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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON



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
FREEDOM CANNABIS INC.

DOCUMENT

AFFIDAVIT IN SUPPORT OF INITIAL ORDER

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS
DOCUMENT

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FIRST AFFIDAVIT OF JOHNFRANK POTESTIO
Sworn August 6, 2024

I, JohnFrank Potestio, of the City of Edmonton, in the Province of Alberta, SWEAR AND SAY THAT:

1. I am the Chief Executive Officer ("**CEO**") and director of Freedom Cannabis Inc. ("**Freedom**" or the "**Applicant**"). Freedom and its non-Applciant subsidiaries 2563138 Alberta Ltd. ("**256 Ltd**") and 2399751 Alberta Ltd. ("**239 Ltd**") are collectively referred to herein as the "**Freedom Group**".
2. I have been the CEO of Freedom since January of 2017. As such, I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.
3. All references to currency in this affidavit are in Canadian dollars unless noted otherwise. Freedom does not waive or intend to waive any applicable privilege by any statement herein.

I. RELIEF SOUGHT

4. This affidavit is in support of an application by Freedom for an order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), *inter alia*:
 - a. abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
 - b. declaring that the Applicant is a party to which the CCAA applies;
 - c. appointing KPMG Inc. ("**KPMG**" or the "**Proposed Monitor**") CCAA monitor of the Applicant, and directing and authorizing it to, *inter alia*, monitor the assets, business, and affairs of the Applicant (once appointed in such capacity, the "**Monitor**");
 - d. staying, for an initial period of not more than ten (10) days, all proceedings and remedies taken or that might be taken in respect of the Applicant, the Monitor, the Applicant's Directors and Officers (as defined below), or affecting the Applicant's business or the Property (as defined below), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the "**Stay of Proceedings**");
 - e. extending the benefit of the Stay of Proceedings and other aspects of the Initial Order to the Non-Applciant Stay Parties (as defined below) and their respective Directors and Officers;
 - f. approving the Applicant's ability to borrow under a debtor-in-possession ("**DIP**") facility term sheet (the "**DIP Loan**") to finance the Applicant's working capital requirements and other general corporate purposes, post-filing expenses and costs;

- g. granting a Court ordered charge (the "**DIP Lender's Charge**") in favour of JL Legacy Ltd. ("**JLL**") in its capacity as debtor-in-possession financing lender (the "**DIP Lender**") to secure all obligations outstanding under the DIP facility term sheet;
 - h. granting the following limited priority charges (collectively, the "**Charges**") over the Applicant's current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**"):
 - i. the Administration Charge (as defined below) in favour of the Monitor, counsel to the Monitor, insolvency counsel to the Applicant (Chaitons LLP), and litigation counsel to the Applicant (Sharek Logan & van Leenen LLP);
 - ii. the Directors' Charge (as defined below) in favour of the Directors and Officers; and
 - iii. the DIP Lender's Charge;
 - i. authorizing the Applicant to (i) make payment to certain suppliers who are critical to the business and operations of the Applicant for pre-filing expenses, or to (ii) honour cheques issued to providers of goods and services prior to the Initial Order, in each case with the consent of the Monitor, and in accordance with the terms of the Cash Flow Forecast (as defined below) which in their opinion are necessary to facilitate the Applicant's ongoing operations and to preserve value during the CCAA proceedings, up to a maximum aggregate amount of \$500,000;
 - j. ordering that the status quo in respect of Freedom's Health Canada and cannabis excise license shall be preserved and maintained during the pendency of the Stay of Proceedings and to the extent that the term of any such licenses may expire during the Stay of Proceedings, the term of such licenses shall be deemed to be extended by a period equal to the Stay of Proceedings; and
 - k. authorizing the Freedom Group to continue to use the Cash Management System (as defined below).
5. If the Initial Order is granted, the Applicant intends to return to Court within ten (10) days (the "**Comeback Hearing**") to seek an amended and restated Initial Order (the "**ARIO**") in order to, *inter alia*:
- a. extend the Stay of Proceedings;
 - b. increase the quantum of the Charges and increase the priming of the Charges (to rank ahead of encumbrances in favour of any person that was not served with the notice of this application); and
 - c. seek such other relief as may be required to advance the Applicant's restructuring efforts.

6. In addition, the Applicant also intends to seek an Order at the Comeback Hearing or shortly thereafter approving a sale and investment process ("**SISP**") for the sale of the business and assets and/or shares of Freedom.

II. OVERVIEW AND NEED FOR RELIEF

7. Freedom is a privately owned licensed producer of cannabis products that carries on a multi-faceted business in the Canadian cannabis industry. Freedom has been operating in the Canadian legal cannabis sector since 2017.
8. Freedom holds cannabis licenses under the *Cannabis Act*, S.C. 2018, c. 16 (the "**Cannabis Act**") and is regulated by Health Canada. Freedom also holds a cannabis license issued by the Canada Revenue Agency ("**CRA**") under the *Excise Act, 2001*, SC 2002, c 22 ("**Excise Act**"). It operates out of a leased facility located in Acheson, Alberta.
9. The Non-Applicant Stay Parties (defined below) are certain entities that are part of the Freedom Group but which are not Applicants in these CCAA Proceedings. However, Freedom is seeking to extend the Stay of Proceedings to these Non-Applicant Stay Parties due to their integration into the business of the Freedom Group and to prevent uncoordinated realization and enforcement attempts in respect of such Non-Applicant Stay Parties which would adversely affect the Applicant's restructuring efforts.
10. Freedom is in default under certain material operating agreements including its secured loans with JLL and the lease agreement in respect of the Applicant's licensed operating facility located in Acheson, Alberta. Freedom has been in ongoing negotiations with the landlord of the property on which the licensed facility in Acheson is located, who has been flexible with payment terms in light of Freedom's cash flow challenges. JLL is in a position to demand repayment of amounts owing under the JLL Loans (as defined below) and issue Notices of Intention to Enforce Security pursuant to Section 244(1) of the *Bankruptcy and Insolvency Act* ("**BIA**"). JLL is no longer willing to continue supporting Freedom in its current financial circumstances.
11. In addition, in June 2024, CRA delivered requirement to pay notices to several major customers of the Applicant requiring those customers to remit to CRA certain amounts that would otherwise be payable to the Applicant. Further, due to its liquidity challenges, Freedom is facing an immediate risk of CRA not renewing Freedom's excise license under the *Excise Act* and/or taking enforcement steps which could result in the cessation of the operations of the Freedom Group.
12. Freedom is also currently facing a severe liquidity crisis and, absent these CCAA proceedings and approval of the interim financing, will not be able to continue to carry on its business in the ordinary course or meet its obligations as they become due. Accordingly, there is significant urgency to this CCAA application, and the relief sought pursuant to the Initial Order.
13. Freedom is required to remit monthly payments in respect of excise duties to maintain its excise license (the "**Excise Taxes**"). As of August 3, 2024, Freedom's liabilities include a balance of approximately \$9,488,016 owing to Canada Revenue Agency ("**CRA**") on account of unremitted excise duties (the "**Excise Tax Arrears**"). Since January 2024, CRA has only renewed Freedom's cannabis excise license under the *Excise Act* on a 30-day or 45-day recurring basis, subject to Freedom's strict compliance with a payment plan due

to Freedom's significant Excise Tax Arrears. If at any point Freedom fails to meet the conditions of the license renewal, it could lose its license to produce or sell cannabis, further jeopardizing its business operations.

14. At present, Freedom is required to remit \$200,000 per month towards repayment of the Excise Tax Arrears. Freedom does not have the cash flow to pay \$200,000 monthly in order to keep current the requirement imposed by the CRA, partly as a result of CRA's periodic enforcement actions discussed in this Affidavit. Freedom has made all ordinary course monthly excise payments during fiscal 2024 up to May 2024. The monthly excise payment due on June 30, 2024 was not paid due to CRA's garnishment of Freedom's bank account.
15. As a result of the foregoing, Freedom is seeking protection under the CCAA to, among other things, protect its business for the benefit of its stakeholders, and obtain the necessary breathing room to implement a SISF that would see Freedom restructured and/or sold as a going concern.
16. Subject to certain conditions, including court approval, Freedom's secured lender, JLL (in such capacity, the "**DIP Lender**"), has agreed to provide additional financing through the DIP Loan to, among other things, provide Freedom with access to the funding needed to continue to operate and preserve the value of their operations while the SISF is conducted. As noted above, the relief in respect of the SISF is intended to be sought at the Comeback Hearing or a subsequent hearing; no relief related to the SISF is being sought at this time.
17. The CCAA filing, and the proposed SISF, are intended to benefit all of the Applicant's stakeholders, including employees, customers, suppliers and contracting parties, Health Canada, CRA, and the federal and relevant provincial cannabis regulators, among others.
18. For these reasons and the reasons set out herein, I do verily believe that Freedom is insolvent and is a company to which the CCAA applies.

III. CORPORATE STRUCTURE AND HISTORY

19. A copy of the Freedom Group's current corporate chart is reproduced below for ease of reference:



A. The Applicant

20. Freedom (i.e. Freedom Cannabis Inc.) is a private corporation that was federally incorporated on January 27, 2017 and was extra-provincially registered in the province of Alberta on May 17, 2017. Freedom's head office is located at 9827-279 Street in Acheson, Alberta. The directors of Freedom are Gregory Krischke, Dave Majeski, Julie Potestio and JohnFrank Potestio. The officers of Freedom are JohnFrank Potestio (CEO) and Julie Potestio (President).
21. As discussed below, Freedom owns the majority of the issued and outstanding shares of the Non-Applicant Stay Parties (defined below).

B. The Non-Applicant Stay Parties

22. 2563138 Alberta Ltd. ("**256 Ltd**") and 2399751 Alberta Ltd ("**239 Ltd**") are subsidiaries of Freedom which are not Applicants in these CCAA proceedings (together, the "**Non-Applicant Stay Parties**"). Notwithstanding that the Non-Applicant Stay Parties are not Applicants in these CCAA proceedings (the "**CCAA Proceedings**"), Freedom believes that it is critical to its best interests and the interests of its stakeholders to extend the benefits of the Stay of Proceedings to the Non-Applicant Stay Parties.
23. The Freedom Group operates as an integrated business, and the Non-Applicant Stay Parties will benefit from the Stay of Proceedings, the CCAA Proceedings and the SISF, which will maintain going concern operations and will maximize value for the entirety of the Freedom Group.

a) 2563138 Alberta Ltd.

24. 256 Ltd was incorporated in the province of Alberta on November 15, 2023, and has a registered office address at 600-12220 Stony Plain Rd NW Edmonton, Alberta, T5N 3Y4. Freedom owns 51% and 2445254 Alberta Ltd. ("**Alt Cosmetics**") owns 49% of the issued and outstanding shares of 256 Ltd.
25. Alt Cosmetics is a privately owned corporation that provides cosmetics and other products, as well as cannabinoid-infused products.
26. 256 Ltd is in the business of developing, manufacturing, marketing and selling cosmetics and other products, including cannabis-related and cannabinoid-infused products. 256 Ltd operates from Freedom's licensed facility in Acheson, Alberta, by licensing approximately 2,000 square feet of space from Freedom for the purposes of developing cannabinoid-infused topical products.
27. On or around September 2, 2023, Freedom and Alt Cosmetics entered into a Non-Binding Memorandum of Understanding to collaborate on strategic opportunities, including, among other things, (i) establishing a cosmetics business unit of Freedom and other partnerships; and (ii) distribution and brand management of Alt Cosmetics' cannabinoid products (the "**Alt Cosmetics MOU**"). Pursuant to the Alt Cosmetics MOU, the parties agreed that Freedom would provide, among things, access to its licensed facility in Acheson, Alberta, construct the required operating space needed for the cosmetics production processing business, and provide access to its labor workforce as needed. The parties also agreed that Alt Cosmetics would provide, among other things, the intellectual

property required to operate the cosmetics production processing business and provide the marketing activities required to promote products.

28. 256 Ltd is managed by Freedom as required by Health Canada. 256 Ltd is required to submit to regular and ongoing quality assurance and quality control procedures in line with Cannabis Act requirements and Health Canada audit measures. Accordingly, Freedom's quality assurance department is granted access to all cannabis activities of 256 Ltd, as required to maintain compliance and facilitate Health Canada audits.

b) 2399751 Alberta Ltd.

29. 239 Ltd was incorporated in the province of Alberta on January 10, 2022, and has a registered office address at 600-12220 Stony Plain Rd NW Edmonton, Alberta, T5N 3Y4. Freedom owns 51%, of the issued and outstanding shares of 239 Ltd.
30. 239 Ltd. is a privately owned corporation that provides cannabis extraction services, and it produces and sells certain cannabis-related products under a license granted to Freedom by Health Canada. It operates from Freedom's licensed facility in Acheson, Alberta, by licensing approximately 2,000 square feet of space for the purposes of producing hydrocarbon extracts used for various cannabis products.
31. On or around May 5, 2021, Freedom and Cannabis Tolling Solutions ("CTS") entered into a Non-Binding Memorandum of Understanding to collaborate on strategic opportunities, including establishing an extraction division of Freedom (the "CTS MOU"). Under the CTS MOU, the parties agreed that Freedom would provide access to the licensed facility located in Acheson, Alberta and a newly formed division of Freedom would be incorporated, operating in the form of 239 Ltd, called "Cannabis Tolling Services – A division of Freedom Cannabis".
32. 239 Ltd is managed by Freedom as required by Health Canada. Like 256 Ltd, 239 Ltd is also required to submit to regular and ongoing quality assurance and quality control procedures in line with Cannabis Act requirements and Health Canada audit measures. Accordingly, Freedom's quality assurance department is granted access to all cannabis activities of 239 Ltd, as required to maintain compliance and facilitate Health Canada audits.

IV. BUSINESS OF THE APPLICANT

A. Cannabis Industry in Canada

33. The cannabis industry continues to rapidly evolve in Canada. Licenses for cultivating, processing and/or selling cannabis, among other things, are regulated under the *Cannabis Act* and through the *Cannabis Regulations*, SOR/2018-144 (the "***Cannabis Regulations***").
34. Recreational use of cannabis was legalized in Canada on October 17, 2018. The *Cannabis Act*, which regulates retail cannabis for recreational adult-use, medical cannabis and industrial hemp in Canada, came into effect on that day. Cannabis was removed as a controlled substance from the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19 and the *Access to Cannabis for Medical Purposes Regulations*, SOR/2016-230 was repealed.

35. The *Cannabis Act* was amended on October 17, 2019 to broaden the scope of legal cannabis products to include certain edible cannabis, cannabis extracts and cannabis topicals.
36. The cannabis industry continues to be a highly regulated industry, with the *Cannabis Act* regulating the possession, cultivation, production, distribution, sale, research, testing, import, export and promotion of cannabis.

B. Physical Operations

37. Freedom is in the business of cannabis cultivation, processing, extraction, wholesale distribution, and business to business sales. It grows, purchases and sells cannabis products to provincial governments, sells cannabis to other Health Canada and CRA licensed producers, and packages products for other cannabis companies.
38. Freedom operates a licensed manufacturing facility in Acheson, Alberta. Under the licenses held by Freedom, Freedom offers products to the legal cannabis market in Canada, and it offers products to the medical cannabis markets internationally under a Health Canada license.
39. While the *Cannabis Act* provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the *Cannabis Act* also provides that the provinces and territories of Canada have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters. At present, Freedom has entered into third-party supply agreements with distributors in the provinces of Alberta, British Columbia, Ontario, Nunavut, Northwest Territories, Yukon, Saskatchewan, and Manitoba.

a) Acheson Facility

40. Freedom holds a Health Canada issued standard cultivation, standard processing, and medical sales license. It currently operates out of an approximately 111,600 square feet facility located in Acheson, Alberta (the "**Acheson Facility**"), which has been outfitted with cultivation, downstream processing, formulation and packaging, and research areas. The Acheson Facility houses advanced cultivation technology, Good Manufacturing Practices, compliance processing areas, research labs and is Good Agricultural Practices Certified.
41. As previously discussed, the Non-Applicant Stay Parties also operate from the Acheson Facility through a licensing of space at the Acheson Facility from Freedom.

b) Acheson Lease

42. Freedom entered into a lease agreement dated November 23, 2017 (the "**Original Acheson Lease**") with Star Prebuilt Homes Ltd. (the "**Acheson Landlord**") pursuant to which Freedom leased a warehouse building, two office buildings (the "**Office Space**"), and certain additional land located at 9827-279 Street, Acheson, Alberta. The term under the Original Acheson Lease is fifteen (15) years commencing on June 1, 2019 and ending on May 31, 2033 (the "**Term**"). Freedom provided an aggregate sum of \$300,000 as a

deposit for the performance by Freedom of all of the terms and conditions of the Original Acheson Lease (the "**Deposit**").

43. In accordance with the Original Acheson Lease, Freedom surrendered its right to the Office Space and decreased the rentable area effective as of September 9, 2021 (resulting in the rentable area after that date to be 111,600 square feet).
44. As of July 2022, Freedom was in arrears of payment of rent and related sales taxes (including goods and services taxes ("**GST**")). On July 27, 2022, Freedom and the Acheson Landlord entered into a lease amending agreement (the "**Lease Amendment**"). Pursuant to the Lease Amendment, among other things: (i) the Deposit was applied as prepaid rent in the sum of \$300,000 toward the Basic Rent and Additional Rent (as defined in the Original Acheson Lease) payable by Freedom during the first three months of the sixth year of the Term; and (ii) the parties agreed upon certain specified monthly installments to be paid by Freedom in lieu of the Basic Rent, Additional Rent, and Sales Taxes (as such terms are defined in the Original Lease) for the period between September 1, 2021 and ending on March 31, 2023. Copies of the Original Acheson Lease and the Lease Amendment (together referred to as the "**Acheson Lease**") are attached hereto as **Exhibit "A"**.
45. From December 2022, until April 2024, Freedom made monthly payments in the amount of \$85,000 in respect of the Acheson Lease to the Acheson Landlord. Commencing in April 2024, Freedom has been making monthly payments of \$50,000 in respect of the Acheson Lease.
46. The Acheson Lease is currently in default. As of August 1, 2024, Freedom's accrued liability under the Acheson Lease was approximately \$2,396,456. The Acheson Landlord holds a deposit of \$360,000 in trust in respect of the Acheson Lease.

c) License to Occupy

47. Freedom and 256 Ltd are party to a License to Occupy Agreement made as of November 15, 2023 (the "**License to Occupy**") pursuant to which Freedom has granted a license to 256 Ltd to access the Acheson Facility to carry on its cannabis-related cosmetic business.

d) Sublease

48. Freedom is party to a Rental Agreement dated October 12, 2021 (the "**Sublease**") with Nektar ACS Inc. ("**Nektar**") pursuant to which Nektar rents space at the Acheson Facility from Freedom. The term of the Sublease expired in March 2022, and has been on a month-to-month basis since that time, at a monthly rental payment of \$15,000 plus GST.

C. Licenses

49. Freedom holds certain cannabis licenses issued by Health Canada. It also holds a cannabis license issued by CRA pursuant to the *Excise Act*. Such licenses are key assets, are non-transferrable, and are critical to the Applicant's overall operations and going concern value.

a) Freedom's Health Canada Licenses

50. Pursuant to the *Cannabis Act* and *Cannabis Regulations*, Freedom holds certain cannabis licenses from Health Canada (collectively, the "**Health Canada Licenses**"). Copies of the Health Canada Licenses are attached hereto as **Exhibit "B"**.
51. The Health Canada Licenses held by Freedom permits Freedom to undertake the following activities at the Acheson Facility:
- a. standard cultivation activities, including: (i) to possess cannabis; (ii) to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting; (iii) to alter its chemical or physical properties by any means; and (iv) to sell cannabis (collectively, "**Standard Cultivation Activities**");
 - b. standard processing activities, including: (i) to possess cannabis; (ii) to produce cannabis at the licensed site, other than to obtain it by cultivating, propagating or harvesting; and (iii) to sell cannabis (collectively, "**Standard Processing Activities**");
 - c. activities related to the sale of cannabis for medical purposes, including: (i) to possess cannabis; and (ii) to sell cannabis ("**Medical Purpose Activities**"); and
 - d. research activities, including possession and production of cannabis for use in accordance with any research protocols submitted to Health Canada ("**Research Purpose Activities**").
52. Health Canada has issued the following licenses to Freedom:
- a. a Standard Cultivation Activities, Standard Processing Activities, and Medical Purpose Activities license, effective January 5, 2023, under license number LIC-NYDY82JLCU-2022-5 in respect of the Acheson Facility. This has a current term ending on March 22, 2027.
 - b. a Research Purpose Activities license, effective November 29, 2022 under license number LIC-VDX817T7C7-2022 in respect of the Acheson Facility. This license has a current term ending on November 29, 2027.

b) Freedom's Excise License

53. Freedom holds a cannabis license issued pursuant to the *Excise Act* (license no. 73115 8929 RD0001) which requires it to apply cannabis excise stamps to its cannabis products in accordance with the *Excise Act* (the "**Excise License**"). The current expiry date for the Excise License is August 10, 2024.

D. Supply Agreements

a) Brand License Agreements

54. Freedom has brand license agreements, in its capacity as holder of standard processing licenses pursuant to the *Cannabis Act*, pursuant to which Freedom has licensed certain

intellectual property relating to cannabis products for Freedom's use in certain commercialization, manufacturing and ancillary activities in Canada.

b) Raw Material Supply Agreements

55. Freedom has active raw material supply agreements, in its capacities as holder of standard processing licenses pursuant to the *Cannabis Act*, pursuant to which Freedom has agreed to provide the counterparties with cannabis raw materials for such counterparties to process into finished cannabis products.

c) Manufacturing Agreements

56. Freedom has active manufacturing agreements, in its capacity as holder of standard processing licenses pursuant to the *Cannabis Act*, pursuant to which Freedom has agreed to provide the counterparties with certain manufacturing and ancillary services in connection with the supply chain management, manufacturing, and shipment of certain products.

d) Service Provider and Distribution Agreements

57. Freedom has active service and distribution agreements pursuant to which Freedom produces and supplies certain products to the counterparty which provides supply management, sale, distribution and marketing support services for those products.

E. Employees

58. As of the date of this Affidavit, Freedom has approximately 97 employees employed at the Acheson Facility. Approximately 9 of Freedom's employees are designated responsible persons or possess the security clearances required under the *Cannabis Act*. Such persons are essential to Freedom's business.
59. All of Freedom's salaried and hourly employees are paid bi-weekly. Freedom's aggregate bi-weekly payroll obligations total approximately \$192,000 and is being administered by a third party. As of the date of this Affidavit, Freedom was current on its payroll obligations, including all source deductions.
60. Freedom's employees are non-unionized and there are no pension, retirement or deferred compensation plans for their benefit. Through its benefits provider, CanadaLife, Freedom sponsors a group benefit plan for its employees.

F. Cash Management System

61. In the ordinary course of business, Freedom uses a centralized cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with its operations. As part of this Cash Management System, Freedom maintains bank accounts at ATB Financial and Servus Credit Union.
62. This Cash Management System provides Freedom with the ability to efficiently and accurately track and control corporate funds and to ensure cash availability across all entities comprising the Freedom Group. The Cash Management System also allows Freedom to monitor cash flow and ensure compliance with its financial obligations.

Freedom uses accounting and other software to track and manage financial transactions, budgets and forecasts.

63. Intercompany loans and cash transfer within the Freedom Group are recorded and tracked through Freedom's accounts.

V. FINANCIAL CIRCUMSTANCES AND CASH FLOW FORECAST

64. Freedom's fiscal year end is December 31. Attached hereto as **Exhibit "C"** are Freedom's management prepared balance sheet and income statement for December 31, 2023.

65. Attached here as **Exhibit "D"** is a copy of Freedom's internal balance sheet as at July 31, 2024 (the "**Balance Sheet**").

A. Assets

66. As set out in further detail in the Balance Sheet, the book value of Freedom's assets, as at July 31, 2024, is \$44,973,494.

B. Liabilities

67. As set out in further detail in the Balance Sheet, the book value of Freedom's liabilities, as at July 31, 2024 is \$47,293,396.

C. PPSA Registrations

68. Copies of the Personal Property Registry search results for Freedom in Alberta current as of July 31, 2024 (the "**PPR Searches**") are attached hereto as **Exhibit "E"**.

69. The following parties hold PPSA registrations against Freedom:

Party	Registration No.	Registration Date	Description of Secured Interest
JL Legacy Ltd.	19062141817	2019-Jun-21	All personal property and proceeds
JL Legacy Ltd.	19062142062	2019-Jun-21	Land Charge
Nitrofin Inc.	19120930698	2019-Dec-09	Security interest in certain specified equipment and all other goods, machinery and tangible property at 9827 279 Street, Acheson, Alberta, T7X 6J4, and all proceeds thereof
Star Prebuilt Homes Ltd.	20012821719	2020-Jan-28	All property installed upon, incorporated into or affixed to the lands located at: (i) Plan 0725979 Block 1 Lot 1 and all proceeds thereof; and (ii) Plan 1923483 Block 1 Lot 2 and all proceeds thereof

JL Legacy Ltd.	20013029583	2020-Jan-30	All personal property
JL Legacy Ltd.	20013029595	2020-Jan-30	Land Charge
Arpi's North Inc.	21011312354	2021-Jan-13	All personal property of Freedom and an uncrystallized floating charge on land
Salt Capital Inc.	21102828524	2021-Oct-28	All personal property including accounts receivable
Boaz Pharmaceuticals Inc.	22100708694	2022-Oct-07	All personal property of Freedom and Proceeds
Boaz Pharmaceuticals Inc.	22100708759	2022-Oct-07	Land Charge
ATB Financial	22112326432	2022-Nov-23	All intangibles, instruments, securities and investment property of Freedom
Linde Canada Inc.	23080408872	2023-Aug-04	Certain equipment supplied by Linde Canada Inc
Royal Bank of Canada	23121233796	2023-Dec-12	Motor Vehicle
MNP Ltd., Trustee of Navaya Inc	24050318806	2024-May-03	Writ of Enforcement issued on May 3, 2024 in the amount of \$23,978.83

D. Senior Secured Creditor

70. Beyond the specific secured party listing against Freedom relating to specific personal property, the senior secured lender to Freedom is JLL.
71. Commencing in or about 2019, JLL began advancing funds and otherwise assisting Freedom with its financial obligations and liabilities on an as-needed basis.
72. In or about March 2019, JLL made a loan to Freedom in the amount of \$1,800,000 ("**JLL March 2019 Loan**"). Interest on the JLL March 2019 Loan accrues at a rate of 10% per annum.
73. Freedom granted a general security agreement dated March 6, 2019 in favour of JLL (the "**JLL GSA**"). Pursuant to the JLL GSA, as security for payment of all debts, liabilities and obligations of Freedom to JLL, Freedom granted a security interest in favour of JLL in all present and after acquired real and personal property of Freedom. A copy of the JLL GSA is attached hereto as **Exhibit "F"**.

74. Pursuant to the Assignment of Debt and Security between Chandos Construction Ltd ("Chandos"), JLL and Freedom dated August 31, 2020 ("**Assignment Agreement**"), JLL purchased from Chandos all of Chandos' loan and security in respect of Freedom. A copy of the Assignment Agreement is attached hereto as **Exhibit "G"**.
75. Pursuant to an Assignment of Debenture dated February 10, 2021 entered into between JLL and Everyday People Cannabis Inc. ("**Everyday People**"), JLL acquired the Series 1 12% Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000, issued by Freedom to Everyday People (the "**Convertible Debenture**"). The Convertible Debenture bears interest at a rate of 12% per annum, payable in cash quarterly and in arrears, in accordance with the terms set out therein. The Convertible Debenture had a maturity date of January 31, 2022. A copy of the Convertible Debenture is attached hereto as **Exhibit "H"**.
76. JLL made other secured loans to Freedom including, among other things, loans that were evidenced by promissory notes (the "**Promissory Notes**"). The Promissory Notes carried an interest rate of 10%, which interest accrues and is to be paid monthly. The Promissory Notes are payable on demand. Copies of the Promissory Notes are attached hereto as **Exhibit "I"**.
77. In addition to the foregoing, JLL made several other loans to Freedom for the purposes of, among other things, covering urgent payables, including payroll, inventory purchases, payments to CRA, and to finance general corporate and working capital requirements of Freedom. All of the loans made by JLL to Freedom (inclusive of the debt assigned to JLL by Chandos and Everyday People) are collectively referred to in this Affidavit as the "**JLL Loans**".
78. By way of Forbearance Agreements dated July 1, 2023, and December 31, 2023, attached hereto as **Exhibit "J"** (the "**Forbearance Agreements**"), JLL and Freedom agreed that JLL would forbear from enforcing on the JLL Loans subject to the terms and conditions set out therein.
79. Freedom has defaulted on the Forbearance Agreements. As of August 3, 2024, the outstanding indebtedness owed by Freedom to JLL in respect of the JLL Loans is for an aggregate amount of \$17,281,279 (the "**JLL Indebtedness**").

E. Potestio Loans and Unconverted Debenture Holders

80. In or around November 2019, Potestio made a loan in the principal amount of \$1,100,000 to Freedom, bearing interest at 10% per annum compounded and calculated monthly and documented by, among other things, a promissory note from Freedom to Potestio in the amount of \$1,100,000.
81. In addition to the above, Potestio made other advances and contributions to Freedom by way of, inter alia, shareholder loans and deferred wages/salary for the purposes of maintaining Freedom's cash flow. All of the loans made by Potestio to Freedom are collectively referred to in this Affidavit as (the "**Potestio Loans**").
82. As of August 3, 2024, the outstanding indebtedness owed to Potestio in respect of the Potestio Loans is for a collective amount of \$3,882,452 (the "**Potestio Indebtedness**").

83. By way of agreements with various investors and stakeholders, Freedom issued Convertible Debentures to 11 parties in varying amounts, not including any debentures issued or assigned to JLL. Most of the convertible debentures issued to the 11 parties were converted in December, 2021.
84. As at August 2, 2024, there remain 5 debenture-holders, excluding JLL, with unconverted debentures in Freedom (the "**Unconverted Debentures**"). The total amount of the Unconverted Debentures is approximately \$1,500,000.

F. Unsecured Liabilities

85. As per Freedom's books and records, Freedom's unsecured trade debt as of August [3], 2024, totalled approximately \$4,329,363, the majority of which relates to the amounts owed to the Acheson Landlord in respect of the Acheson Lease. Freedom incurs obligations in the ordinary course of business to various trade creditors. Given the nature of its business, Freedom relies on a number of vendors and third-party service providers and, as such, is party to a number of agreements for the provision of certain essential services in connection with operating a business in the cannabis industry.

G. Crown Obligations and Priority Claimants

a) Employee Source Deductions

86. Freedom utilizes third-party payroll management services for the payment of employee source deductions on Freedom's behalf. The payment of employee source deductions is current.

b) Outstanding GST Obligations

87. As of August 3, 2024, Freedom owed approximately \$10,000 to CRA in respect of outstanding GST obligations.

c) Health Canada Obligations

88. As noted herein, Freedom's Health Canada License is not set to expire until 2027. As of August 3, 2024, Freedom owed \$264,862.94 to Health Canada in respect of licensing fees.

Freedom has entered into a payment arrangement with Health Canada and is currently remitting the sum of \$12,502.63 each month towards those obligations. Commencing in September, 2024, Freedom's monthly payments to Health Canada were set to increase to \$20,617.93. Although the Applicant intends to maintain payment obligations in respect of amounts accruing post-filing, it does not intend to continue the monthly payments towards the arrears during the stay period implemented in these proceedings.

d) Excise Duty Arrears

89. A federal excise duty is payable by a licensed cannabis producer when cannabis products are packaged, based on the quantity of flowers and non-flowering materials, viable seeds

or vegetative cannabis plants included in the dried/fresh cannabis, cannabis plant and cannabis eurolant seed product. The federal excise duty is to be paid monthly.

90. As of August 3, 2024, Freedom's liabilities include a balance of approximately \$9,488,016 owing to CRA on account of unremitted Excise Tax Arrears. The Excise Tax Arrears owed by Freedom are for the period May 2019 through to July, 2024.
91. Freedom has attempted to negotiate a resolution with CRA that would allow for the reasonable repayment of the Excise Tax Arrears while maintaining its ability to operate in the ordinary course, which is required to earn the necessary revenues for repayment. A summary of material correspondence between CRA and Freedom, together with copies of certain correspondence (the "**Summary of Correspondence**"), is collectively attached hereto as **Exhibit "K"**.
92. As described in the Summary of Correspondence, in January 2024, Freedom proposed a payment plan to CRA for the repayment of the Excise Tax Arrears which contemplated full repayment by end of 2026 with monthly payments starting from \$100,000 and escalating to \$464,718.
93. On January 17, without providing a formal response to Freedom's proposed plan, Freedom was advised that their ability to order excise tax stamps had been put on hold and that Freedom's recent order was cancelled. On January 18, CRA seized \$1,082,377.80 ("**Seizure**") from Freedom's ATB operating account and put an additional - \$5,600,000.00 overdraw on the account. CRA ultimately released its hold on the ATB account but retained the \$1,082,377.80.00 seized from Freedom and applied it to the October and November 2023 amounts owing for excise taxes. Furthermore, CRA demanded that, starting February 1, 2024, Freedom pay \$200,000.00 per month towards the Excise Tax Arrears.
94. In January 2024, CRA sent requirement to pay letters to provincial and non-provincial customers asking those customers to redirect to CRA payments that were to be made to Freedom. CRA has also delayed providing Freedom with the excise stamps needed to market and sell Freedom's cannabis products and has been providing month-to-month extensions of the Excise License which has rendered Freedom unable to obtain bridge financing.
95. On June 20, 2024, CRA again issued requirement to pay notices to various customers of Freedom¹ (collectively, the "**June 2024 RTP Notices**") requiring such customers to send funds to CRA that would have been otherwise paid to Freedom, up to a certain amount specified in the June 2024 Notices. Due to the June 2024 RTP Notices, and as a result of funds again being redirected to CRA, Freedom's ability to operate was severely compromised and it had a chilling effect on stores and customers from making future orders from Freedom.
96. Following the delivery of the June 2024 RTP Notices, CRA informed Freedom that CRA would withdraw the 2024 RTP Notices. Freedom understands that CRA mailed a letter to Freedom's customers that had received the 2024 RTP Notices advising them that the requirement to pay notice was withdrawn. However, several such customers had

¹ Namely: a) the Alberta Treasury Branches and Edmonton Killarney Branch; (b) the Alberta Gaming Liquor & Cannabis; (c) the Ontario Cannabis Store; (d) Liquor Distribution Branch; (e) Olli Brands Inc.; (f) Weed Me; (g) Yukon Liquor Corporation; (h) 102002643 SASKATCHEWAN LTD; (i) Manitory Liquor & Lotteries; (j) Northwest Territories Liquor and Cannabis; (k) Nuna Cannabis Store Inc.

redirected funds to CRA which would otherwise have been paid to Freedom and CRA applied those payments towards the Excise Tax Arrears resulting in Freedom defaulting on its current excise tax payments.

97. The Excise License expires on August 10, 2024. If CRA refuses to renew the Excise License, Freedom will no longer be able to operate as a going concern. This will have a negative impact on all stakeholders, including CRA, and the employees of Freedom. Further, provincial vendors are likely to return unused products to Freedom for destruction and will likely withhold outstanding payments due and owing.

As with the Health Canada licensing payments, the Applicant intends to make ongoing payments towards the Excise Tax obligations as they accrue post-filing.

H. Cash Flow Forecast

98. With the assistance of the Proposed Monitor, Freedom has undertaken a cash flow analysis to determine the quantum of funding required to finance their operations, assuming the Initial Order is granted, over a 13-week period (the "**Cash Flow Forecast**"). I understand that the Cash Flow Forecast will be attached to the pre-filing report of the Proposed Monitor.
99. The Cash Flow Forecast indicates that Freedom will be required to draw on the proposed DIP Facility immediately upon issuance of the Initial Order in order to ensure that it has sufficient liquidity required to, among other things, continue its business operations and meet its obligations as they come due to the date of the Comeback Hearing.

VI. INTERIM FINANCING

100. As appears from the Cash Flow Forecast, the Applicant requires interim financing, including during the 10-day period prior to the Comeback Hearing, to fund this CCAA Proceeding.
101. As a result of requiring additional financing to fund the Applicant's operations during the CCAA Proceeding and to maintain the Applicant's value during a sale and investment solicitation process, the Applicant commenced negotiations with JLL to provide interim financing. JLL advised the Applicant that its willingness to provide such financing was predicated on the Court making the Initial Order, including the proposed DIP Lender's Charge.
102. The DIP Term Sheet between Freedom and the DIP Lender provides for a super-priority non-revolving loan (the "DIP Facility") up to a maximum principal amount of \$3,000,000 (the "Maximum Amount").
103. The proposed DIP Facility is to be approved and advanced in two stages:
 - a. the Applicant seeks approval in the Initial Order for funding under the DIP Facility up to the sum of \$1,000,000, to be immediately advanceable to allow Freedom to maintain its operations during the initial 10 day stay period (the "**Initial DIP Advance**").

104. Second, the Applicant will seek approval, by way of Amended and Restated Initial Order at the Comeback Hearing, for the balance of the DIP Facility to be made available to the Applicant, and to authorize additional advances, not to exceed a further \$2,000,000, advanceable by way of draw requests with each draw not to exceed \$200,000 (the "**Subsequent DIP Advances**").
105. Interest on the principal outstanding of the DIP Advances, up to \$3,000,000 made to the Borrowers under the DIP Facility ("**DIP Advances**") will bear interest at a rate of 15% *per annum*, calculated daily and compounded monthly. Interest on the DIP Advances shall accrue and become payable on the Maturity Date (defined below).
106. The DIP Facility includes a commitment fee in the amount of \$60,000 (the "**Commitment Fee**"), representing 2% of the Maximum Amount, which will be fully earned upon Court approval of the DIP Term Sheet, and debited from the first DIP Advance. The Commitment Fee shall be secured by the DIP Lender's Charge (as defined below).]
107. The DIP Advances are to be used in accordance with the Cash Flow Projections (as defined in the DIP Term Sheet) to fund the Borrowers' working capital and general corporate needs during, and costs and expenses incurred by the Borrowers in connection with, the CCAA proceedings.
108. The DIP Facility is subject to customary covenants, conditions precedent, representations and warranties, and events of default. The DIP Facility is conditional upon, among other things:, the granting of the Initial Order approving the DIP Term Sheet, and granting a Court-ordered charge over the Property in favour of the DIP Lender to secure the Freedom's obligations under the DIP Term Sheet.
109. The DIP Facility matures on the earliest of (the "**Maturity Date**"): (a) December 31, 2024; (b) the date on which the Stay of Proceedings is lifted without the consent of the DIP Lender or the CCAA Proceedings are terminated for any reason; (c) closing of a sale or similar transaction for all or substantially all of the assets and business of Freedom pursuant to the SISF, which has been approved by an order entered by the Court; (d) implementation of a plan of compromise or arrangement within the CCAA Proceedings which has been approved by the Freedom's creditors and the Court; and (e) conversion of the CCAA Proceedings into a proceeding under the BIA.
110. Given the Applicant's liquidity crisis and the rapidly eroding value of its business, the Applicant, in consultation with its legal and financial advisors, did not believe that any other entity would be able to provide the financing urgently required on significantly better terms than the DIP Lender.
111. I understand that the Monitor is supportive of this relief.

VII. CHALLENGES AND LIQUIDITY ISSUES FACED BY THE APPLICANT

112. Generally speaking, there are a number of sector-specific challenging factors which impact the cannabis industry including, among other things:
 - a. The cannabis industry is highly regulated and is experiencing rapid change amid a heavily saturated market.

- b. A complex and administrative-heavy regulatory and licensing regime, alongside competition from the illicit market, has caused significant uncertainty in the industry space.
 - c. An increased taxation burden from excise taxes, as well as the need for remitting same in advance of collection of related receivables, has detrimentally impacted growth potential within the sector.
 - d. The challenging conditions in the cannabis industry have negatively affected the ability of cannabis companies to obtain investment or financing for operations and capital expenditures.
113. From a financial standpoint, the Applicant's gross margins remain adversely impacted by the effects of high excise duty rates imposed by the federal and provincial governments in Canada. The Applicant currently maintains an overall excise duty rate of approximately 40% of gross revenues. After deducting payment of excise duties from the Applicant's gross revenue, and after taking into account the cost of sales, the Applicant's gross margin is insufficient to satisfy the general and administrative expenses of the Applicant.
114. The Applicant has made aggregate monthly payments of approximately \$325,000 between February 2024 to May 2024 on account of the Excise Tax Arrears, and in excess of \$3,486,163 between January 2024 to May 2024 in respect of the Applicants' current monthly excise tax payments. The Applicant does not have sufficient liquidity to satisfy its expected future payments to the federal and provincial governments and to also continue to meet all of its obligations as they come due.
115. Payments of the Excise Tax Arrears are contributing to the substantial pressure on the Applicant's cash flows. At this time, the Applicant does not generate sufficient revenue to maintain the CRA imposed Excise Tax Arrears payment schedule and its other current obligations.
116. The Applicant relies on numerous vendors and third-party service providers to operate its business. If the Applicant's cash flow is further adversely impacted by the factors discussed above and/or as a result of enforcement by creditors, the Applicant will be unable to satisfy its ordinary course liabilities. Any interruption in service from such third parties because of their refusal to do so on account of unpaid amounts owed to them may prevent the Applicant from operating in the ordinary course.

VIII. CCAA PROCEEDINGS AND RELIEF SOUGHT

117. There is a significant, urgent, and pressing need for the relief sought through CCAA protection for the Applicant. Without the benefit of a stay of proceedings, the Freedom Group will not be able to respond to and address their liquidity issues and are at risk of losing their Health Canada Licenses and their Excise License (collectively, the "**Licenses**"). It is critical for the Applicant to maintain its Licenses to ensure the business operates as a going concern in the cannabis industry.
118. In consultation with its advisors, including KPMG, the Applicant has determined that the CCAA process is the most beneficial plan of action to maximize value for the Freedom Group and its stakeholders.

119. The proposed Initial Order under the CCAA is substantially in the form of the Alberta model initial order found on the Court of King's Bench of Alberta website. Key elements of the Initial Order sought are described below.

A. Appointment of Monitor

120. The Applicant seeks the appointment of KPMG as Monitor of the Applicant in these CCAA proceedings.
121. I have been advised by Pritesh Patel of KPMG that KPMG is a trustee within the meaning of section 2 of the BIA and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.
122. KPMG has experience with similar mandates having been previously appointed as monitor over other cannabis companies who encountered similar difficulties as the Applicant due to the state of the Canadian cannabis market. KPMG has overseen successful restructurings and SISF processes in other CCAA proceedings.
123. KPMG also has some familiarity with the operations of the Freedom Group. KPMG has reviewed and assisted in the preparation of the Cash Flow Forecast and has provided guidance and assistance in the commencement of these CCAA proceedings.
124. As a result, KPMG has knowledge about the Applicant, its business operations, and financial challenges to date.
125. KPMG has not acted as the Applicant's auditor and is a licensed insolvency trustee.
126. KPMG has consented to act as the Monitor, subject to Court approval. A copy of the Consent to Act as Monitor provided by KPMG is attached hereto and marked as **Exhibit "L"**.
127. I am also advised by Mr. Patel of KPMG that the Proposed Monitor is supportive of the relief sought herein.

B. Stay of Proceedings

128. Given the challenges faced by the Applicant described herein, the Applicant requires a stay of proceedings to maintain the status quo and to give the Applicant the breathing space it requires to develop and carry out a SISF in consultation with its advisors and the Monitor.
129. It would be detrimental to the Applicant's business if proceedings were commenced or continued, or rights and remedies were executed, against the Applicant. Absent the Stay of Proceedings, the Applicant may lose its valuable Excise License, may be unable to continue to operate its business and be forced to initiate an abrupt disorderly shutdown.
130. The Applicant is seeking to extend the Stay of Proceedings to the Non-Applicant Stay Parties due to the integration of business and operations of the Freedom Group. The extension of the Stay of Proceedings to these entities is intended to prevent uncoordinated

realization and enforcement attempts, and thereby prevent immediate losses of value for Freedom Group and its stakeholders.

131. The Applicant believes that there is material value in certain of the Non-Applicant Stay Parties and that without the benefit of the Stay of Proceedings, the value of such entities could quickly erode to the detriment of Freedom Group's stakeholders.
132. In addition to the Stay of Proceedings against the Applicant, its Property and the Non-Applicant Stay Parties, the Applicant is seeking a stay of proceedings against the directors and officers of the Applicant to ensure that they are able to focus their efforts on the Applicant's restructuring efforts and to prevent creditors and others from seeking to do indirectly what they cannot do directly by asserting claims or other relief relating to the debts and obligations of the Applicant against their respective directors and officers.
133. In light of the foregoing, the Stay of Proceedings is in the best interests of the Applicant and its stakeholders. I understand that the Proposed Monitor believes that the Stay of Proceedings is appropriate in the circumstances.

C. Approval of DIP Loan and DIP Lender's Charge

134. As is evidenced by the Cash Flow Forecast, the Applicant requires urgent interim financing to maintain operations and fund these CCAA proceedings through the Stay of Proceedings and the proposed restructuring process.
135. In order to meet its ongoing obligations during the restructuring process, the Applicant seeks approval to borrow under a DIP Facility with the DIP Lender to finance working capital requirements and other general corporate purposes, post-filing expenses and costs.
136. The proposed DIP Lender's Charge being sought, for the period up to the Comeback Hearing, is for the maximum amount of \$1 million. The DIP Facility will be provided by JLL, who already benefits from a security interest over the Applicant's Property. Accordingly, I do not expect any material prejudice to any of the other existing secured creditors of the Applicants, should the Court approve the DIP Term Sheet and grant the DIP Lender's Charge. Attached hereto as Exhibit "M" is a copy of the DIP Term Sheet.
137. The DIP Lender's Charge will not secure obligations incurred prior to the CCAA Proceedings. The DIP Lender's Charge is proposed to rank subordinate to the Administration Charge and the Directors' Charge.
138. I understand that the Proposed Monitor is supportive of this relief.

D. Ability to Pay Certain Pre-Filing Amounts

139. Pursuant to the proposed Initial Order, the Applicant is seeking authorization (but not the obligation) to pay, among other things:
 - a. all outstanding and future wages, salaries, contract amounts, employee and pension benefits, vacation pay and employee expenses (including, without limitation, in respect of expenses charged by employees to corporate credit cards) payable prior to, on, or after the date of the Initial Order, in each case incurred in

the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing expenses; and

- b. with the consent of the Monitor and the DIP Lender, and in accordance with the terms of the Cash Flow Forecast, amounts owing for goods and services actually supplied to the Applicant prior to the date of the Initial Order by third party suppliers, up to a maximum aggregate amount of \$500,000, if such third party is critical to the business and ongoing operations of the Applicant.
140. I believe this relief is necessary to maintain ordinary course operations, particularly the highly regulated nature of the Applicant's business. The Applicant's ability to operate its business in the normal course is dependent on its ability to obtain an uninterrupted supply of certain goods and services.
141. I understand that the Monitor is supportive of that relief.

E. Administration Charge

142. It is contemplated that a Court-ordered charge over the Property would be granted in favour of the Monitor, counsel to the Monitor, insolvency counsel to the Applicant and litigation counsel to the Applicant (the "**Administration Professionals**"), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**").
143. The proposed Administration Charge being sought pursuant to the Initial Order is for a maximum amount of \$250,000. The Administration Charge is proposed to rank ahead of and have priority over all of the other Charges.
144. In preparation of the Cash Flow Forecast, the Applicant, in consultation with the Proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the week of the Comeback Hearing, the Applicant forecasts incurring significant professional fees (including retainers) in connection with the CCAA proceedings, such as preparing for the Comeback Hearing, communicating with employees and stakeholders following the initial filing, developing a SISF and complying with statutory notices, mailings and communications.
145. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees of the Administration Professionals for the applicable period.
146. All of Administration Professionals have contributed, and will continue to contribute, to the Applicant's restructuring efforts. Each of the beneficiaries of the Administration Charge will have distinct roles in the Applicant's restructuring.
147. The Applicant, in consultation with the Monitor, and its respective advisors, will seek an increase to the Administration Charge at the Comeback Hearing.
148. The Monitor is supportive of the Administration Charge.

F. Directors' Charge

149. It is contemplated pursuant to the proposed Initial Order that the Applicant's directors and officers ("**Directors and Officers**") would be granted a Court-ordered Director's Charge on the Property, up to a maximum amount of \$450,000.
150. The Director's Charge is intended to address potential claims that may be brought against directors and officers following the commencement of the proceedings. The Applicant's ordinary course operations give rise to potential director liability, including on account of payroll obligations and sales taxes.
151. It is my understanding that the Applicant's present and former directors and officers are among the potential beneficiaries under various liability insurance policies. However, I understand from legal counsel to the Applicant 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.
152. The Director's Charge is therefore crucial to the continued involvement of the Directors and Officers during the CCAA proceeding to provide them with certainty regarding their personal liability. The Directors and Officers have skills, knowledge and expertise, as well as established relationships with various stakeholders, that are critical to a successful restructuring.
153. The quantum of the Directors' Charge was developed with the assistance and support of the Proposed Monitor taking into account the anticipated payroll, sales tax and other exposures that give rise to director liability for the applicable period.
154. The Applicant is of the view that the quantum of the Directors' Charge is reasonably necessary at this time to address circumstances that could lead to potential directors' liability prior to the Comeback Hearing.
155. The Applicant, in consultation with the Monitor, and its respective advisors, will seek an increase to the Directors' Charge at the Comeback Hearing.
156. The Applicant believes that the Directors' Charge is reasonable in the circumstances. I understand that the Proposed Monitor is supportive of the Directors' Charge and its quantum.

G. Approval of Cash Management System

157. Given the nature and scale of Freedom Group's operations through the Cash Management System, the continued use of the existing Cash Management System is required and appropriate during these CCAA proceedings. I understand that the Monitor is also supportive of this relief.

H. Relief in respect of Freedom's Health Canada Licenses and Excise License

158. Freedom holds certain licenses with Health Canada and the CRA which are essential to the continued operation of the Applicant's business. The Applicant seeks to have such licenses and Freedom's ability to receive cannabis excise stamps preserved and

maintained during the CCAA Proceedings, including Freedom's ability to sell cannabis inventory in the ordinary course under those licenses.

159. The license issued to Freedom by the CRA is currently subject to renewal on a monthly basis. Furthermore, the Excise License could expire, if not further renewed, during the pendency of the CCAA Proceedings. The terms of Freedom's licenses must continue for the duration of the CCAA Proceedings to ensure that the Freedom operates as a going concern. Without the stability of customer contracts that the Applicant has developed, it would lose vital revenue streams, threatening Freedom's viability and frustrating the fundamental purpose of these CCAA Proceedings. The Applicant has included Health Canada and CRA on the service list and sent a copy of the application record to them (albeit on short notice).

IX. RELIEF TO BE SOUGHT AT COMEBACK HEARING

160. If the Initial Order is granted, the Applicant proposes to return to this Court for a Comeback Hearing. At the Comeback Hearing, the Applicant intends to seek the Court's approval of an Amended and Restated Initial Order. For the benefit of this Court and the Applicant's stakeholders, this section highlights critical relief that the Applicant intends to seek at the Comeback Hearing. The Applicant may seek additional or alternative relief if determined to be necessary or advisable.

A. Extension of the Stay of Proceedings

161. The Applicant intends to seek an extension of the Stay of Proceedings for a sufficient length of time to allow the Applicant to complete a SISP without having to incur additional costs during that process to return to Court to seek a further extension of the stay of proceedings.

B. Increase to Charges

162. The Applicant intends to seek to increase the quantum of the Court-ordered Charges over all other encumbrances. In accordance with the CCAA, parties affected by this relief will be served with the Notice of Application in advance of the Comeback Hearing. In addition, the Applicant will also seek appropriate priming of the Charges at the Comeback Hearing, with notice given to all secured parties at that time.

C. SISP

163. At the Comeback Hearing or shortly thereafter, the Applicant will seek the approval of a SISP, which will give certainty to employees, customers, regulators, suppliers and stakeholders that the Freedom Group will continue as a going concern when the SISP concludes.

X. CONCLUSION

164. In the circumstances, I believe that the CCAA proceedings are the best means of restructuring the Applicant's business and operations for the benefit of their stakeholders and the relief sought in the Initial Order is limited to what is reasonably necessary to stabilize the Applicant's business in the initial ten (10) day period.

165. For the reasons set out herein, the Applicant respectfully requests this Court grant the Initial Order.

**SWORN (OR AFFIRMED) BEFORE ME at
the City of Edmonton, in the Province of
Alberta, this 6th day of August, 2024.**

**A Commissioner for Oaths in and for the
Province of Alberta**

JUSTIN A. WILLIAMS
Barrister & Solicitor



John Frank Potestio

ACHESON INDUSTRIAL LEASE
LANDLORD - STAR PREBUILT HOMES LTD.
TENANT – FREEDOM CANNABIS INC.

This is Exhibit A referred to in the
Affidavit (or Statutory Declaration) of
John Frank Potestio
sworn (or affirmed or declared) before me
this 6 day of August 2024

.....
A Commissioner for Oaths
in and for Alberta

JUSTIN A. WILLIAMS
Barrister & Solicitor

LEASE
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THIS LEASE (the "Lease") made as of the 23rd day of November 2017.

BETWEEN:

STAR PREBUILT HOMES LTD.
("Landlord")

OF THE FIRST PART

-and-

FREEDOM CANNABIS INC.
("Tenant")

OF THE SECOND PART

WHEREAS:

- A.** The Landlord is the registered owner of the land described in Schedule A hereto as shown outlined in purple on Part 1 of Schedule B hereto (the "Land") upon which is situated one or more buildings.
- B.** The Landlord has agreed to lease to the Tenant and the Tenant has agreed to accept from the Landlord the lease of the Demised Premises (as defined in this Lease) on the terms and conditions contained in this Lease.

THEREFORE EACH OF THE LANDLORD AND THE TENANT COVENANTS AND AGREES WITH THE OTHER AS FOLLOWS:

1. DEMISE

In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be paid, observed and performed, the Landlord for the Term:

- (a) leases to the Tenant, and the Tenant accepts from the Landlord the lease of, the buildings located within that portion of the Land outlined in red on Part 2 of Schedule B being a warehouse building of One Hundred Eleven Thousand Six Hundred and Eighty-six (111,686) square feet and two office buildings each of One Thousand Seven Hundred and Fifty (1,750) square feet (both office buildings being referred to as the "Office Space") hereto (the warehouse building and the Office Space being hereinafter called "the Demised Premises"); and
- (b) grants to the Tenant an exclusive license of that portion of the Land outlined in red on Part 2 of Schedule B hereto excluding the Demised Premises (that portion being the "Exclusive Use Area") (the Demised Premises and the Exclusive Use Area being collectively called the "Tenant Areas").

The Demised Premises contains a rentable area of One Hundred Fifteen Thousand One Hundred Eighty Six (115,186) square feet (the "Rentable Area").

2. TERM

The term (the "Term") shall be for a period of Fifteen (15) years commencing on the 1st day of June 2018 (hereinafter called "the Commencement Date") and shall be fully completed and ended on 31st day of May 2033 unless this Lease is sooner terminated as hereinafter provided.

3. POSSESSION OF DEMISED PREMISES

The Landlord shall provide the Tenant with non-exclusive access to the Tenant Areas during the period commencing fifteen (15) days following the later of the date upon which this Lease is executed and delivered by each of the Landlord and the Tenant and the date upon which the last of the requirements in Section E.11 set out in this Lease are satisfied or waived (other than the requirement set out in Section E.11.1.5) and ending on the 31st day of May, 2018 (such period being the "Fixturing Period") to permit the Tenant to undertake the tenant's work identified in Schedule D hereto (the "Tenant's Work") in coordination with the Landlord undertaking the landlord's work (the "Landlord's Work") identified in Schedule C. Notwithstanding the foregoing sentence, the Tenant shall not be entitled to access to the Tenant Areas nor be permitted to enter into possession of, or carry on business from, the Tenant Area until the Tenant has registered the utilities in its name and provided the Landlord with proof of insurance required to be carried by the Tenant in accordance with this Lease. The Fixturing Period shall be free of Basic Rent and Additional Rent pursuant to Section 8 and Section 9 hereof provided that the Tenant shall be responsible for all utilities consumed in the Tenant Areas during the Fixturing Period.

The Tenant and the Landlord shall conduct a joint inspection of the Tenant Areas at the commencement of the Fixturing Period. The acceptance of access by the Tenant constitutes its acknowledgement that the Tenant Areas were in good and satisfactory condition for the purposes of completing the Tenant's Work.

The Tenant shall substantially complete any Tenant's Work during the Fixturing Period in accordance with the requirements set out in this Lease, the plans and specifications approved by the Landlord and such other reasonable requirements imposed by the Landlord in relation to such construction, and shall complete the balance of the Tenant's Work so soon thereafter as reasonably possible.

The Landlord shall on or before the Commencement Date complete the Landlord's Work to the extent necessary to permit the Tenant subject to the completion of the Tenant's Work to use the Tenant Areas for the Permitted Use without undue interference by the Landlord in the completion of the Landlord's Work.

Prior to the Commencement Date the Tenant and the Landlord shall conduct a joint inspection of the Tenant Areas and the taking of possession of the Tenant Areas by the Tenant shall constitute the acknowledgement of the Tenant that other than for any items identified by the Tenant and acknowledged by the Landlord in the Landlord's standard form of Turnover Report the Landlord's Work has been fully completed and the Tenant Areas are in good and satisfactory condition and that any machinery and equipment of the Landlord located therein are in good working order.

4. RENT

The Tenant shall pay to the Landlord for each and every year of the Term an annual basic rent (the "Basic Rent") calculated and payable in each such year as follows:

	Basic Rent	Basic Rent Rate	Monthly Installment
From the Commencement Date through the expiry of the first (1 st) year of the Term	Zero (\$0.00) Dollars	Zero (\$0.00) Dollars	Zero (\$0.00) Dollars
For the Second (2 nd) year of the Term	Four Hundred Eighty Thousand (\$480,000.00)	Eight (\$8.00) Dollars per square foot per year	Forty Thousand (\$40,000) Dollars