

Court File No.: CV-24-00717664-00CL

**HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD.,
HERITAGE CANNABIS WEST CORPORATION, MAINSTRAIN
MARKET LTD., HERITAGE CANNABIS EAST CORPORATION,
PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450
REALTY INC., HERITAGE CANNABIS EXCHANGE CORP., AND
PREMIUM 5 LTD.**

**FIRST REPORT OF KPMG INC.,
IN ITS CAPACITY AS MONITOR**

April 10, 2024

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2024**

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Court File No.: CV-24-00717664-00CL

**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
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450 REALTY
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

**FIRST REPORT OF KPMG INC.
IN ITS CAPACITY AS MONITOR**

April 10, 2024

I. INTRODUCTION

1. On April 2, 2024 (the “**Filing Date**”), the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an order (the “**Initial Order**”) granting Heritage Cannabis Holdings Corp. (“**Heritage**”), 1005477 B.C. Ltd. (“**1005**”), Mainstrain Market Ltd. (“**Mainstrain**”), Purefarma Solutions Inc. (“**Purefarma**”), 333 Jarvis Realty Inc. (“**333**”), 5450 Realty Inc. (“**5450**”), Premium 5 Ltd. (“**Premium**”), Heritage Cannabis Exchange Corp. (“**HCEC**”), Heritage Cannabis East Corporation (formerly CannaCure Corporation) (“**Heritage East**”), and Heritage Cannabis West Corporation (formerly Voyage Cannabis Corp.) (“**Heritage West**” and collectively, the “**Applicants**”) protection pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) and appointing KPMG Inc. (“**KPMG**”) as Monitor of the Applicants in the CCAA proceedings (in such capacity, the “**Monitor**”). The Initial Order provides a stay of proceedings in respect of the Applicants, and certain direct and indirect subsidiaries of the Applicants in the U.S., to and including April 12, 2024.
2. KPMG, in its capacity as Proposed Monitor, provided this Court with a report dated April 2, 2024 (the “**Pre-Filing Report**”) that contained information on, *inter alia*, limited background information in respect of the operations, financial position and creditors of the Applicants, an overview of the Applicants’ 13-week cash-flow forecast, and the Proposed Monitor’s associated conclusions and recommendations. A copy of the Pre-Filing Report (without exhibits) is attached as **Appendix “A”** to this report.
3. The Court scheduled a comeback hearing to be heard on April 11, 2024 (the “**Comeback Hearing**”). At the Comeback Hearing, the Applicants are seeking an Amended and Restated Initial Order (the “**ARIO**”) that, among other things:
 - (a) approves the terms of an interim senior secured, super-priority financing facility (the “**DIP Facility**”) to be provided by BJK Holdings Ltd. (“**BJK**”) to the Applicants in order to finance their working capital requirements and other general corporate purposes and restructuring costs, pursuant to a DIP facility term sheet dated April 10, 2024 (the “**DIP Term Sheet**”);

- (b) grants a charge to secure the obligations owing by the Applicants under the DIP Term Sheet (the “**DIP Lender’s Charge**”);
 - (c) approves the terms of the proposed key employee retention plan (the “**KERP**”) to be extended by the Applicants to certain employees and management personnel;
 - (d) increases the quantum of the Administration Charge to \$0.5 million;
 - (e) increases the quantum of the Directors’ Charge to \$1.9 million;
 - (f) relieves Heritage from any obligations to call and hold its annual general meeting of shareholders (“**AGM**”); and
 - (g) extends the Stay Period to and including June 30, 2024.
4. At the Comeback Hearing, the Applicants are also seeking an Order (the “**SISP Order**”) that, among other things:
- (a) approves the stalking horse subscription agreement dated April 10, 2024 (the “**Stalking Horse Agreement**”) among Heritage and Heritage West, as vendors (the “**Vendors**”), BJK, and Hab Cann Holdings Ltd., as purchaser (the “**Stalking Horse Bidder**”); and
 - (b) approves the sale and investment solicitation process (the “**SISP**”), in which the Stalking Horse Agreement will serve as the “Stalking Horse Bid”.
5. Copies of materials and documents filed in connection with these CCAA proceedings are available on the Monitor’s website at <https://kpmg.com/ca/heritage> (the “**Case Website**”) In addition, KPMG has arranged for a toll-free hotline (1-833-668-2870) and an email address heritage@kpmg.ca through which creditors of the Applicants or other interested parties can make inquires related to the CCAA proceedings.

II. PURPOSE OF REPORT

6. The purpose of this report (the “**First Report**”) is to provide the Court with information pertaining to:

- (a) an overview of the activities of the Applicants and the Monitor since the issuance of the Initial Order;
- (b) an update on the Applicants' operations since the issuance of the Initial Order, including an overview of actual cash receipts and disbursements;
- (c) the cash flow projections for the Applicants (the "**Updated Cash Flow Forecast**") for the period from April 8, 2024 to July 5, 2024 (the "**Forecast Period**");
- (d) an overview of the material terms of the Stalking Horse Agreement, which subject to the approval of this Court, is proposed to act as the stalking horse offer in the proposed SISP;
- (e) an outline of the proposed SISP to be carried out by the Monitor and a description of the bidding procedures (the "**Bidding Procedures**") to be used in connection therewith;
- (f) an overview of the proposed KERP;
- (g) a summary of the amendments sought by the Applicants pursuant to the proposed ARIO; and
- (h) the Monitor's recommendations regarding the relief sought by the Applicants at the Comeback Hearing.

III. TERMS OF REFERENCE

7. In preparing this First Report, KPMG has relied solely on information and documents provided to it by the Applicants and their respective advisors, including unaudited, draft and/or internal financial information, financial projections prepared by the Applicants, discussions with management of the Applicants, and the affidavit of the Applicants' executive (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the First Report, KPMG has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, KPMG has not audited or otherwise attempted to verify the accuracy or

completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards (“GAAS”) pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, KPMG expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

8. Capitalized terms used but not defined in the First Report are defined in the Pre-Filing Report or in the Affidavit of Mr. David Schwede sworn April 9, 2024 (the “**April 9 Schwede Affidavit**”), filed by the Applicants as part of its materials in support of the ARIO and the SISP Order. The First Report should be read in conjunction with the April 9 Schwede Affidavit, as certain information contained in the April 9 Schwede Affidavit has not been included herein in order to avoid unnecessary duplication.
9. Future orientated financial information contained in the Updated Cash Flow Forecast is based on the Applicants’ estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Monitor expresses no assurance as to whether the Updated Cash Flow Forecast will be achieved.
10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. ACTIVITIES OF THE APPLICANTS

11. Since the date of the Initial Order, the Applicants, with the assistance of the Monitor, have been managing their operations in the normal course and working to stabilize the business as a result of the CCAA Proceedings. The Applicants’ primary focus, in addition to managing relationships with key stakeholders and addressing operational issues arising in connection with the announcement of the commencement of the CCAA proceedings, has been to assist the Monitor with the preparation of the SISP.
12. As outlined in the April 9 Schwede Affidavit, the activities of the Applicants have included:
 - (a) managing key relationships with customers and suppliers, and operating the business in accordance with the terms of the Initial Order;

- (b) disseminating a press release to inform investors and other interested parties that the Applicants have obtained protection pursuant to the CCAA;
- (c) working with the Monitor to manage their cash flows and making payments to suppliers in accordance with the Initial Order;
- (d) arranging payment, in consultation with the Monitor and BJK, to certain suppliers on account of pre-filing amounts which are critical to the Applicants' business and operations continuing as a going concern;
- (e) working with and corresponding regularly with representatives of the Monitor regarding numerous issues in the CCAA proceedings, including planned disbursements and the preparation of the Updated Cash Flow Forecast;
- (f) communicating with and providing information to various employees regarding the CCAA proceedings;
- (g) assisting the Monitor with the development of the SISP;
- (h) developing the KERP for senior management and employees that are critical to maintaining the going concern operations of the Applicants and key to supporting the SISP; and
- (i) negotiating the terms of the DIP Term Sheet and the Stalking Horse Agreement.

V. ACTIVITIES OF THE MONITOR

13. Since the date of the Initial Order, the Monitor's activities have included:

- (a) making arrangements to have notice of the CCAA proceedings published in the Globe and Mail, as required pursuant to the Initial Order;
- (b) sending a notice on April 8, 2024 of the CCAA proceedings to all known creditors with claims greater than \$1,000 against the Applicants. Notice was also sent to other creditors, including various cannabis regulatory entities, government bodies and any other party that requested a copy;

- (c) filing prescribed documents with the Office of the Superintendent of Bankruptcy pursuant to the CCAA;
- (d) maintaining the Case Website where all Court documents and other material documents pertaining to the CCAA proceedings are available in electronic form;
- (e) implementing procedures for the monitoring of the Applicants' cash flows and to allow for payments in accordance with the terms of the Initial Order;
- (f) assisting the Applicants with the preparation of the Updated Cash Flow Forecast;
- (g) assisting the Applicants with their communications with stakeholders, including vendors and key partners;
- (h) participating in discussions and negotiations on the terms of the Stalking Horse Agreement and the SISP with the Stalking Horse Bidder and its legal counsel, and the Applicants and their legal counsels;
- (i) engaging with the Monitor's legal counsel, Blake, Cassels & Graydon LLP ("**Blakes**") regarding matters related to the CCAA Proceedings, including the DIP Term Sheet, the SISP, the Stalking Horse Agreement and the review of BJK's pre-filing security;
- (j) engaging with the Department of Justice on behalf of the Canada Revenue Agency ("**CRA**") regarding matters related to the CCAA proceedings, including the Licences and the BCLDB RTP (as defined herein);
- (k) preparing materials required to conduct the SISP and preparing a list of potential bidders;
- (l) reviewing materials filed by the Applicants in connection with the Comeback Hearing; and
- (m) preparing this First Report.

VI. UPDATED CASH FLOW FORECAST

Payment of Pre-Filing Amounts

14. Total receipts between April 3 and April 5, 2024 were approximately \$0.6 million from accounts receivable and the Debtors made payments totalling approximately \$0.9 million including in respect of production and operating costs (\$0.84 million), salary and wages (\$0.04 million) and professional fees (\$0.02 million).
15. In consultation with the Monitor and BJK, the Debtors made payments totalling approximately \$0.7 million to certain suppliers on account of pre-filing amounts which are critical to the Applicants' business and operations continuing as a going concern. As detailed in the Pre-Filing Report, the timing of the Applicants' filing (the beginning of the month) interrupted the ordinary payment cadence for many of these critical suppliers, who in the ordinary course of business would have been paid on April 1 or April 2.

Reduction in Receipts – Heritage East and Heritage West

16. The Applicants' aggregate expected receipts prior to the CCAA proceedings were lower than forecast as a result of ongoing enforcement proceedings by the CRA against Heritage West and Heritage East, pursuant to two "requirements to pay" issued by the CRA to the British Columbia Liquor Distribution Branch (the "BCLDB" and the "BCLDB RTP") on or about March 5, 2024 (i.e.: prior to the commencement of the CCAA proceedings).
17. As discussed in the Affidavit of David Schwede, sworn April 2, 2024 at paragraphs 125 – 127, the BCLDB owed Heritage West approximately \$298,141 and owed Heritage East approximately \$16,091, as of March 28, 2024. The Monitor understands that pursuant to the operation of the *Excise Tax Act* (Canada) and the BCLDB RTP, 40% of the pre-filing amounts owing by BCLDB to Heritage West and Heritage East are required to be paid by BCLDB to the CRA, notwithstanding the CCAA Proceedings or the stay therein.
18. The Monitor has had preliminary but constructive discussions with the Department of Justice (representing the CRA) regarding the BCLDB RTPs (among other things), and has recently learned that the BCLDB RTPs were both cancelled by the CRA on March 27,

2024. The Monitor is expecting documentary evidence supporting the cancellation shortly. The Monitor will continue to stay in open communication with the CRA, and will update the Court on any issues that arise.

Security Review

19. As noted in the Pre-Filing Report, the Monitor instructed Blakes to conduct a review of the security granted by certain of the Applicants to BJK pursuant to general security agreements with respect to the Provinces of British Columbia, Alberta and Ontario. Blakes has provided the Monitor with a written opinion that, subject to the typical assumptions and qualifications for opinions of this nature, such security interest constitutes a valid and enforceable security, and that the necessary registrations have been made in the applicable provinces in order to perfect or evidence such security (the “**Security Review Opinion**”).
20. The Monitor will make a copy of the Security Review Opinion available to any party with an interest in it, subject to receiving a signed confirmation of non-reliance by the recipient party, and will make available a copy of the Security Review Opinion to the Court upon request.

Updated Cash Flow Forecast

21. The Applicants, in consultation with the Monitor, have prepared the Updated Cash Flow Forecast for the purpose of projecting the estimated liquidity needs of the Applicants’ during the Forecast Period. A copy of the Updated Cash Flow Forecast, accompanying notes and a report containing prescribed representations regarding the preparation of the Updated Cash Flow Forecast are attached hereto as **Appendix “B”**.
22. The Updated Cash Flow Forecast has been prepared by the Applicants on a conservative basis using probable and hypothetical assumptions set out in the notes to the Updated Cash Flow Forecast.
23. The Applicants had a cash balance of approximately \$3.3 million as at April 8, 2024. Forecast operating cash receipts over the Forecast Period total approximately \$11.7 million related to the collection of accounts receivable, including from future sales.

24. Forecast operating disbursements over the Forecast Period total approximately \$14.8 million and primarily consist of production and operating costs (\$7.9 million), including an additional \$0.8 million for critical pre-filing payments in accordance with the terms of the Initial Order, employee costs (\$2.7 million), excise taxes for accrued or collected amounts after the date of the Initial Order (\$2.6 million), sales taxes in accordance with the Initial Order (\$0.6 million), and professional fees (\$1 million).
25. The Updated Cash Flow Forecast assumes that the interest expense on the outstanding balances under the BJK Loans is paid throughout the Forecast Period.
26. Net negative operating cash flow is forecast to be approximately \$3.1 million over the Forecast Period.
27. Based on the Cash Flow Forecast, the Applicants will be required to draw on the proposed DIP Facility during the week commencing April 26, 2024 in order to have sufficient funds to satisfy its projected uses of cash over the Forecast Period. The Updated Cash Flow Forecast projects borrowings under the DIP Facility in the amount of \$0.5 million over the Forecast Period. As discussed above, Court approval of the DIP Facility is being sought at the Comeback Hearing.
28. The Monitor notes that the Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.
29. As noted above, based on the Cash Flow Forecast, the Applicants will require interim financing in order to maintain sufficient liquidity to continue operations, during these CCAA proceedings.

VII. PROPOSED DIP FACILITY

30. As noted above, based on the Updated Cash Flow Forecast, the Applicants will require interim financing in order to maintain sufficient liquidity to continue operations, during these CCAA proceedings.

31. Under the DIP Term Sheet, and subject to this Court’s approval, BJK (in such capacity, the "DIP Lender") has agreed to extend the DIP Facility to the Applicants in the maximum principal amount of \$1.5 million. BJK’s willingness to provide such financing is predicated on the Court granting the ARIO approving the DIP Facility and granting the DIP Lender’s Charge.
32. Principal terms of the DIP Term Sheet, a copy of which is attached hereto as **Appendix “C”**, include, without limitation, the following¹:

Basic Provisions	Description
Maximum Availability	\$1,500,000
Borrowers	The Applicants
Interest rate	12.5% per annum, calculated daily and compounded monthly
Additional consideration	Commitment fee of \$45,000 which represents 3% of the Maximum Availability (the “ Commitment Fee ”), which shall be fully earned upon issuance of the proposed ARIO.
Expenses	Borrowers shall pay all fees and expenses of the DIP Lender, including of outside counsel, incurred by the DIP Lender in connection with the CCAA proceedings.
Maturity date	Earliest of: (a) August 2, 2024 (or such later date as the DIP Lender in its sole discretion may agree to in writing with the Applicants); (b) the date on which stay of proceedings under CCAA is lifted without consent of DIP Lender or CCAA proceedings terminated; (c) the closing of a sale or similar transaction for all or substantially all of the assets and business pursuant to the SISF; (d) implementation of a plan of compromise or arrangement within the CCAA proceedings; (e) the conversion of the CCAA Proceedings into one or more proceedings under the BIA;; and (f) the occurrence of an Event of Default.
Security	DIP Facility will be secured by the DIP Lender’s Charge on all present and after-acquired personal and real, tangible or intangible property of

¹ Terms used but not otherwise defined in this section have the meaning ascribed to them in the DIP Term Sheet. The following summary of the DIP Term Sheet is provided for illustrative purposes and convenience only – parties should review the DIP Term Sheet attached as Appendix “C” for the terms of same.

	the Borrowers (the “ Property ”), granted in favour of the DIP Lender for all advances made to the Borrowers subsequent to the date of the ARIO.
Conditions Precedent to DIP Advances	Conditions precedent to DIP Advances include but are not limited to: (a) the ARIO be made and in full force and effect, in form and substance acceptable to the DIP Lender; (b) granting of the DIP Lender’s Charge, which shall be subordinate only to the Administration Charge and the Directors’ Charge; (c) the exercise of any garnishment rights commenced prior to the date of the Initial Order by any governmental authority shall be stayed by the Initial Order and the ARIO in respect of post-filing receivables of the Applicants; (d) the Updated Cash Flow Forecast be acceptable to the DIP Lender, and from the date of DIP Term Sheet to the proposed ARIO the Applicants shall not have made any payment that is not contemplated by the Updated Cash Flow Forecast without prior consent of the DIP Lender; (e) the terms and conditions of the SISP shall have been approved by the Court; and (f) the Stalking Horse Agreement shall have been approved by the Court.
Events of Default	A number of Events of Default, including but not limited to: (a) the SISP Order has not been issued by the Court by April 12, 2024; (b) negative variances with respect to cumulative receipts and cumulative disbursements in the Updated Cash Flow Forecast (or any subsequent updated forecast) that (i) at any time during the first 2 weeks following the granting of the proposed ARIO exceed 20%; and (ii) thereafter exceed 10%, in each case measured on a weekly basis; (c) if CRA issues any RTP other than the BCLDB RTP, or if the BCLDB RTP extends, or if CRA attempts or threatens to extend the BCLDB RTP to any post-filing amounts owing to the Applicants; (d) any plan is filed or sanctioned by the Court, or any transaction is sought to be approved, that is not acceptable to the DIP Lender if it does not provide for the repayment of the obligations under the DIP Facility and / or the Loan Agreements; and (e) if any of the Applicants’ cannabis licenses are revoked or not extended.

33. The Monitor believes that the terms of the DIP Term Sheet are reasonable in the circumstances, and supports the Applicants’ request for the approval of same at the Comeback Hearing. When reviewing the reasonableness of the DIP Term Sheet, the Monitor considered the factors set out in Section 11.2 of the CCAA and notes the following:

- (a) Based on the Information available to the Monitor, the Applicants have a critical and immediate need for interim financing following the Comeback Hearing. Without access to the DIP Facility, based on the Updated Cash Flow Forecast, the Applicants

will be unable to maintain their operations and advance the restructuring process during the Forecast Period. The DIP Facility will allow the Applicants to continue to operate, including funding payroll along with production and operating costs;

- (b) the Monitor believes that approval of the DIP Facility is in the best interests of the Applicants' stakeholders and will advance the Applicants' restructuring process. The Monitor does not believe that creditors of the Applicants will be materially prejudiced as a result of the approval of the DIP Facility – to the contrary, they should benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of the Applicants' assets;
- (c) the availability and maximum amount under the DIP Facility is consistent with the Applicants' forecast liquidity needs through to the anticipated closing of a transaction pursuant to the SISP;
- (d) the Monitor compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings for Cannabis companies commenced since March, 2022. Based on the Monitor's review, the cost of the proposed DIP Facility is within the ranges of similar facilities approved by the Court and other Canadian courts in CCAA proceedings (particularly given the recent increases in interest rates), a comparison of which is attached hereto as **Appendix "D"**; and
- (e) the Monitor also notes that the effective rate of the DIP Facility, accounting for the Commitment Fee and interest chargeable, is lower than the interest under the Revolving Facility (~15.2% vs 17.2%). Further, given the small number of secured creditors with asset-specific collateral, BJK's priority as DIP Lender is not expected to be materially different than its pre-filing priority under the BJK Loans.

VIII. THE STALKING HORSE AGREEMENT

- 34. The Applicants and the Stalking Horse Bidder, and their respective counsel, in consultation with the Monitor, have negotiated the terms and provisions of the Stalking Horse Agreement pursuant to which the Stalking Horse Bidder has agreed to subscribe for, and

the Vendors have agreed to issue, new shares representing 100% of the issued and outstanding capital of Heritage, Heritage East and Heritage West and Purefarma, through a reverse vesting transaction, pursuant to which all of the existing equity interest of the Vendors will be cancelled without consideration, and the Stalking Horse Bidder will be the sole parent of Heritage and Heritage West. The reason for using the reverse vesting structure is to maintain and preserve the Licences.

35. The material terms of the Stalking Horse Agreement², a copy of which is attached hereto as **Appendix “E”**, are as follows:

- (a) Purchaser: Hab Cann Holdings Ltd., a company related to BJK.
- (b) Purchased Entities: Heritage, Heritage West, Heritage East and Purefarma³ (collectively, the “**Purchased Entities**”).
- (c) Purchased Shares: the Stalking Horse Bidder will subscribe for all of the newly issued shares (the “**Purchased Shares**”) in the share capital of Heritage and Heritage West, such that the Purchased Shares shall represent 100% of the outstanding equity interests in each of Heritage and Heritage West.
- (d) Purchase Price: the total purchase price is estimated to be in the range of approximately \$7.7 million to \$11.1 million⁴ (the “**Purchase Price**”), which is comprised of:

² Terms used but not otherwise defined in this section have the meaning ascribed to them in the Stalking Horse Agreement. The following summary of the Stalking Horse Agreement is provided for illustrative purposes and convenience only – parties should review the Stalking Horse Agreement attached as Appendix “E” for the terms of same.

³ Pursuant to the terms of the Stalking Horse Agreement, Heritage and Heritage West will issue new shares to the Stalking Horse Bidder and cancel all other issued and outstanding shares, making the Stalking Horse Bidder the sole owner of Heritage and Heritage West. The Stalking Horse Bidder will indirectly acquire Heritage West and Purefarma by virtue of its acquisition of such companies’ parent (being Heritage).

⁴ The exact Purchase Price in the Stalking Horse Agreement is not capable of being determined at this time as, among other things, the amounts that will ultimately be drawn under the DIP Facility by the time that the transaction closes is unknown. As such, the Purchase Price is shown as a range based on, among other things, the Updated Cash Flow Forecast and the DIP Facility limit. The actual Purchase Price on closing may be materially different from the illustrative purchase price range included herein.

- i. the amount to be paid through a release of outstanding obligations payable by the Applicants to BJK (the “**Credit Bid Consideration**”) which consists of the sum of:
 - A. all amounts under the BJK Loans and all related loan and security documentation, which amount as of the Filing Date was approximately \$6.9 million, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith; and
 - B. all amounts as of the Closing Date pursuant to the DIP Facility and all related loan and security documentation including principal and interest to Closing Date, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith.
 - ii. the amount to be paid in cash (the “**Cash Consideration**”) which consists of the sum of:
 - A. the CCAA Process Expense Amount, constituting: (1) the Administrative Expense Amount, meaning cash in the amount of \$300,000 to be paid to the Monitor on Closing to be used to pay the fees of the Monitor and its counsel from Closing to the completion of these CCAA proceedings, including any bankruptcy of the remaining Applicants; and (2) the CCAA Charge Amount, being cash in an amount sufficient to satisfy the amounts owing in respect of obligations secured by the Administration Charge and Directors’ Charge; and
 - B. the Priority Payment Amount, consisting of cash sufficient to pay those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the CCAA.
- (e) Transaction Structure: Reverse vesting structure such that prior to the acquisition of the Purchased Shares, a new entity (the “**Residual Co.**”) will be incorporated by the

Applicants and all of the Excluded Assets and Excluded Liabilities will be transferred to Residual Co. pursuant to the Approval and Reverse Vesting Order (“ARVO”).

- (f) Excluded Assets: includes (i) all shares of any of the Applicants that are not Purchased Entities in the name of Heritage; (ii) all shares of 1186366 B.C. Ltd. and Heritage US Holdings Corp. in name of Heritage; (iii) the Cash Consideration; (iv) books and records, including tax records and returns, relating to any of the Excluded Liabilities or Excluded Assets; (v) the Excluded Contracts; (vi) any rights that accrue to Residual Co. under the transaction documents; and (vii) any other asset identified by the Stalking Horse Bidder to the Vendors at least two (2) days prior to Closing.
- (g) Excluded Liabilities: all claims, debts, obligations and liabilities of the Purchased Entities, except the Retained Liabilities, including but not limited to: (i) all pre-filing claims and liabilities arising from the termination of leases or other contracts; (ii) all pre-filing claims, including without limitation any amounts owing in respect of pre-filing Excise Tax, GST/ HST; (iii) all liabilities owing to any Terminated Employees in respect of the termination of employment of such Terminated Employee; and (iv) any liabilities or obligations of any of the Vendors or the Purchased Entities to any customer, including any Governmental Authority, related to or arising out of, any products returned to a Purchased Entity by any such customer, where such liabilities or obligations have arisen or arise in respect of products delivered prior to the Closing Date.
- (h) Retained Liabilities: includes: (i) all liabilities of the Purchased Entities arising from and after the Closing; (ii) tax liabilities of the Purchased Entities for any period, or the portion thereof, beginning on or after the Closing Date but for greater certainty, not including any liabilities to which the BCLDB RTP relate; and (iii) specific liabilities set forth in Schedule 2.3 of the Stalking Horse Agreement, including the stub period post-filing Claims contemplated by the DIP Facility but not paid before Closing.
- (i) Employees: the Stalking Horse Bidder will determine which employees of the Purchased Entities it will assume and employ prior to Closing. 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, such employee shall be deemed to be a Terminated Employee.

- (j) Transfer to Residual Co.: on the Closing Date, and prior to the acquisition of the Purchased Shares, the Purchased Entities shall assign and transfer the Excluded Assets and the Excluded Liabilities to Residual Co.
- (k) Break and Expense Reimbursement Fee: \$400,000, fixed fee.
- (l) Closing Date: no later than five (5) business days after the date on which the closing conditions have been satisfied or waived and not later than the Outside Date (the “**Closing Date**”).
- (m) Outside Date: August 2, 2024.
- (n) Closing Conditions: material conditions which must be satisfied or waived by the Vendors and/or the Stalking Horse Bidder, as applicable, include, among other things:
 - i. 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 the Stalking Horse Agreement shall be in effect;
 - ii. the SISP Order and the ARVO shall have been issued by the Court and shall not have been stayed, varied, or vacated (or any such appeal shall have been dismissed with no further appeal therefrom);
 - iii. the Stalking Horse Agreement shall be the Successful Bid (as defined herein);
 - iv. the required Transaction Regulatory Approvals, including any consent, approval and/or grant upon change of control of any of the Purchased Entities as required under Cannabis Laws, shall have been received;

- v. the applicable Purchased Entity shall have terminated the employment of the Terminated Employees;
 - vi. the Licences shall be in good standing, and not be suspended or terminated, following the Closing Date;
 - vii. the Stalking Horse Bidder shall be satisfied that the employees of the Purchased Entities who hold the Licences will accept the Stalking Horse Bidder's offers of employment; and
 - viii. the Stalking Horse Bidder shall be satisfied, acting reasonably, that no new requirement to pay notices will be issued after the Closing Date in respect of pre-Closing Tax Liabilities of the Purchased Entities, and that the BCLDB RTP in respect of pre-Closing Tax liabilities does not apply to, and is not effective against, any post-Closing receivables.
- (o) Termination: the Stalking Horse Agreement may be terminated at any time prior to Closing for, among other things:
- i. by mutual consent of the Vendors and the Stalking Horse Bidder;
 - ii. by the Vendors or the Stalking Horse Bidder if (A) the Stalking Horse Agreement is not the Successful Bid (as defined herein); (B) Closing has not occurred by the Outside Date, or such later date as agreed by the parties; (C) the Closing Conditions are not capable of being satisfied by the applicable dates or if not otherwise required, by the Outside Date; (D) upon the termination or dismissal or conversion of the CCAA proceedings; or (E) there has been a material violation or breach by the other Party of any agreement, covenant, representation or warranty would prevent the satisfaction of, or compliance with, the applicable Closing conditions by the Outside Date, and such violation or breach has not been waived or cured within ten (10) Business Days of a Party providing notice to the other Party of such breach; and

- iii. by the Stalking Horse Bidder upon appointment of a receiver, trustee in bankruptcy or similar official in respect of any of the Applicants or their property.
36. As noted above, the Stalking Horse Agreement provides for payment of the Break and Expense Reimbursement Fee payable to the Stalking Horse Bidder in the event it is not the Successful Bidder (as defined herein) pursuant to the SISP. The Monitor notes that the Break and Expense Reimbursement Fee represents approximately [3.6% to 5.2%] (with an average of 4.4%) of the Purchase Price.
37. The Monitor has reviewed recent comparable stalking horse agreements wherein bid protections have been approved in transactions of this nature, and notes that the proposed Break and Expense Reimbursement Fee is on the higher end of the range of market parameters for expense reimbursements and break fees in comparable transactions, which typically range between 0.5% to 5.7% of the purchase price with an average of 3.2%. Attached hereto as **Appendix “F”** is a comparison of bid protections approved by the Canadian courts in insolvency proceedings in the Cannabis industry commenced since March, 2020. Based on the foregoing, the Monitor is of the view that the proposed Break and Expense Reimbursement Fee is fair and reasonable in the circumstances and will not unduly “chill” bidding on the Applicants’ business and assets as part of the proposed SISP (as described in further detail below).
38. The Stalking Horse Agreement sets a “floor price” for the Applicants’ business and assets and should provide comfort to the Applicants’ customers, vendors, employees and other stakeholders that a going concern transaction will be completed. The SISP, as discussed below, will provide for a fair and transparent marketing process that should allow the Applicants to maximize realizations by seeking higher or otherwise better offers.

IX. SALE AND INVESTOR SOLICITATION PROCESS

39. At the commencement of the CCAA Proceedings, the Applicants advised the Court that they intended to seek approval of a sale and investment solicitation process, which contemplated an offer from BJK to act as a “stalking horse” therein.

40. Given the Applicants’ limited liquidity, the Monitor, in consultation with the Applicants, developed the SISP to promote a competitive, fair, and expedient sale process that seeks to maximize the going concern value of the Applicants’ business and assets. Subject to Court approval, the SISP will be conducted by the Monitor with the assistance of the Applicants.
41. The SISP is intended to solicit interest in and opportunities for a sale of, or investment in, all or part of the Applicants’ Property and Business (the “**Opportunity**”). The Opportunity may include one or more of a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of the Applicants as a going concern.
42. The following table summarizes the key dates and timelines pursuant to the SISP⁵:

Date	Event
On or about April 15, 2024	Monitor to distribute a Teaser Letter to Known Potential Bidders, and upon execution of the NDA, access to the VDR
May 10, 2024 at 5:00 p.m. (EST)	Binding Offer Deadline
May 17, 2024	Auction (if needed)
May 27, 2024	Hearing of Approval Motion (if no Qualified Bids are received other than the Stalking Horse Agreement)
June 7, 2024	Hearing of Approval Motion (if Qualified Bids other than Stalking Horse Agreement are received)
As soon possible but no later than August 2, 2024	Closing of Successful Bid

⁵ Terms used but not otherwise defined in this section have the meaning ascribed to them in the SISP.

43. The key features of the Bidding Procedures, a copy of which is attached hereto as **Appendix “G”**, are outlined below:

- (a) Notice: as soon as reasonably practicable, but, in any event, by no later than two (2) business days of the SISP Order: (i) an offering summary (the “**Teaser Letter**”) describing the transaction opportunity and outlining the proposed Opportunity under the SISP to a list of interested parties (the “**Known Potential Bidders**”), which list has been developed by the Monitor and the Applicants. Any Known Potential Bidder interested in exploring the opportunity further will be provided with a form of non-disclosure agreement (the “**NDA**”) by the Monitor. The Monitor will cause the Teaser Letter and NDA to be sent 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.
- (b) Diligence: Any party that wishes to participate in the SISP (a “**Potential Bidder**”) will be required to provide the Monitor, among other things, with (i) an executed NDA; (ii) documentary evidence of such Potential Bidder’s financial wherewithal and ability to consummate a sale or investment pursuant to the SISP, in the form of proof of cash-on-hand and / or unconditionally committed financing; and (iii) a letter detailing the identity of the Potential Bidder, its direct and indirect principals, and contact information for such Potential Bidder. Potential Bidders that wish to commence due diligence will be provided, by the Monitor, with access to a virtual data room (the “**VDR**”) that contains confidential financial and other information relating to the Applicants and their operations. The Monitor may establish separate VDRs, if the Monitor, in consultation with the Applicants, reasonably determines that doing so would prevent the distribution of commercially sensitive competitive information.
- (c) Qualified Bidder: A Potential Bidder (who has delivered the executed NDA, provided evidence of its financial wherewithal and the letter as set out above) will be deemed a “Participating Bidder” if the Monitor, in its reasonable judgment, and in consultation with the Applicants, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a Binding

Offer (as defined herein) transaction pursuant to the SISP. The Stalking Horse Bidder is considered a “Qualified Bidder” pursuant to the Bidding Procedures.

- (d) Binding Offers: Any Participating Bidder (in such capacity, a “**Binding Offer Bidder**”), other than the Stalking Horse Bidder, that wishes to make a formal bid must submit a binding offer (a “**Binding Offer**”), in the case of a Sale Proposal or a Partial Sale Proposal, in the form of a template purchase agreement provided in the VDR, along with a marked version showing edits to the original form of the template provided in the VDR, and a marked version compared to the Stalking Horse Agreement, or in the case of an Investment Proposal, provide a plan or restructuring support agreement. In addition to the foregoing, a Binding Offer will be considered a “**Qualified Bid**”, and the Binding Offer Bidder making such Binding Offer a “**Qualified Bidder**”, if it:
- i. provides net cash proceeds on closing via provisions that meet the following requirements, that are not less than the sum of: (a) the Cash Consideration; (b) the Credit Bid Consideration; (c) the Break and Expense Reimbursement Fee; and (d) the minimum overbid amount of \$100,000 (the “**Minimum Overbid**”, and (a) through (d), in the aggregate, the “**Minimum Purchase Price**”), provided, however, that the Monitor may, in its reasonable judgement, and in consultation with the Applicants, deem this criterion satisfied if the Binding Offer, together with one or more non-overlapping Binding Offers, in the aggregate, meet or exceed the Minimum Purchase Price and such Minimum Purchase Price is payable in full in cash on closing (such bids, “**Aggregated Bids**”, and each an “**Aggregate Bid**”);
 - ii. is submitted on or before the Binding Offer Deadline;
 - iii. is accompanied by a deposit in the amount of not less than 10% of the cash purchase price, or total new investment contemplated (the “**Deposit**”);
 - iv. is not subject to any financing condition, diligence condition or internal or board approval;

- v. 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;
- vi. contains the Binding Offer Bidder's proposed treatment of employees of the applicable Applicant entities;
- vii. provides for any anticipated corporate, licensing, securityholder, Health Canada, legal or other regulatory approvals required to close the transaction;
- viii. does not provide for any break or termination fee, expense reimbursement or similar type of payment;
- ix. in the case of a Sale Proposal or Partial Sale Proposal, includes:
 - A. the specific purchase price and a description of any non-cash consideration;
 - B. a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - C. a description of all executory contracts of the Applicants that the Binding Offer Bidder will assume and how all monetary defaults will be remedied; and
 - D. a description of those liabilities and obligations (including operating liabilities) which the Binding Offer 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.
- x. in the case of an Investment Proposal, includes:
 - A. a description of how the Binding Offer Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
 - B. the aggregate amount of the equity and / or debt investment to be made in the Business or Applicants;

- C. a description of all executory contracts of the Applicants that the Binding Offer Bidder will assume and how all monetary defaults will be remedied;
 - D. the underlying assumptions regarding the pro forma capital structure; and
 - E. a description of those liabilities and obligations (including operating liabilities) which the Binding Offer 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.
- xi. includes an acknowledgement that if the Binding Offer Bidder is selected as a Successful Bidder or as the Back-Up Bidder (as defined in the Bidding Procedures), that the Deposit will be held and dealt with in accordance with paragraph 32 of the Bidding Procedures; and
 - xii. contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction on the date that is twenty-one (21) days from the date of the issuance of the Approval Order, or such earlier date as is practical for the parties to close, and in any event no later than the Outside Date.
- (e) Auction: If the Monitor determines that more than one Binding Offer (other than the Stalking Horse Agreement) should be considered, the Monitor may, without being obligated to do so, conduct an auction (the “**Auction**”) to select the highest and/or best Binding Offer. Significant aspects of the Auction include the following:
- i. the Monitor shall be entitled, in consultation with the Applicants, to designate some or all Qualified Bidders (in addition to the Stalking Horse Bidder) as eligible to participate in the Auction (the “**Auction Bidders**”);
 - ii. the Auction will commence at a date and time to be designed by the Monitor on May 17, 2024;
 - iii. only the Monitor, the Applicants, the Stalking Horse Bidder, and any other Auction Bidders, along with their respective representatives and advisors, will be entitled to attend the Auction;

- iv. prior to the Auction, the Monitor will identify the highest and best of the Qualifying Bid(s) received, and such Qualifying Bid(s) 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 \$100,000 cash in excess of the Opening Bid. Each Auction Bidder will provide evidence of its financial wherewithal and ability to consummate the transaction at the increased purchase price, if required by the Monitor.
 - v. Each Auction 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 Auction Bidder. The Monitor and the Heritage Group shall determine which Auction Bidders have submitted (i) the highest and best Binding Offer of the Auction (the “**Successful Bid**”, and the bidder making such Successful Bid, the “**Successful Bidder**”), and (ii) the next highest and otherwise second-best Binding Offer of the Auction (the “**Back-Up Bid**”, and the bidder making such Back-Up Bid, the “**Back-Up Bidder**”).
 - vi. Upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Successful Bidder and the Back-Up Bidder, if any, shall each deliver to the Monitor and the Applicants, an amended and executed transaction document by no later than May 21, 2024 that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the motion material for the hearing to consider the Approval Motion.
44. In the event the Monitor does not receive a Binding Offer (other than the Stalking Horse Agreement), the Stalking Horse Agreement will be deemed the Successful Bid, the Applicants will seek, by no later than May 27, 2024, Court approval of the Stalking Horse Bid and the transactions contemplated therein.
45. The Bidding Procedures provide that 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

affected participants, 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 participants, and that are necessary or useful in order to give effect to the substance of the SISP and the Bidding Procedures. The Monitor will post on the Case Website, as soon as reasonably practicable, any such modification, amendment, variation or supplement to the Bidding Procedures and inform the bidders impacted by such modifications.

46. Among other things, the Bidding Procedures, which were developed in consultation with the Stalking Horse Bidder, provide for an orderly and appropriately competitive process through which potential acquirers may submit bids for the Applicants' Property and Business. Additionally, the Bidding Procedures will allow the Monitor, in consultation with the Applicants, to conduct the Auction, if required, in a fair and transparent manner that will encourage participation by financially capable bidders with demonstrated ability to consummate a timely transaction.
47. In the Monitor's view, the SISP and the Bidding Procedures are consistent with market practice, provide a reasonable opportunity for potential purchasers to submit higher or otherwise better offers to the Stalking Horse Agreement, and are reasonable and appropriate in the circumstances.

X. KEY EMPLOYEE RETENTION PLAN

48. In order to ensure the continued participation of certain senior management and key employees of the Applicants that are critical to maintain and preserve the going concern value of the Applicants during the CCAA proceedings, the Applicants are seeking approval of the KERP whereby the Key Employees will receive retention payments upon the Closing of a transaction pursuant to the SISP. The Applicants developed the KERP in consultation with the Monitor.
49. The KERP is made with respect to eleven (11) employees (the "**Key Employees**"), all of whom the Applicants advised the Monitor are essential to the successful value-maximizing outcome of the SISP by ensuring the business continues to operate without disruption in

the ordinary course. The Monitor notes that the Stalking Horse Bid contemplates the retention of certain of the employees of the Purchased Entities, which the Monitor understands includes the Key Employees.

50. The aggregate amount payable under the KERP is \$76,000, to be allocated to the participating Key Employees in accordance with the KERP terms. The Monitor understands the Key Employees would each receive a retention bonus equal to their respective 2023 bonus entitlement and prorated for 4 months to coincide with the Outside Date for closing of a transaction pursuant to the SISP.
51. The Monitor is of the view that the KERP amounts are reasonable to ensure the continued going concern operations of the Applicants' business during the CCAA proceedings and the successful completion of the SISP. The Monitor understands the DIP Lender is supportive of the proposed KERP.

XI. PROPOSED AMENDMENT TO INITIAL ORDER

52. As outlined in the April 9 Schwede Affidavit, the Applicants are seeking certain amendments to the Initial Order including, but not limited to:
 - (a) increasing the Administration Charge from \$250,000 to \$500,000;
 - (b) increasing the Directors' Charge from \$0.9 million to \$1.9 million;
 - (c) the relative priority of Court-ordered Charges; and
 - (d) extending the time for Heritage to call and hold its annual general meeting of shareholders ("AGM") until after the conclusion of the CCAA proceedings.

Increase in Administration Charge

53. The Initial Order provided a charge for the ten-day period prior to the Comeback Hearing on all Property of the Applicants in favour of the Monitor, counsel to the Monitor, and the Applicants' counsels, as security for their respective fees and disbursements incurred in

respect of the application for the Initial Order in the aggregate amount of \$250,000 (the “**Administration Charge**”).

54. Pursuant to the proposed ARIIO, the Applicants are seeking to increase the Administration Charge to \$500,000 to account for the work to be provided by the parties covered under the Administration Charge during the CCAA proceedings, given the limited to no retainers provided to these professionals to date. The Monitor is of the view that the increased Administration Charge is reasonable and appropriate in the circumstances, and comparable to the size of the court-ordered charge granted in similar proceedings.
55. The Monitor understands BJK has consented to the increase in the Administration Charge.

Increase in Directors’ Charge

56. The Initial Order provided for a charge of \$0.9 million to secure the Applicants’ indemnity obligations to the current directors and officers of the Applicants (the “**Directors and Officers**”) against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of these CCAA proceedings (the “**Directors’ Charge**”).
57. Pursuant to the proposed ARIIO, the Applicants’ are seeking to increase the Directors’ Charge to \$1.9 million. The quantum of the increase amount in the Directors’ Charge has been calculated by the Applicants, in consultation with the Monitor, taking into consideration excise taxes, sales taxes, employee payroll and related expenses (including source deductions), as well as other employment related liabilities, that attract potential liability for the Directors and Officers during the period after the Filing Date.
58. The Monitor notes that the Directors and Officers shall only be entitled to the benefit of the Directors’ Charge to the extent that they do not have coverage under any directors’ and officers’ insurance policy, or to the extent such coverage is insufficient to pay an indemnified amount.
59. The Monitor understands BJK has consented to the increase in the Directors’ Charge.

Priority of Charges

60. The proposed ARIO provides that the priority charges rank ahead of all Encumbrances on the current and future assets, undertakings and properties of the Applicants wherever located, including all proceeds thereof, and rank in the following order:
- (a) First, the Administration Charge (to the maximum amount of \$0.5 million);
 - (b) Second, the Directors' Charge (to a maximum of \$1.9 million); and
 - (c) Third, the DIP Lender's Charge.

Extend time to call AGM

61. Given the CCAA proceedings, it is anticipated that the Applicants' executive management will be focused primarily on the Applicants' restructuring efforts and the SISF. The AGM would require significant time, cost and resources, and attention from management, which would detract from these efforts. The Monitor is also of the view that it would be reasonable for the Applicants to not incur the time and costs associated with the holding the AGM given that Heritage may not continue as a reporting issuer upon its emergence.
62. As a result, the Monitor views this request as reasonable and supports such relief in the circumstances.

XII. STAY EXTENSION

63. The current stay of proceedings expires on April 12, 2024. The Applicants are seeking an extension of the Stay Period to June 30, 2024.
64. The Monitor supports the Applicants' request for an extension of the stay of proceedings to June 30, 2024 for the following reasons:
- (a) the Applicants are acting in good faith and with due diligence in taking steps to facilitate a going concern sale of their business;

- (b) the Updated Cash Flow Forecast indicates that, subject to Court approval of the DIP Facility, the Applicants are forecast to have sufficient liquidity to continue to fund operations through the period ending June 30, 2024;
- (c) at least 28 days will be required to establish whether there is any serious interest from Known Potential Bidders in the SISP; and
- (d) it is the Monitor's view that an extension will not prejudice or adversely affect any group of creditors.

XIII. CONCLUSIONS AND RECOMMENDATIONS

- 65. For the reasons set out in this First Report, the Monitor is of the view that the relief requested by the Applicants in the proposed ARIO and the SISP Order are both appropriate and reasonable. The Monitor is also of the view that the Applicants are acting in good faith and with due diligence. Granting the relief sought by the Applicants will provide the Applicants with the best opportunity to explore whether there are higher or otherwise better offers to the Stalking Horse Agreement, that would seek to maximize creditor and stakeholder recoveries.
- 66. Based on the foregoing, the Monitor respectfully recommends that this Court approve the relief sought by the Applicants in the proposed ARIO and the SISP Order.

All of which is respectfully submitted this 10th day of April 2024.

KPMG Inc.

In its capacity as Monitor of

Heritage Cannabis Holdings Corp., 1005477 B.C. Ltd., Mainstrain Market Ltd., Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Premium 5 Ltd., Heritage Cannabis Exchange Corp., Heritage Cannabis East Corporation, and Heritage Cannabis West Corporation

And not in its personal or corporate capacity

Per:



Pritesh Patel
CIRP, LIT
Senior Vice President



Tim Montgomery
CIRP, LIT
Vice President

Appendix A

Court File No.: CV-24-00717664-00CL

**HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD.,
HERITAGE CANNABIS WEST CORPORATION, MAINSTRAIN
MARKET LTD., HERITAGE CANNABIS EAST CORPORATION,
PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450
REALTY INC., HERITAGE CANNABIS EXCHANGE CORP., AND
PREMIUM 5 LTD.**

**REPORT OF KPMG INC.,
IN ITS CAPACITY AS PROPOSED MONITOR**

April 2, 2024

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APPENDICES

APPENDIX “A” – COPY OF DEMAND NOTICES ISSUED ON APRIL 1, 2024

APPENDIX “B” – CASH FLOW FORECAST

Court File No.: CV-24-00717664-00CL

**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
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450 REALTY
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

**REPORT OF KPMG INC.
IN ITS CAPACITY AS PROPOSED MONITOR**

April 2, 2024

I. INTRODUCTION

1. KPMG Inc. (“**KPMG**” or the “**Proposed Monitor**”) understands that Heritage Cannabis Holdings Corp. (“**Heritage**”), 1005477 B.C. Ltd. (“**1005**”), Mainstrain Market Ltd. (“**Mainstrain**”), Purefarma Solutions Inc. (“**Purefarma**”), 333 Jarvis Realty Inc. (“**333**”), 5450 Realty Inc. (“**5450**”), Premium 5 Ltd. (“**Premium**”), Heritage Cannabis Exchange Corp. (“**HCEC**”), Heritage Cannabis East Corporation (formerly CannaCure Corporation) (“**Heritage East**”), and Heritage Cannabis West Corporation (formerly Voyage Cannabis Corp.) (“**Heritage West**” and collectively, the “**Applicants**” or the “**Debtors**”) intend to make an application (the “**Application**”) before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) returnable on April 2, 2024, seeking an Initial Order (the “**Proposed Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) in respect of the Applicants to, among other things:

- (a) obtain a stay of proceedings (the “**Stay of Proceedings**”) in respect of the Applicants until and including April 12, 2024;
- (b) extend the benefit of the Stay of Proceedings and other aspects of the Proposed Initial Order to the Non-Applicant Stay Parties (as defined below) and their respective directors and officers;
- (c) appoint KPMG as the monitor in respect of the Applicants as part of the proposed CCAA proceeding, with the powers set out in the Proposed Initial Order;
- (d) seek relief from certain securities reporting obligations under federal, provincial or other laws until further Order of this Court;
- (e) authorize the Applicants to (i) make payment to certain suppliers who are critical to the business and operations of the Applicants for pre-filing expenses, and (ii) honour cheques issued to providers of goods and services prior to the Initial Order, in each case with consent of the Monitor and the BJK Holdings Ltd. (“**BJK**”) which are necessary to facilitate the Applicants’ ongoing operations and to preserve value during the CCAA proceedings, up to a maximum aggregate amount of \$1,500,000;

- (f) authorizing the Applicants to continue to use the Cash Management System (as defined below);
 - (g) seek to have the Health Canada Licenses and the Excise Licenses (as both defined herein) preserved and maintained during the Stay of Proceedings; and
 - (h) grant the Administration Charge and the Directors' Charge (each as defined below).
2. The Proposed Monitor understands the primary objectives of the CCAA proceedings are to:
- (a) facilitate the ongoing operations of the Applicants;
 - (b) ensure the Applicants have the necessary working capital to maximize the value of their businesses for the benefit of the Applicants' stakeholders, while providing the opportunity to restructure their business and affairs;
 - (c) execute a subscription agreement (the "**Stalking Horse Purchase Agreement**") among Heritage, as vendor, Hab Cann Holdings Ltd., as purchaser, and BJK (the "**Stalking Horse Purchaser**"); and
 - (d) conduct a sale and investment solicitation process (the "**SISP**") in which the Stalking Horse Purchase Agreement will serve as the "Stalking Horse Bid", and authorize the Applicants and the Monitor to implement the SISP pursuant to its terms.
3. Should the Court grant the Proposed Initial Order, the Proposed Monitor understands that the Applicants intend to bring a motion returnable within the ten (10) day stay period (the "**Comeback Hearing**") seeking an amendment and restatement of the Initial Order (such order, the "**ARIO**") that will, among other things:
- (a) approve the terms of an interim financing facility (the "**DIP Facility**") to be provided by BJK to the Debtors in order to finance their working capital requirements and other general corporate purposes and restructuring costs, pursuant to a DIP facility term sheet (the "**DIP Term Sheet**");

- (b) grant a charge to secure the obligations owing by the Debtors under the DIP Term Sheet (the “**DIP Lender’s Charge**”);
 - (c) approve the SISP and the bidding procedures to be used in connection therewith;
 - (d) grant a Court ordered charge over the Property of the Debtors in favour of the Stalking Horse Purchaser as security for payment of the bid protections;
 - (e) increases to the Administration Charge and the Directors’ Charge;
 - (f) extend the Stay of Proceedings established by the Proposed Initial Order; and
 - (g) seek such other relief as may be appropriate to advance these CCAA proceedings.
4. Should the Court grant the Proposed Initial Order, KPMG (in its then capacity as Monitor) will report to the Court in connection with the Comeback Hearing and any other relief sought by the Applicants.

II. PURPOSE OF REPORT

5. This report (the “**Report**”) has been prepared by KPMG as the Proposed Monitor of the Applicants in the CCAA proceedings. The purpose of the Report is to provide the Court with information pertaining to:
- (a) KPMG’s qualifications to act as Monitor of the Applicants (in such capacity, the “**Monitor**”);
 - (b) limited background information in respect of the operations, financial position and creditors of the Debtors, as disclosed to the Proposed Monitor by the Debtors;
 - (c) the cash flow projections for the Debtors (the “**Cash Flow Forecast**”) for the period from March 30, 2024 to June 28, 2024 (the “**Forecast Period**”);
 - (d) the priority charges proposed in the Proposed Initial Order;
 - (e) the rationale for certain provisions sought by the Applicants in the Proposed Initial Order; and

(f) the Proposed Monitor’s conclusions and recommendations.

III. TERMS OF REFERENCE

6. In preparing this Report, KPMG has relied solely on information and documents provided to it by the Debtors and their respective advisors, including unaudited, draft and/or internal financial information, financial projections prepared by the Debtors, discussions with management of the Debtors, and the affidavit of the Debtors’ executive (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in the Report, KPMG has reviewed the Information for reasonableness, internal consistency, and use in the context in which it was provided. However, KPMG has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Auditing Standards (“GAAS”) pursuant to the *Chartered Professional Accountant of Canada Handbook* and, as such, KPMG expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.
7. Capitalized terms used but not defined in this Report are defined in the Affidavit of Mr. David Schwede sworn April 2, 2024 (the “**Schwede Affidavit**”), filed by the Applicants as part of its materials in support of the Application and the Proposed Initial Order. This Report should be read in conjunction with the Schwede Affidavit, as certain information contained in the Schwede Affidavit has not been included herein in order to avoid unnecessary duplication.
8. Future orientated financial information contained in the Cash Flow Forecast is based on the Debtors’ estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved.
9. If the Proposed Initial Order is granted, and KPMG is appointed as Monitor, KPMG will make available all Court documents and other material documents pertaining to the CCAA proceedings on its website at <https://kpmg.com/ca/heritage>. In addition, KPMG has

arranged for a toll-free hotline (1-833-668-2870) and an email address heritage@kpmg.ca through which creditors of the Debtors or other interested parties can make inquiries related to the CCAA proceedings.

10. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. KPMG'S QUALIFICATIONS TO ACT AS MONITOR

11. KPMG is a trustee within the meaning of section 2(1) of the *Bankruptcy and Insolvency Act* (the “**BIA**”). Further, KPMG 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. In particular, KPMG has never acted as auditor of any of the Debtors.
12. KPMG has experience acting as CCAA monitor and other court-officer capacities in insolvency proceedings. The senior professional personnel at KPMG with primary carriage of this matter are certified Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees and have acted in insolvency matters of a similar nature and scale across Canada.
13. Should the Court grant the Proposed Initial Order, KPMG has consented to act as Monitor. Furthermore, the Proposed Monitor has retained Blake, Cassels & Graydon LLP (“**Blakes**”) to act as its independent counsel in these proceedings.
14. KPMG LLP, an affiliate of the Proposed Monitor, was retained by Heritage pursuant to an engagement letter dated on December 4, 2023, to provide financial advisory services to Heritage in respect of the Debtors’ ongoing sale and turnaround efforts. During that time, KPMG developed an understanding of the financial and operational challenges of the Debtors, which knowledge will assist KPMG to fulfil its duties as Monitor.

V. BACKGROUND

15. Detailed information with respect to the Applicants' business, operations and causes of insolvency are set out extensively in the Schwede Affidavit. The Proposed Monitor has reviewed the Schwede Affidavit and believes, based on the Information available to it, that it provides a fair and sufficient summary of the business and affairs of the Applicants and the causes of its insolvency. The information contained in this Report represents a summary of the background to the proposed CCAA proceedings.

Corporate Structure and Business

16. The Debtors operate a vertically integrated cannabis company engaging in the production and sale of medical and recreational hemp-based and cannabis-based products. The Debtors' business is focused on the extraction and creation of extract and extract-derivative products and brands for adult use and cannabis-based medical solutions. In Canada, the Debtors' business is primarily carried out through its subsidiaries, Heritage East and Heritage West, which each hold licenses under the *Cannabis Act*, S.C. 2018, c. 16 (the "Cannabis Act") and are regulated by Health Canada. In the United States of America (the "U.S."), the Debtors' business is primarily carried out through its subsidiary Opticann, Inc., a Colorado based oral and topical cannabinoid company.
17. As noted in the Schwede Affidavit, Heritage, the parent company of the Debtors, is a reporting issuer on the Canadian Securities Exchange under the symbol "CANN" and on the OTC Pink, operated by OTC Markets Group, under the symbol "HERTF". A copy of the Applicants current corporate chart is attached as Exhibit "A" to the Schwede Affidavit.
18. Heritage has corporate offices in Ontario and British Columbia, and its registered office is located in Toronto, Ontario. Heritage is leasing office space in Kelowna, British Columbia comprising of approximately 3,670 square feet. In addition, one of the Debtors, Premium, leases a 6,050 square foot premises in Fort Saskatchewan, Alberta. The Proposed Monitor is satisfied that Ontario is the appropriate jurisdiction for the Applicants to file for CCAA protection, pursuant to section 9(1) of the CCAA, based on the location of the Applicants' registered office.

19. Heritage’s directly and indirectly owned subsidiaries in the U.S. are not Applicants in these CCAA Proceedings. However, the Applicants are seeking to extend the Stay of Proceedings to these non-Applicant subsidiaries due to the integration of the business and operations of the Debtors. At this time, the Proposed Monitor understands that it is not expected that a Chapter 15 or other proceedings under the U.S. Bankruptcy Code will be commenced in respect of the Debtors’ U.S. subsidiaries, including as a result of the prohibitive administrative costs of such a proceeding.

Licenses

20. The Cannabis Act and applicable provincial legislation regulates the operations of the Debtors in Canada. The Proposed Monitor understands that the Debtors hold the applicable licenses allowing them to produce, cultivate, process and distribute cannabis in the provinces of Ontario, Manitoba, Alberta, British Columbia, Saskatchewan, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador, Yukon, and Northwest Territories.
21. As detailed in the Schwede Affidavit, Heritage East and Heritage West hold certain licenses from Health Canada (the “**Health Canada Licenses**”) pursuant to the Cannabis Act which the Proposed Monitor understands permits them to undertake the following activities at the Licensed Facilities (as defined herein): (i) possess cannabis; (ii) to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis; (iii) to sell cannabis; and (iv) for the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means. The Health Canada Licenses also include standard cultivation, standard processing and sale for medical purposes.
22. Heritage West operates out of a 15,500 square foot processing facility in Falkland, British Columbia (the “**Falkland Facility**”), which has been outfitted with extraction, downstream processing, formulation and packaging areas and an approved security-level vault. Heritage West also holds a Health Canada issued industrial hemp and research license.

23. Heritage East operates out of a 122,000 square foot facility in Fort Erie, Ontario (the “**Fort Erie Facility**”, and together with the Falkland Facility, the “**Licensed Facilities**”), which formerly operated as a manufacturing plant for a pharmaceutical white labeler. Presently, approximately 87,525 square feet of the facility has been licensed for cannabis activities. Heritage East also holds a Health Canada issued industrial hemp and research license.
24. Heritage East and Heritage West also each hold cannabis licenses issued by the Canada Revenue Agency (“**CRA**”) pursuant to the *Excise Act, 2001*, S.C. 2022, c.22 (“**Excise Act**”) which requires them to apply cannabis excise stamps to their cannabis products in accordance with the Excise Act (the “**Excise Licenses**”). The Proposed Monitor understands the Excise Licenses for Heritage East and Heritage West were historically renewed on a month-to-month basis in the ordinary course, and are set to expire on April 12, 2024 and April 15, 2024, respectively.

Employees

25. As of March 11, 2024, the Applicants had approximately 162 employees, of which 155 were full-time employees, 2 were part-time employees, and 5 were casual employees or co-op students.
26. The Proposed Monitor understands that approximately thirty (30) of the Applicants’ employees are designated responsible persons or possess the security clearances required under the Cannabis Act.
27. The Proposed Monitor understands the Applicants’ employees do not benefit from a company-backed pension plan, are not represented by a union and are not subject to a collective bargaining agreement.

Financial Position

28. Included in the Schwede Affidavit are copies of the audited consolidated financial statements for the Debtors for the fiscal year ended October 31, 2023 and 2022 (the “**Financial Statements**”).

29. According to the Financial Statements, the Debtors experienced significant consolidated net losses totalling approximately \$48 million over the past two (2) fiscal years due, in part, to high general and administrative expenses (relative to gross margins) and an impairment of intangible assets and goodwill, as set forth below:

Heritage Cannabis Holding Corp. Consolidated Statement of Profit & Loss In C\$000s; audited		
	FY23	FY22
Gross Revenue	42,055	41,996
Excise Taxes	(12,261)	(12,430)
Net Revenue	29,794	29,566
Cost of Sales	17,710	21,600
Gross Margin	12,085	7,967
Salaries, wages and benefits	9,193	7,568
Occupancy, general and administrative	3,456	5,705
Amortization and depreciation	3,733	3,732
Advertising, travel and promotion	1,571	768
Other Expenses (Income)	4,053	(4,103)
Impairment of intangible assets and goodwill	11,400	21,215
Income Before Taxes	(21,322)	(26,919)

30. As at October 31, 2023, the Debtors had total consolidated assets with a net book value of approximately \$55.9 million. The consolidated assets include, but are not limited to, inventory (\$17.3 million), property, plant and equipment (\$10.2 million), accounts receivable (\$6.8 million), intangible assets and goodwill (\$6.6 million) and cash (\$3.9 million). The Financial Statements further provide that as of October 31, 2023, the Debtors had total liabilities in the amount of approximately \$35 million, including accounts payable and accrued liabilities (\$20.3 million) and secured debt in the amount of \$7.3 million.

BJK Indebtedness

31. BJK is a secured lender to the Applicants through an original loan agreement dated March 29, 2021, as amended, which was originally as between Heritage, 333, Cannacure Corporation (former name of Heritage East), Voyage Cannabis Corp. (former name of Heritage West) and 5450 (collectively, the “**Borrowers**”) and each of 1005, Purefarma, HCEC, and Premium as guarantors (the “**BJK Loan Agreement**”). The BJK Loan Agreement was most recently amended on October 31, 2023 to provide the Debtors with a revolving line of credit up to a maximum of \$5 million (the “**Revolving Facility**”) and a term facility of \$5.3 million (the “**Term Facility**”, and together with the Revolving

Facility, the “**BJK Loans**”). The interest rate on the Revolving Facility is the greater of the Royal Bank of Canada rate plus 10% and 15% per annum, and the interest rate on the Term Facility is the Royal Bank of Canada rate minus 1.75%.

32. BJK appears to have a first ranking general security interest in the Borrowers’ present and future personal property by way of a general security agreement and an assignment of proceeds from the Borrowers’ sales.¹
33. On October 31, 2023, Heritage repaid BJK \$9.5 million using the proceeds of a sale and leaseback transaction for the Licensed Facilities, as detailed in the Schwede Affidavit.
34. Although the BJK Loans mature on January 31, 2025, the Proposed Monitor understands that the BJK Loan Agreement is currently in default. The Proposed Monitor has been provided with a copy of the demand letter and notices of intention to enforce security under s. 244 of the BIA issued by BJK to the Debtors on April 1, 2024 (the “**Demand Letters**”). Copies of the Demand Letters provided to the Proposed Monitor by the Debtors are attached hereto as **Appendix “A”**.
35. Prior to issuing the Demand Letters, the Proposed Monitor understands BJK made several accommodations to the Borrowers in order to provide them with additional liquidity and/or support, as described in the Schwede Affidavit. However, the Proposed Monitor understands BJK is not prepared to advance additional funds to the Applicants outside of a Court-supervised process.
36. In recent weeks, the Applicants have engaged in discussions with BJK regarding a consensual restructuring. These discussions culminated in the proposed DIP Facility and the Stalking Horse Purchase Agreement, approval of which will be sought at the Comeback Hearing.
37. As of the date of the Report, the total aggregate indebtedness of the Borrowers under the BJK Loan Agreements is approximately \$6.8 million. The Proposed Monitor understands that the Borrowers made a repayment of \$1.5 million to BJK under the Revolving Facility

¹ As discussed in paragraph 38, the Proposed Monitor, if appointed as Monitor, will instruct Blakes to prepare a security review opinion regarding the BJK Security promptly following its appointment.

in two equal installments on April 1st and April 2nd, 2024 respectively. The Proposed Initial Order provides that the order is not effective until 4:30pm on April 2nd and therefore on that basis the Proposed Monitor does not believe the payment to BJK on April 2nd constitutes a post-filing payment on pre-filing debt. As a result of the repayment under the Revolving Facility, the Proposed Monitor understands that the current outstanding indebtedness under the Revolving Facility is \$1.55 million, under the Term Facility is \$5.25 million, and the Applicants had cash on hand of approximately \$3.6 million. As a result of the outstanding defaults thereunder, no further availability under the Revolving Facility exists.

38. At present, the Proposed Monitor has not received a security opinion from its independent counsel, Blakes, on the validity and enforceability of BJK's security interest as against the Borrowers but has requested such review be completed prior to the Comeback Hearing, should the Proposed Initial Order be issued, and expects to provide its observations and conclusions regarding the BJK security in a subsequent report to the Court, should the Monitor be appointed.

GST/HST Liabilities

39. Based on their books and records, the Applicants owed an estimated \$1.6 million to the CRA in respect of GST/HST obligations (the "**GST/HST Arrears**"), of which \$1.5 million is owed by Heritage West and \$0.1 million is owed by Heritage East. The Proposed Monitor understands the other Applicants are current on GST/HST remittances.
40. As noted in the Schwede Affidavit, on or about March 12, 2024 the CRA issued Requirement to Pay notices to one of the Applicants' customers, BC Liquor Distribution Branch, requiring it to send 40% of any money that would either be payable to Heritage East or Heritage West, as applicable, to the CRA on account of the GST/HST Arrears.

Other Creditors

41. As noted in the Schwede Affidavit, the Applicants have a limited number of other creditors with registered security interests in the applicable personal property security registries, which primarily appear to relate to leasing and/or financing of vehicles.

42. Although there is a PPSA registration in favour of Bank of Montreal against Heritage, the Proposed Monitor understands there are currently no amounts owed by Heritage to Bank of Montreal.
43. As per the Debtors' books and records, the Applicants' unsecured liabilities as of March 28, 2024 totalled approximately \$17.2 million, of which approximately \$11.8 million was owed to CRA on account of unremitted excise taxes collected by Heritage East and Heritage West pursuant to the Excise Act. The Proposed Monitor understands the remaining amounts are owed to (i) Merida Capital Partners III LP and Merida Capital Partners IV LP, pursuant to certain unsecured loans advanced to Heritage (\$2.6 million), and (ii) trade creditors (\$2.8 million), including \$0.3 million owing to Health Canada in respect of 2023 annual license fees for the Health Canada Licenses for which Heritage East and Heritage West have entered into payment instalment agreements.
44. As detailed in the Schwede Affidavit, Heritage East and Heritage West entered into repayment plans with CRA pursuant to which Heritage East and Heritage West agreed to make monthly payments to repay the entire excise tax arrears over a specified period of time. The scheduled payments commenced on or about October 1, 2023 at approximately \$270,000 in aggregate per month and escalate over the repayment period. Absent this payment arrangement with the CRA that deferred the payment of excise tax arrears into installments, the Applicants would not have had the liquidity to operate in the ordinary course. The Proposed Monitor understands that Heritage East and Heritage West have made all scheduled payments to CRA under the excise tax payment arrangement through to March 1, 2024.
45. The Debtors' excise tax payments to CRA are expected to increase substantially in the future because, among other things, the amortized monthly payments being made in respect of excise tax arrears under the aforementioned payment arrangement will increase from \$270,000 per month to approximately \$620,000 by October 2024 (and will further increase thereafter).

46. Based on the Debtors' projections, the Proposed Monitor understands the increase in excise tax payments will put a significant strain on cash flows and result in the Debtors exhausting their cash reserves in the near term.
47. Based on the Information received and reviewed to date, the Proposed Monitor is not aware of any arrears of employee related amounts, required remittances of employee withholdings, other than potentially accrued amounts since the date of the last payment/remittance, which the Proposed Monitor understands will be paid to employees in the normal course on the next payroll date. The Proposed Monitor intends to confirm the above following issuance of the Proposed Initial Order.

VI. CASH FLOW FORECAST

48. The Debtors, in consultation with the Proposed Monitor, have prepared the Cash Flow Forecast for the purpose of projecting the estimated liquidity needs of the Debtors' during the Forecast Period. A copy of the Cash Flow Forecast, accompanying notes and a report containing prescribed representations regarding the preparation of the Cash Flow Forecast are attached hereto as **Appendix "B"**.
49. The Cash Flow Forecast has been prepared by the Debtors on a conservative basis using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast.
50. As noted above, the Debtors had a cash balance of approximately \$3.6 million as at April 1, 2024 after the repayment of \$1.5 million under the Revolving Facility. Forecast operating cash receipts over the Forecast Period total approximately \$11.5 million related to the collection of accounts receivable, including from future sales.
51. Forecast operating disbursements over the Forecast Period total approximately \$13.4 million and primarily consist of production and operating costs (\$8.4 million), including \$1.5 million for critical pre-filing payments as per the Proposed Initial Order, employee costs (\$2.3 million), excise taxes for accrued or collected amounts after the date of the Proposed Initial Order (\$1.3 million), sales taxes in accordance with the Proposed Initial Order (\$0.4 million), and professional fees (\$1 million).

52. The Cash Flow Forecast assumes that the interest expense on the outstanding balances under the BJK Loans will be paid upon receipt of an opinion from Blakes that BJK's security interest is valid and enforceable, which opinion is anticipated to be completed prior to the Comeback Hearing.
53. Net negative operating cash flow is forecast to be approximately \$2.7 million over the first 2 weeks (i.e. up to the date of the Comeback Hearing) after the Proposed Initial Order and approximately \$1.9 million over the Forecast Period.
54. Based on the Cash Flow Forecast, the Applicants will be required to draw on the proposed DIP Facility during the week commencing April 20, 2024 in order to have sufficient funds to satisfy its projected uses of cash over the Forecast Period. The Cash Flow Forecast projects borrowings under the DIP Facility in the amount of \$0.5 million over the Forecast Period. As discussed above, Court approval of the DIP Facility is expected to be sought at the Comeback Hearing.
55. The Proposed Monitor notes that the Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

VII. PROPOSED COURT ORDERED CHARGES

56. The Proposed Initial Order provides for two priority charges (collectively the “**Proposed Charges**”) on the current and future assets, undertakings and properties of the Debtors wherever located, including all proceeds thereof, that rank in the following order:
 - (a) First, the Administration Charge (to the maximum amount of \$250,000); and
 - (b) Second, the Directors' Charge (to a maximum of \$0.9 million).
57. Each of the Proposed Charges are described in more detail below.

Administration Charge

58. The Proposed Initial Order provides a charge for the ten-day period prior to the Comeback Hearing on all Property of the Debtors in favour of the Proposed Monitor, counsel to the Proposed Monitor, and the Applicants' corporate and insolvency counsels (collectively, the "**Insolvency Professionals**"), as security for their respective fees and disbursements incurred in respect of the Application in the aggregate amount of \$250,000 (the "**Administration Charge**").
59. The Proposed Monitor is of the view that the Administration Charge is reasonable and appropriate in the circumstances, having considered, among other things:
- (a) the work completed to date in preparation for these CCAA proceedings by the Insolvency Professionals has been material and minimal or no retainers or payments have been made to date;
 - (b) the size of the court-ordered charge is comparable to other insolvency proceedings, and has been calculated in consultation with the Proposed Monitor, taking into account the expected future professional costs and cadence of payment of invoices; and
 - (c) the amount of the Administration Charge is limited to an amount necessary to ensure the beneficiaries of the Administration Charge have adequate protection to the date of the Comeback Hearing.
60. The Proposed Monitor understands BJK has consented to the Administration Charge.

Directors' Charge

61. The Proposed Initial Order provides for a charge to secure the Applicants' indemnity obligations to the current directors and officers of the Applicants (the "**Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of these CCAA proceedings (the "**Directors' Charge**").

62. The Directors and Officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent such coverage is insufficient to pay an indemnified amount. As per the Schwede Affidavit, the Proposed Monitor understands that the Applicants maintain directors' and officers' liability insurance but that these policies may have various exceptions, exclusions and carve-outs, and may not provide sufficient coverage against potential liability that may be incurred during potential CCAA proceedings.
63. The amount of the Directors' Charge has been calculated by the Applicants, in consultation with the Proposed Monitor, taking into consideration excise taxes, sales taxes, employee payroll and related expenses (including source deductions), as well as other employment related liabilities, that attract potential liability for the Directors and Officers during the period prior to the date of the Comeback Hearing.
64. The Proposed Monitor has been informed that due to the potential for personal liability, the Directors' Charge is crucial to the continued involvement of the Directors and Officers during the CCAA proceedings. As the Applicants will require the participation and experience of the Directors and Officers to facilitate the successful completion of the CCAA proceedings, including participating in the SISP, the Proposed Monitor believes that the Directors' Charge (both the amount and the priority ranking) is required and reasonable in the circumstances.
65. The Proposed Monitor understands BJK has also consented to the Directors' Charge.

VIII. OTHER RELIEF

Payment of Pre-Filing Amounts

66. The Applicants are seeking a provision in the Proposed Initial Order providing them with the authority, but not the obligation, to make payments to certain suppliers who are critical to the Debtors' ongoing business operations in respect of obligations arising prior to the commencement of these CCAA proceedings, up to a maximum of \$1,500,000 in the aggregate.

67. As noted in the Schwede Affidavit, the Applicants rely on certain third-party vendors and service providers to provide ongoing goods and/or services in order to ensure the Debtors' business and operations continue as a going concern.
68. The Proposed Monitor understands that certain of these suppliers are critical to the Applicants' business and are either small or very specialized companies, which are dependent on continuous payment from the Debtors, such that it may cause financial harm to require them to comply with the terms of the Proposed Initial Order, including the requirement to continue to provide goods and/or services without being paid pre-filing amounts. Moreover, the timing of the Applicants' filing (the beginning of the month) has interrupted the ordinary payment cadence for many of these critical suppliers, who in the ordinary course of business would have been paid on April 1 or April 2 with the cash that the Applicants currently have on hand. The Proposed Monitor understands that this timing issue has materially increased the amounts that the Applicants' need to pay to critical suppliers immediately after filing, in order to maintain ordinary course operations.
69. If key contractual counterparties are not able to continue supply arrangements with the Applicants or otherwise interrupt the supply of goods and/or services because they are unable to continue to provide their services to the Debtors without payment of pre-filing amounts, such supply interruption will prevent the Applicants from operating in the ordinary course and could negatively impact the going concern value and goodwill of the business.
70. It is critical that the Applicants maintain and continue operations in the normal course to preserve customer relationships, support and goodwill in order to fully maximize the SISP for the benefit of all stakeholders.
71. Pursuant to the Proposed Initial Order, the Applicants shall only be entitled to pay pre-filing amounts if these payments are determined, by the Applicants, with the consent of the Monitor and the DIP Lender, to be necessary to the continued operation of the business or essential for the preservation of value for the SISP.

72. The Proposed Monitor recognizes the importance of maintaining stability with respect to Debtors' ongoing business and operations. Accordingly, the Proposed Monitor is of the view that the relief being requested by the Applicants with respect to the payment of certain pre-filing amounts is reasonable in the circumstances.
73. The Proposed Monitor intends to work closely with the Applicants to ensure that any payments to suppliers in respect of pre-filing obligations are limited to the extent reasonably necessary.

Securities Filings

74. Heritage seeks to relieve itself from incurring further expenses in relation to the Securities Filings (as defined in the Schwede Affidavit) by any federal, provincial or other law respecting securities or capital markets in Canada, and declaring that the directors, officers, employees and other representatives of the Applicants shall not have any personal liability for failure to make any Securities Filings.
75. The Proposed Monitor is of the view that it would be reasonable for Heritage not to incur the time and costs associated with the Securities Filings. Further, the Proposed Monitor understands that the Applicants intend to serve and provide notice of the Comeback Hearing to the relevant government authorities whose rights may be impacted by such relief. Moreover, the form of relief requested with respect to regulatory obligations does not appear to the Proposed Monitor to be contrary to s. 11.1(2) of the CCAA.
76. In the circumstances, the Proposed Monitor views the Applicants request as reasonable and consistent with relief granted in similar cases involving publicly traded companies.

Preservation of Licenses

77. The Applicants seek to have the Health Canada Licenses and the Excise Licenses preserved and maintained during the Stay of Proceedings, which will preserve their ability to sell cannabis inventory in the ordinary course under those licenses.

Health Canada Licenses

78. As detailed in the Schwede Affidavit, Heritage East and Heritage West hold licenses with Health Canada which permit them to undertake, among other things: (a) standard cultivation activities; (b) standard processing activities; (c) industrial hemp sale activities; (d) activities relating to the sale of cannabis for medical purposes; and (d) research activities, including possession and production of cannabis.
79. While there is no immediate concern that the Health Canada Licenses will expire during the Stay of Proceedings, the term of these licenses must continue for the duration of the CCAA proceedings to ensure these entities continue to operate as a going concern.

Excise Licenses

80. Cannabis producers in Canada who are packaging cannabis products for sale are required to affix a cannabis excise stamp issued by the CRA prior to delivery to a purchaser. The cannabis excise stamp indicates that the cannabis product was intended for the excise duty-paid market and that the excise duty has been paid.
81. As noted above, Heritage East and Heritage West each hold an Excise License with the CRA with respect to excise stamps, which licenses are set to expire imminently on April 12, 2024 and April 15, 2024, respectively. If these licenses are permitted to expire, or to be cancelled or revoked, the Applicants would not be able to use its existing stock of cannabis excise stamps or continue obtaining an ongoing supply of cannabis excise stamps, which would severely impair its ability to operate as a going concern.
82. The Proposed Monitor understands that the Applicants intend to serve and provide notice of the Comeback Hearing to Health Canada and the CRA of the relief sought in the Proposed Initial Order in respect of the Excise Licenses.
83. The Proposed Monitor is of the view that the relief sought by the Applicants is reasonable in the circumstances, and not contrary to s.11.1(2) of the CCAA.

Non-Applicant Stay Parties

84. The Applicants are seeking to extend the stay of proceedings and other benefits provided for in the Proposed Initial Order, to certain direct or indirect subsidiaries of the Debtors in the U.S. that are not Applicants in these CCAA proceedings (the “**Non-Applicant Stay Parties**”). The extension of the stay of proceedings to the Non-Applicant Stay Parties is intended to prevent uncoordinated realization and enforcement attempts from being made in different jurisdictions, and thereby preventing immediate losses of value for the Debtors and its stakeholders.
85. Heritage operates as an integrated business and substantially all of the strategic business affairs of the Applicants and the Non-Applicant Stay Parties, including key decision-making, are conducted through personnel and supported by professional advisors who are located in Canada. Given that the Non-Applicant Stay Parties are integrated with the Applicants, they will benefit from the Stay of Proceedings and the CCAA Proceedings, which will maintain going concern operations and will maximize value for the entirety of the Debtors.
86. The Proposed Monitor understands that courts have, on certain occasions, found it just and reasonable to extend the benefit of a stay of proceedings to non-applicants where such parties are integrally and closely interrelated to the Debtors business, in order to ensure that the purposes of the CCAA can be achieved.
87. The Proposed Monitor is of the view that the relief sought by the Applicants is reasonable in the circumstances, as the business and operations of the Non-Applicant Stay Parties are integrated with the Applicants and a stay in respect of them will likely maximize value of the Debtors for the benefit of all its stakeholders.

IX. CASH MANAGEMENT SYSTEM

88. As outlined in the Schwede Affidavit, the Applicants have an integrated, intercompany cash management system (the “**Cash Management System**”), which is critical to the ongoing efficient operations of the Debtors. In the Proposed Monitor’s view, the ongoing

operation of the Cash Management System will not be prejudicial to any creditor or other stakeholder, and ought to be maintained during the CCAA Proceedings

X. CONCLUSIONS AND RECOMMENDATIONS

89. For the reasons set out in this Report, the Proposed Monitor is of the view that the relief requested by the Applicants is both appropriate and reasonable. The Proposed Monitor is also of the view that granting the relief requested will provide the Applicants the best opportunity to undertake a going concern sale or other restructuring under the CCAA, thereby preserving value for the benefit of the Applicants' stakeholders.
90. As such, the Proposed Monitor supports the Applicants application for CCAA protection and respectfully recommends that the Court make an order granting the relief sought by the Applicants in the Proposed Initial Order.

All of which is respectfully submitted this 2nd day of April 2024.

KPMG Inc.

In its capacity as Proposed Monitor of

Heritage Cannabis Holdings Corp., 1005477 B.C. Ltd., Mainstrain Market Ltd., Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Premium 5 Ltd., Heritage Cannabis Exchange Corp., Heritage Cannabis East Corporation, and Heritage Cannabis West Corporation

And not in its personal or corporate capacity

Per:



Pritesh Patel
CIRP, LIT
Senior Vice President



Tim Montgomery
CIRP, LIT
Vice President

Appendix B

**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
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC, 5450 REALTY
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

(collectively the “Applicants” or the “Debtors”)

**MANAGEMENT’S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)**

The management of the Debtors have developed the assumptions and prepared the attached statement of projected cash flow as of the 9th day of April 2024, consisting of the period from April 8, 2024, to July 5, 2024 (the “**Updated Cash Flow Forecast**”).

The hypothetical assumptions are reasonable and consistent with the purpose of the Updated Cash Flow Forecast described in the notes therein, and the probable assumptions are suitably supported and consistent with the plans of the Debtors and provide a reasonable basis for the Updated Cash Flow Forecast. All such assumptions are disclosed in the notes therein.

Since the Updated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The Updated Cash Flow Forecast has been prepared solely for the purpose described in the notes therein, using the probable and hypothetical assumptions set out therein. Consequently, readers are cautioned that the Updated Cash Flow Forecast may not be appropriate for other purposes.

Dated at Kelowna, in the Province of British Columbia, this 10th day of April 2024.

Heritage Cannabis Holdings Corp., 1005477 B.C. LTD., Heritage Cannabis West Corporation, Mainstrain Market Ltd., Heritage Cannabis East Corporation, Purefarma Solutions Inc., 333 Jarvis Realty Inc, 5450 Realty Inc., Heritage Cannabis Exchange Corp., and Premium 5 Ltd.



David Schwede
Chief Executive Officer

13-Week Updated Cash Flow Forecast Notes and Summary of Assumptions

In the matter of a Plan of Compromise or Arrangement of Heritage Cannabis Holdings Corp., 1005477 B.C. LTD., Heritage Cannabis West Corporation, Mainstrain Market Ltd., Heritage Cannabis East Corporation, Purefarma Solutions Inc., 333 Jarvis Realty Inc, 5450 Realty Inc., Heritage Cannabis Exchange Corp., and Premium 5 Ltd. (collectively the “Applicants” or the “Debtors”)

Disclaimer

Since the Updated Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Updated Cash Flow Forecast period will vary from the Updated Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty, or other assurance that any of the estimates, forecasts or projections will be realized.

The Updated Cash Flow Forecast is presented in Canadian dollars. All defined terms that are not otherwise defined herein are to have the same meaning ascribed to them in the report of the Monitor dated April 10, 2024.

Note 1 Purpose of the Updated Cash Flow Forecast

The purpose of the Updated Cash Flow Forecast is to present the estimated cash receipts and disbursements of the Applicants for the period from April 8, 2024 to July 5, 2024 (the “**Forecast Period**”). The Cash Updated Flow Forecast has been prepared by the Applicants, in consultation with the Monitor. Readers are cautioned that this information may not be appropriate or relied upon for any other purpose.

Note 2 Accounts Receivable

Current accounts receivable is forecast to be collected based on the payment terms for individual customers. Overdue accounts receivable is forecast to be collected based on management’s best estimate of when these customers may pay. The Updated Cash Flow Forecast reflects a 40% garnishment of all pre-filing receivables from BCLDB but not on post-filing receivables.

Note 3 Sales

Sales are based on the Applicants latest sales forecast by customer and forecast to be collected based on the payment terms for individual customers.

Note 4 Production and Operating Costs

Production and operating costs include, but are not limited to, inventory (vapes, concentrates, pre-rolls) and production costs, including critical vendor payments, advertising, general and administration and consultancy costs. Supplier terms are assumed to be cash on delivery.

Note 5 Salary and Wages

Payroll expenses include salaries and wages, payroll taxes and remittances, and employee benefits paid to the Applicants' employees. Payroll expenses are forecasted based on current headcount levels and are paid bi-weekly.

Note 6 Excise Taxes

Excise Taxes are accrued or collected amounts after the date of the Initial Order.

Note 7 Sales Taxes

Sales Taxes are accrued or collected amounts after the date of the Initial Order, or where such Sales Taxes were accrued or collected prior to date of the Initial Order but not required to be remitted until on or after the date of the Initial Order.

Note 8 Professional Fees

Includes professional fees of (i) the Monitor, counsel to the Monitor, counsel to the Applicants, and counsel of the DIP Lender primarily in connection with the CCAA proceedings.

Note 9 BJK Loan Agreements

The Updated Cash Flow Forecast assumes service interest expense on the remaining outstanding balances under the BJK Loans will be paid following receipt of an opinion from its independent counsel, Blakes, that BJK's security interest is valid and enforceable.

Note 10 DIP Financing

The Updated Cash Flow Forecast reflects advances under the DIP Facility in the Forecast period of \$0.5 million. The interest rate on the principal outstanding amount of the DIP advances is 12.5% and is accrued. DIP fees assumed to paid in the Forecast Period are \$45,000 as per the terms of the DIP Term Sheet.

Heritage Group
13-Week Cash Flow Projections (in \$CAD)

Heritage Group															
Updated CCAA Cash Flow															
In C\$; unaudited															
	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	
	1	2	3	4	5	6	7	8	9	10	11	12	13	Total	
	1	12-Apr-24	19-Apr-24	26-Apr-24	3-May-24	10-May-24	17-May-24	24-May-24	31-May-24	7-Jun-24	14-Jun-24	21-Jun-24	28-Jun-24	5-Jul-24	Total
Receipts															
Accounts Receivable	2	232,939	289,292	444,959	922,682	862,944	1,078,008	562,669	81,861	203,234	78,593	78,593	129,678	458,593	5,424,046
Sales	3	-	-	94,193	94,193	341,484	341,484	507,844	507,844	884,132	884,132	884,132	884,132	884,132	6,307,702
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Customer Receipts		232,939	289,292	539,152	1,016,875	1,204,428	1,419,492	1,070,513	589,705	1,087,366	962,725	962,725	1,013,810	1,342,725	11,731,748
Operating Disbursements															
Production and Operating Costs	4	(1,229,497)	(829,497)	(753,477)	(512,227)	(512,227)	(512,227)	(512,227)	(512,227)	(512,227)	(512,227)	(512,227)	(512,227)	(512,227)	(7,934,746)
Salary and Wages	5	(390,090)	-	(390,090)	-	(388,000)	-	(388,000)	-	(388,000)	-	(388,000)	-	(388,000)	(2,720,181)
Excise Taxes	6	-	-	-	-	-	-	-	-	(1,288,000)	-	-	-	(1,288,000)	(2,576,000)
Sales Taxes	7	-	-	-	(180,000)	-	-	-	(200,000)	-	-	-	-	(200,000)	(580,000)
Professional Fees	8	(288,471)	(203,707)	(87,530)	(40,863)	(40,863)	(40,863)	(40,863)	(40,863)	(40,863)	(55,423)	(55,423)	(42,730)	(25,846)	(1,004,307)
Total Operating Disbursements		(1,908,058)	(1,033,204)	(1,231,097)	(733,091)	(941,091)	(553,091)	(941,091)	(753,091)	(2,229,091)	(567,651)	(955,651)	(554,957)	(2,414,074)	(14,815,234)
Net Operating Cash Flow		(1,675,119)	(743,912)	(691,946)	283,785	263,337	866,401	129,423	(163,385)	(1,141,725)	395,075	7,075	458,852	(1,071,348)	(3,083,486)
Monthly Interest Payments	9	-	-	-	(45,373)	-	-	-	(45,373)	-	-	-	-	(45,373)	(136,118)
DIP Fee	10	-	-	(45,000)	-	-	-	-	-	-	-	-	-	-	(45,000)
Net Cash Flow		(1,675,119)	(743,912)	(736,946)	238,412	263,337	866,401	129,423	(208,758)	(1,141,725)	395,075	7,075	458,852	(1,116,721)	(3,264,604)
Opening Cash		3,279,073	1,603,954	860,042	623,097	861,508	1,124,846	1,991,247	2,120,670	1,911,912	770,187	1,165,262	1,172,337	1,631,189	3,279,073
Net Cash Flow		(1,675,119)	(743,912)	(736,946)	238,412	263,337	866,401	129,423	(208,758)	(1,141,725)	395,075	7,075	458,852	(1,116,721)	(3,264,604)
DIP funding	10	-	-	500,000	-	-	-	-	-	-	-	-	-	-	500,000
Ending Cash		1,603,954	860,042	623,097	861,508	1,124,846	1,991,247	2,120,670	1,911,912	770,187	1,165,262	1,172,337	1,631,189	514,469	514,469



David Schwede
Chief Executive Officer

**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
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC, 5450 REALTY
INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.**

(collectively the “Applicants” or the “Debtors”)

**MONITOR’S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)**

The attached statement of projected cash flow of the Debtors prepared as of the 9th day of April 2024, consisting of the period from April 8, 2024 to July 5, 2024 (the “**Updated Cash Flow Forecast**”), has been prepared by management of the Debtors, in consultation with the Monitor for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Updated Cash Flow Forecast.

Our review and consultation consisted of inquiries, analytical procedures and discussions related to information supplied by management and employees of the Debtors. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Updated Cash Flow Forecast.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Updated Cash Flow Forecast;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Debtors or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the hypothetical assumptions; or
- c) the Updated Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

Since the Updated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Updated Cash Flow Forecast will be achieved.

The Updated Cash Flow Forecast has been prepared solely for the purpose described in the notes thereto and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, in the Province of Ontario, this 10th day of April 2024.

KPMG Inc.

In its capacity as Proposed Monitor of

Heritage Cannabis Holdings Corp., 1005477 B.C. Ltd., Mainstrain Market Ltd., Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Premium 5 Ltd., Heritage Cannabis Exchange Corp., Heritage Cannabis East Corporation, and Heritage Cannabis West Corporation

And not in its personal or corporate capacity

A handwritten signature in black ink, appearing to read 'P. Patel', with a long horizontal flourish extending to the right.

Pritesh Patel, CIRP, LIT
Senior Vice President

Appendix C

DEBTOR-IN-POSSESSION FACILITY TERM SHEET

Dated: April 10, 2024

WHEREAS Heritage Cannabis Holdings Corp. ("**Heritage**") and certain of its subsidiaries, as borrowers, and BJK Holdings Ltd. ("**BJK**" or the "**DIP Lender**", as the context dictates), as lender, are parties to a certain loan agreement dated as of March 29, 2021, as guaranteed by certain other subsidiaries of Heritage (as amended from time to time, the "**Pre-Filing Loan Agreement**");

AND WHEREAS Heritage has requested that BJK provide it with further loans to fund Heritage and certain of its subsidiaries' restructuring efforts pursuant to a debtor-in-possession financing in the context of insolvency proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") (the "**CCAA Proceedings**") under the jurisdiction of the Ontario Superior Court of Justice (Commercial List) (the "**Court**");

AND WHEREAS, subject to the terms and conditions contained herein (this "**Agreement**"), the DIP Lender is prepared to establish the DIP Facility (as defined below) in favour of the Borrowers (as defined below) on the terms and conditions set out below.

NOW THEREFORE, the parties, in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), agree as follows:

- DEFINITIONS**
Capitalized terms used but not otherwise defined herein shall have the meanings given to them on **Schedule "A"** hereto.
- BORROWERS**
Heritage, 1005477 B.C. Ltd., Heritage Cannabis West Corporation ("**Heritage West**"), Mainstrain Market Ltd., Heritage Cannabis East Corporation ("**Heritage East**"), Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Heritage Cannabis Exchange Corp. and Premium 5 Ltd. (collectively, and on a joint and several basis, the "**Borrowers**", and each a "**Borrower**").
- GUARANTORS**
Each Borrower pursuant to the Borrower's Guarantee section below, (collectively, the "**Guarantors**").
- DIP LENDER**
BJK Holdings Ltd. (the "**DIP Lender**").
- JOINT AND SEVERAL**
Each of the Borrowers agree, acknowledge and confirm that at their specific request the DIP Facility has been made available to all of them, and, in each case, that each individual Borrower's ability to drawdown the full amount available for DIP Advances under the DIP Facility is not restricted except as specifically provided for in this Agreement. All covenants, agreements and obligations of the Borrowers contained in this Agreement relating to or

in connection with the DIP Facility shall be joint and several covenants, agreements and obligations of each of the Borrowers as co-borrowers, and each of the Borrowers shall be jointly and severally liable for, and obligated to repay, all Obligations (as defined below) under the DIP Facility, in each case without the necessity of restating the words "jointly and severally" or "joint and several" in respect thereof. Such joint and several liability is independent of the duties, obligations and liabilities of each other Borrower. Each of the Borrowers waives all benefits of discussion and division among the Borrowers, and each of the Borrowers acknowledges and confirms that the DIP Lender shall have no obligation to pursue any other Borrower for all or any part of the Obligations under the DIP Facility before it can recover all such Obligations from it. Each Borrower acknowledges and confirms that it is fully responsible for all such Obligations even though it may not have requested a single DIP Advance.

Each of the Borrower's liability for payment of the DIP Facility shall be a primary obligation, shall be absolute and unconditional, and shall constitute full recourse obligations of each of the Borrowers, enforceable against each of them to the full extent of their respective assets and properties. Each of the Borrowers expressly waives any right to require the DIP Lender to marshal assets in favour of any Borrower or any other Person or to proceed against any other Borrower or any collateral provided by any Person, and agrees that the DIP Lender may proceed against any Borrower or any collateral in such order as it shall determine in its sole and absolute discretion. To the extent permitted by law, any release or discharge, by operation of law, of any Borrower from the performance or observance of any obligation, covenant or agreement contained in this Agreement shall not diminish or impair the liability of any other Borrower in any respect. Each of the Borrowers unconditionally and irrevocably waives each and every defense, right to discharge, compensation and setoff of any nature which, by statute or under principles of suretyship, guaranty or otherwise, would operate to impair or diminish in any way the obligation of any Borrower under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from each Borrower now or later securing the DIP Facility, and acknowledges that as of the date of this Agreement no such defense or

setoff exists. Each of the Borrowers waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from any other Borrower any amounts paid or the value of any Property given by such Borrower pursuant to this Agreement or otherwise until the DIP Facility are irrevocably paid in full in cash.

6. **BORROWER'S GUARANTEE**

To the maximum extent permitted by Applicable Law and to the extent that a Borrower is deemed a guarantor, each Borrower unconditionally and absolutely, guarantees payment when due, whether by stated maturity, demand, acceleration or otherwise, of the Obligations and all existing and future indebtedness owing hereunder or in connection with the DIP Facility owed by each other Borrower and expressly waives any and all defenses now or hereafter arising or asserted by reason of (a) any extension, modification, forbearance, compromise, settlement or variation of any of the terms of the Obligations and the said indebtedness, (b) the discharge or release of any liability of any other Borrower or any other Person now or hereafter liable on the Obligations and the said indebtedness, by reason of bankruptcy or insolvency laws or otherwise, (c) the acceptance or release by the DIP Lender of any collateral, security or other guaranty from any Borrower or any other Person, or any settlement, compromise or extension with respect to any such collateral, security or other guaranty, (d) the avoidance, invalidity or unenforceability of any collateral, security or other guaranty from any Borrower or any other Person, (e) any failure to give any notice, demand, notice of dishonor, protest, presentment or non-payment, or any other notice, (f) any failure to comply with any Applicable Law in connection with any enforcement of any right or remedy against any collateral, security or other guaranty from any Borrower or any other Person, or (g) any action or inaction of the DIP Lender in any insolvency proceeding involving any Borrower or any other Person.

7. **DIP FACILITY**

A non-revolving loan (the "**DIP Facility**") up to the maximum principal amount of \$1,500,000 (the "**Maximum Amount**").

8. **CURRENCY:**

The currency of the DIP Facility shall be Canadian Dollars.

9. **MATURITY DATE**

Unless accelerated by an Event of Default, the DIP Facility shall be paid in full in cash on the date (the “**Maturity Date**”) which is the earliest of:

(a) August 2, 2024 (or such later date as the DIP Lender in its sole discretion may agree to in writing with the Borrowers);

(b) the date on which (i) the stay of proceedings under the CCAA Proceedings is lifted without the consent of the DIP Lender, or (ii) the CCAA Proceedings are terminated for any reason;

(c) the closing of a sale or similar transaction (including pursuant to a subscription agreement and/or a reverse vesting purchase agreement) for all or substantially all of the assets and business, or in respect, of the Borrowers pursuant to the SISF, which has been approved by an order entered by the Court;

(d) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a “**Plan**”) which has been approved by the requisite majorities of the Borrowers’ creditors and by an order entered by the Court; or

(e) the conversion of the CCAA Proceedings into one or more proceedings under the *Bankruptcy and Insolvency Act* (Canada).

The Maturity Date shall be accelerated upon the occurrence of an Event of Default.

The DIP Lender’s commitment in respect of the DIP Facility shall expire on the Maturity Date and all amounts outstanding under the DIP Facility including accrued Interest and Legal Fees (collectively, the “**Obligations**”) shall be repaid in full on the Maturity Date without the DIP Lender being required to make demand upon the Borrowers or to give notice that the DIP Facility has expired and the Obligations are due and payable.

10. **AVAILABILITY**

Subject to the terms and conditions set forth in this Agreement, the Initial Order and the Restated Initial Order, the DIP Lender will make loans (the “**DIP Advances**”) to the Borrowers under the DIP Facility in an aggregate principal amount not to exceed the Maximum Amount, as follows:

(a) subject to the provisions hereunder under the heading **CONDITIONS PRECEDENT TO THE DISBURSEMENT OF DIP ADVANCES**, and except as may be otherwise agreed in writing by the Borrowers and the DIP Lender, any DIP Advance under the DIP Facility shall be made available to the Borrowers by the DIP Lender until the Maturity Date in accordance with the then applicable Cash Flow Projections (as defined below) approved by the DIP Lender in its sole discretion, from time to time.

Unless otherwise agreed to in writing in advance by the DIP Lender in its sole direction, each DIP Advance shall be made by the DIP Lender to the Borrowers as soon as practicable (and in any event within two (2) Business Days) after delivery to the DIP Lender of a drawdown certificate executed by the Borrowers certifying, *inter alia*, that (i) the advance corresponds with the then applicable Updated Cash Flow Projections (as defined below) for the one week period commencing the Monday following the date of the drawdown certificate, (ii) that there is no Default or Event of Default that has occurred and is continuing, and (iii) that the Borrowers are in compliance with the DIP Credit Documentation and the Restated Initial Order.

11. **ACCOUNT**

All DIP Advances shall be deposited into an account acceptable to the Borrowers, the Monitor and the DIP Lender and withdrawn to pay contemplated expenses under the then applicable Cash Flow Projections and otherwise in accordance with the terms hereof.

12. **USE OF PROCEEDS AND CASH FLOW PROJECTIONS**

The DIP Advances shall be used in accordance with the Updated Cash Flow Projections (collectively with the Initial Cash Flow Projections (as defined below), the “**Cash Flow Projections**”), in each case, to fund working capital and general corporate needs of the Borrowers during, and costs and expenses incurred by the Borrowers in connection with, the CCAA Proceedings.

No proceeds of the DIP Advances may be used for any purpose other than in accordance with the Cash Flow Projections, except with the prior written consent of the DIP Lender and the Monitor.

13. **INTEREST RATE**

Interest (“**Interest**”) on the principal outstanding amount of the DIP Advances (including the compounded interest referenced below) from the date each such DIP Advance is made (or, in the case

of the compounded interest referenced below, the date that such interest is compounded), both before and after maturity, demand, default, or judgment, until payment in full at a rate of 12.5% *per annum*, calculated daily and compounded monthly, shall accrue and be added to the principal amount of the DIP Advances on the first day of each month.

All interest shall be calculated on the basis of a 365-day (or 366 day, as applicable) year, in each case for the actual number of days elapsed in the period during which it accrues.

All payments under or in respect of the DIP Facility shall be made free and clear of any withholding, set-off or other deduction.

If any provision hereof or the DIP Credit Documentation would obligate the Borrowers to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in receipt by the DIP Lender of interest at a criminal rate (as construed under the *Criminal Code* (Canada)) then, notwithstanding that provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or result in a receipt by the DIP Lender of interest at a criminal rate.

14. **FEES**

The Borrower shall pay a commitment fee in the amount of \$45,000 (the “**Fee**”), representing 3% of the Maximum Amount, which shall be fully earned upon the Court approval of this Agreement and shall be debited from the Maximum Amount on the day of the first DIP Advance. For certainty, the Fee shall be secured by the DIP Lender’s Charge.

15. **COSTS AND EXPENSES**

The Borrowers shall pay, on a bi-weekly basis, all reasonable and documented costs and expenses of the DIP Lender, and all reasonable and documented fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant, related to or in connection with the CCAA Proceeding, including, without limitation, reasonable and documented costs and expenses incurred by the DIP Lender in connection with the enforcement of any of the rights and remedies available hereunder.

16. **DIP SECURITY**

All Obligations of the Borrowers under or in connection with the DIP Facility and any of the DIP

Credit Documentation shall be secured by a Court-Ordered Charge (the “**DIP Lender’s Charge**”) on all present and after-acquired personal and real, tangible or intangible property of the Borrowers, in each case of any kind or nature whatsoever and wheresoever situated (the “**Property**”) without the need for any further loan or security documentation or any filings or registrations in any public register or system.

17. **CONDITIONS PRECEDENT TO THE DISBURSEMENT OF DIP ADVANCES**

The DIP Lender’s obligation to make any DIP Advance hereunder is subject to, and conditional upon, the satisfaction of all the following conditions precedent:

1. the Borrowers’ motion materials in connection with their motion for the Restated Initial Order shall be satisfactory to the DIP Lender, and such motion shall be brought before the Court no later than April 12, 2024, on notice to such parties as are acceptable to the DIP Lender;
2. an order amending and restating the initial order issued by the Court on April 2, 2024 (the “**Initial Order**”), in form and substance acceptable to the DIP Lender (the “**Restated Initial Order**”), shall have been issued by the Court, authorizing and approving the DIP Facility and granting the DIP Lender’s Charge priority over all Liens against any of the Property except for (i) an administrative charge on the Property in an aggregate amount not to exceed \$500,000 (the “**Administrative Charge**”) and (ii) the Directors’ Charge and the Restated Initial Order shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect adversely affecting the DIP Lender, unless otherwise agreed by the DIP Lender;
3. the DIP Lender’s Charge shall have priority over all Liens in respect of the Business or against the Property of the Borrowers except for the Administrative Charge and the Directors’ Charge;
4. any requirement to pay, enhanced requirement to pay or demand on a third

party (in each case, an “**RTP**”) issued by Canada Revenue Agency to any account debtor of the Borrowers including the RTP issued by Canada Revenue Agency to the British Columbia Liquor Distribution Branch prior to the date of the Initial Order in respect of GST/HST obligations of Heritage East and Heritage West (the “**Existing RTPs**”), and any other garnishment or similar rights commenced, prior to the date of the Initial Order by any governmental authority shall be stayed by the Initial Order and the Restated Initial Order in respect of post-filing receivables of the Borrowers, and no new RTPs shall have been issued following the issuance of the Initial Order;

5. all amounts requested for a particular DIP Advance shall be consistent with the Updated Cash Flow Projections for the applicable period, or otherwise expressly agreed by the DIP Lender in advance;
6. the initial cash flow projections attached as **Schedule “B”** hereto shall be satisfactory to the DIP Lender (the “**Initial Cash Flow Projections**”), and from the date of this Agreement to the issuance of the Restated Initial Order, the Borrowers shall not have made any payment that is not contemplated by the Initial Cash Flow Projections without the prior written consent of the DIP Lender;
7. the terms and conditions of the Sale and Investment Solicitation Process (the “**SISP**”), including the various relevant milestones of such SISP and an outside date for the completion of the SISP (the “**SISP Milestones**”) shall have been approved by the Court in the SISP Order, shall be in a form and substance satisfactory to the Monitor, and the DIP Lender shall be satisfied, acting reasonably, with the terms of the SISP and the SISP Order;
8. the share subscription agreement (the “**Stalking Horse Agreement**”) entered into among Heritage, BJK and Hab Cann Holdings Ltd. (the “**Purchaser**”) shall have been approved by the Court as the “stalking horse” in the SISP;

9. the representations and warranties contained herein shall be true and correct; and
10. no Default or Event of Default hereunder shall have occurred and be continuing.

Each of the Borrowers agrees to indemnify and hold harmless the DIP Lender, its officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the “**Indemnified Persons**”) from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, this Agreement, or the DIP Credit Documentation, except to the extent that such actions, lawsuits, proceedings, claims, losses, damages, liabilities or expenses result from the gross negligence or willful misconduct of such Indemnified Persons.

18. **REPRESENTATIONS AND WARRANTIES**

Each of the Borrowers represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this Agreement and the other DIP Credit Documentation, that:

1. the transactions contemplated by this Agreement and the other DIP Credit Documentation:
 - a. upon the granting of the Restated Initial Order, are within the powers of the Borrowers;
 - b. have been duly authorized, executed and delivered by or on behalf of the Borrowers;
 - c. upon the granting of the Restated Initial Order, constitute legal, valid and binding obligations of the Borrowers;
 - d. upon the granting of the Restated Initial Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Lender’s Charge or

any DIP Security granted pursuant to the DIP Credit Documentation;

2. the business operations of the Borrowers have been and will continue to be conducted in compliance with all Applicable Laws of each jurisdiction in which each such business has been or is being carried on;
3. the Borrowers obtained all licenses and permits required for the operation of their business, which licenses and permits remain, and after the date of the Initial Order will remain, in full force and effect. No proceedings have been commenced to revoke or amend any of such licenses or permits and no notices advising of a breach or potential breach of the conditions of such licenses has been received;
4. except as disclosed in **Schedule "C"** hereto, the Borrowers have paid where due their obligations for payroll, employee source deductions, sales taxes, value added taxes and are not in arrears in respect of these obligations;
5. the Borrowers do not have any defined benefit pension plans or similar plans;
6. Other than the Existing RTPs, none of the Borrowers have received notice or are aware of any other RTP issued to any of their account debtors; and
7. all factual information provided by or on behalf of the Borrowers to the DIP Lender for the purposes of, or in connection with, this Agreement or any transaction contemplated herein is, to the best of the Borrowers' knowledge, true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided. In particular, and without limiting the generality of the foregoing, to the best of the Borrowers' knowledge, all information regarding the Borrowers' corporate structure is true and

complete, and all public filings and financial reports are complete and true in all material respects as of the date thereof.

19. **AFFIRMATIVE COVENANTS**

Each of the Borrowers covenants and agrees to do the following:

1. comply with the Cash Flow Projections, including making payments when scheduled to be made in accordance with the Cash Flow Projections, and their reporting and other obligations to deliver financial information to the DIP Lender hereunder; provided that, such reporting and financial information shall be prepared and delivered under the supervision of the Monitor;
2. allow the DIP Lender, its designated representatives and financial advisors full access to the books and records of the Borrowers on reasonable notice and during normal business hours and cause management thereof to fully cooperate with any advisors to the DIP Lender;
3. use the proceeds of the DIP Facility only for the purposes set out herein;
4. comply with the provisions of the Court orders made in the CCAA Proceedings;
5. obtain the SISP Order no later than April 12, 2024;
6. comply with the SISP and SISP Milestones following approval thereof by the Court in the CCAA Proceedings pursuant to the SISP Order;
7. provide the DIP Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intends to file within the CCAA Proceedings at least three (3) days prior to any service of such materials or, where it is not practically possible to do so, as soon as practicable prior to such service;
8. at the request of the DIP Lender, take all reasonable steps required to confirm that the DIP Advances have priority over any Lien,

- including any Existing RTPs over post-filing receivables of any Borrower;
9. maintain all licenses required for the operation of their business in good standing;
 10. provide the DIP Lender with all correspondence between the Borrowers and any governmental authority in respect of (i) their cannabis licenses from and after the date of the Initial Order, and (ii) RTPs or Existing RTPs;
 11. the Initial Order, the Restated Initial Order and any other Court orders which are being sought by the Borrower shall be shared with the DIP Lender; provided that any Court order that directly impacts the DIP Facility and the DIP Lender's Charge shall be in a form satisfactory to the DIP Lender;
 12. keep the DIP Lender apprised on a timely basis of all developments with respect to the business and affairs of the Borrowers and, subject to Court-ordered limitations and confidentiality restrictions to the extent the DIP Lender (or an affiliate thereof) participates in the SISP as a stalking horse with a right to re-bid, with respect to the SISP;
 13. deliver to the DIP Lender by no later than 5:00 p.m. (Toronto time) on Thursday of each week (or, if Thursday is not a Business Day, the following Business Day), updated 13-week cash flow projections, in form and substance satisfactory to the DIP Lender, in its discretion, reflecting the projected cash requirements of the Borrowers on a rolling-basis (the **"Updated Cash Flow Projections"**);
 14. concurrently with the weekly delivery of Updated Cash Flow Projections, provide a comparison to the previously delivered Updated Cash Flow Projections (or to the Initial Cash Flow Projections, if applicable) including applicable bank reconciliations;
 15. maintain all insurance with respect to the Property in existence as of the date hereof;

16. forthwith notify the DIP Lender of any event or circumstance that, with the passage of time, may constitute an Event of Default;
17. forthwith notify the DIP Lender of the occurrence of any Event of Default, or of any event or circumstance that may constitute a material adverse change from the Cash Flow Projections;
18. duly and punctually pay or cause to be paid to the DIP Lender all Obligations under this Agreement and under any other DIP Credit Documentation on the dates, at the places, and in the amounts and manner set forth herein;
19. comply in all respects with all Applicable Laws; and
20. comply in all material respects with their obligations under the DIP Credit Documentation.

20. **NEGATIVE COVENANTS**

Each of the Borrowers covenants and agrees not to do the following, other than with the prior written consent of the DIP Lender:

1. sell, assign, transfer, lease or otherwise dispose of all or any part of its assets, tangible or intangible, outside the ordinary course of business, except for the disposition of any obsolete equipment or other assets or as permitted under the Restated Initial Order, or pursuant to the SISP Order;
2. make any payment of principal or interest in respect of existing (pre-filing date) indebtedness or expenses (including payments in respect of pre-filing supplies of goods or services) except as contemplated by the Cash Flow Projections, or declare or pay any dividends;
3. create or permit to exist indebtedness for borrowed money other than existing (pre-filing date) debt, debt contemplated by this DIP Facility and post-filing trade payables incurred in the ordinary course of business;

4. create or permit to exist any Liens on any of the Property other than Permitted Liens;
5. enter into or agree to enter into any investments (other than cash equivalents) or acquisitions of any kind, direct or indirect, in any business;
6. assume or otherwise agree to be bound by any contingent liabilities or provide any guarantee or financial assistance to any Person;
7. transfer, distribute, lend or otherwise provide any funds (whether arising from DIP Advances or otherwise) to any Affiliate unless such Affiliate is a Borrower;
8. enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly or indirectly, all or any significant portion of the undertaking, property or assets of any Borrower would become the property of any other Person or Persons unless authorized by the DIP Lender;
9. other than the Court-Ordered Charges, seek or support a motion by another party to provide to a third party a charge upon any Property (including, without limitation, a critical supplier's charge) without the prior consent of the DIP Lender;
10. amend or seek to amend the Initial Order or the Restated Initial Order, the SISP or the SISP Milestones;
11. terminate the employment of any personnel required to maintain all of its cannabis licenses in good standing unless replaced in due course;
12. terminate or repudiate any agreement with the DIP Lender, the Purchaser or any of their respective Affiliates;
13. seek or obtain any order from the Court that materially adversely affects the DIP Lender,

except with the prior written consent of the DIP Lender; and

14. disclaim any lease or agreement pursuant to section 32 of the CCAA, which is material to the business and operations of the Borrowers.

21. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Agreement:

1. failure of the Borrowers to pay principal or interest when due under this Agreement or any other DIP Credit Documentation;
2. any other breach by any Borrower in the observance or performance of any provision, covenant (affirmative or negative) or agreement contained in this Agreement, provided, that, in the case of a breach of any affirmative covenant, such breach remains unremedied for longer than three (3) Business Days following receipt of notice thereof;
3. the SISP Order has not been issued by the Court by April 12, 2024.
4. if the total cumulative disbursements and receipts pursuant to the Cash Flow Projections reflect: (i) at any time during the first two weeks of the CCAA Proceedings, greater than a 20% negative variance compared to the cumulative budget confirmed in the applicable Cash Flow Projections; and (ii) thereafter, greater than a 10% negative variance compared to the cumulative budget confirmed in the applicable Cash Flow Projections, in each case measured on a weekly basis;
5. (i) any order shall be entered reversing, amending, varying, supplementing, staying, vacating or otherwise modifying in any respect in a manner materially affecting the DIP Lender without the prior written consent of the DIP Lender, (ii) either the Initial Order or the Restated Initial Order shall cease to be in full force and effect in a manner that has a material adverse effect on the interests of the DIP Lender, or (iii) any Borrower shall fail to

comply in any material respect that has an adverse effect on the interests of the DIP Lender with any order granted by the Court in the CCAA Proceedings;

6. if Canada Revenue Agency issues any RTP other than the Existing RTPs, or if any Existing RTPs extend, or if Canada Revenue Agency attempts or threatens to extend the Existing RTPs to any post-filing amounts owing to any of the Applicants;
7. this Agreement or any other DIP Credit Documentation shall cease to be effective;
8. any order is issued by the Court (or any other court of competent jurisdiction) that adversely affects the DIP Lender;
9. the CCAA Proceedings are terminated or converted to bankruptcy proceeding or any order is granted by the Court (or any court of competent jurisdiction) granting relief from the stay of proceedings during the CCAA Proceedings (as extended from time to time until the Maturity Date), unless agreed by the DIP Lender, acting reasonably;
10. any Plan is filed or sanctioned by the Court, or any transaction ("**Transaction**") is sought to be approved, in a form and in substance that is not acceptable to the DIP Lender, including if such Plan or Transaction does not provide for the repayment, in cash in their entirety of: (i) the Obligations under the DIP Facility in full by the Maturity Date; and (ii) all obligations under, in connection with, or pursuant to, the Pre-Filing Loan Agreement, in each case, including interest thereon and costs and expenses in connection therewith to the date of implementation or closing of such Plan or Transaction;
11. if any of the Borrower's Cannabis Licenses lapses, are revoked or not extended, or any Borrower fails to comply with a condition required to keep such licenses in good standing and such Borrower's failure to comply with such condition continues for a period of three (3) Business Days;

12. without first obtaining the written consent of the DIP Lender, any of the Borrowers makes any payments of any kind not permitted by this Agreement, the Cash Flow Projections or any order of the Court; or
13. borrowings under the DIP Facility exceed the Maximum Amount.

22. **REMEDIES**

Upon the occurrence and continuance of an Event of Default, the DIP Lender may, upon written notice to the Borrower and the Monitor:

1. terminate the DIP Facility;

and, subject to the DIP Lender obtaining an Order from the Court lifting the stay of proceedings in the Restated Initial Order,

2. on prior written notice to the Borrowers and the service list of no less than three (3) Business Days, apply to the Court for the appointment of an interim receiver or a receiver and manager of the Property or for the appointment of a trustee in bankruptcy of the Borrowers;
3. exercise the powers and rights of a secured party under any legislation; and
4. exercise all such other rights and remedies under the DIP Credit Documentation and Orders of the Court in the CCAA Proceedings.

23. **DIP LENDER APPROVALS**

All consents of the DIP Lender hereunder shall be in writing. Any consent, approval, instruction or other expression of the DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail.

24. **FURTHER ASSURANCES**

The Borrowers shall at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the DIP Lender may reasonably request for the purpose of giving effect to this Agreement and the DIP Lender's Charge, perfecting, protecting and maintaining the Liens created by the DIP Lender's Charge or establishing compliance with the

representations, warranties and conditions of this Agreement or any other DIP Credit Documentation.

25. **ENTIRE AGREEMENT**

This Agreement, including the Schedules hereto and the DIP Credit Documentation, constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Agreement and any of the other DIP Credit Documentation, this Agreement shall govern. Neither this Agreement nor any other DIP Credit Documentation, nor any terms hereof or thereof, may be amended, unless such amendment is in writing signed by the Borrowers and the DIP Lender.

26. **AMENDMENTS, WAIVERS, ETC.**

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Credit Documentation will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the DIP Lender. Any consent to be provided by the DIP Lender shall be granted or withheld solely in its capacity, and having regard to its interests, as DIP Lender.

27. **ASSIGNMENT**

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Borrowers may not assign their rights and obligations under this Agreement without the written consent of the DIP Lender. The DIP Lender's rights and obligations under this Agreement are fully assignable without the consent of (but with prior notice to) the Borrowers. Each of the Borrowers hereby consents to the disclosure of any confidential information in respect of the Borrower to any potential assignee provided such potential assignee agrees in writing to keep such information confidential. A copy of all notices delivered to the Borrowers pursuant to this section shall be delivered contemporaneously to the Monitor.

28. **SEVERABILITY**

Any provision in any DIP Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

29. **PRESS RELEASES**

The Borrowers shall not issue any press releases or other public disclosure, other than Court documents approved in the manner set out herein, without the DIP Lender's prior approval, acting reasonably, and

only after giving the DIP Lender a reasonable opportunity to review such press release or public disclosure.

30. **COUNTERPARTS AND FACSIMILE SIGNATURES**

This Agreement may be executed in any number of counterparts and by facsimile or e-mail transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

31. **NOTICES**

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

In the case of the DIP Lender:

BJK Holdings Ltd.
238 22nd Street North,
Lethbridge, Alberta T1H 3R7

With a copy to:

Gowling WLG (Canada) LLP
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, ON M5X 1G5

Attention: Virginie Gauthier/Katherine Yurkovich
Email: virginie.gauthier@gowlingwlq.com;
kate.yurkovich@gowlingwlq.com

In the case of the Borrowers:

Heritage Cannabis
c/o Owens Wright LLP
300-20 Holly Street
Toronto, Ontario M4S 3B1

Attention: David Schwede
Email: dschwede@heritagecann.com

With a copy to:

Chaitons LLP
5000 Yonge Street
North York, ON M2N 7E9

Attention: Harvey Chaiton/George Benchetrit
Email: harvey@chaitons.com/george@chaitons.com

In either case, with a copy to the Monitor:

KPMG Inc.
333 Bay Street, Suite 4600
Toronto ON M5H 2S5

Attention: Pritesh Patel
Email: pritpatel@kpmg.ca

In either case, with a copy to the Monitor's counsel:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Commerce Court West
Toronto, ON M5L 1A9
Attention: Chris Burr
Email: chris.burr@blakes.com

32. **GOVERNING LAW AND
JURISDICTION**

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Borrowers irrevocably submits to the non-exclusive courts of the Province of Ontario, waives any objections on the ground of venue or forum *non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS HEREOF, the parties hereby execute this Agreement as of the date first written above.

**HERITAGE CANNABIS HOLDINGS
CORP.**

By:  DocuSigned by:
45DB3351CE1C45C...
Name: David Schwede
Title: CEO & Director

1005477 B.C. LTD.

By:  DocuSigned by:
45DB3351CE1C45C...
Name: David Schwede
Title: Director & Officer

**HERITAGE CANNABIS WEST
CORPORATION**

By:  DocuSigned by:
45DB3351CE1C45C...
Name: David Schwede
Title: Director & Officer

MAINSTREAM MARKET LTD.

By:  DocuSigned by:
45DB3351CE1C45C...
Name: David Schwede
Title: Director & Officer

**HERITAGE CANNABIS EAST
CORPORATION**

By:  DocuSigned by:
45DB3351CE1C45C...
Name: David Schwede
Title: Director & Officer

PUREFARMA SOLUTIONS INC.

By:  DocuSigned by:
45DB3351CE1C45C...
Name: David Schwede
Title: Director & Officer

333 JARVIS REALTY INC.

By: 
Name: David Schwede
Title: Director

5450 REALTY INC.

By: 
Name: David Schwede
Title: Director

HERITAGE CANNABIS EXCHANGE CORP.

By: 
Name: David Schwede
Title: Director & Officer

PREMIUM 5 LTD.

By: 
Name: David Schwede
Title: Director & Officer

BJK HOLDINGS LTD.

By: _____
Name:
Title:

333 JARVIS REALTY INC.

By:

Name:

Title:

5450 REALTY INC.

By:

Name:

Title:

**HERITAGE CANNABIS EXCHANGE
CORP.**

By:

Name:

Title:

PREMIUM 5 LTD.

By:

Name:

Title:

BJK HOLDINGS LTD.

By:

DocuSigned by:
Brad Kirk

Name: Brad Kirk

Title: President

SCHEDULE "A"

Additional Definitions

"**Affiliate**" means, in respect of any Person at any date, (a) any corporation, company, limited liability company, association, joint venture or other business entity of which securities, membership interests or other ownership interests representing fifty percent (50%) or more of the voting power of all equity interests are owned or held, directly or indirectly, by such Person, (b) any partnership, limited liability company or joint venture wherein the general partner, managing partner or operator is, directly or indirectly, such Person, or (c) any other Person that is otherwise directly or indirectly controlled by such Person.

"**Applicable Laws**" means all federal, provincial, municipal and local laws, statutes, regulations, codes, acts, permits, licenses, ordinances, orders, by-laws, guidelines, notices, protocols, policies, directions and rules and regulations, including those of any governmental or other public authority, which may now, or at any time hereafter, govern, be applicable to or enforceable against or in respect of the Borrowers, the operation of their business or their property, as the case maybe, including Cannabis Laws.

"**Bid Protection Charge**" means a super-priority Court-ordered charge against the assets of the Borrowers securing the bid protections contained in the Stalking Horse Agreement.

"**Business Day**" means a day on which banks in Toronto, Ontario are open for business.

"**Cannabis Act**" means the *Cannabis Act*, S.C. 2018, c.16 and the Cannabis Regulations, SOR/2018-144.

"**Cannabis Laws**" means 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.

"**Cannabis Licences**" means, collectively,

- (a) Licence number LIC-IOFZ019P4Z-2023 issued by Health Canada to Heritage East for industrial hemp sale activities, including: (A) selling flowering heads, leaves, and branches of industrial hemp to a holder of a license issued under the Cannabis Act in relation to industrial hemp or non-hemp cannabis; and (B) importing and exporting grain (collectively, "**Industrial Hemp Sales Activities**");
- (b) Licence number 1WWUVE76T8-2021-12 issued by Health Canada to Heritage East for:
 - (i) standard cultivation activities, including: (A) to possess cannabis; (B) to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting; (C) to alter its chemical or physical properties by any means; and (D) to sell cannabis (collectively, "**Standard Cultivation Activities**");
 - (ii) standard processing activities, including: (A) to possess cannabis; (B) to produce cannabis at the licensed site, other than to obtain it by cultivating, propagating or

- harvesting; and (C) to sell cannabis (collectively, “**Standard Processing Activities**”);
- (iii) activities related to the sale of cannabis for medical purposes, including: (A) to possess cannabis; and (B) to sell cannabis (collectively, “**Medical Purpose Activities**”);
- (c) Licence number LIC-LYJVQCPT3O-2022-2 issued by Health Canada to Heritage East for research activities, including possession and production of cannabis for use in accordance with any research protocols submitted to Health Canada (collectively, “**Research Purpose Activities**”);
- (d) Heritage East’s cannabis licence no. 82674 1035 RD0001 under the *Excise Act, 2001* (Canada) (the “**EA**”);
- (e) Heritage East’s alcohol licence no. 82674 1035 RD0001 under the EA;
- (f) Licence number LIC-TUFEZWBC14-2023-1 issued by Health Canada to Heritage West for Industrial Hemp Sales Activities;
- (g) Licence number LIC-81WQTM2WBL-2021-9 issued by Health Canada to Heritage West for: (A) Standard Cultivation Activities; (B) Standard Processing Activities; and (C) Medical Purpose Activities;
- (h) Licence number LIC-SQ9HMLUT2P-2021-2 issued by Health Canada to Heritage West for Research Purpose Activities;
- (i) Heritage West’s cannabis licence no. 80553 2975 RD0001 under the EA; and
- (j) Heritage West’s alcohol licence no. 52-UK-1343 under the EA.

“**Court-Ordered Charges**” means the Administrative Charge, the Directors’ Charge, the Bid Protection Charge and the DIP Lender’s Charge.

“**Default**” means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

“**DIP Credit Documentation**” means this Agreement, the orders of the Court approving it and any other definitive documentation in respect of the DIP Facility that are in form and substance satisfactory to the DIP Lender.

“**DIP Security**” means the contractual security and contractual hypothecary documents granted by the Borrower providing for a security interest/hypothec in and lien on all now- owned and hereafter-acquired assets and property of the Borrower, real and personal, tangible or intangible and all proceeds therefrom, but excluding (i) such assets, if any, as the DIP Lender in its discretion determines to be immaterial or to be assets for which the cost and other burdens of establishing and perfecting a security interest outweigh the benefits of establishing and perfecting a security interest, and (ii) other exceptions to be mutually agreed.

“**Directors’ Charge**” means a super-priority Court-ordered charge against the assets of the Borrowers securing the indemnity granted by the Borrowers to their respective directors and officers in the maximum amount of \$1,900,000.

“Legal Fees” means all reasonable and documented legal fees that the DIP Lender will have to pay to its legal counsel in connection with any and all tasks related to this Agreement, the orders of the Court in the CCAA Proceedings, the DIP Facility or the DIP Credit Documentation.

“Liens” means all mortgages, pledges, charges, deemed trusts, garnishments, RTPs (including Existing RTPs) or similar notices, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

“Monitor” means KPMG Inc.

“Permitted Liens” means (i) the Court-Ordered Charges; and (ii) the liens described in the PPR search summary attached as **Exhibit “G”** to the affidavit of David Schwede sworn in connection with the Initial Order.

“Person” means an individual, partnership, corporation (including a business trust), joint venture, limited liability company or other entity, or governmental authority.

“SISP Order” means an order of the Court approving the SISP in respect of the assets, undertakings and properties of the Borrowers, satisfactory to the DIP Lender, acting reasonably.

SCHEDULE "B"

Initial Cash Flow Projections

(see attached)

SCHEDULE "C"

Outstanding Obligations for Payroll, Employee Source Deductions, Sales Taxes, Value Added Taxes

Type of Tax	Owing
Heritage Cannabis East Corporation	
Excise Tax	\$6,555,869.38
GST/HST	\$108,472.99
British Columbia Provincial Sales Tax	\$170.47
Manitoba Retail Sales Tax	\$39.54
Quebec Sales Tax	\$5,069.16
Heritage Cannabis West Corporation	
Excise Tax	\$5,237,330.87
GST/HST	\$ 1,862,561.59

Appendix D

APPENDIX D - DIP LOAN ANALYSIS AS AT DECEMBER 27, 2023

Debtor	Lender	Trustee	Filing Date	Jurisdiction	Commitment (\$MM)	Commitment Fee (%)	Interest Rate
Aleafia Health Inc. et al.	Red White & Bloom Brands Inc.	KSV	July 25, 2023	Ontario	6.60	3.00%	12.50%
Fire & Flower Holding Corp.	2707031 Ontario Inc.	FTI	June 5, 2023	Ontario	9.80	4.00%	12.00%
Phoena Holdings Inc. et al	Cortland Credit Lending Corporation	EY	April 4, 2023	Ontario	3.10	1.80%	26.70%
Trichome Financial Corp.	Cortland Credit Lending Corporation	KSV	November 7, 2022	Ontario	4.88	2.00%	14.00%
Cannapiece Group Inc. et al.	Cardinal Advisory Limited	BDO	November 3, 2022	Ontario	0.50	2.00%	12%
The Flowr Corporation et al.	1000343100 Ontario Inc.	EY	October 20, 2022	Ontario	2.00	2.00%	17.45%
Superette Inc. et al.	SNDL Inc.	EY	August 30, 2022	Ontario	1.37	0.00%	15.00%
Speakeasy Cannabis Club Ltd.	Travelers Capital Corp.	Crowe MacKay	July 27, 2022	British Columbia	1.00	4.25%	11.95%
MPX International Corporation	Certain Debentureholders	KSV	July 24, 2022	Ontario	2.67	2.00%	12.00%
Sproutly, Inc. and Toronto Herbal Remedies Inc.	0982244 B.C. Ltd. o/a Isle of Mann Property Group	BDO	June 24, 2022	Ontario	0.75	2.00%	14.00%
MJardin Group Inc., Growforce Holdings Inc., 8586985 Canada Corporation and Highgrade MMJ Corporation	Bridging Finance	KSV	June 2, 2022	Ontario	2.00	2.50%	10.00%
Choom Holdings Inc.	Aurora Cannabis Inc. and other secured creditors	EY	April 22, 2022	British Columbia	2.30	0.00%	12.00%
Eve & Co Incorporated, Natural Medco Ltd. and Eve & Co International Holdings Ltd.	Deans Knight Private Credit GP Inc. and DK Strategic Yield U.S. GP LLC	BDO	March 25, 2022	Ontario	2.20	2.70%	12.00%

MIN	0.0%	10.0%
MAX	4.3%	26.7%
AVERAGE	2.2%	14.1%

Appendix E

STALKING HORSE SUBSCRIPTION AGREEMENT

HERITAGE CANNABIS HOLDINGS CORP.

-AND-

HERITAGE CANNABIS WEST CORPORATION

AS COMPANIES

-AND-

BJK HOLDINGS LTD.

-AND-

HAB CANN HOLDINGS LTD.

AS PURCHASER

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THIS STALKING HORSE SUBSCRIPTION AGREEMENT is made as of April 10, 2024.

BETWEEN:

HERITAGE CANNABIS HOLDINGS CORP. (“**Heritage Cannabis**”)

-and-

HERITAGE CANNABIS WEST CORPORATION (“**Heritage West**”)

-and-

BJK Holdings Ltd. (“**BJK**”)

-and-

HAB CANN HOLDINGS LTD. (the “**Purchaser**”)

RECITALS:

- A. Heritage Cannabis, through certain of its wholly-owned subsidiaries, is a vertically integrated licensed cannabis producer, operating pursuant to the *Cannabis Act* (Canada) and applicable provincial and municipal legislation across Canada, as well as offering innovative products to the medical and recreational legal cannabis markets (the “**Business**”).
- B. On April 2, 2024, the Applicants (as hereinafter defined) commenced proceedings under the CCAA (as hereinafter defined) 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, the Applicants (as hereinafter defined).
- C. The Applicants plan 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, the Purchaser has been selected as the stalking horse bidder and as such, the Purchaser has agreed to subscribe for, and each of the Companies have agreed to issue, the Purchased Shares on and pursuant to the terms set forth herein if the 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,

“**100 BC**” means 1005477 B.C. Ltd., a corporation duly constituted under the laws of the Province of British Columbia.

“333 Jarvis” means 333 Jarvis Realty Inc., a corporation duly constituted under the laws of the Province of Ontario.

“5450 Realty” means 5450 Realty Inc., a corporation duly constituted under the laws of the Province of British Columbia.

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

“Administrative Expense Amount” means cash in the amount of \$300,000, which shall be paid to the Monitor on the Closing Date and held by the Monitor, for the benefit of Persons entitled to be paid the Administrative Expense Costs, subject to the terms hereof.

“Administrative Expense Costs” means the reasonable and documented costs and expenses for services performed by the Monitor and its legal counsel after the Closing Date in connection with the CCAA Proceedings, the administration of such proceedings to their conclusion and this Agreement, including any bankruptcy of the remaining Applicants, to the extent such amount has not been pre-funded under the DIP Facility Term Sheet prior to the Closing Date.

“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.

“Agreement” means this stalking horse 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 stalking horse subscription agreement and all attached Schedules and Exhibits, and unless otherwise indicated, references to Articles, Sections, Schedules and Exhibits are to Articles, Sections, Schedules and Exhibits in this stalking horse subscription 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 Applicants, the Purchaser, the Business, or any of the Purchased Shares or the Retained Liabilities.

“Applicants” means, collectively, Heritage Cannabis, 100 BC, Heritage East, 333 Jarvis, 5450 Realty, Heritage West, Purefarma, Heritage Exchange, Premium 5 and Mainstrain and from and after the time Residual Co. becomes an applicant under the Initial Order, **“Applicants”** shall include Residual Co.

“Approval and Reverse Vesting Order” means an order substantially in the form attached hereto as Schedule 1.1(a), or in a form otherwise agreed upon by the Purchaser and the Applicants, each acting reasonably.

“Articles of Amendment” means, to the extent required, articles of amendment or reorganization in respect of each of the Companies’ authorized and issued capital to create a new class of shares of each such Company, as applicable, and effecting such other changes to the articles of each of the Companies, as applicable, in order to consummate the transactions pursuant to this Agreement, such articles of amendment to be in form and substance satisfactory to the Purchaser, acting reasonably.

“BJK” means BJK Holdings Ltd.

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

“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.

“Cash Consideration” has the meaning given to such term in Section 3.1(d).

“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 Purchased Entities 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 Purchased Entity on Closing).

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

“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 or by the Priority Payment Amount).

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

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

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

“CCAA Process Expense Amount” means cash in an amount of the Administrative Expense Amount and the CCAA Charge Amount.

“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.

“Companies” means, collectively, Heritage Cannabis and Heritage West.

“Common Shares” means the issued and outstanding common shares in the capital of Heritage Cannabis Holdings Corp.

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

“Credit Bid Releases” means a full and final release of all Applicants of their respective obligations under the Senior Loan Agreement and the DIP Facility Term Sheet, which shall be in form and substance satisfactory to the Applicants and the Monitor, each acting reasonably.

“DIP Facility” means the credit facility in the maximum principal amount of \$1,500,000 made available by BJK to the Applicants pursuant to the DIP Facility Term Sheet.

“DIP Facility Term Sheet” means the DIP Facility Term Sheet effective as of April 10, 2024 among the Applicants as borrowers, and BJK as DIP 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.

“EA” means the *Excise Act, 2001* (Canada).

“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 Part IX of the *Excise Tax Act* (Canada).

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

“**Excluded Contracts**” means contracts of the Purchased Entities as specified on Schedule 2.2(c), as such schedule may be supplemented or modified in accordance with Section 2.2(e).

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

“**Existing RTPs**” means the RTP issued by Canada Revenue Agency to the British Columbia Liquor Distribution Branch prior to the Filing Date in respect of GST/HST obligations of Heritage East and Heritage West.

“**Filing Date**” means April 2, 2024.

“**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 judgment 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 the Companies and the 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.

“**Fundamental Representations and Warranties of the Companies**” means the representations and warranties of each of the Companies included in Sections 4.1 [Due Authorization and Enforceability of Obligations], 4.2 [Existence and Good Standing] and 4.3 [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 the ETA.

“**Heritage Cannabis**” means Heritage Cannabis Holdings Corp., a corporation duly constituted under the laws of the Province of Ontario.

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

“**Heritage East**” means Heritage Cannabis East Corporation, a corporation duly constituted under the laws of the Province of Ontario.

“**Heritage Exchange**” means Heritage Cannabis Exchange Corp., a corporation duly constituted under the laws of the Province of Ontario.

“**Heritage West**” means Heritage Cannabis West Corporation, a corporation duly constituted under the laws of the Province of British Columbia.

“**Heritage West Purchased Shares**” has the meaning given to such term in Section 2.1(b).

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

“**Initial Order**” means the Initial Order dated April 2, 2024 granted by the CCAA Court pursuant to the CCAA, as may be amended and restated from time to time.

“**Licences**” means, collectively, the following:

- (a) Licence number LIC-IOFZ019P4Z-2023 issued by Health Canada to Heritage East for industrial hemp sale activities, including: (A) selling flowering heads, leaves, and branches of Industrial Hemp to a holder of a license issued under the Cannabis Act in relation to Industrial Hemp or non-hemp cannabis; and (B) importing and exporting grain (collectively, “**Industrial Hemp Sales Activities**”);
- (b) Licence number LIC-1WWUVE76T8-2021-12 issued by Health Canada to Heritage East for:
 - (i) standard cultivation activities, including: (A) to possess cannabis; (B) to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting; (C) to alter its chemical or physical properties by any means; and (D) to sell cannabis (collectively, “**Standard Cultivation Activities**”);
 - (ii) standard processing activities, including: (A) to possess cannabis; (B) to produce cannabis at the licensed site, other than to obtain it by cultivating, propagating or harvesting; and (C) to sell cannabis (collectively, “**Standard Processing Activities**”);
 - (iii) activities related to the sale of cannabis for medical purposes, including: (A) to possess cannabis; and (B) to sell cannabis (“**Medical Purpose Activities**”);
- (c) Licence number LIC-LYJVQCPT3O-2022-2 issued by Health Canada to Heritage East for research activities, including possession and production of cannabis for use in accordance with any research protocols submitted to Health Canada (“**Research Purpose Activities**”);
- (d) Heritage East’s cannabis licence no. 82674 1035 RD0001 under the EA;
- (e) Heritage East’s alcohol licence no. 82674 1035 RD0002 under the EA;

- (f) Licence number LIC-TUFEZWBC14-2023-1 issued by Health Canada to Heritage West for Industrial Hemp Sales Activities;
- (g) Licence number LIC-81WQTM2WBL-2021-9 issued by Health Canada to Heritage West for: (A) Standard Cultivation Activities; (B) Standard Processing Activities; and (C) Medical Purpose Activities;
- (h) Licence number LIC-SQ9HMLUT2P-2021-2 issued by Health Canada to Heritage West for Research Purpose Activities;
- (i) Heritage West's cannabis licence no. 80553 2975 RD0001 under the EA;
- (j) Heritage West's alcohol licence no. 52-UK-1343 under the EA; and
- (k) any and all other permits, licences, authorizations, consents, concessions, exemptions, leases, grants, permits, rights, privileges, approvals or other evidence of authority from any Governmental Authority and related to the Business and that has been issued to, granted to, conferred upon, or otherwise created for, any Purchased Entity, relating to authorizations or otherwise to plant, grow, cultivate, extract, produce, process, test, conduct research, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law.

"Mainstream" means Mainstream Market Ltd., a corporation duly constituted pursuant to the laws of the Province of British Columbia.

"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 Purchased Entities, taken as a whole; or (ii) prevents the ability of any of the Purchased Entities to perform their 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 the Purchaser or its Affiliates; (E) conditions affecting generally the industry in which any of the Purchased Entities participate; (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 Purchased Entities 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 Purchased Entities, taken as a whole, as compared to other companies in the industries in which the Purchased Entities operate.

“Monitor’s Certificate” means the certificate delivered to the 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, in its sole discretion, from each of the Companies and the 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.

“Monitor” means KPMG Inc. as Court-appointed monitor of the Applicants in the CCAA Proceedings, and not in its personal or corporate capacity.

“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(c).

“Parties” means the Companies and the Purchaser collectively, and **“Party”** means any of the Companies or the Purchaser, as the context requires.

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

“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.

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

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

“Premium 5” means Premium 5 Ltd., a corporation duly constituted under the laws of the Province of Alberta.

“Priority Payment Amount” means an amount equal to those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the CCAA.

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

“Purchased Entities” means Heritage Cannabis, Heritage West, Heritage East and Purefarma, and **“Purchased Entity”** means any one of them.

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

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

“Purefarma” means Purefarma Solutions Inc., a corporation duly constituted under the laws of the Province of British Columbia.

“Residual Co.” means a company to be formed by an Applicant, or one of the Applicants, that is not a Purchased Entity, such entity in form satisfactory to the Purchaser, acting reasonably, prior to the Closing; provided, that (i) no such entity shall be a flow through entity for Canadian purposes unless approved by the Purchaser; and (ii) if required by the Purchaser or the Applicants, each acting reasonably, or the Monitor, in order to effect the transactions contemplated herein in a tax efficient manner mutually agreed upon by the Parties, or allow the Monitor to better administer the CCAA Proceedings following the Closing Date, there may need to be more than one “Residual Co.”, and, in that case, the term “Residual Co.” shall refer to any or all such entities, as the context requires.

“Restructuring Period Claim” means any Claim owed by any Applicant arising out of the restructuring, disclaimer, resiliation, termination or breach by such Applicant 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 the Applicants, 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.

“RTP” means any notice with respect to a requirement to pay, enhanced requirement to pay or demand on a third party issued by a Governmental Authority to any of the Purchased Entities.

“Senior Loan Agreement” means that certain loan agreement dated as of March 29, 2021 among BJK, as lender, Heritage Cannabis, CannaCure Corporation (prior name of Heritage East, **“Cannacure”**), 333 Jarvis, Voyage Cannabis Corp. (prior name of Heritage West, **“Voyage”**) and 5450 Realty, as borrowers and 100 BC, Calyx Life Sciences Corp. (predecessor entity of Purefarma, **“Calyx”**), Purefarma Solutions Inc. (predecessor entity of Purefarma, **“Purefarma Predecessor”**), Heritage Exchange, Heritage US Holdings Corp. and Premium 5, as guarantors, as amended by an amending agreement dated as of October 6, 2021 among BJK, as lender, Heritage Cannabis, Cannacure, 333 Jarvis, Voyage and 5450 Realty, as borrowers, and 100 BC, Calyx, Purefarma Predecessor, Heritage Exchange and Premium 5, as guarantors, as further amended by a second loan amending agreement dated as of September 29, 2022 among BJK, as lender, Heritage Cannabis, Cannacure, 333 Jarvis, Voyage and 5450 Realty, as borrowers, and 100 BC, Calyx, Purefarma Predecessor, Heritage Exchange and Premium 5, as guarantors, and as further amended by a third loan amending agreement dated as of October 31, 2023 among BJK, as lender, Heritage Cannabis, Heritage East, 333 Jarvis and Heritage West, as borrowers, and 100 BC, Purefarma and Heritage Exchange, as guarantors (collectively, as modified, amended, supplemented, revised, restated and replaced from time).

“**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 the Purchaser, acting reasonably.

“**SISP Order**” has the meaning ascribed to it in Recital C.

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

“**Straddle Period**” has the meaning given to such term in Section 8.5(c).

“**Straddle Period Tax Returns**” has the meaning given to such term in Section 8.5(d).

“**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, GST/HST, value added, consumption, sales, use, 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 Authorities**” 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, and any Canadian or other Governmental Authority exercising taxing authority or power, and “**Taxing Authority**” means any one of the Taxing Authorities.

“**Terminated Employees**” means those individuals currently employed by a Purchased Entity who have not been offered employment by the Purchaser prior to Closing, or who shall be terminated by the applicable Purchased Entity effective as of the Closing Date, such individuals deemed to be Terminated Employees pursuant to Section 8.6(c).

“**Transaction Regulatory Approvals**” means any license, permits approvals and/or grants required from any Governmental Authority or under any Applicable Laws relating to the business and operations of the Purchased Entities or the Purchaser that would be required to be obtained in order to permit the Companies and the Purchaser to complete the transactions contemplated

by this Agreement and for the Purchased Entities to carry on the Business following the Closing Date.

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.

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 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.

1.9 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.

1.10 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 exclusive 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.

1.11 Incorporation of Schedules

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

The Parties acknowledge that as of the date of this Agreement, the Schedules to this Agreement are not complete. Such Schedules, where applicable, may be amended or completed by the Purchaser by written notice to the Applicants, and in consultation with the Monitor, on or before the dates set out in this Agreement.

1.12 Accounting Terms

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

1.13 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.

1.14 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 SUBSCRIPTION AND ASSET PURCHASE

2.1 Agreement to Subscribe for and Issue 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, Heritage Cannabis shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Heritage Cannabis from treasury, to be specified by the Purchaser at least two (2) days prior to Closing, which shares shall be free and clear of all Encumbrances (the “**Heritage Cannabis Purchased Shares**”).
- (b) 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, Heritage West shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Heritage West from treasury, to be specified by the Purchaser at least two (2) days prior to Closing, which shares shall be free and clear of all Encumbrances (the “**Heritage West Purchased Shares**”, and together with the Heritage Cannabis Purchased Shares, the “**Purchased Shares**”).
- (c) Pursuant to the Approval and Reverse Vesting Order and, if required, the Articles of Amendment, in accordance with the Implementation Steps, all Equity Interests of each of Heritage Cannabis and Heritage West 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 each of Heritage Cannabis and Heritage West after such cancellation and issuance.
- (d) For the avoidance of doubt, upon the Closing and after the completion of the Implementation Steps, each of the Purchased Entities shall be wholly owned, directly or indirectly, by the Purchaser.

2.2 Excluded Assets

Notwithstanding any provision of this Agreement to the contrary, as of the Closing, the assets of the Purchased Entities shall not include any of the following assets, together with any other assets as set forth on Schedule 2.2 (collectively, the “**Excluded Assets**”):

- (a) the Cash Consideration;
- (b) 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 or Excluded Assets, provided that the applicable Purchased Entity may take copies of all Tax records and books and records pertaining to such records to the extent necessary or useful for the carrying on of the Business after Closing, including the filing of any Tax Return;
- (c) the Excluded Contracts;
- (d) any rights which accrue to Residual Co. under the transaction documents; and
- (e) any other asset, including contracts and leases, identified by the Purchaser to the Companies in writing as an Excluded Asset at least two (2) days prior to Closing.

2.3 Retained Liabilities

Pursuant to this Agreement and the Approval and Reverse Vesting Order, as of the Closing Time, in accordance with Section 2.6 hereof, the only obligations and liabilities of the Purchased Entities shall consist of only the items specifically set forth below (collectively, the “**Retained Liabilities**”); provided, for the avoidance of doubt, that the Retained Liabilities of any Purchased Entity pursuant to this Section 2.3 shall continue to be liabilities of the applicable Purchased Entity as of the Closing:

- (a) all post-filing Claims set out in Schedule 2.3;
- (b) all liabilities of the Purchased Entities arising from and after Closing;
- (c) Tax liabilities of the Purchased Entities for any period, or the portion thereof, beginning on or after the Closing Date but for greater certainty, not including any liabilities to which the Existing RTPs relate; and
- (d) 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 Purchased Entities or any predecessors thereof, of any kind or nature, shall be assigned to, and become the sole obligation of, Residual Co. pursuant to the terms of the Approval and Reverse Vesting Order and this Agreement, and, as of the Closing Date, the Purchased Entities 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 Purchased Entities may be bound as at Closing, all liabilities relating to or under the Excluded Contracts and Excluded Assets, liabilities for employees whose employment with the Purchased Entities 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**”). The Purchaser may, with the consent of the Companies and the Monitor, which consent shall not be unreasonably withheld, amend the clarifying items listed in Schedule 2.4 as specifically enumerated Excluded Liabilities at least two (2) days prior to Closing.

2.5 Transfer of Excluded Liabilities to Residual Co.

On the Closing Date, pursuant to the terms of the Approval and Reverse Vesting Order, the Purchased Entities shall assign and transfer the Excluded Liabilities to Residual Co., and Residual Co. shall assume the Excluded Liabilities for the consideration set out in Section 2.6. All of the Excluded Liabilities shall be discharged from the Purchased Entities as of the Closing, pursuant to the Approval and Reverse Vesting Order.

2.6 Transfer of Excluded Assets to Residual Co.

On the Closing Date, pursuant to the terms of the Approval and Reverse Vesting Order and in consideration for Residual Co. assuming the Excluded Liabilities pursuant to Section 2.5 of this Agreement, the Purchased Entities shall assign and transfer the Excluded Assets to Residual Co., and the Excluded Assets shall vest in Residual Co. pursuant to the Approval and Reverse Vesting Order.

2.7 Pre-Closing and Closing Reorganization

- (a) The specific mechanism for implementing the Closing, payment of the Credit Bid Consideration and Cash 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) On or prior to the Closing Date, the Companies shall effect, or cause any other Applicant or any of its subsidiaries to effect, the transaction steps and pre-closing reorganization (collectively, the “**Implementation Steps**”) as set forth on a schedule to be agreed upon by the Companies and the Purchaser, each acting reasonably, and in consultation with the Monitor, at least two (2) days prior to the Closing Date; provided that in no event will the Implementation Steps described in Schedule 2.7(b) be materially prejudicial to the interests of the Purchaser or the Purchased Entities under the other sections of this Agreement. The Implementation Steps may include, without limitation, the transfer or assignment of assets or contracts of any of the Applicants or their subsidiaries to any such Purchased Entity as shall be designated by the Purchaser, or 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).

- (c) The Implementation Steps, including the compromises and releases to be effective on the Closing Date, shall occur, and be deemed to have occurred in the order, manner and at such time to be set out in Schedule 2.7(b).
- (d) If the Purchaser is the Successful Bidder, the timing and sequence of the Implementation Steps and the Closing on the Closing Date may be altered at the request of the Purchaser, acting reasonably, and after consultation with the Monitor.

ARTICLE 3 PURCHASE PRICE AND RELATED MATTERS

3.1 Purchase Price

The total aggregate consideration payable by the Purchaser for the Purchased Shares (the “**Purchase Price**”) is equal to:

- (a) a release of all amounts outstanding and obligations payable by the Applicants under the Senior Loan Agreement and all related loan and security documentation, which amount as of April 4, 2024 is \$6,871,782.17 (excluding legal fees and expenses), including the principal amount of such claim, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith;
- (b) a release of all amounts outstanding and obligations payable by the Applicants as of the Closing Date pursuant to the DIP Facility Term Sheet and all related loan and security documentation, 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 unpaid fees and expenses associated therewith (the amounts in (a) and (b) together, the “**Credit Bid Consideration**”);
- (c) the CCAA Process Expense Amount; and
- (d) the Priority Payment Amount (the amounts in (c), and (d) together, the “**Cash Consideration**”).

3.2 Satisfaction of Purchase Price

The Credit Bid Consideration shall be paid and satisfied on the Closing Date by the Purchaser releasing the Applicants from repayment of all amounts owing in connection with the Credit Bid Consideration pursuant to the Credit Bid Releases.

The Cash Consideration shall be paid and satisfied on the Closing Date by the Purchaser paying the Cash Consideration to the Purchased Entities, it being understood that, in the order and manner contemplated by the Implementation Steps, in connection with the Closing, the Cash Consideration will be transferred from the Purchased Entities to Residual Co. as an Excluded Asset in accordance with Section 2.2 hereof.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE COMPANIES

Each of the Companies represents and warrants on behalf of itself and its subsidiaries who are Purchased Entities, to the Purchaser, as follows, and acknowledges that the 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 Approval and Reverse 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 Purchased Entities 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 transactions contemplated hereunder.

4.3 Absence of Conflicts

The execution and delivery of this Agreement by each of the Companies and the completion by each of the Companies of their respective 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 Approval and Reverse 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 Applicant. Subject to the granting of the Approval and Reverse Vesting Order, the execution, delivery and performance by each of the Companies does not and will not violate any Order.

4.4 Approvals and Consents

The execution and delivery of this Agreement by each of the Companies, the completion by the Companies of their obligations hereunder and the consummation by each of the Companies 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 applicable Transaction Regulatory Approvals and the entry of the Approval and Reverse Vesting Order by the CCAA Court.

4.5 No Actions

There is not, as of the date hereof, pending or, to the Companies' knowledge, threatened against any Applicant or any of its properties, nor has any Applicant 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 either of the Companies from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

4.6 Subsidiaries

Schedule 4.6 sets forth a complete and correct list of the name and jurisdiction of organization of each Purchased Entity.

4.7 Tax

Schedule 4.6 sets forth a complete and correct list of the name, jurisdiction of organization and Tax registrations of each Purchased Entity. Each Purchased Entity is validly registered for the collection and payment of all Taxes as required under Applicable Law. All Taxes reported on the Tax Returns and any related notices of assessment or reassessment of each Purchased Entity for all of the Purchased Entity's Tax periods ending on or prior to the Closing Date have been duly and timely paid, except as otherwise disclosed to the Purchaser with respect to certain pre-filing amounts outstanding in respect of Taxes due pursuant to the EA and GST/HST. Each Purchased Entity has withheld and has duly and timely remitted, or shall duly and timely remit, to the appropriate Taxing Authority all Taxes required by Applicable Law to be withheld or deducted, except as otherwise disclosed to the Purchaser with respect to certain pre-filing amounts outstanding in respect of Taxes due pursuant to the EA and GST/HST.

4.8 Securities Law

Other than for the failure of Heritage Cannabis to file, within the time period prescribed, its interim unaudited consolidated financial statements for the three month period ended January 31, 2024 and the accompanying management's discussion and analysis and officers' certifications of filing, Heritage Cannabis is not in default of securities legislation in any Canadian jurisdiction.

4.9 Issued and Outstanding Common Shares

The authorized share capital of Heritage Cannabis consists of an unlimited number of common shares, of which 1,058,739,220 Common Shares are issued and outstanding as at the date of this Agreement. Other than for 13,012,476 stock options which are exercisable into 13,012,476 Common Shares and 61,454,226 warrants which are exercisable into 61,454,226 Common Shares, there are no other rights, options, warrants, agreements or other securities of Heritage Cannabis providing for the purchase, subscription, allotment or issuance of any of the unissued Common Shares.

4.10 Listed Securities

Other than for the Common Shares listed for trading on the Canadian Securities Exchange, no other securities, including debt securities, of Heritage Cannabis trade in Canada or another country on a marketplace or any other facility for bringing together buyers and sellers of securities where trading data is publicly reported. Heritage Cannabis is not an "OTC reporting issuer" as such term is contemplated under Multilateral Instrument 51-105 - *Issuers Quoted in the U.S. Over-the-Counter Markets*.

4.11 Existing RTPs

Other than the Existing RTPs, none of the Purchased Entities have received notice or are aware of any other RTP issued to any of their account debtors.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to each of the Companies as follows, and acknowledges that the Companies are 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 the 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

The 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 Absence of Conflicts

The execution and delivery of this Agreement by the Purchaser and the completion by the 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 applicable 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.

5.4 Approvals and Consents

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

5.5 No Actions

There is not, as of the date hereof, pending or, to the Purchaser's knowledge, threatened against it or any of its properties, nor has the 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.

5.6 Credit Bid and Cash Consideration; Availability of Funds

- (a) The Purchaser and BJK will have executed on or prior to Closing, the requisite documents to allow the Purchaser, and the Purchaser is and will be duly authorized, to, among other things, deliver the Credit Bid Consideration in connection with the consummation of the Closing hereunder, which documents shall be delivered by the Purchaser to the Companies.
- (b) BJK has, and the Purchaser will have on Closing, sufficient unrestricted funds and financial capacity to consummate the transactions contemplated by this Agreement, including payment of the Cash Consideration.

5.7 Residence

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

ARTICLE 6 AS IS, WHERE IS

The 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 Purchased Entities, 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 Companies 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 Purchased Entities or the Business, or the quality, quantity or condition of the Purchased Shares) are specifically disclaimed by each of the Companies, the other Purchased Entities, 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 COMPANIES 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 COMPANIES, THE OTHER APPLICANTS, THE MONITOR OR ANY OTHER PERSON (INCLUDING ANY REPRESENTATIVE OF EITHER OF THE COMPANIES, THE OTHER APPLICANTS 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 PURCHASED ENTITIES, 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 the Purchaser and Companies

The respective obligations of the Purchaser and each of the Companies 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 order or similar order issued by a Governmental Authority in respect of Heritage Cannabis, shall be in effect;
- (b) *Final Orders* – each of the SISP Order and the Approval and Reverse 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);
- (d) *Transaction Regulatory Approvals* – the Parties 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; and
- (e) *Revocation Order* - Provided that any failure-to-file cease trade order (“**FFCTO**”) issued by the Ontario Securities Commission is in effect, such FFCTO is subject to a partial revocation order pursuant to Section 144 of the *Securities Act* (Ontario) and Section 34 of National Policy 11-207 *Failure-to-File Cease Trade Orders and Revocations in Multiple Jurisdictions*, or such other revocation order as may be required, permitting the trade and issuance of the securities of Heritage Cannabis as contemplated by this Agreement.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of each of the Companies and the Purchaser. Any condition in this Section 7.1 may be waived by either of the Companies and by the 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 any of the Companies or the Purchaser, as applicable, only if made in writing.

7.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver by the 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 the Purchaser):

- (a) *Performance of Covenants* – the covenants contained in this Agreement to be performed or complied with by each of the Companies 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 each of the Companies 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 the Companies 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 a 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* – The 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 each of the Companies by an executive officer of each of the Companies or other Persons acceptable to the Purchaser, without personal liability, in each case in form and substance reasonably satisfactory to the 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) *Companies’ Deliverables* – each of the Companies shall have delivered to the Purchaser all of the deliverables contained in Section 11.2 in form and substance reasonably satisfactory to the Purchaser;
- (f) *Implementation Steps* – each of the Companies shall have completed, or Heritage Cannabis shall have caused any of the Applicants to have completed, the Implementation Steps that are required to be completed prior to Closing, in form and substance reasonably acceptable to the Purchaser, acting reasonably;
- (g) *Terminated Employees* - the applicable Purchased Entity 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 Approval and Reverse Vesting Order, shall

be assigned and transferred as against the applicable Purchased Entity to, and assumed by, Residual Co.

- (h) *Licence Condition* - the Licences are in good standing and will continue in good standing, and not be suspended or terminated, following the Closing Date, which shall be satisfied upon, among other things, evidence from the applicable Governmental Authority that such Licences are in good standing and will not be suspended or terminated by such Governmental Authority as a result of any events, or amounts owing by any Applicants, relating to the period preceding the Closing Date.
- (i) *Licence Holder Retention* – the Purchaser shall be satisfied that the employees of the Purchased Entities who hold the Licences will accept the Purchaser's offers of employment pursuant to Section 8.6.
- (j) *Existing RTPs* – based on correspondence, discussions, agreements and/or arrangements with the Canada Revenue Agency or otherwise, the Purchaser shall be satisfied, acting reasonably, that no new RTPs will be issued after the Closing Date in respect of pre-Closing Tax liabilities of the Purchased Entities, and that any Existing RTP in respect of pre-Closing Tax liabilities has been withdrawn or otherwise does not apply to, and is not effective against, any post-Closing receivables of the Purchased Entities.

7.3 Conditions for the Benefit of the Companies

The obligation of each of the Companies to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver where applicable by the Companies 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 each of the Companies, as applicable):

- (a) *Truth of Representations and Warranties* – the representations and warranties of the 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 a 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 the 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 the 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* – Each of the Companies 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 the Purchaser without personal liability by an executive officer of the Purchaser or other Persons acceptable to the Companies, acting in a commercially reasonable manner, in each case, in form and substance satisfactory to the Companies, acting in a commercially reasonable manner; and

- (d) *Purchaser Deliverables* – Purchaser shall have delivered to each of the Companies all of the deliverables contained in Section 11.3 in form and substance satisfactory to the Companies, acting in a commercially reasonable manner.

ARTICLE 8 ADDITIONAL AGREEMENTS OF THE PARTIES

8.1 Break Expense Reimbursement Fee

In consideration for Purchaser's expenditure of time and money (including professional fees) in connection with the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, Purchaser shall be entitled to a break and expense reimbursement fee of \$400,000 (the "**Break and Expense Reimbursement Fee**"). The Break and Expense Reimbursement Fee is subject to Court approval and shall be approved in the SISP Order and shall be payable to the Purchaser out of the sale proceeds derived from, and upon completion of, a Successful Bid other than the Stalking Horse Bid. Each of the Companies and the Purchaser acknowledges and agrees that the Break and Expense Reimbursement Fee (i) represents a fair and reasonable estimate of the costs and damages that will be incurred by the 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 and Expense Reimbursement Fee shall be paid joint and severally by the Companies to the Purchaser without deduction or withholding for Taxes unless required by Applicable Law.

8.2 Access to Information and Properties

- (a) Until the Closing Time, each of the Companies, with oversight of the Monitor, shall give to the 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, and shall furnish them with all such information relating to the Business, the Applicants, the Retained Liabilities and the list of employees as Purchaser may reasonably request in connection with the transactions contemplated by this Agreement, such requests to be made to the Monitor; provided that such access shall be conducted at Purchaser's expense, in accordance with Applicable Law and under supervision of the Monitor or the applicable Company's senior management and in such a manner as to maintain confidentiality, and the Companies will not be required to provide access to or copies of any such books and records if: (i) the provision thereof would cause the applicable Company to be in contravention of any Applicable Law; (ii) breach the terms of the SISP Order; or (iii) making such information available would: (1) result in the loss of any lawyer-client or other legal privilege; or (2) cause applicable Company to be found in contravention of any Applicable Law, or contravene any fiduciary duty or agreement (including any confidentiality agreement to which either of the Companies or any of their Affiliates are a party). Notwithstanding anything in this Section 8.2(a) 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 Purchaser shall make all books and records of the Applicants reasonably available to the Monitor and any trustee in bankruptcy of

any of the Applicants 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 the Monitor and any trustee in bankruptcy of the Applicants 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 Purchased Entities and their Affiliates, as determined by the Applicants, acting reasonably.

- (c) Following the Closing, the Applicants shall make all books and records comprising Excluded Assets reasonably available to the Monitor and any trustee in bankruptcy of any of the Applicants 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 the Monitor and any trustee in bankruptcy of the Applicants to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that such Applicant 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 Applicants and their Affiliates, as determined by the Applicants, acting reasonably.

8.3 Regulatory 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 the Companies.
- (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 Transaction Regulatory 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 Purchased Entity shall agree to any of the foregoing items without the prior written consent of the 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 the Companies 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 each of the Companies or the Monitor, as to the Purchaser's progress in terms of the satisfaction of the conditions precedent contained herein.

- (c) From the date hereof until the Closing Date, each 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 the Purchaser or the Monitor, as to the applicable Company's progress in terms of the satisfaction of the conditions precedent contained herein.
- (d) Each of the Companies and the 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, the Companies hereby agree, and hereby agree to cause their representatives to, promptly notify the 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) Each of the Companies and the 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, including without limitation the Transaction Regulatory Approvals, as may be required in connection with the transaction contemplated by this Agreement.
- (g) Each of the Companies agree to use best efforts to timely prepare and file all documentation and pursue all steps necessary to renew (i) any of the Licences that are currently set to expire before the Closing Date; and (ii) any security clearances required in connection with the maintenance of any of the Licences.
- (h) Each of the Companies agree to use commercially reasonable efforts to promptly provide all documentation, copies of agreements and information reasonably required by the Purchaser to complete and finalize the Schedules to this Agreement. Such information and documentation shall be provided to the Purchaser on an ongoing basis following execution of this Agreement and in any event shall be provided to the Purchaser no later than ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Reverse Vesting Order.
- (i) From the date hereof until the Closing Date, the Parties shall cooperate and use commercially reasonable efforts to have Heritage Cannabis cease to be a reporting issuer (or equivalent thereof) in the applicable jurisdictions of Canada as soon as reasonably practicable after the Closing Date.
- (j) If Purchaser is the Successful Bidder, at the request of the Purchaser, the Companies shall proceed with the liquidation, winding-up, dissolution and/or

amalgamation of any of the Purchased Entities designated by the Purchaser on or prior to the Closing Date.

8.5 Tax Matters

- (a) The Purchaser and each of the Purchased Entities 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. The Purchaser and each of the Purchased Entities also agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Entities, the Purchased Shares and the Retained Liabilities as is reasonably necessary for the Purchaser to acquire them in a tax efficient manner for both the Purchaser and the Purchased Entities.
- (b) The Purchaser and each of the Purchased Entities shall each be responsible for the preparation of their own statements required to be filed under the Tax Act, the ETA, the EA and other Tax 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 period which includes (but does not end on) the Closing Date (a **"Straddle Period"**), all, personal property Taxes and similar ad valorem obligations shall be apportioned between the period up to and including the Closing Date (such portion of such Straddle Period, the **"Pre-Closing Straddle Tax Period"**) and the taxable period after the Closing Date (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, each applicable Purchased Entity shall be liable for the proportionate amount of such personal property Taxes and similar ad valorem obligations that are attributable to the Pre-Closing Straddle Tax Period, and the Purchaser shall be liable for the proportionate amount of such 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 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. 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.
- (d) The Purchaser shall (a) cause each Purchased Entity, as applicable, to prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns for each Purchased Entity for all Tax periods ending on or prior to the Closing Date and for which Tax Returns have not been filed as of such date; and (b) cause each Purchased Entity, as applicable, to duly and timely make or prepare all Tax Returns required to be made or prepared by them and to duly and timely file all

Tax Returns required to be filed by them for periods beginning before and ending after the Closing Date. All such Tax Returns in clauses (a) and (b) of this Section 8.5(d) constitute the “**Straddle Period Tax Returns**”. Each Purchased Entity, the Monitor and the Purchaser shall co-operate reasonably with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of any Straddle Period Tax Return and the Purchaser shall preserve (or cause the applicable Purchased Entities to preserve) such data and other information until the expiration of any applicable limitation period under Applicable Law with respect to Taxes. The Purchaser will use commercially reasonable best efforts to provide drafts of all Straddle Period Tax Returns required to be prepared by the Purchaser or the Purchased Entities to the then remaining Applicants and the Monitor in advance of their filing with the relevant Taxing Authority. The Purchaser, the then remaining Applicants and the Monitor shall, subject only to Applicable Law, cooperate in considering any amendments to such Tax Returns as the then remaining Applicants and the Monitor may request. The Purchaser shall, unless otherwise agreed to by the then remaining Applicants and the Purchaser in writing, cause each Purchased Entity to make an election pursuant to subsection 256(9) of the Tax Act in respect of the taxation year ending as a result of the acquisition of control of it by the Purchaser.

8.6 Employee Matters

- (a) The Purchaser may, in as many separate instances as it may require, notify the Companies that the Purchaser wishes to interview any employees or contractors or consultants of the Purchased Entities, and upon receipt of a request thereof, the Companies will use all commercially reasonable efforts to facilitate such interviews as soon as reasonably practicable. The Purchaser may, but is not obligated to, in the name of the applicable Purchased Entity, 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) The 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 six (6) days prior to the anticipated Closing Date, and leave such offers open for acceptance up to and including two (2) days prior to the Closing Date, provided that the Purchaser notifies the Companies, in writing, on or prior to the date that is six (6) days prior to the anticipated Closing Date, of the list of individuals to whom it has made or intends to make offers of employment.
- (c) In the event:
 - (i) no conditional offer of employment is made to an employee of the Purchased Entities; 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 two (2) days prior to the Closing Date,

such employee shall be deemed to be a “Terminated Employee” and the applicable Purchased Entity shall terminate such Terminated Employee effective upon the Closing Date.

8.7 Administrative Expense Amount

- (a) On the Closing Date, the Administrative Expense Amount shall be paid to the Monitor, which the Monitor shall hold for the benefit of Persons entitled to be paid the Administrative Expense Costs.
- (b) From time to time after the Closing Date, the Monitor may pay, from the Administrative Expense Amount, the Administrative Expense Costs, in each case to the Persons entitled to receive payment of these amounts, in its sole discretion and without further authorization from the Purchased Entities or Purchaser. Any unused portion of the Administrative Expense Amount after payment or reservation for all Administrative Expense Costs, as determined by the Monitor, in its sole discretion, shall be transferred by the Monitor to the Purchaser, or as directed by it.
- (c) Notwithstanding the foregoing or anything else contained herein or elsewhere, each of the Companies and the Purchaser acknowledges and agrees that: (i) the Monitor’s obligations under this Agreement are and shall remain limited to those specifically set out in this Section 8.7; and (ii) the Monitor is acting solely in its capacity as the CCAA Court-appointed Monitor of the Applicants pursuant to the Initial 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 8.7 notwithstanding that the Monitor is not a party to this Agreement.

The provisions of Sections 8.7(c) and (d) above shall survive the termination or non-completion of the transactions contemplated by this Agreement.

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, the Companies shall deliver to the Purchaser drafts of any and all pleadings, motions, notices, statements, applications, schedules, and other papers to be filed or submitted by any of the Applicants in connection with or related to this Agreement, including with respect to the Approval and Reverse Vesting Order, for Purchaser’s prior review at least two (2) days in advance of service and filing of such materials (or where circumstances make it impracticable to allow for two (2) days’ review, with as much opportunity for review and comment as is practically possible in the circumstances). Each of the Companies acknowledge and agree (i) that any such pleadings, motions, notices, statements, applications, schedules, or other papers shall be in form and substance satisfactory to the 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 Approval and Reverse Vesting Order shall be served or be caused to be served by the Applicants 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 the Applicants 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, the Applicants shall file a motion seeking the issuance of the Approval and Reverse Vesting Order.
- (d) If the Approval and Reverse Vesting Order relating to this Agreement is appealed or a motion for leave to appeal, rehearing, reargument or reconsideration is filed with respect thereto, each of the Applicants agree (subject to the available liquidity of each of the Applicants) to take all action as may be commercially reasonable and appropriate to defend against such appeal, petition or motion.
- (e) Each of the Companies acknowledge and agree, that the Approval and Reverse Vesting Order shall provide that, on the Closing Date and concurrently with the Closing, the Purchased Shares shall be transferred to the 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 each of the Companies and the Purchaser;
- (b) by the Purchaser or the Companies, if this Agreement is not the Successful Bid (as determined pursuant to the SISP);
- (c) by the Purchaser or the Companies, if Closing has not occurred on or before August 2, 2024 or such later date agreed to by each of the Companies and the 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 the Purchaser or the Companies, if at any time after the date hereof any of the conditions in Article 7 are 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 the Purchaser, upon the appointment of a receiver, trustee in bankruptcy or similar official in respect of any Applicant or any of the property of any Applicant, other than with the prior written consent of the Purchaser;
- (f) by the Purchaser or the Companies, upon the termination, dismissal or conversion of the CCAA Proceedings;
- (g) by the Purchaser or the Companies, upon dismissal of the motion for the Approval and Reverse Vesting Order (or if any such order is stayed, vacated or varied without the consent of the Purchaser);
- (h) by the Purchaser or the Companies, 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;
- (i) by the Companies, if there has been a material violation or breach by the 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 the Companies, or cured by the Purchaser within ten (10) Business Days after written notice thereof from the Companies, unless any Company 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 7.2, as applicable, by the Outside Date; and
- (j) by the Purchaser, if there has been a material violation or breach by any of the Companies 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 the Purchaser, or cured by the applicable Company within ten (10) Business Days after written notice thereof from the Purchaser, unless the 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) Sections 8.7(c) and 8.7(d), this Section 10.2, Section 12.1, Section 12.3, Section 12.5, Section 12.6, Section 12.7 and Section 12.8 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 Gowling WLG (Canada) LLP in Toronto, or at such other location as may be agreed upon by the Parties.

11.2 Companies' Deliveries at Closing

At Closing, each of the Companies, as applicable, shall deliver to the Purchaser the following:

- (a) a true copy of each of the Approval and Reverse Vesting Order and the SISP Order, each of which shall be final;
- (b) a certificate of a senior officer or director of each of the Companies (in such capacity and without personal liability) in form and substance reasonably satisfactory to the Purchaser: (i) certifying that the board of directors of the applicable 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 the applicable Company;
- (c) the certificates contemplated by Section 7.2(c);
- (d) confirmation of the due incorporation and organization of Residual Co. on the terms set forth herein;
- (e) evidence of completion of the Implementation Steps;
- (f) the Purchased Shares;
- (g) evidence of the Transaction Regulatory Approvals having been obtained;
- (h) evidence of the filing of the Articles of Amendment, as applicable; and
- (i) all other documents as reasonably requested by the Purchaser in good faith.

11.3 Purchaser's Deliveries at Closing

At Closing, the Purchaser shall deliver to the Companies or, in the case of the amount described in 11.3(b), to the Monitor:

- (a) the Credit Bid Releases;
- (b) the Cash Consideration;
- (c) a certificate of a senior officer or director of the Purchaser (in such capacity and without personal liability), in form and substance reasonably satisfactory to the

Companies: (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 the Purchaser executing this Agreement and the other transaction documents contemplated herein, as applicable;

- (d) the certificate contemplated by Section 7.3(c); and
- (e) all other documents required to effect to the transaction contemplated by this Agreement, as reasonably requested by the Companies in good faith.

11.4 Monitor

When all conditions to Closing set out in Article 7 have been satisfied and/or waived by the Companies or the Purchaser, as applicable, the Companies and the Purchaser, or their respective counsel, shall each deliver to the Monitor written confirmation, in form and substance satisfactory to the Monitor, that all conditions to Closing have been satisfied or waived, subject to the Monitor's delivery of the Monitor's Certificate to the Purchaser in accordance with the Approval and Reverse Vesting Order. Upon receipt of such written confirmation, the Monitor shall: (i) issue forthwith its Monitor's Certificate in accordance with the Approval and Reverse 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 each of the Companies and the 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 the Companies and the Purchaser that all conditions to Closing have been satisfied or waived, and the Monitor will have no liability whatsoever to any of the Companies 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 Approval and Reverse 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 each of the Applicants 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, the remaining Applicants shall maintain the confidentiality of all confidential information relating to the Business and the Purchased Entities, except any disclosure of such information and records as may be required by Applicable Law. If any remaining Applicant, or any of 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 its representative to, provide the 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, the applicable Applicant shall, or shall cause its representative to, furnish only that portion of such information that has been legally compelled, and shall, or shall cause such representative to, exercise its commercially reasonable efforts to obtain assurance that confidential treatment will be accorded to such disclosed information. The remaining Applicants shall instruct their 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 their representatives.

12.2 Public Notices

No press release or other announcement concerning the transactions contemplated by this Agreement shall be made by any of the Applicants 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 either Party, as applicable: (A) with the CCAA Court; and (B) on Heritage Cannabis' profile on www.sedarplus.ca; and (ii) the transactions contemplated in this Agreement may be disclosed by the Companies 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) the Applicants, the 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.

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 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), and 8.5 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 the Purchaser or either of the Companies, 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 the Purchaser may, upon prior notice to each of the Companies, 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 or BJK of its obligations hereunder. This Agreement shall be binding upon and enure to the benefit of the Parties and their respective permitted successors and permitted assigns. Although not Parties to this Agreement, the Monitor and its respective Affiliates and advisors shall have the benefits expressed to be conferred upon them in this Agreement, including in Article 6, Section 8.7 and Section 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 the Purchaser at:

HAB CANN HOLDINGS LTD.
c/o BJK Holdings Ltd.
238 22nd Street North,
Lethbridge, Alberta
T1H 3R7

Attention: David Thiessen / Russ Zemp
Email: david.thiessen@kirkstire.ca
russ.zemp@kirkstire.ca

and to:

Gowling WLG (Canada) LLP
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, ON M5X 1G5

Attention: Virginie Gauthier / Kate Yurkovich
Email: virginie.gauthier@gowlingwlq.com
kate.yurkovich@gowlingwlq.com

(b) If to the Companies at:

Heritage Cannabis Holdings Corp.
c/o Owens Wright LLP
300-20 Holly Street
Toronto, Ontario M4S 3B1

Attention: David Schwede
Email: dschwede@heritagecann.com

and to:

Chaitons LLP
5000 Yonge Street
North York, ON M2N 7E9

Attention: Harvey Chaiton / George Benchetrit
Email: harvey@chaitons.com
george@chaitons.com

and to:

KPMG Inc.
333 Bay Street, Suite 4600
Toronto ON M5H 2S5

Attention: Pritesh Patel
Email: pritpatel@kpmg.ca

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.

HERITAGE CANNABIS HOLDINGS CORP.

DocuSigned by:



45DB3351CE1C45C

Per:

Name: David Schwede

Title: CEO & Director

I have the authority to bind the corporation.

HERITAGE CANNABIS WEST CORPORATION

DocuSigned by:



45DB3351CE1C45C...

Per:

Name: David Schwede

Title: Director & Officer

I have the authority to bind the corporation.

HAB CANN HOLDINGS LTD.

Per:

Name: David Thiessen

Title: President

I have the authority to bind the corporation.

**BJK HOLDINGS LTD., solely for the purposes
of Section 5.6 herein**

Per:

Name: Brad Kirk

Title: President

I have the authority to bind the corporation.

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

HERITAGE CANNABIS HOLDINGS CORP.

Per:
Name:
Title:
I have the authority to bind the corporation.

HERITAGE CANNABIS WEST CORPORATION

Per:
Name:
Title:
I have the authority to bind the corporation.

HAB CANN HOLDINGS LTD.



Per:
Name: David Thiessen
Title: President
I have the authority to bind the corporation.

**BJK HOLDINGS LTD., solely for the purposes
of Section 5.6 herein**

Per:
Name: Brad Kirk
Title: President
I have the authority to bind the corporation.

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

HERITAGE CANNABIS HOLDINGS CORP.

Per:
Name:
Title:
I have the authority to bind the corporation.

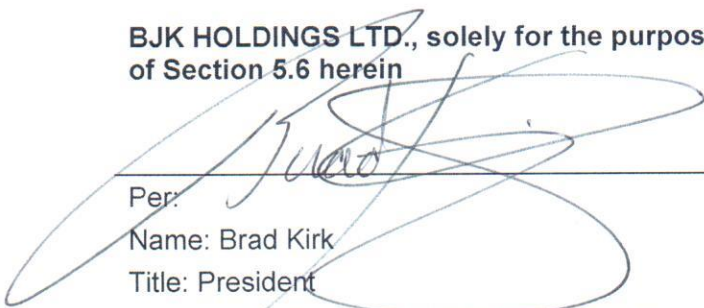
HERITAGE CANNABIS WEST CORPORATION

Per:
Name:
Title:
I have the authority to bind the corporation.

HAB CANN HOLDINGS LTD.

Per:
Name: David Thiessen
Title: President
I have the authority to bind the corporation.

**BJK HOLDINGS LTD., solely for the purposes
of Section 5.6 herein**



Per:
Name: Brad Kirk
Title: President
I have the authority to bind the corporation.

SCHEDULE 1.1(a)

APPROVAL AND REVERSE VESTING ORDER

(See attached)

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE) ●, THE ● DAY
)
JUSTICE ●) OF ●, 2024

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
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS
WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE CANNABIS EAST
CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS REALTY INC., 5450
REALTY INC., HERITAGE CANNABIS EXCHANGE CORP. AND PREMIUM 5 LTD.

Applicants

ORDER
(APPROVAL AND REVERSE VESTING ORDER)

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), for an order, among other things: (a) approving the stalking horse subscription agreement dated as of April 10, 2024 (the "**Stalking Horse Agreement**") entered into between Heritage Cannabis Holdings Corp. ("**Heritage Cannabis**") and Heritage Cannabis West Corporation ("**Heritage West**", and together with Heritage Cannabis, the "**Companies**"), as companies, BJK Holdings Ltd. ("**BJK**"), and HAB Cann Holdings Ltd. (the "**Purchaser**"), as purchaser, and the transactions contemplated therein (the "**Transactions**"); (b) adding [●] ("**Residual Co.**") as an Applicant to these CCAA proceedings (the "**CCAA Proceedings**"); (c) transferring and vesting all of the right, title and interest of Heritage Cannabis, Heritage Cannabis East Corporation ("**Heritage East**"), Purefarma Solutions Inc. ("**Purefarma**") and Heritage West (and, collectively with Heritage Cannabis, Heritage East and Purefarma, the "**Purchased Entities**") in and to the Excluded Assets and

Excluded Liabilities (each as defined in the Stalking Horse Agreement) to and in Residual Co.; (d) authorizing and directing each of the Companies, as applicable, to file the Articles of Amendment (as defined in the Stalking Horse Agreement); (e) authorizing and directing Heritage Cannabis to issue the Heritage Cannabis Purchased Shares (as defined in the Stalking Horse Agreement), and vesting in and to the Purchaser, all right, title and interest in and to the Heritage Cannabis Purchased Shares, free and clear of any Claims and Encumbrances; (f) authorizing and directing Heritage West to issue the Heritage West Purchased Shares (as defined in the Stalking Horse Agreement), and vesting in and to the Purchaser, all right, title and interest in and to the Heritage West Purchased Shares, free and clear of any Claims and Encumbrances; and (g) terminating and cancelling all of the Equity Interests (as defined in the Stalking Horse Agreement) of each of the Companies, other than the Purchased Shares, for no consideration, was heard this day by videoconference.

ON READING the Motion Record of the Applicants, including the affidavit of [David Schwede sworn [●], 2024 (the “Schwede Affidavit”)] and the Exhibits thereto, [the [●] Report of KPMG Inc. (“KPMG”), in its capacity as the Court-appointed monitor of the Applicants (in such capacity, the “Monitor”) dated [●], 2024 (the “● Report”),] and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for BJK and the Purchaser, and counsel for those other parties appearing as indicated by the Participant Information Form, no one appearing for any other party, although duly served as appears from the affidavit of service of [●], as filed,

SERVICE

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 was properly returnable on today’s date, and hereby dispenses with further service thereof.

DEFINED TERMS

2. **THIS COURT ORDERS** that capitalized terms not otherwise defined herein shall have the meanings given to them in the Stalking Horse Agreement and the Order of Justice [Cavanagh] dated [April 11], 2024 (the “SISP Approval Order”).

APPROVAL AND VESTING

3. **THIS COURT ORDERS** that the Stalking Horse Agreement and the Transactions, be and are hereby approved and that the execution of the Stalking Horse Agreement by each of the Companies is hereby authorized and approved, with such minor amendments as the parties thereto may deem necessary, with the approval of the Monitor. Each of the Companies are hereby authorized and directed to perform its respective obligations under the Stalking Horse Agreement and to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transactions, including the cancellation of the Equity Interests and the issuance of the Purchased Shares to the Purchaser.

4. **THIS COURT ORDERS** that this Order shall constitute the only authorization required by the Companies to proceed with the Transactions, and that no shareholder or other approval shall be required in connection therewith, **other than as contemplated by the applicable Transaction Regulatory Approvals.**

5. **THIS COURT ORDERS** that upon the delivery of the Monitor's certificate substantially in the form attached as **Schedule "A"** hereto (the "**Monitor's Closing Certificate**") to the Companies and the Purchaser (the "**Closing Time**"), the following shall occur and shall be deemed to have occurred at the Closing Time in the following sequence:

- (a) first, all of the Purchased Entities' right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in Residual Co., with all applicable Claims and Encumbrances continuing to attach to the Excluded Assets and to the Purchase Price in accordance with paragraph 9 of this Order, in either case with the same nature and priority as they had immediately prior to the transfer;
- (b) second, all Excluded Liabilities shall be channeled to, assumed by and vested absolutely and exclusively in Residual Co., such that the Excluded Liabilities shall become the obligations of Residual Co., and shall no longer be obligations of the Purchased Entities and all of the Purchased Entities' respective assets, licenses, undertakings and properties of every nature and kind whatsoever and wherever situate, including property held in trust for

the Purchased Entities (the “**Purchased Entities’ Property**”), shall be and are hereby forever released and discharged from such Excluded Liabilities and all related Claims and all Encumbrances affecting or relating to the Purchased Entities’ Property are to be expunged and discharged as against the Purchased Entities’ Property;

- (c) third, in consideration for the Purchase Price, the Companies shall issue the Purchased Shares to the Purchaser, and all of the right, title and interest in and to the Purchased Shares shall vest absolutely in the Purchaser, and the Purchased Entities’ Property, other than the Excluded Assets, will be retained by the Purchased Entities, free and clear of and from any and all debts, liabilities, obligations, indebtedness, contracts, leases, agreements, and undertakings of any kind or nature whatsoever, whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise, including any and all encumbrances, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the “**Claims**”), including without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Initial Order or any other Order of the Court in the CCAA Proceedings; and (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry systems (all of which are collectively referred to as the “**Encumbrances**”, which term shall not include the Permitted Encumbrances listed on **Schedule “B”** hereto);
- (d) fourth, all Equity Interests of the Companies outstanding prior to the issuance of the Purchased Shares, including all options, conversion

privileges, equity-based awards, warrants, securities, debentures, loans, notes or other rights, agreements or commitments of any character whatsoever that are held by any Person (as defined below) which are convertible or exchangeable for any securities of the Companies or which require the issuance, sale or transfer by the Companies, of any shares or other securities of the Companies and/or the share capital of the Companies, or otherwise relating thereto, shall be deemed terminated and cancelled without consideration and the only Equity Interests of the Companies that shall remain shall be the Purchased Shares; and

- (e) lastly, the Purchased Entities shall be deemed to cease being Applicants in these CCAA Proceedings, and the Purchased Entities shall be deemed to be released from the purview of the Initial Order and all other Orders of this Court granted in respect of these CCAA proceedings, save and except for this Order, the provisions of which (as they relate to the Purchased Entities) shall continue to apply in all respects.

6. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Closing Certificate, forthwith after delivery thereof in connection with the Transactions.

7. **THIS COURT ORDERS** that the Monitor may rely on written notice from the Companies and the Purchaser regarding the satisfaction or waiver of conditions to closing under the Stalking Horse Agreement and shall have no liability with respect to delivery of the Monitor's Closing Certificate.

8. **THIS COURT ORDERS** that upon delivery of the Monitor's Closing Certificate, and upon filing of a copy of this Order, together with any applicable registration fees, all governmental authorities and any other applicable registrar or government ministries or authorities exercising jurisdiction with respect to the Purchased Entities, the Purchased Entities' Property or the Excluded Assets (collectively, the "**Governmental Authorities**") are hereby authorized, requested and directed to accept delivery of such Monitor's Closing Certificate and a copy of this Order as though they were originals and to register such transfers and interest authorizations as

may be required to give effect to the terms of this Order and the Stalking Horse Agreement. Presentment of this Order and the Monitor's Closing Certificate shall be the sole and sufficient authority for the Governmental Authorities to make and register transfers of interest against any of the Purchased Entities' Property and the Monitor and the Purchaser are hereby specifically authorized to discharge the registrations on the Purchased Entities' Property and the Excluded Assets, as applicable.

9. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, from and after the Closing Time, subject to the funding of the Priority Payment Amount and the CCAA Process Expense Amount, all Claims and Encumbrances transferred, assumed, released, expunged and discharged pursuant to paragraph 5 hereof, including against the Purchased Entities, the Purchased Entities' Property, the Purchased Shares and the Equity Interests shall attach to the Excluded Assets with the same nature and priority as they had immediately prior to the Transactions as if the Transactions had not occurred.

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, as amended, the Purchased Entities or the Monitor, as the case may be, are authorized, permitted and directed to, at the Closing Time, disclose to the Purchaser, all human resources and payroll information in the Purchased Entities' records pertaining to past and current employees of the Purchased Entities. The Purchaser shall maintain and protect the privacy of such information in accordance with applicable law and shall be entitled to use the personal information provided to it in a manner that is in all material respects identical to the prior use of such information by the Purchased Entities.

11. **THIS COURT ORDERS** that, at the Closing Time and without limiting the provisions of paragraph 5 hereof, the Purchaser, the Purchased Entities, and the Monitor shall be deemed released from any and all claims, liabilities, (direct, indirect, absolute or contingent) or obligations with respect to any Taxes (including penalties and interest thereon) of, or that relate to the Purchased Entities, provided, as it relates to the Purchaser and the Purchased Entities, such release shall not apply to (a) Taxes in respect of the business and operations conducted by the Purchased Entities after the Closing Time; or (b) Taxes expressly assumed as Retained Liabilities pursuant to the Stalking Horse Agreement, including without limiting the generality of the foregoing, all

Taxes that could be assessed against the Purchaser or the Purchased Entities (including their affiliates and any predecessor corporations) pursuant to sections 160 and 160.01 of the *Income Tax Act*, R.S.C. 1985 c. 1 (5th Supp.), or any provincial or foreign tax equivalent, in connection with the Purchased Entities. For greater certainty, nothing in this paragraph shall release or discharge any Claims with respect to Taxes that are transferred to Residual Co.

12. **THIS COURT ORDERS** that except to the extent expressly contemplated by the Stalking Horse Agreement (and, for greater certainty, excluding the Excluded Assets and Excluded Liabilities and contracts relating thereto), all contracts to which any of the Purchased Entities are a party at the time of delivery of the Monitor's Closing Certificate will be and remain in full force and effect upon and following delivery of the Monitor's Closing Certificate and no individual, firm, corporation, governmental body or agency, or any other entity (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") who is a party to any such arrangement may accelerate, terminate, rescind, refuse to perform or otherwise repudiate its obligations thereunder, or enforce or exercise any right (including any right of set off, dilution or other remedy) or make any demand under or in respect of any such arrangement and no automatic termination will have any validity or effect, by reason of:

- (a) any event that occurred on or prior to the Closing Time and is not continuing that would have entitled such Person to enforce those rights or remedies (including defaults or events of default arising as a result of the insolvency of any of the Purchased Entities);
- (b) the insolvency of any of the Purchased Entities or the fact that the Purchased Entities obtained relief under the CCAA;
- (c) any compromises, releases, discharges, cancellations, transactions, arrangements, reorganizations or other steps taken or effected pursuant to the Stalking Horse Agreement, the Transactions, the provisions of this Order, or any other Order of this Court in these CCAA proceedings; or
- (d) any transfer or assignment, or any change of control, of any of the Purchased Entities or Purchased Entities' Property arising from the implementation of

the Stalking Horse Agreement, the Transactions, or the provisions of this Order.

13. **THIS COURT ORDERS**, for greater certainty, that (a) nothing in paragraph 12 hereof shall waive, compromise or discharge any obligations of the Purchased Entities or the Purchaser, in respect of any Retained Liabilities, (b) the designation of any Claim as a Retained Liability is without prejudice to any of the Purchased Entities' or the Purchaser's right to dispute the existence, validity or quantum of any such Retained Liability, and (c) nothing in this Order or the Stalking Horse Agreement shall affect or waive the Purchased Entities' or the Purchaser's rights and defences, both legal and equitable, with respect to any Retained Liability, including, but not limited to, all rights with respect to entitlements to set-offs or recoupments against such Retained Liability.

14. **THIS COURT ORDERS** that from and after the Closing Time, all Persons shall be deemed to have waived any and all defaults of any of the Purchased Entities then existing or previously committed by any of the Purchased Entities, or caused by any one of the Purchased Entities, directly or indirectly, or non-compliance with any covenant, warranty, representation, undertaking, positive or negative pledge, term, provision, condition, or obligation, expressed or implied in any contract, or lease existing between such Person and any of the Purchased Entities (including for certainty, those contracts, or leases constituting the Purchased Entities' Property) arising directly or indirectly from the filing by the Applicants under the CCAA and implementation of the Transactions, including without limitation any of the matters or events listed in paragraph 12 hereof, and any and all notices of default and demands for payment or any step or proceeding taken or commenced in connection therewith under a contract, or a lease shall be deemed to have been rescinded and of no further force or effect, provided that nothing herein shall be deemed to excuse any of the Purchased Entities or the Purchaser from performing their obligations under the Stalking Horse Agreement, or be a waiver of defaults by any of the Purchased Entities or the Purchaser under the Stalking Horse Agreement and the related documents.

15. **THIS COURT ORDERS** that, from and after the Closing Time, any and all Persons shall be and are hereby forever barred, estopped, stayed and enjoined from commencing, taking, applying for or issuing or continuing any and all steps or proceedings, whether directly, derivatively or otherwise, and including without limitation, administrative hearings and orders,

declarations and assessments, commenced, taken or proceeded with or that may be commenced, taken or proceeded with against the Purchased Entities or the Purchaser relating in any way to or in respect of any Excluded Assets or Excluded Liabilities and any other claims, obligations and other matters that are waived, released, expunged or discharged pursuant to this Order.

16. **THIS COURT ORDERS** that from and after the Closing Time:

- (a) the nature of the Retained Liabilities, as retained by the Purchased Entities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of the Transactions or this Order;
- (b) the nature of the Excluded Liabilities, including, without limitation, their amount and their secured or unsecured status, shall not be affected or altered as a result of their transfer to Residual Co.;
- (c) any Person that prior to the Closing Time had a valid right or claim against any of the Purchased Entities under or in respect of any Excluded Liability (each an “**Excluded Liability Claim**”) shall no longer have an Excluded Liability Claim against any of the Purchased Entities or Purchased Entities’ Property, but will have an equivalent Excluded Liability Claim against Residual Co. in respect of the Excluded Liability from and after the Closing Time in its place and stead, and nothing in this Order limits, lessens or extinguishes the Excluded Liability Claim of any Person as against Residual Co.; and
- (d) any Person with an Excluded Liability Claim against Residual Co. following the Closing Time shall have the same rights, priority and entitlement as against Residual Co. as such Person, with an Excluded Liability Claim, had against the applicable Purchased Entities’ entity prior to the Closing Time.

17. **THIS COURT ORDERS** that, as of the Closing Time:

- (a) Residual Co. shall be a company to which the CCAA applies; and
- (b) Residual Co. shall be added as an Applicant in these CCAA Proceedings and all references in any Order of this Court in respect of these CCAA Proceedings to (i) an “Applicant” shall refer to and include Residual Co.; and (ii) “Property” shall include the current and future assets, licenses, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof, of Residual Co. (collectively the “**Residual Co. Property**”), and, for greater certainty, each of the Charges (as defined in the Initial Order), shall constitute a charge on the Residual Co. Property.

PRIORITY PAYMENT AMOUNT AND CCAA PROCESS EXPENSE AMOUNT

18. **THIS COURT ORDERS AND DIRECTS** that the Priority Payment Amount and the CCAA Process Expense Amount, as necessary, shall be distributed by the Purchased Entities from the cash on hand or, to the extent required, shall be paid by the Purchaser, to the Monitor in cash on the Closing Date, consistent with the Implementation Steps and in accordance with the terms of the Stalking Horse Agreement.

19. **THIS COURT ORDERS** that, notwithstanding:

- (a) the pendency of these CCAA proceedings;
- (b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act*, R.S.C 195, c. B-3, as amended (the “**BIA**”), in respect of Residual Co. and any bankruptcy order issued pursuant to any such applications; and
- (c) any assignment in bankruptcy made in respect of any of the Purchased Entities or Residual Co.;

the Stalking Horse Agreement, the implementation of the Transactions (including without limitation the transfer and vesting of the Excluded Assets and Excluded Liabilities in and to Residual Co., the transfer and vesting of the Purchased Shares in and to the Purchaser, any payment

of the Priority Payment Amount and the CCAA Process Expense Amount by the Purchased Entities and any payments by or to the Purchaser, any of the Purchased Entities, Residual Co., or the Monitor authorized herein, or pursuant to the Stalking Horse Agreement) shall be binding on any trustee in bankruptcy that may be appointed in respect of any of the Purchased Entities and/or Residual Co. and shall not be void or voidable by creditors of the Purchased Entities or Residual Co., as applicable, nor shall they constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the CCAA, the BIA or any other applicable federal, provincial or foreign legislation, nor shall they constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

MONITOR

20. **THIS COURT ORDERS** that nothing in this Order, including the release of the Purchased Entities from the purview of these CCAA Proceedings pursuant to paragraph 5(f) hereof and the addition of Residual Co. as an Applicant in these CCAA Proceedings, shall affect, vary, derogate from, limit or amend any rights, approvals and protections afforded to the Monitor in these CCAA Proceedings and KPMG shall continue to have the benefit of, any and all rights and approvals and protections in favour of the Monitor at law or pursuant to the CCAA, the Initial Order, any other Orders in these CCAA proceedings or otherwise, including all approval, protections and stays of proceedings in favour of KPMG in its capacity as Monitor, all of which are expressly continued and confirmed.

21. **THIS COURT ORDERS** that no action lies against the Monitor by reason of this Order or the performance of any act authorized by this Order, except with leave of the Court following a motion brought on not less than fifteen (15) days' notice to the Monitor and its legal counsel. The entities related or affiliated with the Monitor or belonging to the same group as the Monitor (including, without limitation, any agents, employees, legal counsel or other advisors retained or employed by the Monitor) shall benefit from the protection granted to the Monitor under the present paragraph.

22. **THIS COURT ORDERS** that the Monitor shall not, as a result of this Order or any matter contemplated hereby: (a) be deemed to have taken part in the management or supervision of the

management of the Purchased Entities or Residual Co. or to have taken or maintained possession or control of the business or property of any of the Purchased Entities or Residual Co., or any part thereof; or (b) be deemed to be in Possession (as defined in the Initial Order) of any property of the Purchased Entities or Residual Co. within the meaning of any applicable Environmental Legislation and Cannabis Legislation (each as defined in the Initial Order) or otherwise.

23. **THIS COURT ORDERS** that notwithstanding anything contained in this Order, the Monitor, its employees and representatives are not and shall not be or be deemed to be, a director, officer, or employee of Residual Co. *de facto* or otherwise, and shall incur no liability as a result of acting in accordance with this Order, other than any liability arising as a direct result of the gross negligence or wilful misconduct of the Monitor.

24. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Monitor as receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of Residual Co.

RELEASES

25. **THIS COURT ORDERS** that, effective upon the filing of the Monitor's Closing Certificate, (a) the current directors, officers, employees, consultants, legal counsel and advisors of the Applicants; (b) the current directors, officers, employees, consultants legal counsel and advisors to Residual Co.; (c) the Monitor and its legal counsel and their respective current directors, officers, partners, employees, consultants and advisors (the Persons listed in (a), (b), and (c) being collectively, the "**Released Parties**") shall be deemed to be forever irrevocably released and discharged from any and all present and future liabilities, claims (including, without limitation, claims for contribution or indemnity), indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) arising in connection with or relating to the CCAA Proceedings, the Stalking Horse Agreement, the consummation of the Transactions, any closing document, agreement, document, instrument, matter or transaction involving the Purchased

Entities arising in connection with or pursuant to any of the foregoing, and/or any excise tax arrears and GST/HST arrears owing by any of the Purchased Entities for the period prior to the date of the Initial Order (collectively, the “**Released Claims**”), which Released Claims are hereby and shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Released Parties, and are not vested nor transferred to Residual Co. or to any other entity and are extinguished, provided that nothing in this paragraph shall waive, discharge, release, cancel or bar any claim for fraud or wilful misconduct or any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA. For greater certainty, “current” in this paragraph refers to individuals who remain in their respective role(s) up to one day prior to closing of the Transactions, as applicable.

26. **THIS COURT ORDERS** that, effective upon the filing of the Monitor’s Closing Certificate, BJK and the Purchaser (collectively, the “**Other Released Parties**”) shall be deemed to be forever irrevocably released and discharged from any and all present and future liabilities, claims (including, without limitation, claims for contribution or indemnity), indebtedness, demands, actions, causes of action, counterclaims, suits, damages, judgments, executions, recoupments, debts, sums of money, expenses, accounts, liens, taxes, recoveries, and obligations of any nature or kind whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or equity and whether based in statute or otherwise) based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place prior to the filing of the Monitor’s Closing Certificate, undertaken or completed in connection with or pursuant to the terms of this Order and that relate in any manner whatsoever to the Stalking Horse Agreement, the consummation of the Transactions, and/or any closing document, agreement, document, instrument, matter or transaction involving the Purchased Entities arising in connection with or pursuant to any of the foregoing (collectively, the “**Released Purchased Entities’ Claims**”), which Released Purchased Entities’ Claims are hereby and shall be deemed to be fully, finally, irrevocably and forever waived, discharged, released, cancelled and barred as against the Other Released Parties.

27. **THIS COURT ORDERS** that notwithstanding any other provision of this Order, for any real property lease that is not excluded from the Transactions (“**Lease**”), the landlord of any such

Lease shall be entitled to enforce all of its rights and remedies as against the tenant with respect to any breach of a non-monetary obligation under the Lease, if (a) such non-monetary breach under the Lease arises or continues after the Closing Time; (b) such non-monetary breach is capable of being cured; and (c) the tenant has failed to remedy the default after having received notice of such default pursuant to the terms of the Lease. Without limiting the foregoing, the landlord under the Lease shall not rely on a notice of default sent prior to the filing of the Monitor's Closing Certificate ("**Prior Default Notice**") to terminate or otherwise enforce the terms of the Lease as against the tenant and any such Prior Default Notice shall be deemed unenforceable.

GENERAL

28. **THIS COURT ORDERS** that, having been advised of the provisions of Multilateral Instrument 61-101 "Protection of Minority Security Holders in Special Transactions" relating to the requirement for "minority" shareholder approval in certain circumstances, no meeting of shareholders or other holders of Equity Interests in each of the Purchased Entities or Heritage Cannabis is required to be held in respect of the Transactions, and accordingly, there is no requirement to send any disclosure document related to the Transactions, to such shareholders or other holders of Equity Interests.

29. **THIS COURT ORDERS** that in the event of a conflict between the terms of this Order and those of the Initial Order or any other Order of this Court, the provisions of this Order shall govern.

30. **THIS COURT ORDERS** that, following the Closing Time, the Purchaser and the Companies shall be authorized to take all steps as may be necessary to affect the discharge of the Claims and Encumbrances as against the Purchased Entities, the Purchased Shares, those Equity Interests of each of the Companies held by the Purchaser, and the Purchased Entities' Property.

31. **THIS COURT ORDERS** that, following the Closing Time, the title of these proceedings is hereby changed to

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

AND IN THE MATTER OF THE COMPROMISE OR
ARRANGEMENT OF 1005477 B.C. LTD., MAINSTRAIN MARKET LTD., 333 JARVIS
REALTY INC., 5450 REALTY INC., HERITAGE CANNABIS EXCHANGE CORP.,
PREMIUM 5 LTD. and [Residual Co.]

32. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

33. **THIS COURT ORDERS** that the Monitor and each of the Purchased Entities shall be authorized to apply as they may consider necessary or desirable, with or without notice, to any other court, tribunal or administrative body whether in Canada, the United States, or elsewhere, for orders which aid and complement this Order. All courts, tribunals and administrative bodies of all such jurisdictions are hereby respectfully requested to make such orders and to provide such assistance to the Purchased Entities and/or the Monitor as may be deemed necessary or appropriate for that purpose.

34. **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 Purchased Entities, 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 Purchased Entities and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Purchased Entities, the Monitor and their respective agents in carrying out the terms of this Order.

35. **THIS COURT ORDERS** that this Order is effective as of 12:01 a.m. Prevailing Eastern time on the date hereof that it is made and is enforceable without any need for entry and filing.

SCHEDULE A
FORM OF MONITOR'S CLOSING CERTIFICATE

Court File No. CV-24-00717664-00CL

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 PLAN OF COMPROMISE OR ARRANGEMENT OF A.
HERITAGE CANNABIS HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE
CANNABIS WEST CORPORATION, MAINSTRAIN MARKET LTD., HERITAGE
CANNABIS EAST CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS
REALTY INC., 5450 REALTY INC., HERITAGE CANNABIS EXCHANGE CORP. AND
PREMIUM 5 LTD.

MONITOR'S CERTIFICATE

RECITALS

- A. Pursuant to the Initial Order of the Honourable Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List), (the "**Court**") dated April 2, 2024, as amended and restated on [April ●], 2024, Heritage Cannabis Holdings Corp., 1005477 B.C. Ltd., Heritage Cannabis West Corporation, Mainstrain Market Ltd., Heritage Cannabis East Corporation, Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Heritage Cannabis Exchange Corp., and Premium 5 Ltd. (collectively, the "**Heritage Group**") were granted protection from their creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and KPMG Inc. was appointed as the monitor of the Heritage Group (in such capacity, the "**Monitor**").
- B. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Approval and Reverse Vesting Order of this Court dated [●], 2024 (the "**ARVO**").
- C. Pursuant to the ARVO, the Court approved the Transactions contemplated by the Stalking Horse Agreement dated ●, 2024 between Heritage Cannabis Holdings Corp. ("**Heritage Cannabis**") and Heritage Cannabis West Corporation ("**Heritage West**", and together with Heritage Cannabis, the "**Companies**"), as companies, BJK Holdings Ltd. ("**BJK**"), and HAB Cann

Holdings Ltd. (the “**Purchaser**”), as purchaser, and the transactions contemplated therein (the “**Transactions**”), and ordered, *inter alia*, that: (i) all of the Purchased Entities’ right, title and interest in and to the Excluded Assets shall vest absolutely and exclusively in Residual Co.; (ii) all of the Excluded Liabilities shall be transferred to, assumed by and vest in Residual Co.; and (iii) all of the right, title and interest in and to the Purchased Shares shall vest absolutely and exclusively in the Purchaser free and clear of and from any Claims and Encumbrances and terminating and cancelling all of the Equity Interests, which vesting, terminating and cancelling is to be effective upon the delivery by the Monitor to the Purchaser and the Companies of a certificate confirming that the Monitor has received written confirmation in the form and substance satisfactory to the Monitor from the Companies and the Purchaser that all conditions to closing have been satisfied or waived by the parties to the Stalking Horse Agreement.

THE MONITOR CERTIFIES the following:

1. The Monitor has received the Priority Payment Amount and the CCAA Process Expense Amount.
2. The Monitor has received written confirmation from the Companies and the Purchaser, in form and substance satisfactory to the Monitor, that all conditions to closing have been satisfied or waived, as applicable, by the parties to the Stalking Horse Agreement.
3. This Monitor’s closing certificate was delivered by the Monitor at Toronto on [●], 2024.

KPMG Inc., in its capacity as Monitor of the Heritage Group and not in its personal or corporate capacity.

Per:: _____

Name:

Title:

SCHEDULE B
PERMITTED ENCUMBRANCES

SCHEDULE 1.1(b)

PERMITTED ENCUMBRANCES

PERSONAL PROPERTY

[NOTE: Schedule subject to change up to 2 days prior to the Closing Date]

SCHEDULE 2.2

EXCLUDED ASSETS

1. All shares of 100 BC issued and outstanding in the name of Heritage Cannabis.
2. All shares of 333 Realty issued and outstanding in the name of Heritage Cannabis.
3. All shares of 5450 Realty issued and outstanding in the name of Heritage Cannabis.
4. All shares of Heritage Exchange issued and outstanding in the name of Heritage Cannabis.
5. All shares of 1186366 B.C. Ltd. issued and outstanding in the name of Heritage Cannabis.
6. All shares of Heritage US Holdings Corp. issued and outstanding in the name of Heritage Cannabis.
7. All shares of Premium 5 issued and outstanding in the name of Heritage Cannabis.
8. All shares of Mainstrain issued and outstanding in the name of Heritage West.

[NOTE: Schedule subject to change up to 2 days prior to the Closing Date]

SCHEDULE 2.2(C)

EXCLUDED CONTRACTS

1. Any and all contracts, agreements, instruments, notes, commitments, undertakings, and all other legally binding arrangements, whether written or oral, between any of the Applicants or their subsidiaries, as applicable, and Merida Capital Partners III LP and/or Merida Capital Partners IV LP including, without limitation:
 - a. Convertible Promissory Note between Heritage Cannabis (Debtor) and Merida Capital Partners IV LP (Lender) issued October 29, 2021;
 - b. Convertible Promissory Notes between Heritage Cannabis (Debtor) and Merida Capital Partners IV LP (Lender) issued December 31, 2021;
 - c. Convertible Promissory Notes between Heritage Cannabis (Debtor) and Merida Capital Partners IV LP (Lender) issued November 30, 2021; and
 - d. Note and Warrant Purchase Agreement dated as of October 18, 2021 between Heritage Cannabis, Merida Capital Partners III LP and Merida Capital Partners IV LP.
2. Any and all contracts, agreements, instruments, notes, commitments, undertakings, and all other legally binding arrangements, whether written or oral, between any of the Applicants or their subsidiaries, as applicable, and Obsidian Global Partners, LLC, including, without limitation:
 - a. Term Sheet between Heritage Cannabis and Obsidian Global Partners dated August 21, 2022 ; and
 - b. Equity Line of Credit Agreement dated November 1, 2022 between Heritage Cannabis and Obsidian Global Partners, LLC
3. Any and all contracts, agreements, instruments, notes, commitments, undertakings, and all other legally binding arrangements, whether written or oral, between any of the Applicants or their subsidiaries, as applicable, and Opticann, Inc. including, without limitation:
 - a. Purchase Agreement dated October 6, 2020 between Opticann, Inc., Heritage Cannabis, Heritage Exchange and certain other vendors

[NOTE: Schedule subject to change up to 2 days prior to the Closing Date]

SCHEDULE 2.3

RETAINED LIABILITIES

- Stub-period post-filing Claims contemplated by the Updated Cash Flow Projections as referenced and defined in the DIP Facility Term Sheet but not paid yet on the Closing Date.

[NOTE: Schedule subject to change up to 2 days prior to the Closing Date]

SCHEDULE 2.4

EXCLUDED LIABILITIES

- All pre-filing Claims and any liabilities arising from the termination of leases or other contracts.
- All pre-filing Claims, including without limitation any amounts owing in respect of pre-filing excise Tax, GST/ HST and any liabilities to which the Existing RTPs relate.
- All liabilities owing to any Terminated Employees in respect of the termination of employment of such Terminated Employee, including all amounts owing on account of damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements.
- Any liabilities or obligations of any of the Companies or the Purchased Entities to any customer, including any Governmental Authority, and including any Person owned or controlled by a Governmental Authority, related to or arising out of, any products returned to a Purchased Entity by any such customer, where such liabilities or obligations have arisen or arise in respect of products delivered prior to the Closing Date (an "RTV"). For greater certainty, any Claim (including any set-off right) of a customer, including any Governmental Authority (and including any Person owned or controlled by a Governmental Authority) that has arisen or arises out of an RTV, shall constitute an Excluded Liability transferred to Residual Co. on Closing and, from and after the Closing Date, shall not be exercised nor valid as against any Purchased Entity, or against any amount owing by such customer to any Purchased Entity, whether or not such amount relates to product supplied prior to, or following, the Closing. Notwithstanding the foregoing, nothing in this paragraph shall reduce, transfer or extinguish any liability or obligation that a Purchased Entity may have following the Closing to repossess and/or destroy any RTV products, at the cost of the Purchaser, if any, and, for certainty, the Monitor, the Applicants (other than, for certainty, the Purchased Entities) and Residual Co. shall have no liability or obligation to repossess or destroy any RTV products or for the costs of the destruction thereof, and all such liabilities and obligations shall not constitute an Excluded Liabilities hereunder.

[NOTE: Schedule subject to change up to 2 days prior to the Closing Date]

SCHEDULE 2.7(B)

IMPLEMENTATION STEPS¹

1. No less than (5) days before the Closing Date, the Applicants, or their respective subsidiaries, as applicable, shall enter into any agreements necessary, in the sole discretion of the Purchaser, to effect the transfer or assignment of any assets or contracts of any of the Applicants or their respective subsidiaries to any such Purchased Entity as shall be designated by the Purchaser.
2. At least three (3) Business Days prior to the Closing Date, Heritage Cannabis shall form Residual Co. in accordance with the terms contained herein, in form satisfactory to the 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 the Purchaser.
3. No less than five (5) days before the Closing Date, each Company shall obtain director and shareholder approval of their respective Articles of Amendment.
4. No later than two (2) days prior to the Closing Date, each Company shall file the Articles of Amendment with the applicable Governmental Authority.
5. If required, no later than two (2) days prior to the Closing Date, in respect of certain intercompany indebtedness identified by the Purchaser ("**Intercompany Debt**") owing by certain Purchased Entities (each an "**Identified Debtor**") to other Applicants or their respective subsidiaries (each an "**Identified Creditor**"):
 - a. the Identified Debtors and Identified Creditors shall cause the Intercompany Debt to be evidenced by promissory notes ("**Intercompany Promissory Notes**");
 - b. each Identified Debtor shall cause the incorporation and organization of a wholly-owned subsidiary (each a "**Subco**"), and the director thereof shall not include a director or related party of the Purchaser;
 - c. each Identified Creditor shall assign its right, title and interest in and to Intercompany Debt and Intercompany Promissory Note to the Identified Debtor's Subco in exchange for the payment of \$1 evidenced by a non-interest bearing demand promissory note; and
 - d. each Identified Debtor shall enter into a distribution and assumption agreement with its Subco as part of the winding-up of such Subco, pursuant to which the Intercompany Promissory Note held by such Subco will be distributed to such Identified Debtor and extinguished, and thereafter (which may not necessarily be prior to the Closing Date) such Identified Debtor shall cause the dissolution of such Subco;

All documents required in connection with the foregoing shall be in form and substance satisfactory to the Purchaser.

¹ The Implementation Steps and the timing thereof are to be developed in accordance with Section 2.7 and are intended to include or reflect the concepts included below.

6. At least one (1) day prior to the Closing Date, the Purchaser and BJK shall have entered into an assignment of indebtedness and security agreement, pursuant to which the Senior Loan Agreement, DIP Facility Term Sheet and all security and ancillary documents granted in favour of BJK in connection with each of the Senior Loan Agreement and DIP Facility Term Sheet shall be assigned to the Purchaser.

7. One (1) day prior to the Closing Date, the Purchased Entities shall, to the extent they have not done so already, terminate all employees deemed to be Terminated Employees pursuant to Section 9.6.

8. At Closing:

a. the Excluded Assets and the Excluded Liabilities shall be transferred from the Purchased Entities to Residual Co. and Residual Co. shall assume the Excluded Liabilities in consideration of the transfer of the Excluded Assets;

b. the Companies shall issue the Purchased Shares;

c. all outstanding Equity Interests in the Companies shall be cancelled; and

d. the Monitor shall deliver the Monitor's Certificate and hold the Administrative Expense Amount for the beneficiaries thereof.

9. Post Closing, each Identified Debtor shall prepare and execute a Form T2027 in respect of the settlement of the Intercompany Promissory Note on the wind-up of the Identified Debtor's Subco and file such form on or before the day on or before which the parent is required, under section 150 of the *Income Tax Act* (Canada) to file a tax return for the taxation year that includes the wind-up.

[NOTE: Schedule subject to change up to 2 days prior to the Closing Date]

SCHEDULE 4.6**SUBSIDIARIES**

	Name	Jurisdiction of Incorporation	Tax Registration Number
1.	Heritage Cannabis Holdings Corp.	Incorporated in British Columbia and continued into Ontario	837760958RT0001
2.	Heritage Cannabis West Corporation	British Columbia	805532975RT0001
3.	Heritage Cannabis East Corporation	Ontario	826741035RT0001
4.	Purefarma Solutions Inc.	British Columbia	780690921RT0001

SCHEDULE 7.1(D)

TRANSACTION REGULATORY APPROVALS

Any consent, approval and / or grant upon change of control of any of the Purchased Entities as required under Cannabis Laws. For the purposes hereof “**Cannabis Laws**” shall mean (i) 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; and (ii) any and all other applicable provincial or municipal laws or regulations governing the cultivation, manufacture, production, storage, marketing or sale of cannabis that may be in effect from time to time.

Appendix F

APPENDIX F - BID PROTECTIONS ANALYSIS AS AT DECEMBER 27, 2023

Purchaser	Trustee	Filing Date	Jurisdiction	Termination Fee (\$MM)	Expense		% of Transaction Value
					Reimbursement (\$MM)	Total (\$MM)	
RWB (PV) Canada Inc.	KSV	August 10, 2023	Ontario	-	0.50	0.50	1.9%
2707031 Ontario Inc. (the DIP lender)	FTI	June 15, 2023	Ontario	0.65	0.10	0.75	3.4%
L5 Capital Inc.	KSV	December 12, 2022	Ontario	-	0.20	0.20	4.0%
1000343100 Ontario Inc.	EY	October 31, 2022	Ontario	0.19	-	0.19	4.8%
Cardinal Advisory Limited	BDO	November 8, 2022	Ontario	0.18	0.03	0.20	5.7%
Avonlea-Drewry Holdings Inc.	KPMG	March 14, 2022	Alberta	0.33	-	0.33	4.8%
Arthur Zwingenberger, in trust for a corporation to be formed under the laws of the Province of Ontario, and 2685164 Ontario Inc.	Farber	July 27, 2020	Ontario	-	0.11	0.11	0.5%
Trichome Financial Corp.	KSV	March 31, 2020	Ontario	-	0.10	0.10	0.9%

MIN	-	-	0.10	0.5%
MAX	0.65	0.50	0.75	5.7%
AVERAGE	0.17	0.13	0.30	3.2%

Appendix G

Schedule “A”

Bidding Procedures for

the Sale and Investment Solicitation Process

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made on April 2, 2024 (as amended and restated, the “**Initial Order**”), Heritage Cannabis Holdings Corp. (“**Heritage Cannabis**”), 1005477 B.C. Ltd., Heritage Cannabis West Corporation, Mainstrain Market Ltd., Heritage Cannabis East Corporation, Purefarma Solutions Inc., 333 Jarvis Realty Inc., 5450 Realty Inc., Heritage Cannabis Exchange Corp. and Premium 5 Ltd. (collectively, the “**Applicants**” or the “**Heritage Group**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**” and the proceedings thereunder, the “**CCAA Proceedings**”), and KPMG Inc. (“**KPMG**”) was appointed monitor of the Applicants (in such capacity, the “**Monitor**”).

On April 11, 2024, the Court granted an order (the “**SISP Order**”), authorizing the Monitor, with the assistance of the Heritage Group’s management team, to undertake a sale and investment solicitation process (“**SISP**”) for the sale of the Heritage Group’s (i) property, assets and undertaking or shares in the capital of one or more of the Applicants (collectively, the “**Property**”), and (ii) business operations (the “**Business**”). The SISP will be conducted by the Monitor in the manner set forth herein and in accordance with the SISP Order.

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 Property and the Business or some portion thereof; and (b) approved the form of stalking horse agreement (as same may be amended from time to time pursuant to its terms and the SISP Order, the “**Stalking Horse Agreement**”) to be entered into between each of Heritage Cannabis, BJK Holdings Ltd. (in such capacity, the “**Stalking Horse Bidder**”) and Hab Cann Holdings Inc. for the purposes of serving as the stalking horse bid in the SISP (the “**Stalking Horse Bid**”). For the avoidance of doubt, the implementation of the transactions contemplated by the Stalking Horse Agreement is conditional upon the Stalking Horse Bid being selected as a Successful Bid (as defined below) in accordance with the Bidding Procedures, and Court approval of the Stalking Horse Agreement and the transactions contemplated therein on a subsequent motion to be brought by the Applicants following the completion of the SISP.

Defined Terms

1. Capitalized terms used in these Bidding Procedures and not otherwise defined herein have the meanings given to them in **Appendix “A”** hereto.

Bidding Procedures

Opportunity

2. The SISP is intended to solicit interest in and opportunities for a sale of, or investment in, all or part of the Heritage Group’s Property and Business (the “**Opportunity**”). The Opportunity may include one or more of a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of one or more entity comprising the Heritage Group as a going concern, or a sale of all, substantially all or one or more

components of the Heritage Group's Property and Business as a going concern or otherwise.

3. The Stalking Horse Agreement constitutes a Binding Offer and a Qualified Bid (each as defined below) by the Stalking Horse Bidder (which constitutes a Binding Offer Bidder and a Qualified Bidder (each as defined below)) for all purposes and at all times under this SISP, and will serve as the Stalking Horse Bid for purposes of this SISP and the Bidding Procedures. The Stalking Horse Bidder shall have the right to participate in the Auction (as defined below), if any. 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 (as defined below), a Partial Sale Proposal (as defined below), or an Investment Proposal (as defined below). A copy of the Stalking Horse Agreement will be made available to all Qualified Bidders (as defined below) and a form of such agreement, to be uploaded to the VDR (as defined below), shall be used as the basis for any Binding Offer made in the SISP.
4. The Bidding Procedures describe (a) the manner in which prospective bidders may gain access to due diligence materials concerning the Heritage Group, the Property and the Business, (b) the manner in which bidders may participate in the SISP, (c) the terms of the requirements, delivery and negotiation of bids received, (d) the ultimate selection of a Successful Bidder (as defined below), and (e) the requisite approvals to be sought from the Court in connection therewith.
5. Subject to Paragraph 22 below, the Monitor, in consultation with the Heritage Group, 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 Participating Bidders, Binding Offer Bidders, Qualified Bidders, the Successful Bidder(s) or the Back-Up Bidder(s) (each as defined below), provided that such modification, amendment, variation or supplement is (a) expressly limited to changes that do not 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 (b) necessary or useful in order to give effect to the substance of the SISP, the Bidding Procedures or the SISP Order. Notwithstanding the foregoing, the dates or time limits indicated in the table contained below may be extended by the Monitor, with the consent of the DIP Lender, as the Monitor deems necessary or appropriate, acting reasonably, or by order of the Court.
6. The Monitor will post on the Monitor's website and serve on the service list maintained in the CCAA Proceedings, as soon as practicable, any such modification, amendment, variation or supplement to these Bidding Procedures and inform the bidders impacted by such modifications.
7. In the event of a dispute as to the interpretation or application of the SISP Order or these Bidding Procedures, the Court will have exclusive jurisdiction to hear and resolve such dispute. For the avoidance of doubt, all bidders shall be deemed to have consented to the jurisdiction of the Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and closing of a Successful Bid, as applicable.

8. A summary of the key dates pursuant to the SISP is as follows:¹

Milestone	Date
Commence solicitation of interest from parties, including delivering NDA and Teaser Letter, and upon execution of NDA (each as defined below), access to VDR	No later than two (2) Business Days after Court Approval of the SISP (i.e. April 15, 2024)
Binding Offer Deadline (as defined below)	May 10, 2024 at 5:00 p.m. EST
<i>If no Qualified Bids are received other than Stalking Horse Bid</i>	
Selection of Stalking Horse Bid as Successful Bid	May 10, 2024 at 5:15 p.m. EST
Hearing of Approval Motion (as defined below)	May 27, 2024 or the earliest date available thereafter
Closing of Stalking Horse Bid	As soon as possible but no later than August 2, 2024.
<i>If Qualified Bids are received other than Stalking Horse Bid</i>	
Deadline to notify Qualified Bidders of Auction	No later than May, 14, 2024
Auction, if needed	May 17, 2024
Selection of Successful Bid and Back-Up Bidder, if needed	May 18, 2024 or such later date immediately thereafter if the Auction is not completed in one day
Execution of Definitive Transaction Documentation reflecting changes to Qualified Bid arising from Auction.	No later than May 21, 2024
Hearing of Approval Motion	No later than June 7, 2024

¹ This summary is provided for illustrative purposes only, and the terms of these Bidding Procedures other than Paragraph 8 shall govern in the case of any inconsistency between Paragraph 8 and any other section of the Bidding Procedures.

Milestone	Date
Closing of the Successful Bid	As soon as possible but no later than August 2, 2024, or such later date as may be agreed

Solicitation of Interest: Notice of the SISP

9. As soon as reasonably practicable, but, in any event, by no later than two (2) Business Days after the granting of the SISP Order:
 - (a) the Monitor, in consultation with the Heritage Group, will prepare a list of potential bidders, including (i) parties that have approached the Applicants, the Monitor or the DIP Lender indicating an interest in the Opportunity, and (ii) strategic and financial parties who the Monitor, in consultation with the Heritage Group, believe may be interested in purchasing all or part of the Business or the Property or investing in the Heritage Group pursuant to the SISP, in each case whether or not such party has submitted a letter of intent or similar document (collectively, the **“Known Potential Bidders”**);
 - (b) the Heritage Group will issue a press release setting out the information contained in the Notice and such other relevant information which the Monitor, the Applicants determine is appropriate; and
 - (c) the Monitor, with the assistance of the Heritage Group, will prepare (i) a process summary (the **“Teaser Letter”**) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Monitor and Heritage Group and their respective counsel, which shall enure to the benefit of any purchaser of the Business or Property or any part thereof (an **“NDA”**).
10. The Monitor will cause the Teaser Letter and NDA to be sent to each Known Potential Bidder by no later than two (2) Business Days after the granting of 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.
11. In addition to the foregoing, within five (5) Business Days after the granting of the SISP Order, the Monitor shall cause a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Heritage Group, considers appropriate) (the **“Notice”**) to be published in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor.

Virtual Data Room

12. A confidential virtual data room (the **“VDR”**) in relation to the Opportunity will be made available by the Heritage Group and the Monitor to Participating Bidders (as defined below). The VDR will include all documentary materials reasonably likely to be relevant to Participating Bidders in their assessment of the Opportunity, and shall include the Teaser

Letter, the Stalking Horse Agreement and a form of asset/share purchase agreement to be used by Participating Bidders in making bids. The VDR shall be made available as soon as practicable following the granting of the SISP Order. The Monitor, in consultation with the Heritage Group, may establish or cause the Heritage Group to establish separate VDRs (including “**clean rooms**”), if the Monitor, in consultation with the Heritage Group, reasonably determines that doing so would further the Heritage Group’s and any Potential Bidder’s compliance with applicable antitrust and competition laws, or would prevent the distribution of commercially sensitive competitive information.

13. The Monitor may, in consultation with the Heritage Group, limit the access of any Potential Bidder to any confidential information in the VDR where the Monitor, in consultation with the Heritage Group, reasonably determines that such access could negatively impact the SISP, the ability to maintain the confidentiality of the information, the Business, the Property or their value.

Participating Bidders and Delivery of Confidential Information

14. Any party who wishes to participate in the SISP (a “**Potential Bidder**”) must provide to the Monitor and counsel to the Heritage Group, at the addresses specified in **Appendix “B”** hereto (including by email transmission), in form and substance acceptable to the Monitor, in consultation with the Heritage Group (a) an NDA executed by it, (b) written confirmation of the identity of the Potential Bidder, (c) the contact information for such Potential Bidder (d) full disclosure of the direct and indirect principals of the Potential Bidder, and (e) documentary evidence of such Potential Bidder’s financial wherewithal and ability to consummate a sale or investment pursuant to the SISP, in the form of proof of cash-on-hand and/or unconditionally committed financing.
15. A Potential Bidder who has satisfied the requirements in Paragraph 14(a) through (e) will be deemed a “**Participating Bidder**”. All Participating Bidders will be granted access to the VDR. For the avoidance of doubt, the Stalking Horse Bidder is, and will be deemed to be, a Participating Bidder.
16. The Heritage Group, the Monitor and their respective advisors make no representation or warranty as to the information contained in the VDR, Teaser Letter or otherwise made available pursuant to the SISP. Participating Bidders must rely solely on their own independent review, diligence, 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 one or more of the entities comprising the Heritage Group.
17. At any time during the SISP, the Monitor may, in its reasonable judgment, and in consultation with the Heritage Group, eliminate a Participating Bidder from the SISP, in which case such bidder will be eliminated from the SISP and will no longer be a “Participating Bidder” for the purposes of the SISP.

Due Diligence

18. The Monitor and the Heritage Group, shall, subject to competitive and other business considerations, afford each Participating Bidder such access to due diligence materials and information relating to the Property and Business as the Monitor, in consultation with the Heritage Group, may deem appropriate. Any materials provided to a Participating Bidder at such Participating Bidder’s request shall also be posted in the VDR, subject to

Paragraphs 12, 13 and 19. Due diligence access may include management presentations, access to the VDR, on-site inspections, and other matters which a Participating Bidder may reasonably request and as to which the Monitor, in its reasonable judgment, and in consultation with the Heritage Group, may agree. Any access or interactions with the Heritage Group's management and personnel shall be coordinated through the Monitor.

19. The Monitor shall be solely responsible for coordinating and responding to all requests for information and due diligence access from Participating Bidders; Participating Bidders with such requests shall make them to the Monitor, in writing, at the addresses specified in **Appendix "B"** hereto (including by email transmission). Neither the Monitor, nor the Heritage Group through the Monitor, will be obligated to furnish any information relating to the Property or Business to any person other than to Participating Bidders. Further, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Participating Bidders if the Monitor, in consultation with the Heritage Group, determines such information to represent proprietary or sensitive competitive information.

Formal Binding Offers

20. Any Participating Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer to (a) 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 a portion of the Property or the Business (a "**Partial Sale Proposal**"); or (b) make an investment in, restructure, recapitalize or refinance the Heritage Group or the Business or a portion thereof (an "**Investment Proposal**", together with a Sale Proposal and a Partial Sale Proposal, a "**Binding Offer**"): shall (i) in the case of a Sale Proposal, provide its offer in the form of a template purchase agreement provided in the VDR, along with a marked version showing edits to the original form of the template provided in the VDR, and a marked version compared to the Stalking Horse Agreement; or (ii) in the case of an Investment Proposal, provide a plan or restructuring support agreement (the "**Binding Offer Bidder**"), in each case, to the Monitor at the addresses specified in **Appendix "B"** hereto (including by email transmission), no later **5 p.m. EST on May 10, 2024** (the "**Binding Offer Deadline**").
21. A Binding Offer will be considered a "**Qualified Bid**", and the Binding Offer Bidder making such Binding Offer a "**Qualified Bidder**", if it:
 - (a) provides net cash proceeds on closing via provisions that meet the following requirements, that are not less than the aggregate total of: (a) the amount of cash payable under the Stalking Horse Agreement; plus (b) the "Credit Bid Consideration" (as defined in the Stalking Horse Agreement); plus (c) the "Break and Expense Reimbursement Fee" (as defined in the Stalking Horse Agreement), plus (d) a minimum overbid amount of \$100,000 ((a) through (d), in the aggregate, the "**Minimum Purchase Price**"); provided, however, that the Monitor may, in its reasonable judgment, and in consultation with the Heritage Group, deem this criterion satisfied if the Binding Offer, together with one or more other non-overlapping Binding Offers, in the aggregate, meet or exceed the Minimum Purchase Price and such Minimum Purchase Price is payable in full in cash on closing (such bids, "**Aggregated Bids**", and each an "**Aggregated Bid**");
 - (b) is submitted on or before the Binding Offer Deadline;

- (c) is made by way of binding, definitive transaction document(s) that is/are executed by the Binding Offer Bidder;
- (d) is not subject to any financing condition, diligence condition or internal or board approval;
- (e) 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”;
- (f) contains the Binding Offer Bidder’s proposed treatment of employees of the applicable Heritage Group entities (for example, anticipated employment offers and treatment of post-employment benefits);
- (g) includes acknowledgments and representations of the Binding Offer 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 Property and/or the Business in making its Binding Offer; (iii) has not relied 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; and (iv) will promptly commence any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities, including those regulating the cannabis sector;
- (h) is accompanied by a letter that confirms that the Binding Offer: (i) may be accepted by the Heritage Group by countersigning the Binding Offer, and (ii) is irrevocable and capable of acceptance until the earlier of (A) two (2) Business Days after the date of closing of the applicable Successful Bid; and (B) the Outside Date (as defined below);
- (i) provides for any anticipated corporate, licensing, securityholder, Health Canada, legal or other regulatory approvals required to close the transaction;
- (j) does not provide for any break or termination fee, expense reimbursement or similar type of payment;
- (k) in the case of a Sale Proposal or Partial Sale Proposal, includes:
 - (i) the specific purchase price in Canadian dollars and a description of any non-cash consideration;
 - (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 description of all executory contracts of the Heritage Group that the Binding Offer Bidder will assume, and clearly describes, for each contract or on an aggregate basis, how all monetary defaults will be remedied, as applicable; and

- (iv) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer 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 Binding Offer 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) a description of all executory contracts of the Heritage Group that the Binding Offer Bidder will assume, and clearly describes, for each contract or on an aggregate basis, how all monetary defaults will be remedied, as applicable;
 - (iv) the underlying assumptions regarding the pro forma capital structure; and
 - (v) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer 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, or total new investment contemplated, as the case may be (the “**Deposit**”);
 - (n) is accompanied by an acknowledgement that (i) if the Binding Offer Bidder is selected as a Successful Bidder, that the Deposit will be held and dealt with as described in Paragraph 32 below; and (ii) if the Binding Offer Bidder is selected as a Back-Up Bidder, that the Deposit will be held and dealt with as described in Paragraph 32 below;
 - (o) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on the date that is twenty-one (21) days from the date of the issuance of the Approval Order approving such bid, or such earlier date as is practical for the parties to close the contemplated transaction (the “**Target Closing Date**”) and in any event no later than August 2, 2024 (the “**Outside Date**”); and
 - (p) includes such other information as reasonably requested or identified in writing by the Monitor in consultation with the Heritage Group, prior to the Binding Bid Deadline as being necessary or required by the Monitor.
22. Without limiting Paragraph 5, the Monitor, in its reasonable judgment, and in consultation with the Heritage Group, may waive strict compliance with any one or more of the requirements specified above (with the exception of the requirements contained in

Paragraphs 21(a) and 21(m), which cannot be waived without the prior written consent of the DIP Lender) and designate a noncompliant Binding Offer as a Qualified Bid.

Selection of Successful Bid

23. The Monitor, in consultation with the Heritage Group, may, following the receipt of any Binding Offer that is not a Qualified Bid, including one or more Binding Offers comprising an Aggregated Bid, 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 Qualified Bid.
24. The Monitor and the Heritage Group, will (i) review and evaluate each Qualified Bid, taking into account the factors set out in Paragraph 21, including factors affecting the speed and certainty of closing, the value and nature of the consideration provided for in the Binding Offer (including any assumed liabilities), and any licensing, Health Canada, regulatory or legal approvals, assignments or third party contractual arrangements required to close the transactions. The cash consideration provided for in any Qualified Bid shall not be the only criteria on which Qualified Bids are evaluated, and the “highest and best” Qualifying Bid may not be the Qualifying Bid with the highest cash purchase price.
25. The Monitor, in consultation with the Heritage Group, may, following the receipt of any Qualified Bid, including one or more Binding Offers comprising an Aggregated Bid, seek clarification with respect to any of the terms or conditions of such Qualified Bid and/or request and negotiate one or more amendments to such Qualified Bid in order to improve the Qualified Bid, provided that no Qualified Bidder shall be required to amend its Qualified Bid.
26. In the event that no Qualified Bid is received (other than the Stalking Horse Bid), or any Qualified Bids received are determined by the Monitor, in consultation with the Heritage Group, to be inferior to the Stalking Horse Bid based on the considerations set out in Paragraph 24, then the Stalking Horse Bid shall be deemed the Successful Bid (as defined below), and the Heritage Group will promptly seek Court approval of the Stalking Horse Agreement and the transactions contemplated therein.
27. In the event there is at least one Qualified Bid in addition to the Stalking Horse Bid is received and such Qualified Bid is not determined by the Monitor, in consultation with the Heritage Group, to be inferior to the Stalking Horse Bid based on the considerations set out in Paragraph 24, then a 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 Monitor shall be entitled, in consultation with the Heritage Group, to designate some or all Qualified Bidders (in addition to the Stalking Horse Bidder) as eligible to participate in the Auction, taking into account the relative terms of the Qualified Bidders (including but not limited to purchase price) and the factors set out in Paragraph 24. Qualified Bidders who are invited to participate in the Auction are

referred to as “**Auction Bidders**”. For the avoidance of doubt, the Stalking Horse Bidder shall be an Auction Bidder.

- (b) The Auction will commence at a time to be designated by the Monitor, on May 17, 2024, 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 will consult with the parties permitted to attend the Auction to arrange for the Auction to be so held. Subject to the terms hereof, the Monitor, in consultation with the Heritage Group, may postpone the Auction.
- (c) Except as otherwise permitted in the Monitor’s discretion, only the Heritage Group, the Monitor and the Auction Bidders, and, in each case, their respective professionals and representatives, will be permitted to attend the Auction.
- (d) Each Auction Bidder shall designate a single individual to be its representative and spokesperson for the purposes of the Auction, and shall participate in the Auction through such duly authorized representative.
- (e) Except as otherwise set forth herein, the Monitor 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 Auction Bidder; and
 - (iii) designed, by the Monitor, in its reasonable judgment, and in consultation with the Heritage Group, to result in the highest and otherwise best offer.
- (f) Each Auction 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 Heritage Group or any other person regarding the SISP. For greater certainty, communications between the Stalking Horse Bidder or the DIP Lender and either the Heritage Group or the Monitor with respect to and in preparation of the Stalking Horse Agreement, the SISP and the Bidding Procedures will not represent collusion nor communications prohibited by this paragraph.
- (g) Prior to the Auction, the Monitor will identify the highest and best of the Qualifying Bid received (which may be an Aggregate Bid), and such Qualifying Bid(s) 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 \$100,000 cash in excess of the Opening Bid. Each Auction Bidder will provide evidence of its financial wherewithal and ability to consummate the transaction at the increased purchase price, if required by the Monitor. 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 Heritage Group, to facilitate bidding by the participants in the Aggregated Bid.

- (h) All Auction 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 Auction Bidder, use reasonable efforts to clarify any and all questions such Auction Bidder may have regarding the Monitor's announcement of the then-current highest and best bid.
 - (i) Each Auction 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 Auction Bidder. The Monitor and the Heritage Group shall determine which Auction Bidders have submitted (i) the highest and best Binding Offer of the Auction (the "**Successful Bid**", and the bidder making such Successful Bid, the "**Successful Bidder**"), and (ii) the next highest and otherwise second-best Binding Offer of the Auction (the "**Back-Up Bid**", and the bidder making such Back-Up Bid, the "**Back-Up Bidder**").
 - (j) Upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Successful Bidder and the Back-Up Bidder, if any, shall each deliver to the Monitor and the Heritage Group, 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 motion material for the hearing to consider the Approval Motion.
 - (k) Any bids submitted after the conclusion of the Auction will not be considered.
 - (l) The Monitor, in consultation with the Heritage Group, 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. A Successful Bid and Back-Up Bid, if any, will be selected by no later than 5:00 p.m. (Eastern Time) on May 18, 2024 (or such later date immediately thereafter if the Auction is conducted and not completed in one day), and the completion and execution of definitive documentation in respect of such Successful Bid and Back-Up Bid, as applicable, must be finalized and executed as soon as possible after the close of the Auction, and in any event no later than May 21, 2024, which definitive documentation 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 Heritage Group and the Successful Bidder, subject to the terms hereof. In any event, such Successful Bid must be closed by no later than the Outside Date. If a Back-Up Bid is identified in accordance with the 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 applicable Successful Bid is consummated or such earlier date as the Monitor, in consultation with the Heritage Group, determines. If the transactions contemplated by the applicable Successful Bid have not closed by the Outside Date, or the applicable Successful Bid is terminated for any reason prior to the Outside Date, the Heritage Group and the Monitor, in consultation with the DIP Lender, may elect to seek to complete the transactions contemplated by the applicable Back-Up Bid, and will promptly seek to close the transaction contemplated by such Back-Up Bid, which will be deemed to be a Successful Bid. The Heritage Group will be deemed to have

accepted such Back-Up Bid only when the Heritage Group has made such election, with the Monitor's consent.

Approval of Successful Bid

30. The Heritage Group will apply to the Court (the "**Approval Motion**") for one or more orders: (i) approving the Successful Bid(s) 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(s) 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(s) so as to vest title to any purchased assets and/or shares in the name of the applicable Successful Bidder(s) and/or vesting unwanted assets and liabilities out of one or more of the Heritage Group (collectively, the "**Approval Order(s)**"). The Approval Motion will be held on a date to be scheduled by the Heritage Group and confirmed by the Court. With the consent of the Monitor and the applicable Successful Bidder(s), the Approval Motion may be adjourned or rescheduled by the Heritage Group without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice to the service list maintained in the CCAA Proceedings prior to the Approval Motion. The Heritage Group will consult with the Monitor and the applicable Successful Bidder regarding the motion material to be filed by the Heritage Group for the Approval Motion.
31. All Binding Offers (other than the Successful Bid(s) but including the applicable Back-Up Bid(s)) will be deemed rejected on and as of the date of the closing of the applicable Successful Bid(s), with no further or continuing obligation of the Heritage Group to any unsuccessful Binding Offer Bidders.

Deposits

32. The Deposit(s):
 - (a) will, upon receipt from the Binding Offer Bidder(s), be retained by the Monitor and deposited in a non-interest-bearing trust account, and subsequently dealt with in accordance with subsections (b) and (c), below;
 - (b) received from the Successful Bidder(s) and the Back-Up Bidder(s), 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 refunded in accordance with the terms of the definitive documentation in respect of the applicable Successful Bid or 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 Heritage Group and forfeited by the Successful Bidder, if its 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 its Successful Bid; and

(c) received from the Binding Offer Bidder(s) that are not a Successful Bidder or a Back-Up Bidder will be fully refunded to the Binding Offer Bidder(s) that paid the Deposit(s) as soon as practical following the selection of the Successful Bidder and Back-Up Bidder.

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 or portions thereof 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 Heritage Group 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 and/or excluded assets, as applicable (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 or the Approval Order.

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 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 relevant loan, interim financing, debenture, promissory note and/or security agreements with the Heritage Group.

Confidentiality

37. For greater certainty, other than as required in connection with any Auction or Approval Motion, neither the Heritage Group nor the Monitor will disclose: (a) the identity of any Potential Bidder or Qualified Bidder (other than the Stalking Horse Bidder); or (b) the terms of any bid, Sale Proposal, Investment Proposal or Binding Offer (other than the Stalking Horse Agreement), to any other bidder or any of its affiliates (provided that disclosure may be made to the DIP Lender when expressly contemplated by the SISF, such as in the event that no single Binding Offer provides for net cash proceeds that are at least equal to the Minimum Purchase Price), except to the extent the Monitor, with the consent of such applicable parties is seeking to combine separate bids into Aggregated Bids. Potential Bidders, Participating Bidders, Qualified Bidders and Auction Bidders (including, in each case, the Stalking Horse Bidder) and each of their respective affiliates shall not communicate with, or contact, directly or indirectly, any other Potential Bidder,

Participating Bidder, Qualified Bidder, Auction Bidder, or their respective affiliates, or any secured creditors of the Heritage Group, without the express written consent of the Monitor (which consent may be refused in the Monitor's sole discretion), and such communications or discussions shall take place under the supervision of the Monitor. Nothing in this Paragraph 37 shall prohibit the Monitor from filing details of Potential Bidders, Participating Bidders, Qualified Bidders and Auction Bidders, or their respective Binding Offers and Qualified Bids, as part of a Monitor's Report in connection with the motion for an Approval Order, provided that the Monitor shall file any commercially sensitive or confidential information confidentially, with a request for a sealing order. Should the Court decline to grant a sealing order, the Monitor shall not be in breach of this Paragraph 37.

Further Orders

38. At any time during the SISP, the Heritage Group 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, any consent, approval or confirmation to be provided by the Stalking Horse Bidder, the DIP Lender, the Heritage Group 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.
40. This SISP does not, and will not be interpreted to create any contractual or legal relationship between the Heritage Group and any other party, other than as specifically set forth in the NDA or any other definitive agreement executed.
41. Notwithstanding anything to the contrary herein, the Monitor shall have no liability whatsoever to any person or entity, including without limitation any Potential Bidder, Participating Bidder, Binding Offer Bidder, Qualified Bidder, Auction Bidder, Successful Bidder, Back-Up Bidder or any other creditor or stakeholder, or the Heritage Group, as a result of implementation or otherwise in connection with this SISP, except to the extent that any such liabilities result from the gross negligence or wilful misconduct of the Monitor, as determined by the Court, and all such persons or entities shall have no claim against the Monitor in respect of the SISP for any reason whatsoever.
42. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Binding Offer, due diligence activities, and any other negotiations or other actions whether or not they lead to the consummation of a transaction.

APPENDIX A

DEFINED TERMS

“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.

“DIP Lender” means BJK Holdings Ltd. and its successors and permitted assigns.

“Retained Liabilities” has the meaning given to it in the Stalking Horse Agreement.

APPENDIX "B"

The Monitor:

KPMG Restructuring Inc.
333 Bay Street, Suite 4600
Toronto ON M5H 2S5

Attention: Pritesh Patel and Tim Montgomery
Email: pritpatel@kpmg.ca / timmontgomery@kpmg.ca

with a copy to:

Blake, Cassels & Graydon LLP
199 Bay Street, Suite 4000
Toronto, ON M5L 1A9

Attention: Chris Burr
Email: chris.burr@blakes.com

The Applicants

Heritage Group
c/o Chaitons LLP
5000 Yonge Street
North York, ON M2N 7E9

Attention: Harvey Chaiton / George Benchetrit
Email: harvey@chaitons.com / george@chaitons.com

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 HERITAGE CANNABIS
HOLDINGS CORP., 1005477 B.C. LTD., HERITAGE CANNABIS WEST CORPORATION, MAINSTRAIN
MARKET LTD., HERITAGE CANNABIS EAST CORPORATION, PUREFARMA SOLUTIONS INC., 333 JARVIS
REALTY INC., 5450 REALTY INC., HERITAGE CANNABIS EXCHANGE CORP., AND PREMIUM 5 LTD.

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

Proceeding Commenced at Toronto

**FIRST REPORT OF THE MONITOR
dated April 10, 2024**

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