filing Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

10. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period

commencing from and including the Initial Filing Date, monthly in equal payments on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the Initial Filing Date shall also be paid.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;
- (b) to grant no security interests, trust, liens, mortgages, charges or encumbrances upon or in respect of any of the Property; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) Permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$250,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing;

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

13. **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if

the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

15. **THIS COURT ORDERS** that until and including September 1, 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this

Court, provided that nothing in this Order shall (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest, or (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to renew per the same terms and conditions, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the Applicants and the Monitor, or leave of this Court. For greater certainty, MC Cannabis Inc. and Alimentation Couche-Tard Inc. shall not discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by 133 Canada.

CONTINUATION OF SERVICES

18. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses, email addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the Initial Filing Date are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the Initial Filing Date, nor shall any Person be under any obligation on or after the Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

KEY EMPLOYEE RETENTION PLAN

20. **THIS COURT ORDERS** that the Key Employee Retention Plan (the “**KERP**”), as described in the Second Trudel Affidavit, an unredacted copy of which is attached as the Confidential Appendix to the First Report, is hereby approved and the Applicants are authorized to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

21. **THIS COURT ORDERS** that payments made by the Applicants pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

22. **THIS COURT ORDERS** that the key employees referred to in the KERP (the “**Key Employees**”) shall be entitled to the benefit of and are hereby granted a charge on the Property (the “**KERP Charge**”), which charge shall not exceed an aggregate amount of \$1,160,000 to secure any payments to the Key Employees under the KERP. The KERP Charge shall have the priority as set out in paragraphs 43 and 45 herein.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

23. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the Initial Filing Date and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

24. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

25. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**D&O Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2,800,000, as security for the indemnity provided in paragraph 24 of this Order. The D&O Charge shall have the priority as set out in paragraphs 43 and 45 herein.

26. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 24 of this Order.

APPOINTMENT OF MONITOR

27. **THIS COURT ORDERS** that FTI Consulting Canada Inc. is, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

28. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements and the Applicants' compliance with the Updated Bi-Weekly Budget;

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination of financial and other information to the DIP Lender and its counsel on a periodic basis of financial and other information as agreed to between the Applicants and the DIP Lender, or as may reasonably be requested by the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, or as may reasonably be requested by the DIP Lender;
- (e) advise the Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

29. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the

Applicants', or the direct or indirect subsidiaries or affiliates of any of the Applicants', including any joint venture entities, for which a permit or license is issued or required pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017, S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation (the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

30. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or take Possession of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act, 1999*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, the *Ontario Mining Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

31. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor

shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

32. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the Initial Filing Date by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis. In addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Monitor, retainers in the amounts of \$250,000 and \$150,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

34. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

35. **THIS COURT ORDERS** that the Applicants' counsel, the Monitor and its counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$600,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs 43 and 45 hereof.

DIP FACILITY

36. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under the DIP Facility from ACT Investor, in its capacity as the DIP Lender, in

order to finance the Applicants' working capital requirements, and other general corporate purposes and capital expenditures.

37. **THIS COURT ORDERS** that such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Facility Loan Agreement between the Applicants and the DIP Lender dated as of June 5, 2023, appended as **Exhibit "N"** to the Initial Trudel Affidavit (the "**DIP Facility Agreement**").

38. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to borrow, in accordance with the terms and conditions of the DIP Facility Agreement, interim financing of up to \$9,800,000 during the Stay Period.

39. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such agreements, instruments, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively with the DIP Facility Agreement, the "**Definitive Documents**"), as may be contemplated by the DIP Facility Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents (collectively, the "**DIP Obligations**") as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property as security for the DIP Obligations, which DIP Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender's Charge shall not secure an obligation that exists before the Initial Filing Date. The DIP Lender's Charge shall have the priority as set out in paragraphs 43 and 45 hereof.

41. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon three business days' notice to the

Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP 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 Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

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

42. **THIS COURT ORDERS AND DECLARES** that ACT Investor and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise under the CCAA, or any proposal filed under the BIA, with respect to any advances made by ACT Investor, as secured lender to the Applicants, and under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

43. **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge, the D&O Charge, and the KERP Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$600,000);

Second – DIP Lender's Charge (to the maximum amount of \$9,800,000);

Third – D&O Charge (to the maximum amount of \$2,800,000); and

Fourth – KERP Charge (to the maximum amount of \$1,160,000).

44. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and 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.

45. **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and 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 Person.

46. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the D&O Charge, the Administration Charge, and the KERP Charge, or further Order of this Court.

47. **THIS COURT ORDERS** that the D&O Charge, the Administration Charge, the KERP Charge, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal, provincial or other statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Facility Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by the Applicants pursuant to this Order, the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

48. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

49. **THIS COURT ORDERS** that the Monitor shall (a) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (b) within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of any individual persons who are creditors available.

50. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.cfcanada.fticonsulting.com/Fire&Flower

51. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in

satisfaction of a legal or judicial obligation and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

52. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

RELIEF FROM REPORTING OBLIGATIONS

53. **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange (collectively, the "**Securities Legislation**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

54. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this order is intended to or shall encroach on the jurisdiction of any

securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SHAREHOLDERS’ MEETING

55. **THIS COURT ORDERS** that the annual general meeting of shareholders of FFHC called for June 22, 2023 be postponed, and the time limit to call and hold such annual general meeting of shareholders is extended until after the conclusion of the CCAA Proceedings, subject to further Order of this Court.

SEALING PROVISION

56. **THIS COURT ORDERS** that the Confidential Appendix to the First Report is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

57. **THIS COURT ORDERS** that the Applicants, the DIP Lender, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

58. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

59. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

60. **THIS COURT ORDERS** that each of the Applicants and the Monitor shall be at liberty and are 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 Monitor 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.

61. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of the Initial Filing Date.

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

AMENDED AND RESTATED INITIAL ORDER

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Lawyers for the Applicants

TAB 4

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) ~~MONDAY~~[THURSDAY](#), THE ~~5TH~~
JUSTICE [STEELE OSBORNE](#)) [15TH](#) DAY
OF JUNE, 2023

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE &
FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703
CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP.,
PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC

Applicants

AMENDED AND RESTATED INITIAL ORDER

THIS ~~APPLICATION~~[MOTION](#), made by Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("**133 Canada**"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "**Applicants**"), for an [order amending and restating the](#) initial order [of Justice Steele issued on June 5, 2023 \(the "Initial Filing Date"\)](#) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCA**") was heard this day ~~by judicial videoconference via Zoom~~ [at Courtroom 8-5, 330 University Avenue, Toronto, Ontario](#).

ON READING the ~~affidavit~~ [affidavits](#) of Stephane Trudel sworn June 5, 2023 (the "**Initial Trudel Affidavit**") and [June 13, 2023 \(the "Second Trudel Affidavit"\)](#) and the Exhibits thereto, the pre-filing report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as proposed monitor of the Applicants (~~in such capacity, the "Monitor"~~) dated June 5, 2023 (the "**Pre-Filing Report**"), the ~~consent of FTI to act as the Monitor~~ [first report of FTI in its capacity as monitor \(in such capacity, the "Monitor"\)](#), dated [June 14, 2023 \(the "First Report"\)](#), on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for ~~FTI~~ [the Monitor](#), counsel for 2707031 Ontario Inc. ("**ACT Investor**") and ACT Investor in its capacity as the DIP Lender (as

defined below), and such other parties as listed on the Counsel Slip, with no one else appearing although duly served as appears from the ~~affidavit~~ affidavits of service of Philip Yang ~~sworn June 5, 2023~~ as filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of ~~Application~~ Motion and the ~~Application~~ Motion Record is hereby abridged and validated so that this ~~Application~~ Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Initial Trudel Affidavit and the Second Trudel Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that each of the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

4. **THIS COURT ORDERS** that the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. ~~5.~~ **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize their existing central cash management system currently in place or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person or Persons (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under ~~any plan of arrangement or compromise under the CCAA~~ the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. ~~6.~~ **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after ~~this Order~~ the Initial Filing Date, subject to compliance with the Updated Bi-Weekly Budget (as defined in the DIP Facility Agreement), as may be amended from time to time:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee and director expenses payable on or after the ~~date of this Order~~ Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges;
and
- (c) with the consent of the Monitor, amounts owing for goods or services supplied to the Applicants prior to the Initial Filing Date up to a maximum amount of \$250,000, if, in the opinion of the Applicants and the Monitor, the supplier is critical to the Restructuring (as hereinafter defined).

8. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicants shall be entitled, subject to compliance with the Updated Bi-Weekly Budget, as may be amended from time to time, but not required to pay all reasonable expenses incurred by the Applicants in carrying on their Business in the ordinary course after ~~this Order~~ the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors' and officers' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of ~~this Order~~ the Initial Filing Date.

9. ~~8.~~ **THIS COURT ORDERS** that the Applicants shall, in accordance with legal requirements, remit or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the ~~date of this Order,~~ Initial Filing Date or where such Sales Taxes were accrued or collected prior to the ~~date of this Order~~ Initial Filing Date but not required to be remitted until on or after the ~~date of this Order~~ Initial Filing Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured

creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

10. ~~9.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the ~~date of this Order~~ Initial Filing Date, monthly in equal payments on the first day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the ~~date of this Order~~ Initial Filing Date shall also be paid.

11. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court:

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;
- (b) to grant no security interests, trust, liens, mortgages, charges or encumbrances upon or in respect of any of the Property; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. ~~11.~~ **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) Permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$250,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) ~~(a)~~ terminate the employment of such its employees or temporarily lay off such of its employees as it deems appropriate; and

- (c) ~~(b)~~ pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing; ~~and~~

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

13. ~~12.~~ **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to the Applicant’s claim to the fixtures in dispute.

14. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

15. ~~14.~~ **THIS COURT ORDERS** that until and including ~~June 15~~ September 1, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, except with

the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting their Business or their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting their Business or their Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (a) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (b) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (c) prevent the filing of any registration to preserve or perfect a security interest, or (d) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to renew per the same terms and conditions, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the Applicants and the Monitor, or leave of this Court. For greater certainty, MC Cannabis Inc. and Alimentation Couche-Tard Inc. shall not discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by 133 Canada.

CONTINUATION OF SERVICES

18. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants are hereby restrained until further Order of this

Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses, email addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the ~~date of this Order~~ Initial Filing Date are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the ~~date of this Order~~ Initial Filing Date, nor shall any Person be under any obligation on or after the ~~date of this Order~~ Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

KEY EMPLOYEE RETENTION PLAN

20. **THIS COURT ORDERS** that the Key Employee Retention Plan (the “KERP”), as described in the Second Trudel Affidavit, an unredacted copy of which is attached as the Confidential Appendix to the First Report, is hereby approved and the Applicants are authorized to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

21. **THIS COURT ORDERS** that payments made by the Applicants pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

22. **THIS COURT ORDERS** that the key employees referred to in the KERP (the “Key Employees”) shall be entitled to the benefit of and are hereby granted a charge on the Property

(the “KERP Charge”), which charge shall not exceed an aggregate amount of \$1,160,000 to secure any payments to the Key Employees under the KERP. The KERP Charge shall have the priority as set out in paragraphs 43 and 45 herein.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

23. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the ~~date hereof~~ Initial Filing Date and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS’ AND OFFICERS’ INDEMNIFICATION AND CHARGE

24. ~~20.~~ **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director’s or officer’s gross negligence or wilful misconduct.

25. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**D&O Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$2,800,000, as security for the indemnity provided in paragraph ~~20-24~~ 20-24 of this Order. The D&O Charge shall have the priority as set out in paragraphs ~~39-43~~ 39-43 and ~~41-45~~ 41-45 herein.

26. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the D&O Charge, and (b) the Applicants’ directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors’ and officers’ insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~20-24~~ 20-24 of this Order.

APPOINTMENT OF MONITOR

27. ~~23.~~ **THIS COURT ORDERS** that FTI Consulting Canada Inc. is ~~hereby,~~ as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

28. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements and the Applicants' compliance with the Updated Bi-Weekly Budget;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination of financial and other information to the DIP Lender and its counsel on a periodic basis of financial and other information as agreed to between the Applicants and the DIP Lender, or as may reasonably be requested by the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, or as may reasonably be requested by the DIP Lender;
- (e) [advise the Applicants in their development of the Plan and any amendments to the Plan;](#)
- (f) [assist the Applicants, to the extent required by the Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;](#)

- (g) ~~(e)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (h) ~~(f)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) ~~(g)~~ perform such other duties as are required by this Order or by this Court from time to time.

29. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants', or the direct or indirect subsidiaries or affiliates of any of the Applicants', including any joint venture entities, for which a permit or license is issued or required pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017, S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation (the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

30. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or take Possession of any of the Property that might be environmentally contaminated,

might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act, 1999*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, the *Ontario Mining Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

31. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

32. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, whether incurred prior to, on or subsequent to, the ~~date of this Order~~ Initial Filing Date by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a weekly basis. In addition, the Applicants are hereby authorized to pay to the Monitor and counsel to the Monitor, retainers in

the amounts of \$~~50,000 each~~250,000 and \$150,000, respectively, to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

34. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

35. ~~31.~~ **THIS COURT ORDERS** that the Applicants' counsel, the Monitor and its counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$600,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs ~~39-43~~ and ~~41-45~~ hereof.

DIP FACILITY

36. ~~32.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under the DIP Facility from ACT Investor, in its capacity as the DIP Lender, in order to finance the Applicants' working capital requirements, and other general corporate purposes and capital expenditures.

37. ~~33.~~ **THIS COURT ORDERS** that such DIP Facility shall be on the terms and subject to the conditions set forth in the DIP Facility Loan Agreement between the Applicants and the DIP Lender dated as of June 5, 2023, appended as **Exhibit "N"** to the Initial Trudel Affidavit (the "**DIP Facility Agreement**").

38. ~~34.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to borrow, in accordance with the terms and conditions of the DIP Facility Agreement, interim financing of up to \$~~2,700,000-9,800,000~~ during the Stay Period.

39. ~~35.~~ **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such agreements, instruments, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively with the DIP Facility Agreement, the "**Definitive Documents**"), as may be contemplated by the DIP Facility Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest,

fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents (collectively, the “**DIP Obligations**”) as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. ~~36.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property as security for the DIP Obligations, which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender’s Charge shall not secure an obligation that exists before ~~this Order is made~~ the Initial Filing Date. The DIP Lender’s Charge shall have the priority as set out in paragraphs ~~39~~ 43 and ~~41~~ 45 hereof.

41. ~~37.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon three business days’ notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP 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 Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

42. ~~38.~~ **THIS COURT ORDERS AND DECLARES** that ACT Investor and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise under the CCAA, or any

proposal filed under the BIA, with respect to any advances made by ACT Investor, as secured lender to the Applicants, and under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

43. ~~39.~~ **THIS COURT ORDERS** that the priorities of the Administration Charge, the DIP Lender's Charge, the D&O Charge, and the ~~Directors'~~ KERP Charge (collectively, the "Charges"), as among them, shall be as follows:

First ~~—~~ Administration Charge (to the maximum amount of \$600,000);

Second – DIP Lender's Charge (to the maximum amount of ~~\$2,700,000; and~~ 9,800,000);

Third ~~– Directors' –~~ D&O Charge (to the maximum amount of \$2,800,000) ~~–; and~~

Fourth – KERP Charge (to the maximum amount of \$1,160,000).

44. ~~40.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and 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.

45. ~~41.~~ **THIS COURT ORDERS** that the Charges shall constitute a charge on the Property and 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 Person, ~~provided that the Charges shall rank behind Encumbrances in favor of any Persons that have not been served with notice of this application. The Applicants and beneficiaries of the Charges shall be entitled to seek priority ahead of such Encumbrances on notice to those parties.~~

46. ~~42.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the ~~Directors' –~~ D&O Charge ~~and –~~ , the Administration Charge, and the KERP Charge, or further Order of this Court.

47. ~~43.~~ **THIS COURT ORDERS** that the ~~Directors' D&O~~ Charge, the Administration Charge, the KERP Charge, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal, provincial or other statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Facility Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

48. ~~44.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants' interest in such real property leases.

SERVICE AND NOTICE

49. ~~45.~~ **THIS COURT ORDERS** that the Monitor shall (a) without delay, publish in The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (b)

within five days after the date of this Order, (i) make this Order publicly available in the manner prescribed under the CCAA, (ii) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than \$1000, and (iii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of any individual persons who are creditors available.

50. ~~46.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: www.cfcanada.fticonsulting.com/Fire&Flower

51. ~~47.~~ **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

52. ~~48.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received

on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

COMEBACK MOTION

~~49. — THIS COURT ORDERS that the Comeback Motion shall be heard on June 15, 2023.~~

RELIEF FROM REPORTING OBLIGATIONS

53. THIS COURT ORDERS that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the “Securities Filings”) that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the Securities Act (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange (collectively, the “Securities Legislation”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

54. THIS COURT ORDERS that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “Regulators”) in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation

SHAREHOLDERS’ MEETING

55. **THIS COURT ORDERS** that the annual general meeting of shareholders of FFHC called for June 22, 2023 be postponed, and the time limit to call and hold such annual general meeting of shareholders is extended until after the conclusion of the CCAA Proceedings, subject to further Order of this Court.

SEALING PROVISION

56. **THIS COURT ORDERS** that the Confidential Appendix to the First Report is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

57. ~~50.~~ **THIS COURT ORDERS** that the Applicants, the DIP Lender, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties hereunder.

58. ~~51.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

59. ~~52.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicants, the Monitor 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 Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

60. ~~53.~~ **THIS COURT ORDERS** that each of the Applicants and the Monitor shall be at liberty and are 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 Monitor 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.

61. ~~54.~~ **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. ~~55.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of ~~this Order~~ the Initial Filing Date.

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

AMENDED AND RESTATED INITIAL ORDER

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Lawyers for the Applicants

TAB 5

Court File No. CV-23-00700581-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE
JUSTICE

)))

~~WEEKDAY~~ THURSDAY, THE #
15TH DAY ~~OF MONTH, 20YR~~

JUSTICE OSBORNE

)
)

OF JUNE, 2023

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
~~[APPLICANT'S NAME] (the "Applicant")~~ FIRE & FLOWER HOLDINGS CORP., FIRE &
FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD.,
FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and
HIFYRE INC

Applicants

AMENDED AND RESTATED INITIAL ORDER

THIS ~~APPLICATION, made by the Applicant~~ **MOTION**, made by Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("133 Canada"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "Applicants"), for an order amending and restating the initial order of Justice Steele issued on June 5, 2023 (the "**Initial Filing Date**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at Courtroom 8-5, 330 University Avenue, Toronto, Ontario.

ON READING the ~~affidavit of [NAME] sworn [DATE]~~ affidavits of Stephane Trudel sworn June 5, 2023 (the "**Initial Trudel Affidavit**") and June 13, 2023 (the "**Second Trudel Affidavit**") and the Exhibits thereto, and the pre-filing report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as proposed monitor of the Applicants dated June 5, 2023 (the "**Pre-Filing Report**"), the first report of FTI in its capacity as monitor (in such capacity, the "**Monitor**"), dated June 14, 2023 (the "**First Report**"), on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for

~~[NAMES], no one~~ the Applicants, counsel for the Monitor, counsel for 2707031 Ontario Inc. (“**ACT Investor**”) and ACT Investor in its capacity as the DIP Lender (as defined below), and such other parties as listed on the Counsel Slip, with no one else appearing ~~for [NAME]~~¹ although duly served as appears from the ~~affidavit~~ affidavits of service of [NAME] sworn [DATE] ~~and on reading the consent of [MONITOR’S NAME] to act as the Monitor~~ Philip Yang, as filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of ~~Application~~ Motion and the ~~Application~~ Motion Record is hereby abridged and validated² so that this ~~Application~~ Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Initial Trudel Affidavit and the Second Trudel Affidavit.

APPLICATION

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that ~~the Applicant is a company~~ each of the Applicants are companies to which the CCAA applies.

PLAN OF ARRANGEMENT

4. ~~3.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall remain in possession and control of ~~its~~ their current and future assets, undertakings and properties of every nature and kind

~~1 Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).~~

~~2 If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the ~~Applicant~~ Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its~~ their business (the “**Business**”) and Property. The ~~Applicant is~~ Applicants are authorized and empowered to continue to retain and employ ~~the~~ their employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by ~~it~~ them, with liberty to retain such further Assistants as ~~it deems~~ they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. ~~5.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall be entitled to continue to utilize ~~the~~ their existing central cash management system³ currently in place ~~as described in the Affidavit of [NAME] sworn [DATE]~~ or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~ Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person or Persons (as hereinafter defined) other than the ~~Applicant~~ Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.}]

7. ~~6.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall be entitled but not required to pay the following expenses whether incurred prior to or after ~~this Order~~ the Initial Filing Date, subject to compliance with the Updated Bi-Weekly Budget (as defined in the DIP Facility Agreement), as may be amended from time to time:

~~³ This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter-company transfers of cash.~~

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee and director expenses payable on or after the ~~date of this Order~~Initial Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; ~~and~~
- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Applicants in respect of these proceedings, at their standard rates and charges; ~~and~~
- (c) with the consent of the Monitor, amounts owing for goods or services supplied to the Applicants prior to the Initial Filing Date up to a maximum amount of \$250,000, if, in the opinion of the Applicants and the Monitor, the supplier is critical to the Restructuring (as hereinafter defined).

8. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Applicants shall be entitled, subject to compliance with the Updated Bi-Weekly Budget, as may be amended from time to time, but not required to pay all reasonable expenses incurred by the ~~Applicant~~Applicants in carrying on ~~the~~their Business in the ordinary course after ~~this Order~~the Initial Filing Date, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors-' and officers-' insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the ~~Applicant~~Applicants following the date of ~~this Order~~the Initial Filing Date.

9. ~~8.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall ~~remit~~, in accordance with legal requirements, remit or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be

deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the ~~Applicant~~ Applicants in connection with the sale of goods and services by the ~~Applicant~~ Applicants, but only where such Sales Taxes are accrued or collected after the ~~date of this Order,~~ Initial Filing Date or where such Sales Taxes were accrued or collected prior to the ~~date of this Order~~ Initial Filing Date but not required to be remitted until on or after the ~~date of this Order,~~ Initial Filing Date; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~ Applicants.

10. ~~9.~~ **THIS COURT ORDERS** that until a real property lease is disclaimed ~~for resiliated~~⁴ in accordance with the CCAA, the ~~Applicant~~ Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the ~~date of this Order~~ Initial Filing Date, ~~twice~~-monthly in equal payments on the first ~~and fifteenth~~-day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the ~~date of this Order~~ Initial Filing Date shall also be paid.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the ~~Applicant is~~ Applicants are hereby directed, until further Order of this Court: ~~(a) to make no payments of~~

~~4 The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

~~principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c)~~

- (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date;
- (b) 10. to grant no security interests, trust, liens, mortgages, charges or encumbrances upon or in respect of any of the Property; and
- (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

12. ~~11.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined),~~ have the right to:

- (a) ~~permanently~~ Permanently or temporarily cease, downsize or shut down any of ~~its~~ their business or operations, ~~and to dispose of redundant or non-material assets not exceeding \$•—250,000 in any one transaction or \$•—1,000,000 in the aggregate~~ 5;
- (b) ~~terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate;~~ and
- (c) pursue all restructuring options for the Applicants including, without limitation, all avenues of refinancing of ~~its~~ their Business or Property, in whole or in part, subject to prior approval of this Court being obtained before any material refinancing~~;~~ ;

~~5 Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

all of the foregoing to permit the ~~Applicant~~ Applicants to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

13. ~~12.~~ **THIS COURT ORDERS** that the relevant Applicant shall provide each of the relevant landlords with notice of the Applicant’s intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant’s entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims ~~{or resiliates}~~ the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~{or resiliation}~~ of the lease shall be without prejudice to the Applicant’s claim to the fixtures in dispute.

14. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer ~~{or resiliation}~~ is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer ~~{or resiliation}~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours’ prior written notice, and (b) at the effective time of the disclaimer ~~{or resiliation}~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~ APPLICANTS OR THE PROPERTY

15. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE—MAX. 30 DAYS]~~ September 1, 2023, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting ~~the~~ their Business or ~~the~~ their Property, except with the written consent of the ~~Applicant~~ Applicants and

the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the ~~Applicant~~ Applicants or affecting ~~the~~ their Business or ~~the~~ their Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the ~~Applicant~~ Applicants or the Monitor, or affecting ~~the~~ their Business or ~~the~~ their Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~ Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~ Applicants to carry on any business which the ~~Applicant is~~ Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to renew per the same terms and conditions, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the ~~Applicant~~ Applicants, including but not limited to renewal rights in respect of existing insurance policies on the same terms, except with the written consent of the ~~Applicant~~ Applicants and the Monitor, or leave of this Court. For greater certainty, MC Cannabis Inc. and Alimentation Couche-Tard Inc. shall not discontinue, fail to honour, alter, interfere with, repudiate, terminate, or cease to perform any right, renewal right, contract, agreement, license or permit in favour of or held by 133 Canada.

CONTINUATION OF SERVICES

18. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~ Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation

services, utility or other services to the Business or the ~~Applicant, Applicants~~ are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant, Applicants~~ and that the ~~Applicant Applicants~~ shall be entitled to the continued use of ~~its~~ their current premises, telephone numbers, facsimile numbers, internet addresses, email addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the ~~date of this Order~~ Initial Filing Date are paid by the ~~Applicant Applicants~~ in accordance with normal payment practices of the ~~Applicant Applicants~~ or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant Applicants~~ and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the ~~date of this Order~~ Initial Filing Date, nor shall any Person be under any obligation on or after the ~~date of this Order~~ Initial Filing Date to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant Applicants~~. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

KEY EMPLOYEE RETENTION PLAN

20. **THIS COURT ORDERS** that the Key Employee Retention Plan (the "KERP"), as described in the Second Trudel Affidavit, an unredacted copy of which is attached as the Confidential Appendix to the First Report, is hereby approved and the Applicants are authorized

~~6 This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

to make payments contemplated thereunder in accordance with the terms and conditions of the KERP.

21. THIS COURT ORDERS that payments made by the Applicants pursuant to this Order do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

22. THIS COURT ORDERS that the key employees referred to in the KERP (the "Key Employees") shall be entitled to the benefit of and are hereby granted a charge on the Property (the "KERP Charge"), which charge shall not exceed an aggregate amount of \$1,160,000 to secure any payments to the Key Employees under the KERP. The KERP Charge shall have the priority as set out in paragraphs 43 and 45 herein.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

23. 19. THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant Applicants with respect to any claim against the directors or officers that arose before the date hereof Initial Filing Date and that relates to any obligations of the Applicant Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

24. 20. THIS COURT ORDERS that the Applicant Applicants shall indemnify its their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant Applicants after the commencement of the within proceedings,⁷ except to the extent

⁷~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

25. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~ Applicants shall be entitled to the benefit of and are hereby granted a charge (the "~~Directors'~~ D&O Charge")⁸ on the Property, which charge shall not exceed an aggregate amount of \$~~2,800,000~~, as security for the indemnity provided in paragraph ~~{20}~~ 24 of this Order. The ~~Directors'~~ D&O Charge shall have the priority as set out in paragraphs ~~{38}~~ 43 and ~~{40}~~ 45 herein.

26. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the ~~Directors'~~ D&O Charge, and (b) the ~~Applicant's~~ Applicants' directors and officers shall only be entitled to the benefit of the ~~Directors'~~ D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~ 24 of this Order.

APPOINTMENT OF MONITOR

27. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME] is hereby~~ FTI Consulting Canada Inc. is, as of the Initial Filing Date, appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~ Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~ Applicants and ~~its~~ their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~ Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

~~⁸ Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

28. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~ Applicants' receipts and disbursements and the Applicants' compliance with the Updated Bi-Weekly Budget;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the ~~Applicant~~ Applicants, to the extent required by the ~~Applicant~~ Applicants, in ~~its~~ their dissemination, ~~of financial and other information~~ to the DIP Lender and its counsel on a ~~[TIME INTERVAL]~~ periodic basis of financial and other information as agreed to between the ~~Applicant~~ Applicants and the DIP Lender ~~which may be used in these proceedings including reporting on a basis to be agreed with,~~ or as may reasonably be requested by the DIP Lender;
- (d) advise the ~~Applicant in its~~ Applicants in their preparation of the ~~Applicant's~~ Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, ~~but not less than [TIME INTERVAL], or as otherwise agreed to~~ or as may reasonably be requested by the DIP Lender;
- (e) advise the ~~Applicant in its~~ Applicants in their development of the Plan and any amendments to the Plan;
- (f) assist the ~~Applicant~~ Applicants, to the extent required by the ~~Applicant~~ Applicants, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~ Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~ Applicants' business and financial affairs or to perform its duties arising under this Order;

- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

29. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not ~~take possession of the Property~~ occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Applicants', or the direct or indirect subsidiaries or affiliates of any of the Applicants', including any joint venture entities, for which a permit or license is issued or required pursuant to any provision of any federal, provincial, or other law respecting, among other things, the manufacturing, possession, processing, and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Tax Act*, R.S.C. 1985, c. E. 15, *Excise Act*, 2001, S.C. 2002, c.22 the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, the *Ontario Cannabis Control Act*, 2017, S.O. 2017, c. 26, Sched. 1, *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation (the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

30. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or ~~to take control, care, charge, possession or management (separately and/or collectively, "take Possession")~~ of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental*

Protection Act, [1999](#), the Ontario Environmental Protection Act, the Ontario Water Resources [Act](#), [the Ontario Mining Act](#), or the Ontario Occupational Health and Safety Act and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order, or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

31. ~~27.~~ **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the ~~Applicant~~ [Applicants](#) and the DIP Lender with information provided by the ~~Applicant~~ [Applicants](#) in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~ [Applicants](#) is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~ [Applicants](#) may agree.

32. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~ [Applicants](#) shall be paid their reasonable fees and disbursements ([including pre-filing fees and disbursements](#)), in each case at their standard rates and charges, ~~by the Applicant whether incurred prior to, on or subsequent to, the Initial Filing Date by the Applicants~~ as part of the costs of these proceedings. The ~~Applicant is~~ [Applicants are](#) hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant on a [TIME INTERVAL] basis and, in~~ [Applicants on a weekly basis. In](#) addition, the ~~Applicant is~~ [Applicants are](#) hereby authorized to pay to the Monitor, ~~and~~ counsel to the Monitor, ~~and counsel to the Applicant,~~ retainers in the ~~amount[s] of \$●~~ [\[amounts of \\$250,000 and \\$150,000,](#)

respectively, ~~]~~ to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

34. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

35. ~~31.~~ **THIS COURT ORDERS** that the ~~Monitor,~~ Applicants' counsel ~~to,~~ the Monitor, ~~if any,~~ and ~~the Applicant's~~ its counsel shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$ ~~●~~ 600,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority as set out in paragraphs ~~{38}~~ 43 and ~~{40}~~ 45 hereof.

DIP FINANCING FACILITY

36. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant is~~ Applicants are hereby authorized and empowered to obtain and borrow under ~~a credit facility from [DIP LENDER'S NAME] (the "DIP Lender")~~ the DIP Facility from ACT Investor, in its capacity as the DIP Lender, in order to finance the ~~Applicant's~~ Applicants' working capital requirements, and other general corporate purposes and capital expenditures, ~~provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~

37. ~~33.~~ **THIS COURT ORDERS** ~~THAT~~ ~~that~~ such ~~credit facility~~ DIP Facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~ DIP Facility Loan Agreement between the ~~Applicant~~ Applicants and the DIP Lender dated as of ~~[DATE] (the "Commitment Letter"),~~ filed June 5, 2023, appended as Exhibit "N" to the Initial Trudel Affidavit (the "DIP Facility Agreement").

38. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to borrow, in accordance with the terms and conditions of the DIP Facility Agreement, interim financing of up to \$9,800,000 during the Stay Period.

39. ~~34. THIS COURT ORDERS that the Applicant is~~ THIS COURT ORDERS that the Applicants are hereby authorized and empowered to execute and deliver such ~~credit~~ agreements, instruments, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively with the DIP Facility Agreement, the “**Definitive Documents**”), as ~~are may be~~ contemplated by the ~~Commitment Letter~~ DIP Facility Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the ~~Applicant is~~ Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter and the~~ Definitive Documents (collectively, the “DIP Obligations”) as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

40. ~~35. THIS COURT ORDERS~~ that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, ~~which~~ as security for the DIP Obligations, which DIP Lender’s Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender’s Charge shall not secure an obligation that exists before ~~this Order is made~~ the Initial Filing Date. The DIP Lender’s Charge shall have the priority as set out in paragraphs ~~[38]~~ 43 and ~~[40]~~ 45 hereof.

41. ~~36. THIS COURT ORDERS~~ that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender’s Charge, the DIP Lender, upon ~~●~~ three business days’ notice to the ~~Applicant~~ Applicants and the Monitor, may exercise any and all of its rights and remedies against the ~~Applicant~~ Applicants or the Property under or pursuant to the ~~Commitment Letter,~~ Definitive Documents and the DIP Lender’s Charge, including without limitation, to cease making advances to the ~~Applicant~~ Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the ~~Applicant~~ Applicants against the obligations of the ~~Applicant~~ Applicants to the DIP Lender under ~~the Commitment Letter,~~ the Definitive Documents or the DIP

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 ~~Applicant~~ Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~ Applicants; and

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

42. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that ACT Investor and the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise ~~filed by the Applicant~~ under the CCAA, or any proposal filed ~~by the Applicant~~ under the ~~Bankruptcy and Insolvency Act of Canada (the "BIA")~~ BIA, with respect to any advances made by ACT Investor, as secured lender to the Applicants, and under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

43. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the~~ Administration Charge ~~and~~ the DIP Lender's Charge, the D&O Charge, and the KERP Charge (collectively, the "Charges"), as among them, shall be as follows⁹:

First – Administration Charge (to the maximum amount of \$ ~~●~~ 600,000);

Second – DIP Lender's ~~Charge; and Third –~~ Directors' Charge (to the maximum amount of \$ ~~●~~ 9,800,000);

Third – D&O Charge (to the maximum amount of \$2,800,000); and

Fourth – KERP Charge (to the maximum amount of \$1,160,000).

~~9 The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

44. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~, shall not be required, and that the Charges shall be effective as against the Property and 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.

45. ~~40.~~ **THIS COURT ORDERS** that ~~each of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~ the Charges shall constitute a charge on the Property and ~~such 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 Person.

46. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, ~~or as may be approved by this Court, the Applicant~~ the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~ Charges, unless the ~~Applicant~~ Applicants also ~~obtains~~ obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the ~~Directors' D&O Charge and~~, the Administration Charge, and the KERP Charge, or further Order of this Court.

47. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' D&O~~ Charge, the Administration Charge, the ~~Commitment Letter~~ KERP Charge, the Definitive Documents and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal ~~or~~, provincial or other statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the ~~Applicant~~ Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter or the~~ Definitive Documents shall create or be deemed to constitute a breach by the ~~Applicant~~ Applicants of any Agreement to which ~~it is~~ they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~ Applicants entering into the ~~Commitment Letter~~ DIP Facility Agreement, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the ~~Applicant~~ Applicants pursuant to this Order, ~~the~~ Commitment Letter or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

48. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~ Applicants' interest in such real property leases.

SERVICE AND NOTICE

49. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (ia) without delay, publish in [~~newspapers specified by the Court~~] The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ib) within five days after the date of this Order, (Ai) make this Order publicly available in the manner prescribed under the CCAA, (Bii) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~ Applicants of more than \$1000, and (Eiii) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of any individual persons who are creditors available.

50. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “Protocol”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the *Rules of Civil Procedure*. Subject to Rule 3.01(d) of the *Rules of Civil Procedure* and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL ~~“@”~~: www.cfcanada.fticonsulting.com/Fire&Flower

51. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, and other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants’ creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS)*.

52. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~ Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the ~~Applicant’s~~ Applicants’ creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~ Applicants and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

RELIEF FROM REPORTING OBLIGATIONS

53. **THIS COURT ORDERS** that the decision by the Applicants to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the “Securities Filings”) that may be required by any federal, provincial or other law respecting securities or

capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), RSO 1990, c S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange (collectively, the “**Securities Legislation**”), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the Securities Provisions.

54. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants nor the Monitor shall have any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Provisions during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicants. For greater certainty, nothing in this order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue cease trade orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation

SHAREHOLDERS’ MEETING

55. **THIS COURT ORDERS** that the annual general meeting of shareholders of FFHC called for June 22, 2023 be postponed, and the time limit to call and hold such annual general meeting of shareholders is extended until after the conclusion of the CCAA Proceedings, subject to further Order of this Court.

SEALING PROVISION

56. **THIS COURT ORDERS** that the Confidential Appendix to the First Report is hereby sealed pending further Order of the Court and shall not form part of the public record.

GENERAL

57. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~ Applicants, the DIP Lender, or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of ~~its~~ their powers and duties hereunder.

58. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~ Applicants, the Business or the Property.

59. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the ~~Applicant~~ Applicants, the Monitor 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 ~~Applicant~~ Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~ Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

60. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~ Applicants and the Monitor shall be at liberty and ~~is~~ are 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 Monitor 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.

61. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~ Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

62. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of ~~this Order~~ the Initial Filing Date.

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC.,
13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE
EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

AMENDED AND RESTATED INITIAL ORDER

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Lawyers for the Applicants

TAB 6

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) THURSDAY, THE 15TH
JUSTICE OSBORNE) DAY OF JUNE, 2023

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ORDER
(SISP Approval Order)**

THIS MOTION, made by Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("**133 Canada**"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "**Applicants**"), for an Order approving, among others things, (1) the procedures for the Sale and Investment Solicitation Process in respect of the Applicants attached hereto as Schedule "A" (the "**SISP**"); and (2) approving the Stalking Horse Agreement (as defined below), was heard this day at Courtroom 8-5, 330 University Avenue, Toronto, Ontario.

ON READING the affidavits of Stephane Trudel sworn June 5, 2023 (the "**Initial Trudel Affidavit**") and June 13, 2023 (the "**Second Trudel Affidavit**") and the Exhibits thereto, the pre-filing report of FTI Consulting Canada Inc. ("**FTI**"), in its capacity as proposed monitor of the Applicants dated June 5, 2023 (the "**Pre-Filing Report**"), the first report of FTI in its capacity as monitor (in such capacity, the "**Monitor**") dated June 14, 2023 (the "**First Report**"), and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for 2707031 Ontario Inc. ("**ACT Investor**") and ACT Investor in its capacity as the debtor-in-possession lender to the Applicants, and such other parties as listed on the Counsel Slip, with no one else appearing although duly served as appears from the affidavits of service of Philip Yang, as filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them in the SISP or the Amended and Restated Initial Order granted by Justice Steele, dated June 15, 2023, as applicable.

APPROVAL OF THE SALE AND INVESTMENT SOLICITATION PROCESS

3. **THIS COURT ORDERS** that the SISP (subject to any amendments thereto that may be made in accordance therewith and with this Order) is hereby approved and the Applicants and the Monitor are hereby authorized to implement the SISP pursuant to the terms thereof. The Applicants and the Monitor are hereby authorized and directed to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and this Order.
4. **THIS COURT ORDERS** that the Applicants and the Monitor are authorized to immediately commence the SISP to solicit interest in the opportunity for a sale of or investment in all or part of the Applicants' assets (the "**Property**") and business operations (the "**Business**").
5. **THIS COURT ORDERS** that each of the Applicants, the Monitor and their respective affiliates, partners, directors, employees agents and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any person in connection with or as a result of the SISP, except to the extent such losses, claims, damages or liabilities result from the gross negligence or wilful misconduct of the Monitor or the Applicants, as applicable, in performing their obligations under the SISP, as determined by this Court.
6. **THIS COURT ORDERS** that, pursuant to section 3(c) of the Electronic Commerce Protection Regulations, Reg. 81000-2-175 (SOR/DORS), the Monitor and the Applicants are authorized and permitted to send, or cause or permit to be sent, commercial electronic messages to an electronic address of prospective bidders or offerors and to their advisors, but only to the extent required to provide information with respect to the SISP in these proceedings.

7. **THIS COURT ORDERS** that notwithstanding anything contained herein or in the SISP, the Monitor shall not take possession of the Property or be deemed to take possession of the Property, including pursuant to any provision of the Cannabis Legislation.

APPROVAL OF THE STALKING HORSE AGREEMENT

8. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to enter into the stalking horse agreement (the “**Stalking Horse Agreement**”) between Fire & Flower Holdings Corp. and ACT Investor (the “**Purchaser**”) and attached as **Exhibit “E”** to the Second Trudel Affidavit, and such minor amendments as may be acceptable to each of the parties thereto, with the prior approval of the Monitor; provided that, nothing herein approves the sale and the vesting of any Property to the Purchaser (or any of its designees) pursuant to the Stalking Horse Agreement and that the approval of any sale and vesting of any such Property shall be considered by this Court on a subsequent motion made to this Court if the Stalking Horse Agreement is the Successful Bid pursuant to the SISP.

9. **THIS COURT ORDERS** that the Stalking Horse Agreement is hereby approved and accepted solely for the purposes of being the Stalking Horse Bid under the SISP and subject to further Order of the Court referred to in paragraph 8 above.

PROTECTION OF PERSONAL INFORMATION

10. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Monitor, the Applicants and their respective advisors are hereby authorized and permitted to disclose and transfer to prospective SISP participants (each, a “**SISP Participant**”) and their advisors personal information of identifiable individuals (“**Personal Information**”), records pertaining to the Applicants’ past and current employees, and information on specific customers, but only to the extent desirable or required to negotiate or attempt to complete a transaction under the SISP (a “**Transaction**”). Each SISP Participant to whom any Personal Information is disclosed shall maintain and protect the privacy of such Personal Information and limit the use of such Personal Information to its evaluation of a Transaction, and if it does not complete a Transaction, shall return all such information to the Applicants or the Monitor, or in the alternative destroy all such information and provide confirmation of its destruction if required by the Applicants or the Monitor. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the Transaction contemplated in the Successful Bid(s), shall be entitled to use the personal

information provided to it that is related to the Business and/or Property acquired pursuant to the SISIP in a manner that is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants or the Monitor, or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Monitor or the Applicants.

GENERAL

11. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their powers and duties under the SISIP.

12. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

13. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States of America, or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

14. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and are 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.

15. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. on the date of this Order.

Schedule "A"

Procedures for the Sale and Investment Solicitation Process

On June 5, 2023, Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc. ("133 Canada"), 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, the "**F&F Entities**") commenced proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") before the Superior Court of Ontario (Commercial List) in the City of Toronto (the "**Court**") pursuant to an order granted by the Court on the same day (as may be amended or amended and restated from time to time, the "**Initial Order**").

Pursuant to the Initial Order, FTI Consulting Canada Inc., a licensed insolvency trustee, was appointed as monitor in the CCAA Proceedings (in such capacity, the "**Monitor**").

On June 15, 2023, the Court granted an order (the "**SISP Order**"), authorizing the F&F Entities to undertake a sale and investment solicitation process ("**SISP**") for the sale of their assets (the "**Property**") and business operations (the "**Business**"). The SISP will be conducted by the Monitor in the manner set forth herein.

Among other things, the SISP Order also: (a) approved the procedures set out in this Schedule (the "**Bidding Procedures**") for the solicitation of offers or proposals (each a "**Bid**" for the acquisition of the Business or some portion thereof, and (b) approved the form of subscription agreement to be entered into between the F&F Entities, as vendors, and 2707031 Ontario Inc. (the "**Stalking Horse Bidder**"), as purchaser (as same may be amended from time to time pursuant to its terms, the "**Stalking Horse Agreement**") as the "Stalking Horse Bid" for the purposes of the SISP, provided that the Stalking Horse Agreement and the transactions provided for therein must be submitted to the Court for consideration in a subsequent application upon completion of the SISP or upon termination thereof and the Stalking Horse Agreement being the Successful Bid (as defined below).

Defined Terms

1. Capitalized terms used in these Bidding Procedures and not otherwise defined herein have the meanings given to them in Appendix "A".

Bidding Procedures

Opportunity

2. The SISP is intended to solicit interest in, and opportunities for: (i) one or more sales or partial sales of all, substantially all, or certain portions of the Property or the Business; and/or (ii) an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the F&F Entities or their Business. Bids considered pursuant to the SISP may include one or more of an investment, restructuring, recapitalization, refinancing or other form of reorganization of the business and affairs of the F&F Entities as a going concern or a sale (or partial sales) of all, substantially all, or certain of the Property or the Business, or a combination thereof (the "**Opportunity**").
3. The Stalking Horse Agreement constitutes a qualified Bid by the Stalking Horse Bidder for all purposes and at all times under this SISP and will serve as the Stalking Horse Bid for

purposes of this SISP and these Bidding Procedures. Notwithstanding the Stalking Horse Agreement and proposed transactions therein, all interested parties are encouraged to submit bids based on any form of Opportunity that they may elect to advance pursuant to the SISP, including as a Sale Proposal or an Investment Proposal. A copy of the Stalking Horse Agreement will be made available to all Phase 1 Qualified Bidders.

4. The Bidding Procedures describe the manner in which prospective bidders may gain access to due diligence materials concerning the F&F Entities and the Business, the manner in which bidders may participate in the SISP, the requirement of and the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder and the requisite approvals to be sought from the Court in connection therewith.

The Monitor, in consultation with the F&F Entities and the DIP Lender (acting reasonably) may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Phase 1 Qualified Bidders, Phase 2 Qualified Bidders, the Successful Bidder or the Back-Up Bidder, provided that the Monitor determines that such modification, amendment, variation or supplement is expressly limited to changes that do not materially alter, amend or prejudice the rights of such bidders (including the rights of the Stalking Horse Bidder, except with the authorization of the Stalking Horse Bidder) and that are necessary or useful in order to give effect to the substance of the SISP, the Bidding Procedures and the SISP Order. Notwithstanding the foregoing and for greater certainty, any modification to the dates and time limits indicated in the table contained in paragraph 5 herein will require the authorization of the DIP Lender, acting reasonably.

The Monitor will post on the Monitor's website, as soon as practicable, any such modification, amendment, variation or supplement to the Bidding Procedures and inform the bidders impacted by such modifications.

In the event of a dispute as to the interpretation or application of the SISP Order or Bidding Procedures, the Court will have exclusive jurisdiction to hear and resolve such dispute.

5. Certain bid protections are provided for in the Stalking Horse Agreement (including a break fee (the "**Break Fee**"), subject to the conditions set forth therein. No other bidder may request or receive any form of bid protection as part of any bid made pursuant to the SISP.

A summary of the key dates pursuant to the SISP is as follows:

Event	Timing
<u>Phase 1</u>	
1. Preparation F&F Entities to assemble due diligence information and set up VDR Monitor to prepare a Teaser Letter and NDA	In advance of Court approval of the SISP Order
2. Notice F&F Entities to issue a press release regarding the Opportunity and the Monitor to publish a notice of the SISP on the Monitor's website and other industry trade publications, as determined appropriate. Monitor to distribute Teaser Letter and NDA to potentially interested parties	As soon as reasonably practicably following the date on which the SISP Order is granted.
3. Phase 1 Phase 1 Qualified Bidders provided access to a VDR	June 15, 2023 to July 13, 2023
4. Phase 1 Bid Deadline Deadline for Qualified Bidders to submit non-binding LOIs in accordance with the requirement of paragraph 14 of the Bidding Procedures	By no later than July 13, 2023, at 5:00 p.m. (Eastern Time)
5. Phase 1 Satisfactory Bid Monitor to assess non-binding LOIs using criteria outlined in the SISP to determine if a LOI is a Satisfactory Bid. Phase 1 Satisfactory Bidders designated by the Monitor as Phase 2 Qualified Bidders invited to participate in Phase 2 if the Monitor proceeds to Phase 2	By no later than July 14, 2023, at 5:00 p.m. (Eastern Time)
6. Approval Motion if No Other Bids Filing of Approval Motion in respect of the Stalking Horse Agreement in the event that no other Phase 1 Satisfactory Bid is received and	Week of July 24, 2023

issuance of the Vesting Order.

7. Closing – No Other Bids

August 4, 2023

Anticipated deadline for closing of the Stalking Horse Agreement in the event that no other Phase 1 Satisfactory Bid is received

Phase 2

8. Phase 2 Bid Deadline & Qualified Bidders

August 11, 2023

Phase 2 Bid Deadline (for delivery of definitive offers by Phase 2 Qualified Bidders in accordance with the requirement of paragraph 22 of the Bidding Procedures)

9. Auction

August 15, 2023

Anticipated Auction (if needed)

10. Selection of Successful Bid and Back-Up Bidder

By no later than August 17, 2023 at 5:00 p.m. (Eastern Time)

Deadline for selection of Successful Bid

11. Definitive Documentation

By no later than August 22, 2023

Deadline for completion of definitive documentation in respect of Successful Bid

12. Approval Motion – Successful Bid

Week of August 28, 2023

Deadline for filing of Approval Motion in respect of Successful Bid

13. Closing – Successful Bid

September 8, 2023 or such earlier date as is achievable

Anticipated deadline for closing of Successful Bid being the Target Closing Date

14. Outside Date – Closing

September 15, 2023

Outside Date by which the Successful Bid must close

Solicitation of Interest: Notice of the SISP

6. As soon as reasonably practicable, but, in any event, by no later than five (5) days after the granting of the SISP Order:

- a) the Monitor, in consultation with the Applicants, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity, (ii) local and international strategic and financial parties who the Monitor, in consultation with the Applicants, believe may be interested in purchasing all or part of the Business or Property or investing in the Applicants pursuant to the SISP, and (iii) parties that showed an interest in the Applicants and/or their assets prior to the date of the SISP Order including by way of the previous, out-of-court strategic review process, in each case whether or not such party has submitted a letter of intent or similar document (collectively, the "**Known Potential Bidders**");
 - b) a notice of the SISP and any other relevant information that the F&F Entities, in consultation with the Monitor, consider appropriate will be published by the Monitor in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor;
 - c) a press release setting out the notice and any other relevant information regarding the Opportunity as may be considered appropriate will be issued by the F&F Entities with Canada Newswire designating dissemination in Canada; and
 - d) the Monitor, in consultation with the Applicants, will prepare 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 Monitor and Applicants and their respective counsel which shall enure to the benefit of any purchaser of the Business or Property or any part thereof (an "**NDA**").
7. The Monitor will cause the Teaser Letter and NDA to be sent to each Known Potential Bidder by no later than five (5) days from the SISP Order and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Virtual Data Room

8. A confidential virtual data room (the "**VDR**") in relation to the Opportunity will be made available by the F&F Entities or by the Monitor to Potential Bidders that have executed the NDA (as defined below) in accordance with paragraph 9 herein. The VDR will be made available as soon as practicable. Following the completion of "Phase 1", but prior to the completion of "Phase 2", additional information may be added to the VDR to enable Phase 2 Qualified Bidders to complete any confirmatory due diligence in respect of the F&F Entities and the Opportunity. The Monitor, in consultation with the F&F Entities, may establish or cause the F&F Entities to establish separate VDRs (including "clean rooms"), if the F&F Entities reasonably determine that doing so would further the F&F Entities' and any Potential Bidders' compliance with applicable antitrust and competition laws, or would prevent the distribution of commercially sensitive competitive information. The Monitor may also, in consultation with the F&F Entities, limit the access of any Potential Bidder to any confidential information in the VDR where the Monitor may also, in consultation with the F&F Entities, reasonably determine that such access could negatively impact the SISP, the ability to maintain the confidentiality of the information, the Business or its value.

PHASE 1: NON-BINDING LOIs

Phase 1 Qualified Bidders and Delivery of Confidential Information Memorandum

9. In order to participate in the SISP, and prior to the distribution of any confidential information to an interested party (including access to the VDR), such interested party must deliver to the Monitor an executed NDA, which will enure to the benefit of any Successful Bidder that closes a transaction contemplated by the Successful Bid. Pursuant to the terms of the NDA to be signed by a potential bidder (each potential bidder who has executed an NDA with the F&F Entities, a "**Potential Bidder**"), each Potential Bidder will be prohibited from communicating with any other Potential Bidder regarding the Opportunity during the term of the SISP, without the consent of the Monitor, in consultation with the F&F Entities. Prior to the F&F Entities executing an NDA with any potential bidder, any potential bidder may be required to provide evidence, reasonably satisfactory to the Monitor, in consultation with the F&F Entities, of its financial wherewithal to complete on a timely basis a transaction in respect of the Opportunity (either with existing capital or with capital reasonably anticipated to be raised prior to closing) and/or to disclose details of their ownership and/or investors. For the avoidance of doubt, a party who has executed an NDA or a joinder with a Potential Bidder for the purpose of providing financing to a Potential Bidder in connection with the Opportunity (such party a "**Financing Party**") will not be deemed a Potential Bidder for purposes of the SISP, provided that such Financing Party undertakes to inform the F&F Entities in the event that it elects to act as a Potential Bidder. 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 Applicants (or any of them).
10. A Potential Bidder that has executed an NDA and that has been provided any additional information required pursuant to paragraph 11 will be deemed a "**Phase 1 Qualified Bidder**" and will be promptly notified of such classification by the Monitor. For the avoidance of doubt, the Stalking Horse Bidder is, and will be deemed to be, a Phase 1 Qualified Bidder, notwithstanding paragraphs 13 and 14 hereof.
11. The Monitor will prepare and send to each Phase 1 Qualified Bidder (including the Stalking Horse Bidder) a Teaser Letter and provide a copy of the Stalking Horse Agreement, and any material amendment thereto, as soon as practicable. The F&F Entities, the Monitor and their respective advisors make no representation or warranty as to the information contained in the Teaser Letter or otherwise made available pursuant to the SISP.
12. The Monitor will provide any person deemed to be a Phase 1 Qualified Bidder (including the Stalking Horse Bidder) with access to the VDR. The F&F Entities and the Monitor and their respective advisors make no representation or warranty as to the information contained in the VDR.
13. If a Phase 1 Qualified Bidder (other than the Stalking Horse Bidder) wishes to submit a bid, it must deliver a non-binding letter of intent (an "**LOI**") (each such LOI, provided in accordance with paragraph 14 below, a "**Phase 1 Qualified Bid**") to the Monitor (including by email) so as to be received by the Monitor not later than 5:00 p.m. (Eastern Time) on July 13, 2023 or such other date or time as may be agreed by the Monitor, with the authorization of the Stalking Horse Bidder, acting reasonably, and in consultation with the F&F Entities (as may be extended, the "**Phase 1 Bid Deadline**").

14. An LOI submitted by a Phase 1 Qualified Bidder will only be considered a "Phase 1 Qualified Bid" if the LOI complies at a minimum with the following:
- a) it has been duly executed by all required parties;
 - b) it is received by the Phase 1 Bid Deadline;
 - c) it provides written evidence, satisfactory to the Monitor, in consultation with the F&F Entities, of the ability to consummate the transaction within the timeframe contemplated by the SISP and to satisfy any obligations or liabilities to be assumed on closing of the transaction, including, without limitation, a specific indication of the sources of capital and, to the extent that the Phase 1 Qualified Bidder expects to finance any portion of the purchase price, the identity of the financing source;
 - d) it identifies all proposed material conditions to closing including, without limitation, any internal, regulatory or other approvals and any form of consent, agreement or other document required from a government body, stakeholder or other third party, and an estimate of the anticipated timeframe and any anticipated impediments for obtaining such conditions, along with information sufficient for the Monitor, in consultation with the F&F Entities, to determine that these conditions are reasonable in relation to the Phase 1 Qualified Bidder,
 - e) it (i) identifies the Qualified Phase 1 Bidder and representatives thereof who are authorized to appear and act on behalf of the Qualified Phase 1 Bidder for all purposes regarding the contemplated transaction, (ii) fully discloses the identity of each entity or person that will be sponsoring, participating in or benefiting from the transaction contemplated by the LOI, identifies all legal, financial, accounting and other advisors that have been or expect to be retained by the Phase 1 Qualified Bidder in connection with contemplated transaction;
 - f) it identifies any additional due diligence required to be completed in order to submit a Binding Offer;
 - g) it clearly indicates that:
 - i. the Phase 1 Qualified Bidder is (A) seeking to acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof (either one, a "**Sale Proposal**") or some other portion of the Business (a "**Partial Sale Proposal**"); or (B) offering to make an investment in, restructure, recapitalize or refinance the F&F Entities or the Business (an "**Investment Proposal**"); and
 - ii. if the Phase 1 Qualified Bidder is submitting a Sale Proposal or Investment Proposal, such proposal will at a minimum and on closing, provide net cash proceeds that are not less than the aggregate total of: (A) the amount of cash payable under the Stalking Horse Agreement together with the amount of all secured indebtedness, liabilities and obligations owing by the F&F Entities to 2707031 Ontario Inc., plus (B) an amount equivalent to the Break Fee and (C) a minimum overbid amount of \$250,000 (the amounts set forth in this paragraph 14.g)ii, the "**Minimum Purchase Price**"); provided, however, the F&F Entities, in consultation with the Monitor and

the DIP Lender, may deem this criterion satisfied if the Sale Proposals, Partial Sale Proposals or the Investment Proposals, together with one or more other non-overlapping Sale Proposal, Partial Sale Proposal or Investment Proposal, in the aggregate, meet or exceed the Minimum Purchase Price (such bids, "**Aggregated Bids**") (the amount of the Minimum Purchase Price will be confirmed by the Monitor with Potential Bidders);

- h) it contains such other information as may be reasonably requested by the Monitor, in consultation with the F&F Entities;
- i) it does not provide for any break fee or expense reimbursement, it being understood and agreed that no bidder will be entitled to any such bid protections;
- j) in the case of a Sale Proposal, it identifies or contains the following:
 - i. the purchase price or price range and key assumptions supporting the valuation and the anticipated amount of cash payable on closing of the proposed transaction;
 - ii. any contemplated purchase price adjustment;
 - iii. a description of the specific assets that are expected to be subject to the transaction and any assets expected to be excluded;
 - iv. a description of those liabilities and obligations (including operating liabilities and obligations to employees) which the Phase 1 Qualified Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - v. information sufficient for the Monitor, in consultation with the F&F Entities, to determine that the Phase 1 Qualified Bidder has sufficient ability to satisfy and perform any liabilities or obligations assumed pursuant to subparagraph (iv) above;
 - vi. whether the proposed transaction is to be implemented by way of a "reverse vesting order"; and
 - vii. any other terms or conditions of the Sale Proposal that the Phase 1 Qualified Bidder believes are material to the transaction; and
- k) in the case of an Investment Proposal, it identifies the following:
 - i. a description of how the Phase 1 Qualified Bidder proposes to structure the proposed investment, restructuring, recapitalization or refinancing;
 - ii. the aggregate amount of the equity and/or debt investment to be made in the F&F Entities or their Business;
 - iii. the underlying assumptions regarding the pro forma capital structure;

- iv. a description of those liabilities and obligations (including operating liabilities, obligations to employees, and reclamation obligations) which the Phase 1 Qualified Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - v. information sufficient for the Monitor, in consultation with the F&F Entities, to determine that the Phase 1 Qualified Bidder has sufficient ability to satisfy and perform any liabilities or obligations assumed pursuant to subparagraph (iv) above;
 - vi. whether the proposed transaction is to be implemented by way of a "reverse vesting order"; and
 - vii. any other terms or conditions of the Investment Proposal that the Phase 1 Qualified Bidder believes are material to the transaction.
15. The Monitor, in consultation with the F&F Entities and the DIP Lender, may waive compliance with any one or more of the requirements specified in subparagraphs 14.j) and/or 14.k) and deem any such non-compliant LOI to be a Phase 1 Qualified Bid.
16. Notwithstanding subparagraph 14.g)ii in the circumstance that a Phase 1 Qualified Bid does not provide for net cash proceeds that are at least equal to the Minimum Purchase Price, the F&F Entities and the Monitor will consult with the DIP Lender and, subject to the prior written consent of the DIP Lender, may elect that such Phase 1 Qualified Bid be nevertheless considered to be a Phase 1 Satisfactory Bid (as defined below) and that the applicable Phase 1 Qualified Bidder proceed as Phase 2 Qualified Bidder (as defined below).

Assessment of Phase 1 Qualified Bids and Subsequent Process

17. The Monitor, in consultation with the F&F Entities may, following the receipt of any LOI, seek clarification with respect to any of the terms or conditions of such LOI and/or request and negotiate one or more amendments to such LOI prior to determining if the LOI should be considered a Phase 1 Qualified Bid or a Phase 1 Satisfactory Bid (as defined below).
18. Only Phase 2 Qualified Bidders will be permitted to proceed to Phase 2 of the SISF. The Stalking Horse Agreement shall constitute a Phase 1 Qualified Bid and the Stalking Horse Bidder shall be deemed to be a Phase 2 Qualified Bidder for all purposes under the SISF, including the Auction, notwithstanding anything to the contrary contained herein.
19. Following the Phase 1 Bid Deadline, the Monitor, in consultation with the F&F Entities, will determine which Phase 1 Qualified Bid(s) shall proceed to Phase 2 of the SISF and be deemed a **"Phase 1 Satisfactory Bid(s)"** and which Phase 1 Qualified Bidder(s) accordingly will be deemed **"Phase 2 Qualified Bidder(s)"**, if any. For greater certainty, there can be more than one Phase 1 Qualified Bid that may be determined as being a Phase 1 Satisfactory Bid, and more than one Phase 1 Qualified Bidder that may be determined as being a Phase 2 Qualified Bidder. The Monitor will notify each Phase 1 Qualified Bidder in writing as to whether its Phase 1 Qualified Bid constitutes a Phase 1 Satisfactory Bid - such that it is a Phase 2 Qualified Bidder - no later than one (1) Business Day following the Phase 1 Bid Deadline, or at such later time as the Monitor deems

appropriate, in consultation with the F&F Entities and with the authorization of the Stalking Horse Bidder, acting reasonably.

20. In the event that no Phase 1 Satisfactory Bid is selected (other than the one from the Stalking Horse Bidder), the F&F Entities will promptly proceed to seek Court approval of the Stalking Horse Agreement and Phase 2 of the SISP will not be conducted.

PHASE 2: FORMAL OFFERS AND REMOVAL OF CONDITIONS (IF REQUIRED)

Formal Binding Offers

21. Any Phase 2 Qualified Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer with respect to its Sale Proposal or Investment Proposal must submit a binding offer (a "**Binding Offer**"): (a) in the case of a Sale Proposal, in the form of a template agreement of purchase and sale if one is provided in the VDR (if any), along with a marked version showing edits to the original form of the template provided in the VDR and otherwise with a marked version compared to the Stalking Horse Agreement; or (b) in the case of an Investment Proposal, a plan or restructuring support agreement in form and substance satisfactory to the Monitor, in consultation with the F&F Entities (each, such Binding Offer submitted in accordance with paragraph 22 below, a "**Phase 2 Qualified Bid**") in each case to the Monitor, by August 11, 2023, or such other date or time as may be agreed by the Monitor in consultation with the F&F Entities and with the authorization of the DIP Lender, acting reasonably (as may be extended, the "**Phase 2 Bid Deadline**").
22. A Binding Offer will only be considered as a Phase 2 Qualified Bid if the Binding Offer:
 - a) has been received by the Phase 2 Bid Deadline;
 - b) is a Binding Offer: (i) to purchase all, substantially all, or a portion of the Property or the Business; and/or (ii) to make an investment in, restructure, recapitalize or refinance the F&F Entities or the Business, on terms and conditions reasonably acceptable to the F&F Entities;
 - c) identifies all executory contracts of the F&F Entities that the Phase 2 Qualified Bidder will assume and clearly describes, for each contract or on an aggregate basis, how all monetary defaults and non-monetary defaults will be remedied, as applicable;
 - d) is not subject to any financing condition;
 - e) is unconditional, other than upon the receipt of the Approval Order(s) (as defined below) and satisfaction of any other conditions expressly set forth in the Binding Offer;
 - f) it contains or identifies the key terms and provisions to be included in any Approval Order, including whether such order will be a "reverse vesting order";
 - g) includes acknowledgments and representations of the Phase 2 Qualified Bidder that it: (i) has had an opportunity to conduct any and all due diligence regarding the Opportunity prior to making its Binding Offer; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the

Business in making its Binding Offer; (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Opportunity or the completeness of any information provided in connection therewith, other than as expressly set forth in the Binding Offer or other transaction document submitted with the Binding Offer; and (iv) promptly will commence any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities, including those regulating in the cannabis sector;

- h) provides for net cash proceeds that are not less than the Minimum Purchase Price; unless it is a part of a bid that qualifies as an Aggregated Bid, as the case may be, in which case the total net cash proceeds of the Aggregated Bids will be not less than the Minimum Purchase Price;
- i) is accompanied by a letter that confirms that the Binding Offer: (i) may be accepted by the F&F Entities by countersigning the Binding Offer, and (ii) is irrevocable and capable of acceptance until the earlier of (A) two business days after the date of closing of the Successful Bid; and (B) the Outside Date;
- j) does not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections;
- k) in the case of a Sale Proposal, includes:
 - i. the specific purchase price in Canadian dollars and a description of any non-cash consideration, including any future royalty payments or other deferred payment, details of any liabilities to be assumed by the Phase 2 Qualified Bidder and key assumptions supporting the valuation; provided that if the purchase price involves a royalty, earn-out or other deferred payment, the Sale Proposal shall include a specific indication of the Phase 2 Qualified Bidder's proposal and/or commitments for and relating to obtaining necessary regulatory approvals and the Bidder's commercialization strategy, manufacturing capabilities, proposed sale milestones and minimum sale amounts, budget and/or commitment for capital expenditures, direct marketing and sales initiatives and support and proposed product positioning within the Potential Bidder's current product portfolio;
 - ii. a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - iii. a specific indication of the sources of capital for the Phase 2 Qualified Bidder and the structure and financing of the transaction; and
 - iv. a description of those liabilities and obligations (including operating liabilities) which the Phase 2 Qualified Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;

- l) in the case of an Investment Proposal, includes:
 - i. a description of how the Phase 2 Qualified Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
 - ii. the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;
 - iii. the underlying assumptions regarding the pro forma capital structure;
 - iv. a specific indication of the sources of capital for the Phase 2 Qualified Bidder and the structure and financing of the transaction; and
 - v. a description of those liabilities and obligations (including operating liabilities) which the Phase 2 Qualified Bidder intends to assume and which liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - m) is accompanied by a deposit in the amount of not less than 10% of the cash purchase price payable on closing or total new investment contemplated, as the case may be (the "**Deposit**"), along with acknowledgement that (i) if the Phase 2 Qualified Bidder is selected as the Successful Bidder, that the Deposit will be non-refundable subject to approval of the Successful Bid by the Court and the terms described in paragraph 32 below; and (ii) if the Phase 2 Qualified Bidder is selected as the Back-Up Bidder, that the Deposit will be held and dealt with as described in paragraph 32 below; and
 - n) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on or before September 8, 2023, or such earlier date as is practical for the parties to close the contemplated transaction, following the satisfaction or waiver of the conditions to closing (the "**Target Closing Date**") and in any event no later than September 15, 2023 (the "**Outside Date**").
23. The F&F Entities may not waive compliance with any one or more of the requirements specified above (except as provided by paragraph 24 below) and may not deem any non-compliant Binding Offer to be a Phase 2 Qualified Bid.
24. Notwithstanding subparagraph 22.h) in the circumstance that a Phase 2 Qualified Bid does not provide for net cash proceeds that are at least equal to the Minimum Purchase Price, the F&F Entities and the Monitor will consult with the DIP Lender and, subject to the prior written consent of the DIP Lender, may elect that such Phase 2 Qualified Bid be nevertheless considered as a potential Successful Bid and be entitled to participate in the Auction.

Selection of Successful Bid

25. The Monitor, in consultation with the F&F Entities, may, following the receipt of any Binding Offer, seek clarification with respect to any of the terms or conditions of such Binding Offer and/or request and negotiate one or more amendments to such Binding Offer prior to determining if the Binding Offer should be considered a Phase 2 Qualified Bid.

26. The F&F Entities and the Monitor will: (a) review and evaluate each Phase 2 Qualified Bid; (b) identify the highest or otherwise best bid (the "**Successful Bid**", and the Phase 2 Qualified Bidder making such Successful Bid, the "**Successful Bidder**"); and (c) identify the next highest or otherwise second best bid (the "**Back-Up Bid**", and the Phase 2 Qualified Bidder making such Back-Up Bid, the "**Back-Up Bidder**"), in each case pursuant to the paragraphs below. Any Successful Bid and Back-Up Bid will be subject to approval by the Court.
27. In the event that no Phase 2 Qualified Bid is selected (other than the Stalking Horse Bid), the F&F Entities will promptly seek Court approval of the Stalking Horse Agreement. In the event there is at least one Phase 2 Qualified Bid in addition to the Stalking Horse Bid, the Monitor, in consultation with the F&F Entities may determine the Successful Bid or may determine that the Successful Bid will be identified through an Auction in accordance with the procedure set out below.
28. In the event that an auction (the "**Auction**") is required in accordance with the terms of these Bidding Procedures, it will be conducted in accordance with the procedures set forth in this paragraph:
 - a) The Auction will commence at a time to be designated by the Monitor, on August 15, 2023, and may, in the discretion of the Monitor, be held virtually via videoconference, teleconference or such other reasonable means as the Monitor deems appropriate. The Monitor and the F&F Entities will work in good faith with the parties entitled to attend the Auction to arrange for the Auction to be so held. The Monitor, with the consent of the F&F Entities and of the DIP Lender, may postpone the Auction.
 - b) The identity of each Phase 2 Qualified Bidder participating in the Auction will be disclosed, on a confidential basis, to other Phase 2 Qualified Bidders participating in the Auction.
 - c) Except as otherwise permitted in the Monitor's discretion, only the F&F Entities, the Monitor and the Phase 2 Qualified Bidders, and, in each case, their respective professionals and representatives, will be entitled to attend the Auction. Only Phase 2 Qualified Bidders (including, for greater certainty, the Stalking Horse Bidder) are eligible to participate in the Auction.
 - d) Phase 2 Qualified Bidders will participate in the Auction through a duly authorized representative.
 - e) Except as otherwise set forth herein, the Monitor, in consultation with the F&F Entities, may waive and/or employ and announce at the Auction additional rules, including rules to facilitate the participation of parties participating in an Aggregated Bid, that are reasonable under the circumstances for conducting the Auction, provided that such rules are: (i) not inconsistent with the Initial Order, the SISP, the Bidding Procedures, the CCAA, or any order of the Court issued in connection with the CCAA Proceedings; (ii) disclosed to each Phase 2 Qualified Bidder; and (iii) designed, in the Monitor's business judgment, to result in the highest and otherwise best offer.

- f) The Monitor may arrange for the actual bidding at the Auction to be transcribed or recorded. Each Phase 2 Qualified Bidder participating in the Auction will designate a single individual to be its spokesperson during the Auction.
- g) Each Phase 2 Qualified Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with the F&F Entities or any other person, without the consent of the F&F Entities and the Monitor, regarding the SISP, that has not been disclosed to all other Phase 2 Qualified Bidders. For greater certainty, communications between the Stalking Horse Bidder and either the F&F Entities or the Monitor with respect to and in preparation of the Stalking Horse Agreement, the SISP, the Bidding Procedures and other ancillary matters prior to the issuance of the SISP Order and the commencement of the SISP will not represent collusion nor communications prohibited by this paragraph.
- h) Prior to the Auction, the Monitor will identify, in consultation with the F&F Entities, the highest and best of the Phase 2 Qualified Bids received and such Phase 2 Qualified Bid will constitute the opening bid for the purposes of the Auction (the "**Opening Bid**"). Subsequent bidding will continue in minimum increments valued at not less than \$250,000 cash in excess of the Opening Bid. For the purposes of facilitating bidding, the Monitor, with the consent of the F&F Entities and subject to the reimbursement in payment in full, in cash at closing, of the Purchaser, or with the prior written consent of the Purchaser, may ascribe a monetary value to non-cash considerations of each of the Phase 2 Qualified Bids, including by way of example, to different levels of conditionality to closing. Each Phase 2 Qualified Bidder (other than the Stalking Horse Bidder) will provide evidence of its financial wherewithal and ability to consummate the transaction at the increased purchase price, if so requested by the Monitor, in consultation with the F&F Entities. Further, in the event that an Aggregated Bid qualifies to participate in the Auction, modifications to the bidding requirements may be made by the Monitor, in consultation with the F&F Entities, to facilitate bidding by the participants in the Aggregated Bid.
- i) All Phase 2 Qualified Bidders will have the right, at any time, to request that the Monitor announce, subject to any potential new bids, the then-current highest and best bid and, to the extent requested by any Phase 2 Qualified Bidder, use reasonable efforts to clarify any and all questions such Phase 2 Qualified Bidder may have regarding the Monitor's announcement of the then-current highest and best bid.
- j) Each participating Phase 2 Qualified Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Phase 2 Qualified Bidder. The Monitor, in consultation with the F&F Entities, shall determine which Phase 2 Qualified Bidders have submitted the (i) highest and otherwise best Phase 2 Qualified Bid of the Auction, and (ii) the next highest and otherwise second best Phase 2 Qualified Bid of the Auction, in each case, taking into account, as the case may be, the monetary value of the non-cash considerations as determined in accordance with subparagraph 28.h). At such time and upon the conclusion of the bidding, the Auction will be closed, and the final remaining Phase 2 Qualified

Bidder will be the Successful Bidder and the next highest and otherwise second best Phase 2 Qualified Bidder will be the Back-Up Bidder.

- k) Upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Monitor will require the Successful Bidder and the Back-Up Bidder, if any, to each deliver, as soon as practicable, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the application material for the hearing to consider the Approval Motion.
 - l) The Monitor and the F&F Entities will not consider any bids submitted after the conclusion of the Auction.
 - m) The Monitor, in consultation with the Applicants, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions.
29. The Successful Bid and the Back-Up Bid will be selected by no later than 5:00 p.m. (Eastern Time) on August 17, 2023 and the completion and execution of definitive documentation in respect of the Successful Bid and the Back-Up Bid, as applicable, must be finalized and executed no later than September 4, 2023, which definitive documentation will be conditional only upon the receipt of the Approval Order(s) and the express conditions set out therein and will provide that the Successful Bidder will use all reasonable efforts to close the proposed transaction by no later than the Target Closing Date, or such longer period as may be agreed to by the Monitor, in consultation with the F&F Entities and the Successful Bidder. In any event, the Successful Bid must be closed by no later than the Outside Date. If a Back-Up Bid is identified in accordance with this SISF, then such Back-Up Bid shall remain open until the date (the "**Back-Up Bid Outside Date**") on which the transaction contemplated by the Successful Bid is consummated or such earlier date as the Monitor, in consultation with the F&F Entities, determines. If the transactions contemplated by the Successful Bid have not closed by the Outside Date or the Successful Bids is terminated for any reason prior to the Outside Date, the F&F Entities may elect, in consultation with the Monitor, to seek to complete the transactions contemplated by the Back-Up Bid, and will promptly seek to close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the F&F Entities will be deemed to have accepted the Back-Up Bid only when the F&F Entities have made such election.

Approval of Successful Bid

30. The F&F Entities will apply to the Court (the "**Approval Motion**") for one or more orders: (i) approving the Successful Bid and authorizing the taking of such steps and actions and completing such transactions as are set out therein or required thereby (such order shall also approve the Back-Up Bid(s), if any, should the Successful Bid not close for any reason); and (ii) granting a vesting order and/or reverse vesting order to the extent that such relief is contemplated by the Successful Bid so as to vest title to any purchased assets in the name of the Successful Bidder and/or vesting unwanted liabilities out of one or more of the F&F Entities (collectively, the "**Approval Order(s)**"). The Approval Motion will be held on a date to be scheduled by the F&F Entities and confirmed by the Court upon application by the F&F Entities. With the consent of the Monitor and the Successful Bidder, and in consultation with the DIP Lender, the Approval Motion may be adjourned

or rescheduled by the F&F Entities without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice to the service list of the CCAA proceedings prior to the Approval Motion. The F&F Entities will consult with the Monitor, the DIP Lender and the Successful Bidder regarding the application material to be filed by the F&F Entities for the Approval Motion.

31. All Phase 2 Qualified Bids (other than the Successful Bid but including the Back-Up Bid) will be deemed rejected on and as of the date of the closing of the Successful Bid, with no further or continuing obligation of the F&F Entities to any unsuccessful Phase 2 Qualified Bidders.

Deposits

32. The Deposit(s):
- a) will, upon receipt from the Phase 2 Qualified Bidder(s), be retained by the Monitor and deposited in a non-interest-bearing trust account;
 - b) received from the Successful Bidder and the Back-Up Bidder, if any, will:
 - i. be applied to the purchase price to be paid by the applicable Successful Bidder or Back-Up Bidder whose Successful Bid or Back-Up Bid, as applicable, is the subject of the Approval Order(s), upon closing of the approved transaction; and
 - ii. otherwise be held and refundable in accordance with the terms of the definitive documentation in respect of any Successful Bid or Back-Up Bid, provided that (i) all such documentation will provide that the Deposit will be fully refunded to the Back-Up Bidder on the Back-Up Bid Outside Date; and (ii) all such documentation will provide that the Deposit will be retained by the F&F Entities and forfeited by the Successful Bidder, if the Successful Bid fails to close by the Outside Date, and such failure is attributable to any failure or omission of the Successful Bidder to fulfil its obligations under the terms of the Successful Bid;
 - c) received from the Phase 2 Qualified Bidder(s) that are not the Successful Bid or the Back-Up Bidder will be fully refunded, to the Phase 2 Qualified Bidder(s) that paid the Deposit(s) as soon as practical following the closing of the Successful Bid.
33. Notwithstanding anything to the contrary herein, the Stalking Horse Bidder will not be required to provide a Deposit.

"As is, Where is"

34. Any sale (or sales) of the Property or the Business will be on an "as is, where is" basis except for representations and warranties that are customarily provided in purchase agreements for a company subject to CCAA proceedings. Any such representations and warranties provided for in the definitive documents will not survive closing.

Free of Any and All Claims And Interests

35. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of the F&F Entities in and to the Property or the Business to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the "**Claims and Interests**") pursuant to section 36(6) of the CCAA, such Claims and Interests to attach to the net proceeds of the sale of such Property or Business (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant transaction documents with a Successful Bidder.

Credit Bidding

36. The Stalking Horse Bidder will be entitled pursuant to the Stalking Horse Agreement, including for greater certainty as part of the Auction, as the case may be, to credit bid or retain as Assumed Liabilities or Retained Liabilities all or part of the existing secured obligations owing to it, including all interest, costs and fees to which the Stalking Horse Bidder is entitled pursuant to its loan, interim financing, debenture, promissory note and security agreements with the F&F Entities.

Confidentiality

37. For greater certainty, other than as required in connection with any Auction or Approval Motion, neither the F&F Entities nor the Monitor will disclose: (i) the identity of any Potential Bidder, or Phase 1 Qualified Bidder (other than the Stalking Horse Bidder); or (ii) the terms of any bid, LOI, Phase 1 Qualified Bid, Sale Proposal, Investment Proposal or Phase 2 Qualified Bid (other than the Stalking Horse Agreement), with any other bidder (provided that disclosure may be made to the DIP Lender when contemplated, by the SISP, such as in the event that no single Phase 1 Qualified Bid or Phase 2 Qualified Bid provides for net cash proceeds that are at least equal to the Minimum Purchase Price) without the consent of such party (including by way of email), subject to applicable law.

Further Orders

38. At any time during the SISP, the F&F Entities, the DIP Lender or the Monitor may apply to the Court for advice and directions with respect to any aspect of this SISP including, but not limited to, the continuation of the SISP or with respect to the discharge of its powers and duties hereunder.

Additional Terms

39. In addition to any other requirement of the SISP:
- a) The F&F Entities and the Monitor, as applicable, will at all times prior to the selection of a Successful Bid use commercially reasonable efforts to facilitate a competitive bidding process in the SISP including, without limitation, by actively soliciting participation by all persons who would be customarily identified as high potential bidders in a process of this kind or who may be reasonably proposed by any of the F&F Entities' stakeholders as a high potential bidder.
 - b) Any consent, approval or confirmation to be provided by the Stalking Horse Bidder, the F&F Entities and/or the Monitor is ineffective unless provided in writing and any approval required pursuant to the terms hereof is in addition to, and not in

substitution for, any other approvals required by the CCAA or as otherwise required at law in order to implement a Successful Bid. For the avoidance of doubt, a consent, approval or confirmation provided by email will be deemed to have been provided in writing for the purposes of this paragraph.

- c) Prior to seeking Court approval for any transaction or bid contemplated by this SISP, the Monitor will provide a report to the Court on the SISP process, parts of which may be filed under seal, including in respect of any and all bids received.

APPENDIX A
DEFINED TERMS

"**Aggregated Bids**" has the meaning given to it in paragraph 14.g)ii.

"**Approval Motion**" has the meaning given to it in paragraph 30.

"**Approval Order(s)**" has the meaning given to it in paragraph 30

"**Auction**" has the meaning given to it in paragraph 28.

"**Back-Up Bid**" has the meaning given to it in paragraph 26.

"**Back-Up Bidder**" has the meaning given to it in paragraph 26.

"**Back-Up Bid Outside Date**" has the meaning given to it in paragraph 29.

"**Bid**" has the meaning given to it in the preamble.

"**Bidding Procedures**" has the meaning given to it in the preamble.

"**Binding Offer**" has the meaning given to it in paragraph 21.

"**Business**" has the meaning given to it in the preamble.

"**Business Day**" means a day on which banks are open for business in Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

"**CCAA**" has the meaning given to it in the preamble.

"**CCAA Proceedings**" has the meaning given to it in the preamble.

"**Claims and Interests**" has the meaning given to it in paragraph 35.

"**Court**" has the meaning given to it in the preamble.

"**Deposit**" has the meaning given to it in paragraph 22.1).

"**DIP Lender**" means 2797031 Ontario Inc., and its successors and permitted assigns.

"**F&F Entities**" has the meaning given to it in the preamble.

"**Financing Party**" has the meaning given to it in paragraph 9.

"**Initial Order**" has the meaning given to it in the preamble.

"**Investment Proposal**" has the meaning given to it in paragraph 14.g)i.

"**LOI**" has the meaning given to it in paragraph 13.

"**Monitor**" has the meaning given to it in the preamble.

"**Minimum Purchase Price**" has the meaning given to it in paragraph 14.g)ii.

"**NDA**" has the meaning given to it in paragraph 6.d).

"**Opening Bid**" has the meaning given to it in paragraph 28.h).

"**Opportunity**" has the meaning given to it in paragraph 2.

"**Outside Date**" has the meaning given to it in paragraph 22.n).

"**Partial Sale Proposal**" has the meaning given to it in paragraph 14.g)i.

"**Phase 1 Bid Deadline**" has the meaning given to it in paragraph 13.

"**Phase 1 Qualified Bid**" has the meaning given to it in paragraph 13.

"**Phase 1 Qualified Bidder**" has the meaning given to it in paragraph 10.

"**Phase 1 Satisfactory Bid**" has the meaning given to it in paragraph 19.

"**Phase 2 Bid Deadline**" has the meaning given to it in paragraph 21.

"**Phase 2 Qualified Bid**" has the meaning given to it in paragraph 21.

"**Phase 2 Qualified Bidder**" has the meaning given to it in paragraph 19.

"**Potential Bidder**" has the meaning given to it in paragraph 9.

"**Retained Liabilities**" has the meaning given to it in the Stalking Horse Agreement.

"**Sale Proposal**" has the meaning given to it in paragraph 14.g)i.

"**SISP**" has the meaning given to it in the preamble.

"**SISP Order**" has the meaning given to it in the preamble.

"**Stalking Horse Agreement**" has the meaning given to it in the preamble.

"**Stalking Horse Bidder**" has the meaning given to it in the preamble.

"**Successful Bid**" has the meaning given to it in paragraph 26.

"**Successful Bidder**" has the meaning given to it in paragraph 26.

"**Target Closing Date**" has the meaning given to it in paragraph 22.i).

"**Teaser Letter**" has the meaning given to it in paragraph 11.

"**VDR**" has the meaning given to it in paragraph 8.

Court File No. _____

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

AND IN THE MATTER OF PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT TORONTO

**ORDER
(Re: SISP Approval Order)**

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AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**MOTION RECORD OF THE APPLICANTS
(RE: COMEBACK HEARING)
(RETURNABLE JUNE 15, 2023)**

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