

COURT FILE NUMBER

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COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

EDMONTON

APPLICANTS

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

**AND IN THE MATTER OF A PLAN OF
COMPROMISE OR ARRANGEMENT OF FREEDOM
CANNABIS INC.**

DOCUMENT

FIFTH REPORT OF THE MONITOR

FEBRUARY 20, 2025

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I. INTRODUCTION

1. On August 8, 2024 (the “**Initial Order Date**”), the Court of the King’s Bench of Alberta (the “**Court**”) granted an order (the “**Initial Order**”) granting Freedom Cannabis Inc. (“**Freedom**” or the “**Applicant**”) protection pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) and appointing KPMG Inc. (“**KPMG**”) as Monitor of the Applicant in the CCAA proceedings (in such capacity, the “**Monitor**”). Among other things, the Initial Order granted:
 - (a) a stay of proceedings in respect of the Applicant, and certain subsidiaries of the Applicant and their respective directors and officers, to and including August 18, 2024;
 - (b) approval of the terms of an interim financing facility (the “**DIP Facility**”), with a maximum principal amount of \$3.0 million, provided by JL Legacy Ltd. (“**JLL**”, or in such capacity, the “**DIP Lender**”) to the Applicant, pursuant to a DIP facility term sheet dated August 6, 2024 (the “**DIP Term Sheet**”); and
 - (c) various charges in the CCAA proceedings, including an Administration Charge, a Directors’ Charge, and a DIP Lender’s Charge.
2. On August 15, 2024, the Court issued an Amended and Restated Initial Order (the “**ARIO**”) that, among other things:
 - (a) increased the quantum of the Administration Charge to \$0.5 million;
 - (b) increased the quantum of the Directors’ Charge to \$1.5 million;
 - (c) increased the quantum of DIP Lender’s Charge to the maximum principal amount of \$1.5 million plus interest, fees, and expenses; and
 - (d) extended the stay of proceedings established by the Initial Order until and including September 18, 2024.

3. On September 18, 2024, the Court issued an order (the “**Stay Extension Order**”) extending the stay of proceedings to and including October 11, 2024.
4. On October 11, 2024, the Court issued an order (the “**Second Stay Extension Order**”) that, among other things:
 - (a) increased the quantum of DIP Lender’s Charge to the maximum principal amount of \$3.0 million plus interest, fees, and expenses; and
 - (b) extended the stay of proceedings to and including December 19, 2024.
5. On December 18, 2024, the Court issued an order (the “**Third Stay Extension Order**”) that, among other things:
 - (a) increased the quantum of DIP Lender’s Charge to the maximum principal amount of \$3.9 million plus interest, fees, and expenses; and
 - (b) extended the stay of proceedings to and including February 28, 2025.
6. To date, KPMG, first in its capacity as Proposed Monitor, and then its capacity as Monitor, has provided this Court with five reports: (i) the Pre-filing Report of the Monitor, dated August 6, 2024, (ii) the First Report of the Monitor, dated August 13, 2024, (iii) the Second Report of the Monitor, dated September 11, 2024, (iv) the Third Report of the Monitor dated October 4, 2024, and (v) the Fourth Report of the Monitor dated December 12, 2024 (the “**Fourth Report**”)
7. Copies of materials and documents filed in connection with these CCAA proceedings are available on the Monitor’s website at <https://kpmg.com/ca/freedom> (the “**Case Website**”) In addition, KPMG has arranged for a toll-free hotline (1-833-668-2933) and an email address freedom@kpmg.ca through which creditors of the Applicant or other interested parties can make inquires related to the CCAA proceedings.

II. PURPOSE OF REPORT

8. The purpose of this report (the “**Fifth Report**”) is to provide the Court with information pertaining to:
- (a) an overview of the activities of the Applicant and the Monitor since the date of the Fourth Report;
 - (b) the Applicant’s actual receipts and disbursements for the period from December 2, 2024 to February 16, 2025 (the “**Reporting Period**”), including a comparison of actual to forecast results;
 - (c) the cash flow projections for the Applicant (the “**Updated Cash Flow Forecast**”) for the period from February 17, 2025 to May 18, 2025 (the “**Forecast Period**”);
 - (d) the proposed amendments to the DIP Term Sheet;
 - (e) an overview of the material terms of the stalking horse subscription agreement dated February 17, 2025 (the “**Stalking Horse Agreement**”) among Freedom, as vendor (the “**Vendor**”), JLL, as guarantor, and 2644323 Alberta Ltd., as purchaser (the “**Stalking Horse Bidder**”), which subject to the approval of this Court, is proposed to act as the stalking horse offer in the proposed sale and investment solicitation process (the “**SISP**”);
 - (f) 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; and
 - (g) the Monitor’s recommendations regarding the relief sought by the Applicant on the motion returnable on February 26, 2025 (the “**SISP Motion**”).

III. TERMS OF REFERENCE

9. In preparing the Fifth Report, KPMG has relied solely on information and documents provided to it by the Applicant and its respective advisors, including unaudited, draft and/or

internal financial information, financial projections prepared by the Applicant, discussions with management of the Applicant, and the affidavit of the Applicant's executive (collectively, the "**Information**"). In accordance with industry practice, except as otherwise described in the Fifth 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.

10. Capitalized terms used but not defined in the Fifth Report are defined in the Affidavit of Mr. JohnFrank Potestio sworn February 18, 2025 (the "**February 18 Potestio Affidavit**"), filed by the Applicant as part of its materials in support of the within motion. The Fifth Report should be read in conjunction with the February 18 Potestio Affidavit as certain information contained in the February 18 Potestio Affidavit has not been included herein in order to avoid unnecessary duplication.
11. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. ACTIVITIES OF THE APPLICANT

12. Since the date of the Fourth Report, the Applicant, with the assistance of the Monitor, has been managing its operations in the normal course and working to stabilize the business as a result of the CCAA proceedings.
13. As outlined in the February 18 Potestio Affidavit, the activities of the Applicant have included:
 - (a) communicating with, providing information to, and answering questions of, various stakeholders regarding the CCAA proceedings, including Canada Revenue Agency (the "**CRA**");

- (b) communicating with, providing information to and answering questions of its employees;
- (c) managing key relationships with customers and suppliers, and operating the business in accordance with the terms of the ARIO;
- (d) working with and corresponding regularly with representatives of the Monitor regarding numerous matters in the CCAA proceedings, including, without limitation, management of the Applicant's cash flow, payments to suppliers in accordance with the ARIO, and the Updated Cash Flow Forecast;
- (e) continuing discussions with Star Prebuilt Homes Ltd. (the "**Landlord**"), the landlord for the Applicant's leased premises located in Acheson, Alberta (the "**Facility**"), on the terms of an amended lease for the Facility, as outlined in the February 18 Potestio Affidavit;
- (f) engaging in discussions with the DIP Lender in respect of Freedom's business and next steps in the CCAA proceedings;
- (g) engaging with the Monitor and the DIP Lender regarding development of the SISP;
- (h) negotiating and finalizing the terms of the Stalking Horse Agreement with the Stalking Horse Bidder; and
- (i) engaging Osler, Hoskin & Harcourt LLP as its new counsel in these CCAA proceedings.

V. ACTIVITIES OF THE MONITOR

14. Since the date of the Fourth Report, the Monitor's activities have included:

- (a) maintaining the Case Website where all Court documents and other material documents pertaining to the CCAA proceedings are available in electronic form;
- (b) monitoring the Applicant's cash flows and allowing for payments in accordance with the terms of the ARIO;

- (c) assisting the Applicant with the preparation of the Updated Cash Flow Forecast;
- (d) corresponding regularly with the DIP Lender with respect to the Applicant's actual results as compared to the cash flow forecast included in the DIP Term Sheet;
- (e) assisting the Applicant with its communications with stakeholders, including vendors and key partners;
- (f) participating in discussions with the Applicant and the DIP Lender in regards to the Facility and the amendment to the DIP Term Sheet;
- (g) attending before the Court for the Third Stay Extension Order;
- (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 Applicant and its legal counsel;
- (i) engaging with the Monitor's legal counsel, Blake, Cassels & Graydon LLP ("Blakes") regarding matters related to the CCAA Proceedings, including the SISP, the Stalking Horse Agreement and the review of JLL's pre-filing security;
- (j) engaging with the Department of Justice on behalf of the CRA regarding matters related to the CCAA proceedings, including the Applicant's cannabis licence;
- (k) preparing materials required to conduct the SISP and preparing a list of potential bidders;
- (l) reviewing materials filed by the Applicant in connection with the SISP Motion; and
- (m) preparing this Fifth Report.

VI. RECEIPTS AND DISBURSMENTS FOR REPORTING PERIOD

15. As noted in the Fourth Report, the Monitor has implemented procedures for monitoring the Applicant's receipts and disbursements on a weekly basis, including a review of forecast to actual variance analyses.

16. Set out below is a summary of the Applicant’s actual to forecast results for the Reporting Period:

Freedom Cannabis Inc.			
For the 11-week period ending February 16, 2025			
In C\$; unaudited			
	Forecast	Actuals	Variance
Receipts			
Accounts Receivable/Other Receipts	3,787,468	3,199,666	(587,802)
Total Receipts	3,787,468	3,199,666	(587,802)
Disbursements			
COGS	3,118,134	1,756,433	1,361,701
Salary & Wages	878,989	822,057	56,932
Professional Fees	194,191	146,823	47,368
Rent	255,000	255,000	-
Operating Expenses	466,709	730,045	(263,336)
Excise Tax	868,553	873,046	(4,493)
Sales Tax	-	5,698	(5,698)
DIP Commitment Fee	-	-	-
Total Disbursements	5,781,576	4,589,102	1,192,474
Net Operating Cash Flow	(1,994,107)	(1,389,436)	604,671
Opening Cash			
Opening Cash	349,586	349,586	-
Net Cash Flow	(1,994,107)	(1,389,436)	604,671
DIP funding	1,950,000	1,400,000	(550,000)
Ending Cash	305,479	360,150	54,671
DIP Facility			
Opening Balance	1,000,000	1,000,000	-
DIP Funding	1,950,000	1,400,000	(550,000)
Accrued Interest	95,913	80,192	(15,721)
Ending Balance	3,045,913	2,480,192	(565,721)

17. Total receipts for the period were approximately \$3.2 million from accounts receivable (as compared to a forecast of \$3.8 million) and the Applicant made payments totalling approximately \$4.6 million (as compared to a forecast of \$5.8 million), for net negative operating cash flow of \$1.4 million, a positive variance of \$0.6 million as compared to a forecast net negative operating cash flow (\$2 million), primarily due to lower than forecast inventory purchases and other production costs in the period due to lower than forecast sales.

18. During the Reporting Period, the Applicant drew an additional approximately \$1.4 million under the DIP Facility as compared to forecasted advances of \$1.95 million. The variance is attributed to the aforementioned lower working capital needs of the business due to lower than forecast sales and timing.

VII. UPDATED CASH FLOW FORECAST

19. The Applicant, in consultation with the Monitor, has prepared the Updated Cash Flow Forecast for the purpose of projecting its estimated liquidity 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 “A”**.
20. The Updated Cash Flow Forecast has been prepared by the Applicant on a conservative basis using probable and hypothetical assumptions set out in the notes to the Updated Cash Flow Forecast.
21. The Monitor’s review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the Applicant. Since the probable and hypothetical assumptions need not be supported, the Monitor’s procedures with respect to these assumptions were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast. The Monitor also reviewed the support provided by the Applicant for the probable and hypothetical assumptions, and the preparation and presentation of the Updated Cash Flow Forecast.
22. Forecast operating cash receipts over the Forecast Period total approximately \$7 million related to the collection of accounts receivable, including from future sales.
23. Forecast operating disbursements over the Forecast Period total approximately \$8.5 million and primarily consist of production and operating costs (\$4.1 million), employee costs (\$1.1 million), excise taxes for accrued or collected amounts after the date of the Initial Order (\$1.8 million), other general operating expenses (\$1.5 million), including rent for the Facility (\$0.3 million), and professional fees (\$0.8 million).
24. The Updated Cash Flow Forecast assumes that the interest expense on the outstanding balances under the DIP Facility is accrued throughout the Forecast Period.
25. As at February 17, 2025, the Applicant had a cash balance of approximately \$0.36 million and had drawn \$2.4 million on the DIP Facility (excluding accrued interest, fees and

expenses). Net negative operating cash flow is forecast to be approximately \$1.5 million over the Forecast Period.

26. Accordingly, the Updated Cash Flow Forecast projects the use of cash on hand as of the beginning of the Forecast Period and additional borrowings under the DIP Facility in the amount of \$1.75 million (excluding accrued interest) over the Forecast Period. These amounts may differ due to the timing of receipts and disbursements during the Forecast Period. Accordingly, borrowings under the DIP Facility are projected to increase to \$4.5 million (including accrued interest) by the end of the Forecast Period.
27. The Monitor notes that the Updated 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.

VIII. SECURITY REVIEW

28. The Monitor instructed Blakes to conduct a review of the security granted by the Applicant to JLL pursuant to: (i) the term sheet, dated March 6, 2019 between JLL, as lender, and Freedom, as borrower, as amended by the loan agreement, dated January 27, 2020 among JLL, Everyday People Cannabis Inc. (“**EPC**”), EAM Enterprises Inc. (“**EAM**”), Freedom, 639478 Alberta Ltd., 1079352 Alberta Ltd., Gianfranco Potestio, John Frank Potestio and Julie Potestio; (ii) the inventory purchase agreement, dated April 29, 2024, among JLL, as lender, and Freedom, as borrower, and the promissory notes issued thereunder (the “**April IPA**”); (iii) the inventory purchase agreement, dated May 30, 2024, among JLL, as lender, and Freedom, as borrower, and the promissory notes issued thereunder (the “**May IPA**”); (iv) the Series 1 Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000 issued by Freedom to EPC on January 27, 2019 (the “**EPC Debenture**”), as assigned by EPC to JLL pursuant to the assignment of debenture, dated February 10, 2021, between EPC and JLL; (v) the Series 1 Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000 issued by Freedom to EAM on January 27, 2019 (the “**EPC Debenture**”), as assigned by EPC to JLL pursuant to the assignment of debenture, dated

February 10, 2021, between EPC and JLL (the “**EAM Debenture**”);¹ and (vi) (a) the CCDC5B Freedom Cannabis Warehouse Renovations contract, dated December 22, 2017, (b) CCDC5B Freedom Cannabis Warehouse Renovations contract, dated May 18, 2018, and (c) all change orders, amendments, confirmations, releases and supplements thereto, each as assigned by Chandos Construction Ltd. (“**Chandos**”) to JLL pursuant to the assignment of debt and security agreement, dated August 31, 2020, among Chandos, JLL and Freedom, in each case in respect of which all of Freedom’s obligations to JLL are secured by the general security agreement, dated March 6, 2019, granted by Freedom to JLL (the “**JLL GSA**”), the EPC Debenture, the EAM Debenture, or the general security agreement, dated July 4, 2019, among Chandos Freedom (the “**Chandos GSA**”). The documents listed in this paragraph are collectively referred to as the “**Senior Loan and Security Agreements**” and the April IPA, May IPA, EAM Debenture, EPC Debenture, JLL GSA and Chandos GSA are referred to collectively as the “**Security Documents**”.

29. Blakes has provided the Monitor with a written opinion (the “**Security Review Opinion**”) that, subject to the assumptions and qualifications set out therein:
- (a) each Security Document constitutes legal, valid and binding obligations of Freedom, enforceable against Freedom in accordance with the respective terms thereof;
 - (b) the Security Documents create valid security interests in favour of JLL in the collateral described therein that is personal property to which the PPSA applies (collectively, the “**Collateral**”) and in which Freedom has rights, and are sufficient to create a valid security interest in any Collateral in which Freedom hereafter acquires rights when those rights are acquired by Freedom, in each case, to secure payment and performance of the obligations described therein as being secured thereby; and
 - (c) registration has been made in all public offices provided for under the laws of the Province of Alberta or the federal laws of Canada applicable therein where such

¹ As discussed in the Security Review Opinion, it is not clear whether the EAM Debenture and the EPC Debenture are in fact the same debenture, or two separate \$2 million debentures. The Monitor assumes that value was given by JLL (including by way of loan forgiveness) to acquire the EAM Debenture and the EPC Debenture, however if the EAM Debenture and the EPC Debenture are in fact a single debenture, it does not effect the opinion given in Part 7 of the Security Review Opinion.

registration is necessary or desirable to preserve, protect or perfect the security interests created by the Security Documents in favour of JLL in the Collateral (except for certain limited exceptions described in the Security Review Opinion).

The Credit Bid Consideration

30. As set out below, a material portion of the Stalking Horse Agreement Purchase Price is made up of the Credit Bid Consideration component, being (a) \$14.2 million of pre-filing secured debt under the Senior Debt and Security Agreements, and (b) all amounts advanced under the DIP Facility (which could be as much as \$4.5 million, depending on the Applicant's liquidity needs between the date of this Report and Closing).
31. The Monitor has undertaken a review and analysis of the Applicant's indebtedness to JLL, including by reviewing the Applicant's books and records, consulting with representatives of the Applicant and JLL, and reviewing the Senior Debt and Security Agreements. Based on this exercise, the Monitor has validated at least \$14.2 of JLL debt as being validly outstanding, and subject to the assumptions and qualifications in the Security Review Opinion, secured by JLL's pre-filing security package. While the Monitor has not drawn any final conclusions regarding the priority of the indebtedness under the Senior Debt and Security Agreements at this time, based on the PPSA search results attached to the Security Review Opinion as Schedule "B", it appears that JLL's pre-filing debt is secured in a priority position.
32. The Monitor will provide its views on the relative priority of the amounts being bid as part of the Credit Bid Consideration in a future report, however for the purposes of recommending that the Stalking Horse Agreement be approved for the purposes of the SISF, the Monitor can advise that (a) \$14.2 million of pre-filing JLL debt is validly outstanding and secured, and (b) it is not anticipated that the Priority Payment Amount (which includes any amounts in priority to the JLL debt being credit bid) will be material.
33. A copy of the Security Review Opinion is attached hereto as **Appendix "B"**.

IX. AMENDMENT TO DIP TERM SHEET

34. As noted above, the DIP Term Sheet initially provided the Debtors with up to \$3.0 million in financing pursuant to the DIP Facility. Borrowings under the DIP Facility are secured by a super priority charge (the “**DIP Lender’s Charge**”) on all present and after-acquired personal and real, tangible or intangible property of the Applicant, granted in favour of the DIP Lender.
35. On or about December 11, 2024, the DIP Lender and the Applicant entered into the first amendment to the DIP Term Sheet, which, among other things, (a) increased the maximum availability under the DIP Facility to \$3.9 million; and (b) extended the maturity date to February 28, 2025.
36. Total borrowings under the DIP Facility since the Initial Order Date were \$2.4 million as at February 16, 2025.
37. On February 14, 2025, the DIP Lender and the Applicant entered into the second amendment to the DIP Term Sheet (the “**Second DIP Amendment**”). The Second DIP Amendment amended the following provisions to the DIP Term Sheet:
- (a) Maximum Availability – increased from \$3.9 million to \$4.5 million; and
 - (b) Maturity Date – extended from February 28, 2025 to April 30, 2025.
38. The Applicant is seeking approval of (i) the Second DIP Amendment and (ii) amendments to paragraphs 31, 32, and 37 of the ARIO to authorize borrowings under the DIP Facility and increase the DIP Lender’s Charge to \$4.5 million to account for the projected funding required during the Forecast Period. The DIP Lender’s Charge will continue to secure all obligations outstanding under the DIP Facility.
39. The Monitor is of the view that the Second DIP Amendment and proposed amendments to paragraphs 31, 32, and 37 of the ARIO are reasonable and necessary in the circumstances, as the Applicant requires the liquidity to operate during the Forecast Period.

X. THE STALKING HORSE AGREEMENT

40. The Applicant 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 Vendor has agreed to issue, new shares representing 100% of the issued and outstanding capital of Freedom, through a reverse vesting transaction, pursuant to which all of the existing equity interest of the Vendor will be cancelled without consideration, and the Stalking Horse Bidder will be the sole parent of Freedom. The reason for using the reverse vesting structure is to maintain and preserve the cannabis licenses issued to the Applicant under the *Cannabis Act* and the *Excise Act*, respectively (collectively, the “**Licenses**”).
41. The material terms of the Stalking Horse Agreement², a copy of which is attached hereto as Exhibit “B” of the February 18 Potestio Affidavit, are as follows:
- (a) Purchaser: 2644323 Alberta Ltd., a company related to JLL.
 - (b) Purchased Entity: Freedom Cannabis Inc.
 - (c) Purchased Shares: the Stalking Horse Bidder will subscribe for all of the newly issued shares (the “**Purchased Shares**”) in the share capital of Freedom, such that the Purchased Shares shall represent 100% of the outstanding equity interests in Freedom.
 - (d) Purchase Price: the total purchase price is estimated to be in the range of approximately \$16.5 million to \$20.5 million³ (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 Exhibit “B” to the February 18 Potestio Affidavit.

³ 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 Applicant to JLL (the “**Credit Bid Consideration**”) which consists of the sum of:
 - A. \$14.2 million owing under the Senior Loan and Security Agreements and all related loan and security documentation (the “**Senior Loan Credit Bid Amount**”); 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 the Closing Date, plus all accrued and unpaid interest thereon through and including the Closing Date, plus any fees and expenses associated therewith.
- ii. the amount of the Retained Liabilities (including all amounts owing under the Senior Loan and Security Agreements in excess of the \$14.2 million being credit bid);
- iii. the Contract Cure Costs, if any; and
- iv. 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 \$75,000 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 Applicant; 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 the Directors’ Charge; and
 - B. the Priority Payment Amount, consisting of cash sufficient to pay (i) those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the

CCAA, and (ii) any other Liability of the Applicant determined by the Monitor, or by Order of the Court, to be secured by a contractual pledge or charge, statutory deemed trust or other statutory charge that has priority to the security securing the Credit Bid Consideration.

- (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 Applicant 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) Retained Assets: means all properties, rights, Licenses, assets and undertakings of Freedom that are not Excluded Assets at the Closing Time, including the shares in the capital of 2563138 Alberta Ltd. and 2399751 Alberta Ltd. (collectively, the “**Freedom Subsidiaries**”) owned by Freedom.
- (g) Excluded Assets: includes (i) the Excluded Contracts; (ii) any interest Freedom may have in Viridis Natural Health Products Ltd. and/or 2082312 Alberta Ltd; and (iii) any other asset identified by the Stalking Horse Bidder to Freedom at least three (3) days prior to the hearing before the Court for the ARVO.
- (h) Retained Liabilities: includes: (i) all liabilities of Freedom arising from and after the Closing; (ii) any tax liabilities of Freedom for any tax period, or the portion thereof, beginning on or after the Closing Date and accrued in respect of the period after the Initial Order Date (other than all Taxes accrued or owed or owing by Freedom in respect of the period prior to the Initial Order Date); (iii) the amount owing under the Senior Loan and Security Agreements after release of the Senior Loan Credit Bid Amount (currently estimated to be \$3 million), including any principal owed in connection therewith, interest accrued thereunder and other fees owing in connection therewith; and (iv) specific liabilities set forth in Schedule 2.4 of the Stalking Horse Agreement, including the stub period post-filing Claims contemplated by the cash flow projections attached to any of the Monitor’s reports filed in the CCAA proceedings but not paid before Closing.

- (i) Excluded Liabilities: all claims, debts, obligations and liabilities of Freedom that are not 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 tax liabilities of the Company for any tax period or portion thereof prior to the Initial Order Date, including without limitation any amounts owing in respect of pre-filing excise taxes, GST/ HST and any liabilities to which the Existing RTPs relate; and (iii) all liabilities owing to any Terminated Employees in respect of the termination of employment of such Terminated Employee.
- (j) Employees: the Stalking Horse Bidder shall notify Freedom and the Monitor, at least six (6) days before closing, which employees of Freedom it will not assume and employ after completion of the Transaction (the “**Terminated Employees**”). The Applicant shall terminate the employment of the Terminated Employees on or prior to Closing.
- (k) Transfer to Residual Co.: on the Closing Date, and prior to the acquisition of the Purchased Shares, Freedom shall assign and transfer the Excluded Assets and the Excluded Liabilities to Residual Co.
- (l) Break Fee: \$400,000, fixed fee.
- (m) 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**”).
- (n) Outside Date: June 30, 2025.
- (o) Closing Conditions: material conditions which must be satisfied or waived by Freedom and/or the Stalking Horse Bidder, as applicable, include, among other things:
 - i. 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);

- ii. the Stalking Horse Agreement shall be the Successful Bid (as defined herein);
 - iii. the parties shall have received the required Transaction Regulatory Approvals 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;
 - iv. the Company shall have terminated the employment of the Terminated Employees; and
 - v. the Landlord and the Company shall have entered into a lease amending agreement in a form reasonably satisfactory to the Stalking Horse Bidder that addresses the amounts, if any, that are required to cure any monetary defaults of the Company under the Facility Lease.⁴
- (p) Termination: the Stalking Horse Agreement may be terminated at any time prior to Closing for, among other things:
- i. by mutual consent of Freedom and the Stalking Horse Bidder;
 - ii. automatically if the Stalking Horse Bid is not the Successful Bid; and
 - iii. by Freedom or the Stalking Horse Bidder if Closing has not occurred by the Outside Date, or such later date as agreed by the parties.

The Break Fee

42. As noted above, the Stalking Horse Agreement provides the Break 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 Fee represents approximately 1.9% to 2.4% (with an average of 2.1%) of the Purchase Price.

⁴ The Monitor has been privy to ongoing negotiations between the Applicant and the Landlord and understands that as of the date of this Fifth Report, an agreement in principle has been reached and a corresponding lease amending agreement is well advanced between the parties. While this closing condition is not presently satisfied, the Monitor can advise that significant progress has already been made.

43. 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 Fee is within 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 3.3%. Attached hereto as **Appendix “C”** is a comparison of bid protections approved by the Canadian courts in insolvency proceedings in the Cannabis industry commenced since March 31, 2020. Based on the foregoing, the Monitor is of the view that the proposed Break Fee is fair and reasonable in the circumstances and will not unduly “chill” bidding on the Applicant’s business and assets as part of the proposed SISP (as described in further detail below).

The Stalking Horse Structure

44. The Stalking Horse Agreement sets a “floor price” for the Applicant’s business and assets and should provide comfort to the Applicant’s 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 Applicant to maximize realizations by seeking higher or otherwise better offers.

XI. SALE AND INVESTOR SOLICITATION PROCESS

45. At the commencement of the CCAA Proceedings, the Applicant advised the Court that it intended to seek approval of a sale and investment solicitation process, which contemplated an offer from JLL to act as a “stalking horse” therein.
46. Given the Applicant’s limited liquidity, the Monitor, in consultation with the Applicant, developed the SISP to promote a competitive, fair, and expedient sale process that seeks to maximize the going concern value of the Applicant’s business and assets. Subject to Court approval, the SISP will be conducted by the Monitor with the assistance of the Applicant.
47. The SISP is intended to solicit interest in and opportunities for a sale of, or investment in, all or part of the Applicant’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 the Applicant as a going concern.

48. The following table summarizes the key dates and timelines pursuant to the SISP⁵:

Date	Event
On or before February 28, 2025	Monitor to distribute a Teaser Letter to Known Potential Bidders, and upon execution of the NDA, access to the VDR
April 9, 2025 at 3:00 p.m. (MST)	Binding Offer Deadline
April 14, 2025	Auction (if needed)
April 23, 2025	Hearing of Approval Motion (if no Qualified Bids are received other than the Stalking Horse Agreement)
April 30, 2025	Hearing of Approval Motion (if Qualified Bids other than Stalking Horse Agreement are received)
As soon possible but no later than June 30, 2025	Closing of Successful Bid

49. The key features of the Bidding Procedures, a copy of which is attached as Exhibit “A” to the February 18 Potestio Affidavit, are outlined below:

- (a) Notice: as soon as reasonably practicable, but, in any event, by no later than two (2) business days of an order approving the SISP: (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 Applicant. 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

⁵ Terms used but not otherwise defined in this section have the meaning ascribed to them in the SISP. The following summary of the SISP is provided for illustrative purposes and convenience only – parties should review the SISP attached as Exhibit “A” to the February 18 Potestio Affidavit.

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 Applicant and its operations. The Monitor may establish separate VDRs, if the Monitor, in consultation with the Applicant, reasonably determines that doing so would prevent the distribution of commercially sensitive competitive information.
- (c) Participating 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 Applicant, 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 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 Applicant, 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 Applicant 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 the Applicant;
 - C. a description of all executory contracts of the Applicant 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 Applicant, 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 April 14, 2025;
 - iii. only the Monitor, the Applicant, 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 Freedom 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 Applicant, an amended and executed transaction document by no later than April 21, 2025 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.
50. 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 Applicant will seek, by no later than April 23, 2025, Court approval of the Stalking Horse Bid and the transactions contemplated therein.
51. The Bidding Procedures provide that the Monitor, in consultation with the Applicant, 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.

52. 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 Applicant's Property and Business. Additionally, the Bidding Procedures will allow the Monitor, in consultation with the Applicant, 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.
53. 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.

XII. STAY EXTENSION

54. The current Stay Period expires on February 28, 2025. The Applicant is seeking an extension of the Stay Period to April 30, 2025.
55. The Monitor supports the Applicant's request for an extension of the Stay Period to April 30, 2025 for the following reasons:
 - (a) the Applicant is acting in good faith and with due diligence;
 - (b) additional time will be required to implement the SISP and provide a reasonable opportunity for potential purchasers to submit higher or otherwise better offers to the Stalking Horse Agreement; and
 - (c) granting an extension of the Stay Period should not materially prejudice any creditor of the Applicant as the Updated Cash Flow Forecast reflects that the Applicant is projected to have sufficient funding to continue to operate in the normal course through the proposed stay extension period, provided the increase to the DIP Facility sought by the Applicant is granted.

XIII. CONCLUSIONS AND RECOMMENDATIONS

56. For the reasons set out in the Fifth Report, the Monitor is of the view that the relief requested by the Applicant is both appropriate and reasonable in the circumstances. The Monitor is also of the view that the Applicant is acting in good faith and with due diligence. Granting the relief sought by the Applicant will provide the Applicant 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.
57. Based on the foregoing, the Monitor respectfully recommends that this Court approve the relief sought by the Applicant on the within motion.

All of which is respectfully submitted this 20th day of February, 2025.

KPMG Inc.
In its capacity as Monitor of
Freedom Cannabis Inc.
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 OF KING'S BENCH OF ALBERTA

**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.**

(collectively the "Applicant" or the "Debtor")

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

The management of the Debtor has developed the assumptions and prepared the attached statement of projected cash flow as of the 19th day of February 2025, consisting of the period from February 17, 2025, to May 18, 2025 (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 Debtor 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 Edmonton, in the Province of Alberta, this 19th day of February 2025.

Freedom Cannabis Inc.



John Frank Potestio
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 Freedom Cannabis Inc. (collectively the “Applicant” or the “Debtor”)

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 Fifth Report of the Monitor dated February 20, 2025.

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 Applicant for the period from February 17, 2025 to May 18, 2025 (the “**Forecast Period**”). The Updated Cash Flow Forecast has been prepared by the Applicant, 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.

Note 3 Sales

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

Note 4 COGS

COGS includes, but is not limited to, inventory purchases and production costs. Supplier terms are assumed to be cash on delivery.

Note 5 Salary and Wages

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

Note 6 Professional Fees

Includes professional fees of the Monitor, counsel to the Monitor, and counsel to the Applicant in connection with the CCAA proceedings.

Note 7 Rent

Post filing rent at the Debtors leased facility.

Note 8 Operating expenses

Operating expenses include post-filing amounts owing to Health Canada, consultants, insurance and utilities.

Note 9 Excise Taxes

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

Note 10 Sales taxes

Sales taxes are accrued or collected amounts after the date of the Initial Order, off-set by input tax credits.

Note 11 DIP Financing

The Updated Cash Flow Forecast reflects advances under the DIP Facility in the Forecast period of \$1.75 million. The interest rate on the principal outstanding amount of the DIP advances is 15% and is accrued.

Freedom Cannabis Inc.
13-Week Cash Flow Projections (in \$CAD)

Freedom Cannabis Inc.														
13-Week Cash Flow														
In C\$; unaudited														
Week Ending	Forecast 1	Forecast 2	Forecast 3	Forecast 4	Forecast 5	Forecast 6	Forecast 7	Forecast 8	Forecast 9	Forecast 10	Forecast 11	Forecast 12	Forecast 13	13-Week Total
	23-Feb-25	2-Mar-25	9-Mar-25	16-Mar-25	23-Mar-25	30-Mar-25	6-Apr-25	13-Apr-25	20-Apr-25	27-Apr-25	4-May-25	11-May-25	18-May-25	
Receipts														
Accounts Receivable	105,812	106,210	178,353	34,771	8,767	28,231	45,902	38,707	38,707	-	-	-	-	585,462
Sales Revenue	222,375	222,375	222,375	427,465	427,465	555,260	532,500	608,250	613,250	613,250	616,350	616,350	743,600	6,420,865
Total Receipts	328,187	328,585	400,728	462,236	436,232	583,491	578,402	646,957	651,957	613,250	616,350	616,350	743,600	7,006,327
Disbursements														
COGS	317,945	317,945	343,027	343,027	343,027	343,027	308,474	273,325	273,325	273,325	273,325	368,309	368,309	4,146,391
Salary & Wages	158,265	-	158,265	-	158,265	-	158,265	-	168,888	-	168,888	-	171,202	1,142,039
Professional Fees	85,994	12,135	146,250	52,500	136,500	-	26,250	52,500	47,250	-	44,625	97,125	52,500	753,629
Rent	-	85,000	-	-	-	-	85,000	-	-	-	85,000	-	-	255,000
Operating Expenses	25,553	38,138	85,836	25,553	25,553	33,562	84,077	12,077	12,077	20,086	46,110	41,346	15,096	465,063
Excise Tax	-	478,535	-	-	-	617,243	-	-	-	-	676,058	-	-	1,771,837
Sales Tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Disbursements	587,757	931,753	733,379	421,080	663,345	993,832	662,066	337,902	501,539	293,410	1,294,006	506,781	607,107	8,533,958
Net Operating Cash Flow	(259,570)	(603,168)	(332,651)	41,156	(227,113)	(410,341)	(83,664)	309,056	150,418	319,840	(677,656)	109,569	136,493	(1,527,631)
Opening Cash	360,150	100,580	247,412	114,762	155,918	128,805	118,464	234,800	543,856	694,274	1,014,114	336,457	446,027	360,150
Net Cash Flow	(259,570)	(603,168)	(332,651)	41,156	(227,113)	(410,341)	(83,664)	309,056	150,418	319,840	(677,656)	109,569	136,493	(1,527,631)
DIP funding	-	750,000	200,000	-	200,000	400,000	200,000	-	-	-	-	-	-	1,750,000
Ending Cash	100,580	247,412	114,762	155,918	128,805	118,464	234,800	543,856	694,274	1,014,114	336,457	446,027	582,519	582,519
DIP Facility														
Opening Balance	2,400,000	2,480,192	3,237,115	3,446,202	3,455,865	3,665,529	4,075,769	4,287,163	4,299,135	4,311,106	4,323,077	4,335,048	4,347,019	2,400,000
DIP Funding	-	750,000	200,000	-	200,000	400,000	200,000	-	-	-	-	-	-	1,750,000
Accrued Interest	80,192	6,923	9,087	9,663	9,663	10,240	11,394	11,971	11,971	11,971	11,971	11,971	11,971	208,990
Ending Balance	2,480,192	3,237,115	3,446,202	3,455,865	3,665,529	4,075,769	4,287,163	4,299,135	4,311,106	4,323,077	4,335,048	4,347,019	4,358,990	4,358,990

John Frank Potestio
 Chief Executive Officer

COURT OF KING'S BENCH OF ALBERTA

**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.**

(collectively the "Applicant" or the "Debtor")

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

The attached statement of projected cash flow of the Debtor prepared as of the 19th day of February 2025, consisting of the period from February 17, 2025 to May 18, 2025 (the "**Updated Cash Flow Forecast**"), has been prepared by management of the Debtor, 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 Debtor. 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 Debtor 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 19th day of February 2025.

KPMG Inc.
In its capacity as Monitor of
Freedom Cannabis Inc.
And not in its personal or corporate capacity



Pritesh Patel, CIRP, LIT
Senior Vice President

Appendix “B”



Blake, Cassels & Graydon LLP
Barristers & Solicitors
Patent & Trademark Agents
855 – 2nd Street S.W.
Suite 3500, Bankers Hall East Tower
Calgary AB T2P 4J8 Canada
Tel: 403-260-9600 Fax: 403-260-9700

Reference: 72396/27

February 20, 2025

PRIVILEGED AND CONFIDENTIAL

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

Attention: Pritesh Patel & Tim Montgomery

Re: Freedom Cannabis Inc. – Review of Security of JL Legacy Ltd.

We have been retained to act as independent counsel for KPMG Inc. (the "**Monitor**"), in its capacity as court-appointed Monitor of Freedom Cannabis Inc. (the "**Borrower**") pursuant to an initial order under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended ("**CCAA**") (the "**CCAA Initial Order**") of the Court of King's Bench of Alberta (the "**Court**") granted on August 8, 2024.

You have asked for our opinion regarding the validity and enforceability of the Security Documents (defined below) granted by the Borrower to JL Legacy Ltd. ("**JLL**") pursuant to loan arrangements commencing in or about 2019.

Documents Reviewed:

In connection with this opinion, we have reviewed photocopies of executed copies (except where any issues with signatures has been noted herein) of each of the documents set out in **Schedule "A"** hereof (collectively, the "**Documents**"). We have not reviewed any documents other than those listed in Schedule "A" hereof, and cannot independently confirm that the list of documents in Schedule "A" is a complete list of the documents related to the Borrower's debt and security with JLL.

1. Background

Electronic copies of executed copies of the Documents were provided by counsel to JLL or were otherwise included in the affidavit of JohnFrank Potestio, Chief Executive Officer and Director of the Borrower, affirmed on August 6, 2024 (the "**Affidavit**"). We did not participate in: (a) the preparation of the Documents, or (b) the registrations and filings made in respect of any such agreements. Our involvement with these agreements arises solely in our capacity as independent counsel to the Monitor.

We have considered such questions of law as we have deemed relevant and necessary as the basis for the opinions expressed herein.



2. Law

The opinions expressed herein relate only to the laws of the Province of Alberta and the federal laws of Canada applicable therein in effect on the date hereof and no opinions are expressed herein with respect to the laws of any other jurisdiction. Without limiting the generality of the immediately preceding sentence, we express no opinion with respect to the laws of any other jurisdiction to the extent that those laws may govern the validity, perfection, effect of perfection or non-perfection or enforcement of the security interests created by the Security Documents (defined below) as a result of the application of the conflict of laws rules including, without limitation, the provisions of the Personal Property Security Act (Alberta) and the regulations thereto (collectively, the "**PPSA**").

Should you require a legal analysis on the validity, perfection, effect of perfection or non-perfection or enforcement of the security interests created by the Security Documents in a jurisdiction outside of Alberta, we would be happy to assist in the retention of legal counsel in those jurisdictions to provide this information.

3. Review of Security

We have conducted a review of the security granted by the Borrower to JLL under the Security Documents (defined below) with a view to commenting on the validity and enforceability of the JLL's security.

In connection with this review, we have undertaken and relied upon searches of the public offices maintained by the federal government and other governmental agencies in the Province of Alberta for filings, registrations or recordings made against the Borrower. Attached hereto as **Schedule "B"** is a summary of the results of those searches.

We have assumed the accuracy and completeness of such searches for all purposes and have assumed that the information contained in such searches has not changed between the effective date of those searches and the date of this opinion.

4. Debt and Security Documents

A. Direct Debt and Security

We understand based on our review of the Documents that the Borrower and JLL are party to three agreements that document indebtedness owing by the Borrower to JLL:

1. Term sheet, dated March 6, 2019, between JLL and the Borrower (the "**Term Sheet**").

The Term Sheet provides for a loan in the principal total amount of \$1,500,000, maturing on or about September 6, 2019, with the funds stated to be loaned for "the Company's Phase 1 Construction payables". We have not reviewed, and make no comment on, the scope, nature or quantum of the indebtedness outstanding under the Term Sheet as of the date of this opinion letter.

The indebtedness owing under the Term Sheet is secured by a general security agreement granted by the Borrower in favour of JLL, dated March 6, 2019 (the "**JLL GSA**").



The JLL GSA is provided as “continuing security for the payment and performance of all debts, liabilities and obligations of [the Borrower] to [JLL] howsoever arising (past, present and future, absolute and contingent)”, and is a pledge of all of the Borrower’s present and after acquired real and personal property, “and in all personal property referred to in Schedule “A”, and in all proceeds and renewals thereof. Schedule “A” of the JLL GSA states: “all present and after acquired personal property”.

JLL appears to have perfected its security interest granted by the JLL GSA by filing a financing statement in the Alberta *Personal Property Security Registry* on or about January 30, 2020, including “all of the debtor’s present and after acquired personal property” (the “**JLL Registration**”). The JLL Registration expired on January 30, 2025 and was not renewed. We are advised by the JLL’s counsel that it is relying on the Chandos Registration (defined and discussed below) to perfect JLL’s security interest granted by the JLL GSA, from and after the expiry of the JLL Registration.

2. Loan Agreement, dated January 27, 2020, among JLL, Everyday People Cannabis Inc. (“**EPC**”), EAM Enterprises Inc. (“**EAM**”), Freedom, 639478 Alberta Ltd. (“**639**”), 1079352 Alberta Ltd., Gianfranco Potestio, John Frank Potestio and Julie Potestio (the “**Loan Agreement**”).

The Loan Agreement refers to a loan made by JLL to the Borrower on or about March 2019 in the amount of \$1,800,000, defined as the “**Freedom Loan**” which we understand to be a reference to the indebtedness owing under the Term Sheet. The Loan Agreement extends the maturity date of the “Freedom Loan” to March 6, 2021, and provides that the interest and fees due under the Freedom Loan shall be paid by the issuance by the Borrower of 12 units of convertible debentures in the amount of \$50,000 each. The issuance of these debentures is stated to reflect an overpayment of interest and fees due on February 1, 2020 in the amount of \$37,299, which amount is stated to be applied against the next payment of interest and fees due under the Freedom Loan.

The Loan Agreement was amended by a loan amending agreement dated March 22, 2024 (the “**Loan Agreement Amendment**”), which forgives \$100,000 of the indebtedness owing under the Loan Agreement (which we understand to be the indebtedness owing under the Term Sheet) in exchange for the Borrower transferring to JLL all of the shares owned by the Borrower in Viridis Natural Health Products Ltd. and 2082312 Alberta Ltd.. We have not independently confirmed whether this share sale occurred, or whether the \$100,000 reduction of the Loan Agreement indebtedness was applied.

We have not reviewed, and make no comment on, the scope, nature or quantum of the indebtedness outstanding under the Loan Agreement (to the extent it creates any new indebtedness in addition to the Term Sheet) as of the date of this opinion letter.

3. Inventory Purchase Agreement, dated April 29, 2024, among JLL and Freedom (the “**April IPA**”)

The April IPA provides for JLL to loan up to \$1,000,000 to the Borrower “to enable [the Borrower] to purchase the Inventory”, pursuant to a series of loans in the amount of the purchase price of applicable inventory, each of which advances are intended to be evidenced by a promissory note. “Inventory” is defined as “inventory needed in [the Borrower’s] business”.

The April IPA further provides that the Borrower “grants to [JLL] a Purchase Money Security Interest (“PMSI”) over the inventory acquired, and the parties agree that the terms of the General Security Agreement made between [JLL] and [the Borrower] dated March 6, 2019 shall govern each PMSI”.



Section 34(3) of the PPSA requires that in order for a purchase-money security interest (a “**PMSI**”) in inventory to have priority over other security interests, the secured creditor must give notice to any other secured party who has, before the registration of the purchase-money security interest, registered a financing statement containing a description that includes the same item or kind of collateral. We have not been provided with, and make no comment on, whether such notices were delivered by JLL in respect of the April IPA PMSIs, and make no comment on the relative priority of the April IPA PMSIs and any other security interest in the Borrower’s property.

While the April IPA only grants the above-mentioned PMSI, we note that the scope of the obligations secured by the JLL GSA would secure any indebtedness under the April IPA, and such security would attach to all of the Borrower’s present and after acquired property.

We are advised by the JLL’s counsel that it is relying on the Chandos Registration (defined and discussed below) to perfect JLL’s security interest granted by the April IPA.

We have not reviewed, and make no comment on, the scope, nature or quantum of the indebtedness outstanding under the April IPA as of the date of this opinion letter.

4. Inventory Purchase Agreement, dated May 30, 2024, among JLL and Freedom (the “**May IPA**”)

The May IPA provides for JLL to loan up to \$1,000,000 to the Borrower “to enable [the Borrower] to purchase the Inventory”, pursuant to a series of loans in the amount of the purchase price of applicable inventory, each of which advances are intended to be evidenced by a promissory note. “Inventory” is defined as “inventory needed in [the Borrower’s] business”.

The May IPA further provides that the Borrower “grants to [JLL] a Purchase Money Security Interest (“PMSI”) over the inventory acquired, and the parties agree that the terms of the General Security Agreement made between [JLL] and [the Borrower] dated March 6, 2019 shall govern each PMSI”.

As discussed above, section 34(3) of the PPSA requires that in order for a PMSI in inventory to have priority over other security interests, the secured creditor must give notice to any other secured party who has, before the registration of the purchase-money security interest, registered a financing statement containing a description that includes the same item or kind of collateral. We have not been provided with, and make no comment on, whether such notices were delivered by JLL in respect of the May IPA PMSIs, and make no comment on the relative priority of the May IPA PMSIs and any other security interest in the Borrower’s property.

While the May IPA only grants the above-mentioned PMSI, we note that the scope of the obligations secured by the JLL GSA would secure any indebtedness under the May IPA, and such security would attach to all of the Borrower’s present and after acquired property.

We are advised by the JLL’s counsel that it is relying on the Chandos Registration (defined and discussed below) to perfect JLL’s security interest granted by the May IPA.

We have not reviewed, and make no comment on, the scope, nature or quantum of the indebtedness outstanding under the May IPA as of the date of this opinion letter.



B. Chandos Debt and Security

Chandos Debt and Security

We understand based on our review of the Documents that the Borrower and Chandos Construction Ltd. (“**Chandos**”) entered into a general security agreement, dated July 4, 2019 (as amended by the GSA Amending Agreement, dated September __, 2019, among Chandos and Freedom, the “**Chandos GSA**”).

As continuing security for the payment of the “Indebtedness” (discussed below), the Chandos GSA grants to Chandos “(a) as and by way of a specific mortgage, pledge and charge a Security Interest in all PERSONAL PROPERTY COLLATERAL and Proceeds thereof; and to the extent that [Chandos] gives Value for the purpose of enabling [the Borrower] to acquire rights in or to any PERSONAL PROPERTY COLLATERAL, [the Borrower] grants to [Chandos] a Purchase Money Security Interest in such COLLATERAL and the Proceeds thereof; and (b) as and by way of a mortgage and floating charge, all REAL PROPERTY.”

“Personal Property Collateral” is defined in the Chandos GSA as “all present and after-acquired property of [the Borrower], and all parts, accessories, attachments, additions, accretions thereto together with any replacements thereof or substitutions therefor, and any Accessions or repairs made to the foregoing during the continuance of [the Chandos GSA], excepting only those assets noted in Schedule “A” attached”. Schedule “A” of the Chandos GSA is “nil”.

The Chandos GSA accordingly provides that Chandos (a) has a security interest in all present and after-acquired property of the Borrower, and (b) has a *purchase money* security interest in all after-acquired property that Chandos gives value for the acquisition of. We have not reviewed or been provided with an analysis of any property that Chandos may have given value to acquire, and make no conclusions about the scope or priority of any possible purchase money security interest under the Chandos GSA

The “Indebtedness” secured by the Chandos GSA constitutes (a) all indebtedness of the Borrower to Chandos under certain construction contracts, (b) “the principal sum or aggregate outstanding at any given time of all loans and advances made, by [Chandos] to [the Borrower], including all future advances and re-advances and interest on such loans and advances, and (c) all costs, charges and expenses of Chandos.

The security granted under the Chandos GSA was perfected by Chandos, by filing a financing statement in the PPSA on or about June 21, 2019, including “all of the debtor’s present and after acquired personal property”, and the proceeds thereof (the “**Chandos Registration**”). The Chandos Registration expires on June 21, 2029.

We have not reviewed, and make no comment on, the scope, nature or quantum of the “Indebtedness” secured by the Chandos GSA.

Assignment of Chandos Debt and Security,

The Chandos GSA, corresponding indebtedness and the Chandos Registration was assigned to JLL on or about August 31, 2020, pursuant to an assignment of debt and security agreement, dated August 31, 2020, among Chandos, JLL and the Borrower (the “**Chandos Assignment of Debt and Security**”). The Chandos Registration was amended on September 3, 2020 to change the secured party from Chandos to JLL, and then renewed on June 10, 2024.



C. Debenture Debt and Security

We are advised by the Borrower that JLL holds three¹ convertible debentures issued by the Borrower:

1. Series 1 Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000 issued by the Borrower to EAM Enterprises Inc. ("**EAM**"), issued January 27, 2019² (the "**EAM Debenture**"), which was assigned to JLL by EAM pursuant to an assignment of debenture agreement dated January 27, 2020 among EAM and JLL (the "**EAM Assignment of Debenture**")

The EAM Debenture provides that the Borrower shall pay to EAM (JLL, by assignment) the amount of \$2,000,000 on January 31, 2022, plus accrued interest, subject to an earlier conversion of the EAM Debenture into equity and/or a default.

Part V of the EAM Debenture provides that "as general and continuing collateral security for the due payment of the outstanding Principal Amount, interest and other monies payable hereunder or from time to time secured hereby and as security for the performance and observance of the covenants and agreements on the part of the Holders", the Borrower "grants, assigns, transfers, mortgages, pledges and charges as and by way of a floating charge to and in favour of the Holders, all of [the Borrower's] present and after-acquired real property and personal property. The security interest "shall take effect forthwith upon the execution of this Convertible Debenture and shall secure any and all indebtedness or obligations now or hereafter owing by the Company to the Holder"... including "(a) any sums advanced by the Holder to [the Borrower] which are made or incurred pursuant to, or permitted by, the terms of this Convertible Debenture, from the date of the advances or the incurring of such expenses or costs until reimbursed; and (b) any extensions or renewals of all such indebtedness or obligations described herein."

Article VI of the EAM Debenture provides that the security granted to secure the EAM Debenture ranks (a) *pari passu* with the Borrower's obligations under other convertible debentures issues in the same series (in the aggregate amount of \$10,500,000), and (b) subordinate to the interests of Chandos (up to \$3mm) and JLL (up to \$1.5mm).

EAM does not appear to have perfected its security interest granted in the EAM Debenture (or if it did, the corresponding PPSA registration has expired and is no longer listed on the Borrower's search results). We are advised by the JLL's counsel that it is relying on the Chandos Registration to perfect JLL's security interest granted by the EAM Debenture.

The EAM Assignment of Debenture provides at paragraph 1: "[EAM] does hereby transfer, assign, grant and convey to [JLL], its successors and assigns, all of the right, title and interest of [EAM] in and to the following described instruments, and does hereby grant and delegate to [JLL], its successors and assigns, any and all of the duties and obligations of [EAM] thereunder from and after the date hereof:"

The EAM Assignment of Debenture does not specifically list the EAM Debenture in paragraph 1, after the colon. However, the preamble to the EAM Assignment of Debenture is clear that the document is intended

¹ Reference is made to three debentures, however the number may be 14: the EAM Debenture, the EPC Debenture and the 12 \$50,000 Debentures. As discussed below, we have not been provided with copies of the \$50,000 Debentures, and so cannot comment on whether there are 12 individual \$50,000 debentures, or one \$600,000 debenture.

² The EAM Debenture defines "Issue Date" as "January 27, 2020, 2019", however we are advised that it was issued on January 27, 2019, at the same time as the EPC Debenture (defined below), in the same series.



to accomplish the following: “[EAM], as general and continuing collateral security for the due performance and observance of the covenants and obligations of 639478 Alberta Ltd. and Everyday People Cannabis Inc. under the Loan Agreement [defined above], agreed to assign to [JLL], its successors and assigns, all of [EAM’s] right, title and interest in and to the [EAM Debenture]”.

It is accordingly not clear from the terms of the EAM Assignment of Debenture whether the assignment is intended to be by way of a security interest, or an absolute transfer of the EAM Debenture. We note that:

- (a) Section 4 of the EAM Debenture states: “This Assignment is an absolute assignment”.
- (b) Section 2 of the Settlement Agreement (as defined in Schedule “A” hereof) states: “the \$2 Million Loan, together with all interest and costs recoverable thereunder, shall be satisfied in full, by [EPC] and EAM assigning to [JLL] absolutely, and not by way of security, the Freedom Debenture”; and
- (c) The “**Forbearance Agreement**” (as defined in Schedule “A” hereof), includes a confirmation from the Borrower that the Borrower’s indebtedness to JLL includes “the sum of \$2,000,000 owed under the Convertible Secured Debenture originally issued by [the Borrower] to [EAM] and subsequently assigned to JLL”.

Based on the foregoing, we have concluded that the EAM Assignment of Debenture is intended to be an absolute assignment, and not merely an assignment by way of security.

We have not reviewed, and make no comment on, the scope, nature or quantum of the “Principal Amount” secured by the EAM Debenture.

- 2. Series 1 Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000 issued by the Borrower to Everyday People Cannabis Inc. (“**EPC**”), issued January 27, 2019³ (the “**EPC Debenture**”), which was assigned to JLL by EAM pursuant to an assignment of debenture agreement dated February 10, 2021 among EPC and JLL (the “**EPC Assignment of Debenture**”)

The EPC Debenture provides that the Borrower shall pay to EPC (JLL, by assignment) the amount of \$2,000,000 on January 31, 2022, plus accrued interest, subject to an earlier conversion of the EAM Debenture into equity and/or a default.

The EPC Debenture appears to be on the same terms as the EAM Debenture. The following commentary is repeated from the commentary on the EAM Debenture.

Part V of the EPC Debenture provides that “as general and continuing collateral security for the due payment of the outstanding Principal Amount, interest and other monies payable hereunder or from time to time secured hereby and as security for the performance and observance of the covenants and agreements on the part of the Holders”, the Borrower “grants, assigns, transfers, mortgages, pledges and charges as and by way of a floating charge to and in favour of the Holders, all of [the Borrower’s] present and after-acquired real property and personal property. The security interest “shall take effect forthwith upon the execution of this Convertible Debenture and shall secure any and all indebtedness or obligations now or

³ The EPC Debenture defines “Issue Date” as “January 27, 2020, 2019”, however we are advised that it was issued on January 27, 2019, at the same time as the EAM Debenture, in the same series.



hereafter owing by the Company to the Holder”... including “(a) any sums advanced by the Holder to [the Borrower] which are made or incurred pursuant to, or permitted by, the terms of this Convertible Debenture, from the date of the advances or the incurring of such expenses or costs until reimbursed; and (b) any extensions or renewals of all such indebtedness or obligations described herein.”

Article VI of the EPC Debenture provides that the security granted to secure the EPC Debenture ranks (a) *pari passu* with the Borrower’s obligations under other convertible debentures issues in the same series (in the aggregate amount of \$10,500,000), and (b) subordinate to the interests of Chandos (up to \$3mm) and JLL (up to \$1.5mm).

EPC does not appear to have perfected its security interest granted in the EPC Debenture (or if it did, the corresponding PPSA registration has expired and is no longer listed on the Borrower’s search results). We are advised by the JLL’s counsel that it is relying on the Chandos Registration to perfect JLL’s security interest granted by the EPC Debenture.

The EAM Assignment of Debenture provides at paragraph 1: “[EPC] does hereby transfer, assign, grant and convey to [JLL], its successors and assigns, all of the right, title and interest of [EPC] in and to the [EPC Debenture] and all rights of [EPC] thereunder”. The Forbearance Agreement does not explicitly list the EPC Debenture as part of the Borrower’s indebtedness to JLL, but it does include “all debentures held by [JLL]”, which we are satisfied describes the EPC Debenture.

We have not reviewed, and make no comment on, the scope, nature or quantum of the “Principal Amount” secured by the EPC Debenture.

3. 12, \$50,000 debentures that were issued to JL Legacy by Freedom on Feb 1, 2020 (the “**\$50,000 Debentures**”).

The Loan Agreement provides that the interest and fees due under the Freedom Loan shall be paid by the issuance by the Borrower of 12 units of convertible debentures in the amount of \$50,000 each.

We have not been provided with copies of the \$50,000 Debentures, and make no comment on them.

5. Security Perfection Analysis

Subject to the foregoing commentary and the assumptions and qualifications in Schedule “C” hereof, we have concluded that the security granted in the (a) JLL GSA, (b) Chandos GSA, (c) April IPA, (d) May IPA, (e) EAM Debenture and (f) EPC Debenture (collectively, the “**Security Documents**”) is validly and effectively granted over the collateral described therein that is personal property to which the PPSA applies.

As discussed above, the *perfection* of the security interests granted by the Security Documents is all based on the Chandos Registration (the JLL Registration having expired on January 30, 2025). The Chandos Registration was assigned to JLL on August 31, 2020 pursuant to the Chandos Assignment of Debt and Security, and amended on September 3, 2020 to change the secured party from Chandos to JLL.

The August 31, 2020 assignment of the Chandos Registration occurred after the execution of the Term Sheet, the Loan Agreement and the EAM Assignment of Debenture, and before the execution of the April IPA, May IPA, all of the Promissory Notes, and the EPC Assignment of Debenture.



The PPSA provides at Section 35 that the priority between conflicting perfected security interests in the same collateral is determined by the order of occurrence of the registration of a financing statement without regard to the date of attachment of the security interest. PPSA Section 12 provides that a security interest attaches when (a) value is given, (b) the debtor has rights in the collateral or power to transfer rights in the collateral to a secured party, and (c) the security interest becomes enforceable (which, for the purposes of the Security Documents, occurred pursuant to PPSA s. 10(1)(d) – when the Borrower signed the applicable Security Document). Finally, PPSA s. 19 provides that a security interest is *perfected* when (a) it has attached, and (b) all steps required for perfection under the PPSA have been completed (which, for the purposes of the Security Documents, is the registration of a financing statement under the PPSA).

Accordingly, in our view, pursuant to the PPSA, the JLL's security interests granted by the Security Documents (a) *attached* on the date that the applicable Security Documents were executed, (b) were *perfected* on the date that each Security Document was signed, relying on the pre-existing JLL Registration and Chandos Registration, as applicable, and (c) JLL's *priority* is based on the date of the Chandos Registration, even in respect of security interests that attached after the date of the Chandos Registration.

In reaching the foregoing conclusion, we have considered the jurisprudence regarding “all obligations clauses”. “All obligations clauses” provide that security granted by a borrower secures all future obligations of the borrower to the secured party, regardless of how the obligations were incurred. Professor Roderick Wood has opined on this subject:⁴

Although the courts have regarded future advances clauses as a legitimate and necessary aspect of modern financing practice, judicial tolerance is pressed to the limit when a secured party attempts to secure more distant claims. In particular, judges have cast a jaundiced eye upon the secured party who buys up the claims of other unsecured claimants and then argues that the assigned claims have thereby been converted into secured claims by virtue of the wide language contained in an all obligations clause. [Emphasis added]

The leading Canadian case on “all obligations clauses” is the Saskatchewan Court of Appeal decision in *CPC Networks Corp. v. Eagle Eye Investments Inc.*,⁵ in which CPC granted a general security interest to a bank to secure the bank's interest, which included an “all obligations clause”. The bank then assigned the general security interest to Eagle Eye, a company that had a separate unsecured claim against CPC. Eagle Eye proceeded to claim that the assigned general security interest made its unsecured claim a secured claim. The Saskatchewan Court of Appeal ruled that it could not have been the intention of the parties to allow the GSA to turn an unsecured claim into a secured one through assignment of the general security interest, concluding “it is a stretch to assume, without clear words that a financial institution and the debtor intend that an “all obligations” clause secures, upon assignment, the debtor's unsecured debts to the assignee”.⁶

In the present case, JLL's obligations are secured by the JLL GSA and the pledges in the April IPA, May IPA, EAM Debenture and EPC Debenture, and these security interests were independently perfected by the JLL Registration until January 30, 2025 when that JLL Registration expired. Accordingly, the assignment of

⁴ Turning Lead into Gold: The Uncertain Alchemy of “All Obligations” Clauses (2004) 41 Alta L Rev 801-823, [2004 CanLIIDocs 165](#)

⁵ *CPC Networks v Eagle Eye Investments Inc.*, [2012 SKCA 118](#) [CPC]

⁶ *CPC*, *supra* at para 38.

the Chandos Registration did not elevate unsecured claims into secured claims (as was the argument in the “all obligations clauses” cases), but rather provided JLL with a *second* registration to perfect its security interest, in addition to the JLL Registration.

Moreover, s. 23(1) of the PPSA provides that “if a security interest is perfected under this Act and is again perfected in some other way without an intermediate period during which it is unperfected, the security interest is continuously perfected for the purposes of this Act”. This describes the facts in the present case: JLL’s security interests were perfected by the JLL Registration on January 30, 2020, when the JLL Registration was made. JLL then took the assignment of the Chandos Registration on August 31, 2020, when the JLL Registration was still registered, and then the JLL Registration expired on January 20, 2025 – JLL was never unperfected, and by operation of s. 23(1), was therefore continuously perfected.

6. Potential Deficiencies

We have identified the following potential deficiencies with the Documents, however do not consider any of them to be sufficiently material as to undermine the opinion given in Part 7 hereof:

1. The Term Sheet, Loan Agreement, April IPA, May IPA, EAM Assignment of Debenture, EPC Assignment of Debenture, Forbearance Agreement, JLL GSA, and Chandos GSA have been signed on behalf of the Borrower, but do not list the name or title of the signatory to the document. We assume that these Documents were duly signed on behalf of the Borrower (and note that in respect of the April IPA and May IPA, we have been provided with resolutions of the Borrower’s board authorizing their execution).
2. The Settlement Agreement (as defined in Schedule “A”) provides [emphasis added]:
 - a. in the preamble, that “[JLL] agreed to provide a loan of \$2 million (the “\$2 Million Loan”) to enable [EPC] **and** EAM to acquire a \$2 million convertible secured debenture issued by [the Borrower] (the “Freedom Debenture)”
 - b. in section 2 that “the \$2 Million Loan, together with all interest and costs recoverable thereunder, shall be satisfied in full, by [EPC] **and** EAM assigning to [JLL] absolutely, and not by way of security, the Freedom Debenture...”; and
 - c. in section 6 that “EAM **and** [EPC] represent and warrant to [JLL] that **they** are absolutely entitled to the Freedom Debenture... and that no part thereof has been transferred or assigned to any other person...”

It is accordingly not clear whether the EAM Debenture and the EPC Debenture are in fact the same debenture, or two separate \$2 million debentures. We assume that value was given by JLL (including by way of loan forgiveness) to acquire the EAM Debenture and the EPC Debenture, and that if the EAM Debenture and EPC Debenture are separate documents, value was given by EAM and EPC to acquire the debentures from the Borrower. However, if the EAM Debenture and the EPC Debenture are in fact a single debenture, it does not effect the opinion given in Part 7 hereof, and we make no comment on the indebtedness or “Principal Amount” outstanding under the EAM Debenture and/or the EPC Debenture.

3. The Loan Agreement Amendment is unsigned, however our opinion in Part 7 hereof does not rely on this Document.
4. The form of consent to the EPC Assignment of Debenture is not signed. Section 10.10 of the EPC Debenture provides that it cannot be transferred without the consent of the Borrower. However, we have been advised by the Borrower that it has, in fact, consented to the assignment of the EPC Debenture, and we note that there is no requirement in the EPC Debenture that such consent be signed or in writing.
5. Some of the Promissory Notes include other related entities other than the Borrower, including Gianfrank Potestio, Julie Potestio and 639478 Alberta Ltd. We note that each of these Promissory Notes provide that the obligors are jointly and severally liable. However, we have not reviewed and make no comment on the nature, scope or quantum of the indebtedness outstanding under the Promissory Notes.

7. Opinion

Based on and subject to the discussion above and the assumptions and qualifications included in **Schedule "C"**, we advise as follows:

1. Each Security Document constitutes legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with the respective terms thereof.
2. The Security Documents create valid security interests in favour of JLL in the collateral described therein that is personal property to which the PPSA applies (collectively, the "**Collateral**") and in which the Borrower has rights, and are sufficient to create a valid security interest in any Collateral in which the Borrower hereafter acquires rights when those rights are acquired by the Borrower, in each case, to secure payment and performance of the obligations described therein as being secured thereby.
3. Registration has been made in all public offices provided for under the laws of the Province of Alberta or the federal laws of Canada applicable therein where such registration is necessary or desirable to preserve, protect or perfect the security interests created by the Security Documents in favour of JLL in the Collateral, except that no registrations have been identified:
 - (i) under the Railways Act (Ontario); or
 - (ii) under any federal statute of Canada for security or other interests affecting intellectual property, any vessel which is registered or recorded under the *Canada Shipping Act* or rolling stock.

The opinions and views expressed herein are provided solely for the benefit of the addressee. This opinion letter may not be relied upon by or disclosed to anyone else or used for any purpose, other than in connection with the addressee's reporting obligations to the Court, without our prior written consent. This opinion letter is given as of the date hereof and we disclaim any obligation or undertaking to advise the addressee or any other person of any change in fact or law which may come to our attention after the date hereof.



Yours truly,

Blake, Cassels & Graydon LLP

BLAKE, CASSELS & GRAYDON LLP

Schedules

- "A" Documents
- "B" Due Diligence Search Reports
- "C" Assumptions and Qualifications

SCHEDULE "A"

Documents Reviewed

1. Term Sheet, dated March 6, 2019, between JL Legacy Ltd. (“**JLL**”) and Freedom Cannabis Inc. (“**Freedom**”);
2. Loan Agreement, dated January 27, 2020, among JLL, Everyday People Cannabis Inc. (“**EPC**”), EAM Enterprises Inc. (“**EAM**”), Freedom, 639478 Alberta Ltd. (“**639**”), 1079352 Alberta Ltd., Gianfranco Potestio, John Frank Potestio and Julie Potestio (the “**Loan Agreement**”);
3. Settlement Agreement, dated February 10, 2021, among JLL, EPC, EAM and Gordon Reykdal;
4. Inventory Purchase Agreement, dated April 29, 2024, among JLL and Freedom;
5. Inventory Purchase Agreement, dated May 30, 2024, among JLL and Freedom;
6. Forbearance Agreement, dated December 31, 2023, among JLL and Freedom;
7. The following promissory notes (collectively, the “**Promissory Notes**”):

Date of Note	Date of Advance	Face Amount of Note	Borrower	Lender	Notes
Jan. 7, 2021	Not specified	\$330,000	Freedom, 639	JLL	
Jan. 7, 2021	Not specified	\$330,000	Freedom, 639, John Frank Potestio, Julie Potestio	JLL	
Jan. 7, 2021	Not specified	\$300,000	Freedom	JLL	
Jan. 7, 2021	Not specified	\$300,000	Freedom, 639 Gianfranco Potestio, Julie Potestio	JLL	
Oct. 6, 2021	Oct. 28, 2020	\$150,000	Freedom	JLL	Replaces Oct. 28, 2020 note in amount of \$150,000
Oct. 6, 2021	Feb. 26, 2021	\$50,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$50,000 and Feb. 26, 2021 note in amount of \$50,000
Oct. 6, 2021	Mar. 10, 2021	\$150,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$150,000 and Mar. 10, 2021 note in amount of \$155,000

Date of Note	Date of Advance	Face Amount of Note	Borrower	Lender	Notes
Oct. 6, 2021	April 13, 2021	\$50,000	Freedom	JLL	Replaces April 13, 2021 note in amount of \$55,000 and April 13, 2021 note in amount of \$50,000
Oct. 6, 2021	May 3, 2021	\$125,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$150,000 and May 3, 2021 note in amount of \$137,500
Oct. 6, 20__	May 27, 2021	\$124,807.20	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$124,807.20
Oct. 6, 2021	June 1, 2021	\$105,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$105,000
Oct. 6, 2021	June 3, 2021	\$54,763.67	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$54,763.67
Oct. 6, 2021	June 10, 2021	\$15,000	Freedom	JLL	Replaces June 10, 2021 note in amount of \$15,000
Oct. 6, 2021	June 16, 2021	\$110,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$110,000
Oct. 6, 2021	June 24, 2021	\$141,053.90	Freedom	JLL	Replaces Aug. 21, 2021 note in amount of \$141,053.90
Oct. 6, 2021	July 27, 2021	\$8,656.29	Freedom	JLL	Replaces Aug. 21, 2021 note in amount of \$8,656.29
Oct. 6, 2021	Aug. 3, 2021	\$25,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$25,000
Oct. 6, 2021	Aug. 26, 2021	\$50,000	Freedom	JLL	Replaces Aug. 27, 2021 note in amount of \$50,000
Oct. 6, 2021	Sept. 1, 2021	\$7,486.34	Freedom	JLL	
Oct. 6, 2021	Oct. 1, 2021	\$60,000	Freedom	JLL	
Oct. 6, 2021	Oct. 1, 2021	\$3,454.45	Freedom	JLL	
Oct. 6, 2021	Oct. 1, 2021	\$151,848	Freedom	JLL	
Oct. 6, 2021	Oct. 5, 2021	\$80,000	Freedom	JLL	
Oct. 7, 2021	Jan. 7, 2021	\$300,000	Freedom, 639	JLL	Replaces Jan. 7, 2021 note in amount of \$330,000 and Aug. 27, 2021 note in amount of \$300,000

Date of Note	Date of Advance	Face Amount of Note	Borrower	Lender	Notes
April 2, 2024	April 2, 2024	\$50,000	Freedom	JLL	Issued under April IPA
April 3, 2024	April 3, 2024	\$40,000	Freedom	JLL	Issued under April IPA
May 2, 2024	May 2, 2024	\$610,000	Freedom	JLL	Issued under April IPA
June 5, 2024	June 5, 2024	\$500,000	Freedom	JLL	Issued under May IPA

8. General Security Agreement, dated March 6, 2019 granted by Freedom in favour of JLL (the "**JLL GSA**");

Chandos Security

9. General Security Agreement, dated July 4, 2019, granted by Freedom in favour of Chandos (as amended by the GSA Amending Agreement, dated September __, 2029, among Chandos and Freedom, the "**Chandos GSA**");

10. Assignment of Debt and Security, dated August 31, 2020, among Chandos Construction Ltd. ("**Chandos**"), JLL and Freedom (the "**Chandos Assignment of Debt and Security**");

EPC Debt and Security

11. Series 1 Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000 issued by the Borrower to EPC, issued January 27, 2019⁷ (the "**EPC Debenture**");

12. Assignment of Debenture, dated February 10, 2021, between EPC and JLL (the "**EPC Assignment of Debenture**");

*EAM Debt and Security*⁸

13. Series 1 Convertible Secured Debenture No. 2 in the principal amount of \$2,000,000 issued by the Borrower to EAM, issued January 27, 2019⁹ (the "**EAM Debenture**"); and

14. Assignment of debenture agreement dated January 27, 2020 among EAM and JLL (the "**EAM Assignment of Debenture**").

* * *

⁷ The EPC Debenture defines "Issue Date" as "January 27, 2020, 2019", however we are advised that it was issued on January 27, 2019, at the same time as the EAM Debenture, in the same series.

⁸ It is not clear to us that the EPC Debenture and the EAM Debenture are in fact different debentures. We have been provided with separate documents, each appearing to be identical other than the name of the holder, but as discussed in the body of this Opinion Letter, they may be a single \$2 million debenture.

⁹ The EAM Debenture defines "Issue Date" as "January 27, 2020, 2019", however we are advised that it was issued on January 27, 2019, at the same time as the EPC Debenture, in the same series.

Schedule "B" – *Due Diligence Search Reports*

SCHEDULE "B"

DUE DILIGENCE SEARCH REPORTS

FREEDOM CANNABIS INC.

SEARCH OVERVIEW

CORPORATE SEARCHES (as of August 15, 2024)

Current Name	Incorporating Jurisdiction	Registered Office Address	Extra-Provincial Jurisdictions <i>[based on NUANS database search; confirm with target(s) as inaccuracies have been discovered]</i>	Former Names/Predecessors (corporate and security limited to last 10 years)	Status*
1. FREEDOM CANNABIS INC.	FED	9827 – 279 ST ACHESON, AB T7X 6J4 10175 – 101 Street NW Suite 1700 EDMONTON, AB T5J 0H3	SK, AB	N/A	A

***Status Legend:**

A Active
A/LT Active - Limited Time - Court Order
AMLG Amalgamated
ARO Annual Return Outstanding
BK Bankrupt
CAN Cancelled

CO Continued Out (Con Out)
DEL Deleted
DIS Dissolved
I Inactive
L Liquid
PR Pending Revival / Restoration
R Revival

S Struck
ST Start
STLP Start - Limited Purpose
STNA Start - No Attorney (Agent for Service)
SUSP Suspended

This summary has been prepared solely for internal use and for the benefit of our client and may not be relied upon by or disclosed to anyone else without our prior written consent. This summary is a compilation of data taken from search results obtained from applicable governmental registries. Blake, Cassels & Graydon LLP accepts no liability for the accuracy of the data or for the information contained herein; please refer to and rely on the original search results.

SECURITY SEARCHES

PPSA means *Personal Property Security Act*

Bankruptcy means *Bankruptcy and Insolvency Act*; Office of the Superintendent of Bankruptcy and *Companies Creditors Arrangement Act* (national search)

Litigation means (*depends on province*) Superior Court of Justice; **Federal** means Federal Court and Federal Court of Appeal; **Supreme** means Supreme Court of Canada

N/A means *Not Applicable* (search not available in such province); **N/S** means *Not Searched*

Province	Lien Searches		Other Searches					
	PPSA	<i>Bank Act</i>	Bankruptcy and Insolvency	<i>Companies Creditors Arrangement Act</i> Records	Litigation	Workers' Compensation Board	Employment Standards	Environmental Law Centre
Alberta								
FREEDOM CANNABIS INC.	See Appendix A Searched February 11, 2025	<u>Clear</u> – based on search run on August 15, 2024	<u>Clear</u> – based on search run on August 15, 2024	<u>Filed for CCAA Protection August 8, 2024</u>	See Appendix B Searched February 19, 2025	<u>In Good Standing</u> – based on search run on August 15, 2024	<u>Clear</u> – based on search run on August 15, 2024	<u>Clear</u> – based on search run on August 15, 2024

OTHER PROVINCES

Province	Lien Searches		Other Searches				
	PPSA	Bank Act	Companies Creditors Arrangement Act Records	Bankruptcy and Insolvency	Executions	Litigation	Judgment
Saskatchewan							
FREEDOM CANNABIS INC.	Clear – Searched February 11, 2025	Clear – based on search run on August	N/A	N/A	N/A	Clear – based on search current to February 10, 2025	Clear – based on search run on August 15, 2024
Federal							
FREEDOM CANNABIS INC.	N/A	N/A	N/A	N/A	N/A	See Appendix C Searched August 15, 2024	N/A

Appendix A

Personal Property Security Act (ALBERTA)

The order of registration set out below is not necessarily indicative of the priority of registration:

Date Searched: **February 11, 2025**

FREEDOM CANNABIS INC.

	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
1.	2	19062141817 SECURITY AGREEMENT Date: 2019-JUN-21 Amendments/Renewals: 20090313068 (2020-SEP-03) Amendment 24061019196 (2024-JUN-10) Renewal Expires: 2029-JUN-21 23:59:59	FREEDOM CANNABIS INC. 9827 - 279 STREET ACHESON, AB T7X 6J4 (Current)	JL LEGACY LTD. 325, 8170 - 50 STREET EDMONTON, AB T6B 1E6 Email: Tim.Latimer@cashcofinancial.com (Current by 20090313068)
				CHANDOS CONSTRUCTION LTD. #2700, 10155 - 102 STREET EDMONTON, AB T5J 4G8 (Deleted by 20090313068)
General Collateral ALL OF THE DEBTOR'S PRESENT AND AFTER ACQUIRED PERSONAL PROPERTY. PROCEEDS: ALL OF THE DEBTOR'S PRESENT AND AFTER ACQUIRED GOODS, MOTOR VEHICLES, ACCOUNTS, MONEY, CHATTEL PAPER, DOCUMENTS OF TITLE, INVESTMENT PROPERTY, INSTRUMENTS AND INTANGIBLES AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT, INSURANCE PROCEEDS AND ALL OTHER SUBSTITUTIONS, RENEWALS, ALTERATIONS OR PROCEEDS OF EVERY DESCRIPTION AND OF ANY KIND WHATSOEVER DERIVED DIRECTLY OR INDIRECTLY FROM ANY DEALINGS WITH THE GENERAL COLLATERAL OR SERIAL NUMBER COLLATERAL (IF ANY) DESCRIBED ABOVE, OR PROCEEDS THEREFROM.				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
2.	4	19062142062 LAND CHARGE Date: 2019-JUN-21 Amendments/Renewals: 20090313098 (2020-SEP-03) Amendment	FREEDOM CANNABIS INC. 9827 - 279 STREET ACHESON, AB T7X 6J4 (Current)	JL LEGACY LTD. 325, 8170 - 50 STREET EDMONTON, AB T6B 1E6 Email: Tim.Latimer@cashcofinancial.com (Current by 20090313098)

		Term: Infinity		
				CHANDOS CONSTRUCTION LTD. #2700, 10155 - 102 STREET EDMONTON, AB T5J 4G8 (Deleted by 20090313098)
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
3.	5	20012821719 SECURITY AGREEMENT Date: 2020-JAN-28 <u>Amendments/Renewals:</u> 20102918180 (2020-OCT-29) Amendment Expires: 2033-JAN-28 23:59:59	FREEDOM CANNABIS INC. 9827 279 STREET ACHESON, AB T7X 6J4 (Current)	STAR PREBUILT HOMES LTD. 1300, 10423 101 STREET EDMONTON, AB T5H 0E7 Email: JSutherland@qualico.com (Current)
<u>General Collateral</u> All present and after acquired personal property, including changes, alterations, additions and improvements, which may from time to time be made to or installed upon, incorporated into or affixed to the lands located at Plan 1923483 Block 1 Lot 2 Excepting thereout all mines and minerals Area: 12.2 Hectares (30.15 acres) more or less and all proceeds thereof. (Current by 20102918180)				
<u>General Collateral</u> All present and after acquired personal property, including changes, alterations, additions and improvements, which may from time to time be made to or installed upon, incorporated into or affixed to the lands located at Plan 0725979 Block 1 Lot 1 and all proceeds thereof. (Deleted by 20102918180)				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
4.	7	20013029595 LAND CHARGE Date: 2020-JAN-30 Term: Infinity	FREEDOM CANNABIS INC. 54032 RANGE ROAD 262 STURGEON COUNTY, AB T8T 0Z1 (Current)	JL LEGACY LTD. 325, 8170 - 50 STREET EDMONTON, AB T6B 1E6 Email: Tim.Latimer@cashcofinancial.com (Current)

	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
5.	8	21011312354 SECURITY AGREEMENT Date: 2021-JAN-13 Expires: 2031-JAN-13 23:59:59	FREEDOM CANNABIS INC. 9827 - 279 STREET ACHESON, AB T7X 6J4 (Current)	ARPI'S NORTH INC. 14445 - 123 AVENUE NW EDMONTON, AB T5L 2Y1 Email: Todd.Grundy@arpisnorth.com (Current)
General Collateral ALL PRESENTLY OWNED AND HEREAFTER ACQUIRED PERSONAL PROPERTY OF THE DEBTOR OF WHATSOEVER NATURE AND KIND AND WHERESOEVER SITUATE AND ALL PROCEEDS THEREOF AND THEREFROM, RENEWALS THEREOF, ACCESSIONS THERETO AND SUBSTITUTIONS THEREFOR (ALL OF WHICH ARE HEREIN COLLECTIVELY THE "PERSONAL PROPERTY COLLATERAL") AND AN UNCRYSTALLIZED FLOATING CHARGE ON LAND.				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
6.	9	22100708694 SECURITY AGREEMENT Date: 2022-OCT-07 Expires: 2032-OCT-07 23:59:59	FREEDOM CANNABIS INC. 9827-279 ST ACHESON, AB T7X 6J4 (Current)	BOAZ PHARMACEUTICALS INC. SUITE 1900, 520 - 3RD AVENUE SW CALGARY, AB T2P 0R3 Email: brent.goerz@ccisolutions.ca (Current)
General Collateral ALL PRESENT AND AFTER-ACQUIRED PERSONAL PROPERTY OF THE DEBTOR. PROCEEDS: GOODS, INVENTORY, CHATTEL PAPER, INVESTMENT PROPERTY, DOCUMENTS OF TITLE, INSTRUMENTS, MONEY, INTANGIBLES AND ACCOUNTS (ALL AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT) AND INSURANCE PROCEEDS.				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
7.	10	22100708759 LAND CHARGE Date: 2022-OCT-07 Term: Infinity	FREEDOM CANNABIS INC. 9827-279 ST ACHESON, AB T7X 6J4 (Current)	BOAZ PHARMACEUTICALS INC. SUITE 1900, 520 - 3RD AVENUE SW CALGARY, AB T2P 0R3 Email: brent.goerz@ccisolutions.ca (Current)
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
8.	11	22112326432 SECURITY AGREEMENT Date: 2022-NOV-23 Expires: 2032-NOV-23 23:59:59	FREEDOM CANNABIS INC 9827 279 STREET ARCHESON, AB T7X 6J4 (Current)	ATB FINANCIAL- COLLATERAL MANAGEMENT 149 3699-63RD AVENUE NE CALGARY, AB T3J 0G7 (Current)

General Collateral All intangibles, instruments, securities and investment property of the debtor.				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
9.	12	23080408872 SECURITY AGREEMENT Date: 2023-AUG-04 Expires: 2029-AUG-04 23:59:59	FREEDOM CANNABIS INC 9827 - 279 STREET ACHESON, AB T7X 6J4 (Current)	LINDE CANADA INC. 1 CITY CENTRE DRIVE MISSISSAUGA, ON L5B 1M2 Email: khushbu.sharma@linde.com (Current)
General Collateral EQUIPMENT SUPPLIED BY THE SECURED PARTY, CONSISTING OF BULK CRYOGENIC STORAGE TANKS USED FOR THE STORAGE, FILLING AND DELIVERY OF INDUSTRIAL AND MEDICAL GASES INCLUDING, WITHOUT LIMITATION, ARGON, HYDROGEN, CARBON DIOXIDE, NITROGEN, NITROUS OXIDE AND OXYGEN, AND CRYOGENIC FREEZERS, TOGETHER WITH ALL RELATED ACCESSORIES, PARTS, COMPONENTS AND ATTACHMENTS AND ALL PROCEEDS OF OR RELATING TO ANY OF THE FOREGOING AS WELL AS ALL PRESENT OR AFTER-ACQUIRED PROPERTY THAT MAY BE DERIVED FROM THE SALE OR OTHER DISPOSITION OF THE COLLATERAL DESCRIBED HEREIN.				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
10.	13	23121233796 SECURITY AGREEMENT Date: 2023-DEC-12 Expires: 2028-DEC-12 23:59:59	FREEDOM CANNABIS INC 9827 279 STREET ACHESON, AB T7X6J4 (Current) POTESTIO, GIANFRANCO (DOB: 28OCT1960) 54032 RGE RD 262 RANGE STURGEON COUNTY, AB T8T0Z3 (Current)	ROYAL BANK OF CANADA 10 YORK MILLS ROAD 3RD FLOOR TORONTO, ON M2P 0A2 Email: albertaprod@teranet.ca (Current)
Serial Collateral MV - Motor Vehicle (1FDWE4FK8MDC26602) 2021 Ford Transit 350				
	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
11.	14	24050318806 WRIT OF ENFORCEMENT Date: 2024-MAY-03 Expires: 2026-MAY-03 23:59:59	FREEDOM CANNABIS INC. 9827 279 ST. ACHESON, AB T7X 6J4 (Current)	Creditor: MNP LTD., TRUSTEE TO NAVAYA INC. SUITE 1910, 717-7TH AVENUE SW CALGARY, AB T2P 0Z3 Email: RBillington@billingtonbarristers.com (Current)

Issued in Calgary Judicial Centre
 Court File Number is 2401-05282
 Judgment Date is 2024-Apr-17
 This Writ was issued on 2024-May-03
 Type of Judgment is Other
 Original Judgment Amount: \$23,214.77
 Post Judgment Interest: \$0.00

Costs Are: \$764.06
 Current Amount Owing: \$23,978.83

Particulars

The complete name of the Creditor is MNP Ltd. in its capacity as Trustee to the Bankruptcy of Navaya Inc.

	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
12.	16	24092634393 WORKERS' COMPENSATION BOARD CHARGE Date: 2024-SEP-26 Term: Infinity	FREEDOM CANNABIS INC. 4600-333 BAY ST TORONTO, ON M5H 2S5 (Current)	WORKERS' COMPENSATION BOARD/COLLECTION UNIT 9912 107 STREET EDMONTON, AB T5K 1G5 (Current)

The WCB Charge Amount is \$21,821.56

General Collateral

ALL PRESENT AND AFTER-AQUIRED PROPERTY AND ALL PROPERTY USED IN CONNECTION, PURSUANT TO WCB ACT S129

Particulars

WCB ACCOUNT # 10006067

	Enquiry Page No.	Reg. No.	Debtors	Secured Parties
13.	17	24122029026 SECURITY AGREEMENT Date: 2024-DEC-20 Expires: 2027-DEC-20 23:59:59	FREEDOM CANNABIS INC 9827 279 STREET ACHESON, AB T7X6J4 (Current)	PURE LIFE CARBON INC 102-18 MCKENZIE DR RED DEER, AB T4S2H4 Email: lauren.mckamey@purelifecarbon.com (Current)

This Registration covers a Trust Indenture

General Collateral

CHARGED CARBON GROWING SUBSTRATE RESUABLE PLASTIC TOTES

Appendix B

Litigation

Alberta Court of King's Bench (searched **February 19, 2025**):

<u>Action Number</u>	<u>Plaintiff(s)</u>	<u>Defendant(s)</u>	<u>Type of Action</u>	<u>Last Action</u>
Q2003 09312	8160104 CANADA INC. et al.	FREEDOM CANNABIS INC.	ST CLAIM BLDR LIEN & JUDG	STATEMENT OF DEFENCE – 01APR2021
Q2003 10107	LINDSAY, ALLISON MEGHAN	FREEDOM CANNABIS INC.	STATEMENT CLAIM - DAMAGES	STATEMENT OF DEFENCE – 20OCT2020
Q2001 10104	N2 PACKAGING SYSTEMS LLC	FREEDOM CANNABIS INC.	ORIG APP CIVIL MISCELL	N/A
Q2003 13081	CHANDOS CONSTRUCTION LTD.	FREEDOM CANNABIS INC.	ST CLAIM BLDR LIEN & JUDG	DISCONTINUANCE OF CLAIM – 25SEP2020
Q2201 00250	HUDSON ENERGY CANADA COR	FREEDOM CANNABIS INC.	STATEMENT CLAIM – DAMAGES	N/A
Q2003 09283	FREEDOM CANNABIS INC.	FREEDOM CANNABIS INC.	STATEMENT CLAIM JUDGMENT	STATEMENT OF DEFENCE – 23DEC2021
Q2203 04204	VETS FACILITY SERVICES	FREEDOM CANNABIS INC.	STATEMENT CLAIM JUDGMENT	DISCONTINUANCE OF CLAIM – 10NOV2022
Q2203 05893	CHANDOS CONSTRUCTION LTD.	FREEDOM CANNABIS INC.	STATEMENT CLAIM JUDGMENT	DISCONTINUANCE OF CLAIM – 21FEB2023
Q2201 05343	VWR INTERNATIONAL CO.	FREEDOM CANNABIS INC.	STATEMENT CLAIM JUDGMENT	DEFAULT JUDGMENT – 21JUN2022
Q2201 14057	BOUGHTON LAW CORP.	FREEDOM CANNABIS INC.	STATEMENT CLAIM – DAMAGES	SATISFACTION PIECE – 23MAY2023
Q2303 06204	EPCOR ENERGY ALBERTA GP	FREEDOM CANNABIS INC.	STATEMENT CLAIM JUDGMENT	N/A
Q2303 22667	AUXULY CANNABIS GROUP IN	FREEDOM CANNABIS INC.	STATEMENT CLAIM JUDGMENT	STATEMENT OF DEFENCE – 01FEB2024
Q2401 05282	MNP LTD.; TRUSTEE et al.	FREEDOM CANNABIS INC.	CERTIFICATE JUDGMENT PCC	N/A
Q2103 01021	FREEDOM CANNABIS INC.	DEZWART, TROY	STATEMENT OF CLAIM – DAMAGES	NOTING IN DEFAULT – 07APR2022
Q2103 10597	FREEDOM CANNABIS INC.	ZEEBEST PLASTICS OF CANA	STATEMENT OF CLAIM – DAMAGES	STATEMENT OF DEFENCE – 25OCT2021
Q2203 10321	FREEDOM CANNABIS INC.	CANADA BUSINESS CORPORAT	ORDER BUSINESS CORP ACT	N/A
Q2403 15089	FREEDOM CANNABIS INC.	COMPANIES' CREDIORS ARR	ORIG APP CIVIL MISCELL	N/A

Appendix C

Litigation

Federal Court and Federal Court of Appeal (current to **August 15, 2024**):

<u>Action Number</u>	<u>Plaintiff(s)</u>	<u>Defendant(s)</u>	<u>Type of Action</u>	<u>Last Action</u>
T-1669-24	CUSTOMS ACT	FREEDOM CANNABIS INC.	Not Applicable	Certificate – customs and Excise
T-2513-23	CANADIAN TIRE CORP LTD	FREEDOM CANNABIS INC. GIANFRANCO POTESTIO	Non-Action	Intellectual Property – Other Applicable under the Rules

RELIANCE

This report has been prepared solely for internal use and for the benefit of our client and may not be relied upon by or disclosed to anyone else without our prior written consent. This report is a compilation of data taken from search results obtained from applicable governmental registries. Blake, Cassels & Graydon LLP accepts no liability for the accuracy of the data or for the information contained herein; please refer to and rely on the original search results.

DESCRIPTION OF AND LIMITATIONS ON SEARCHES

The following sets forth both a description of and the limitations on the parameters of the report given above. Please note that the report relies solely on the information provided from the following sources and as such is subject to any inaccuracies or deficiencies therein.

Corporate Registry

The purpose of this search is to determine whether the Corporation is validly registered and if so, its proper name. Other information that may be provided by this search includes: (i) the registered office, (ii) the current directors, (iii) the shareholders, (iv) the year of the last annual return and date filed with Corporate Registry, and (v) any associated registrations the Corporation currently has under the *Partnership Act* (Alberta). The Corporate Registry system (the basis of this search) is a province-wide system and accordingly, this search discloses any registrations made in the Province of Alberta.

Personal Property Registry

The purpose of this search is to determine whether any secured party has registered a financing statement to perfect a security interest in: (i) the personal property of the Corporation, (ii) a land charge in respect of real property of the Corporation situated in the Province of Alberta or to which the laws of the Province of Alberta apply, (iii) a writ of enforcement against the Corporation pursuant to the *Civil Enforcement Act* (Alberta), or (iv) any other type of financing statement registrable under the Personal Property Registry against the Corporation. The Personal Property Registry, established under the *Personal Property Security Act* (Alberta), is a province-wide system and accordingly, this search discloses any registrations made in the Province of Alberta.

Bank Security (Section 427 - *Bank Act*)

The purpose of this search is to determine whether a Canadian chartered bank has filed a Notice of Intention against the Corporation. Pursuant to Section 427 of the *Bank Act* (Canada) a chartered bank must file a Notice of Intention with the office of the Bank of Canada where a corporation has its principal place of business (if a corporation is incorporated within Canada) as a prerequisite to receiving security from a corporation. This search discloses any Notices of Intention to give security under the *Bank Act* (Canada) registered against the Corporation in the Province of Alberta.

Judicial Actions

The purpose of this search is to determine whether any actions have been commenced at the Court of King's Bench in Alberta in which the Corporation is named (as plaintiff or defendant) and which are currently active. This search covers all eleven Court of King's Bench judicial districts in Alberta in which actions may be commenced and accordingly, discloses any current actions in the Court of King's Bench in the Province of Alberta.

Schedule "B" – Due Diligence Search Reports

Bankruptcy and Insolvency Records

The purpose of this search is to determine whether any assignment, proposal or receiving order has been filed with the Office of the Superintendent of Bankruptcy Canada, An Agency of Industry Canada, against the Corporation under the *Bankruptcy and Insolvency Act* (Canada). This search discloses any such filings made in Canada.

Companies' Creditors Arrangement Act Records

The purpose of this search is to determine whether any companies have been granted protection under the *Companies' Creditors Arrangement Act*. This search contains only those proceedings that have been commenced following September 18, 2009. New records will be posted within two business days of the granting of the initial application Order. Only companies that owe creditors at least \$5 million can file for protection under the CCAA. This search discloses any such Orders granted in Canada.

Workers' Compensation Board

The purpose of this search is to determine whether the Corporation has an account with the Workers' Compensation Board of Alberta and the status of such account. If a corporation is operating in a compulsory industry under the *Workers' Compensation Act* (Alberta) an account may be required. If unsure, the status of the Corporation may be determined by contacting the Workers' Compensation Board. This search discloses the status of any account the Corporation currently has in the Province of Alberta.

Employment Standards

The purpose of this search is to determine whether there are any unsatisfied judgments against the Corporation as an employer under the *Employment Standards Code* (Alberta). This search discloses any unsatisfied judgments that have been filed with Employment Standards in the Province of Alberta. The database lists unsatisfied judgments that are up to 10 years old.

Environmental Law Centre

The purpose of this search is to determine if the Corporation has any actions registered against it pursuant to the *Environmental Protection and Enhancement Act* (Alberta) (the "EPEA") and its predecessor legislation, the *Hazardous Chemicals Act*, *Agricultural Chemicals Act*, *Clean Water Act* and *Clean Air Act* to 1971 and / or pursuant to the *Water Act* from 1999 onwards.

The search results are based on information provided by Alberta Environment. Neither Alberta Environment nor the Environmental Law Centre guarantee that the information is complete or accurate.

This historical search is limited to the following enforcement actions under the EPEA and its predecessor legislation: (i) tickets, (ii) prosecutions, (iii) administrative penalties, (iv) warnings, (v) enforcement orders, (vi) enforcement orders concerning waste, (vii) environmental protection orders, (viii) emergency environmental protection orders, (ix) emission control orders, (x) chemical control orders, (xi) water quality control orders, and (xii) stop orders. This search is limited to the following enforcement actions under the *Water Act*: (i) prosecutions, (ii) administrative penalties, (iii) water management orders, and (iv) warnings and enforcement orders. It does not include clean up orders issued under the *Litter Act* or environmental protection orders respecting unsightly property issued under the EPEA.

SCHEDULE "C"

ASSUMPTIONS AND QUALIFICATIONS

The views expressed herein are subject to the following assumptions, qualifications, limitations and reservations:

1. we have assumed:
 - (a) the genuineness of all signatures (whether on originals or copies of documents) and to the extent that any person has signed a document electronically, such person has applied his or her own electronic signature to the document;
 - (b) the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as notarial, true, certified, conformed, photostatic, electronically transmitted or facsimile copies thereof, and the truthfulness of all certificates of public officials and corporate officials;
 - (c) where applicable law requires documents to be signed under corporate seal, the originals of such documents have been signed under the correct corporate seal;
 - (d) the legal capacity at all relevant times of all natural persons;
 - (e) the accuracy, currency and completeness of the indices and filing systems maintained at all public offices where we made or conducted searches or inquiries or have caused registrations, searches or inquiries to be made or conducted, and the accuracy and completeness of all public records and certificates issued pursuant thereto (we have relied upon, and have not independently confirmed, any such information contained in any such documents, records or certificates);
 - (f) that the Borrower, was duly incorporated and validly existing under the laws of the Province of Alberta at the time of execution of the Documents to which it is a party and at all times thereafter;
 - (g) that the Borrower had all requisite authority or corporate power and capacity to execute and deliver the Documents to which it is a party and to perform its obligations thereunder, and had taken all necessary corporate action to authorize the execution and delivery of each of the Documents to which it is a party and the performance of its obligations thereunder, in each case, at the time of execution of the Documents and at all times thereafter;
 - (h) that the Borrower duly executed and delivered the Documents to which it is a party thereto;
 - (i) that each Document is a legal, valid and binding obligation of each of the parties thereto (other than the Borrower) and is enforceable against each such party in accordance with its terms;
 - (j) that to the extent any party has executed or delivered a Document to which it is a party outside the Province of Alberta, such party has done so in compliance with the formal requirements of the laws of the jurisdiction in which such Security Document has been executed;

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- (k) that the execution or delivery by the Borrower of the Documents to which each is a party or the performance by the Borrower of their respective rights and obligations thereunder, did not breach, contravene, or conflict with the provisions of (i) any law or regulation then applicable to the Borrower, (ii) the Borrower's articles, bylaws or any unanimous shareholders agreement, in each case, applicable to it, or (iii) any other agreement to which the Borrower is a party;
 - (l) that no governmental authorization, consent, permit or approval of, or other action by, or filing with or notice to, any administrative body or governmental authority was required for or in connection with the execution or delivery by the Borrower of the applicable Documents to which the Borrower is a party or the performance by the Borrower of any of their respective rights and obligations thereunder, except such as has been obtained and are in full force and effect;
 - (m) the Borrower had rights (within the meaning of the PPSA) in the personal property subject to each Security Document to which it is a party, that value had been given and that the parties to such Security Document had not agreed to postpone the time for attachment of such security interest constituted thereby;
 - (n) the accuracy of all representations and warranties of the Borrower in the Documents;
 - (o) that the filings, registrations or recordings referred to in **Schedule "B"** relate to the Security Documents, as applicable, and continue to be effective and unchanged as of the date of each search result; and
 - (p) that there are no agreements, waivers, facts, understandings or course of dealing affecting or concerning the Documents and the various obligations with respect to which the Documents were granted which were not apparent from our review of the Documents and which would or might affect the validity and enforceability of the Documents;
2. the enforceability of the Documents (including any judgment arising out of or in connection therewith) is subject to and may be limited by:
- (a) any applicable bankruptcy, insolvency, winding-up, arrangement, liquidation, realization, reorganization, moratorium, fraudulent preference, or other laws affecting creditors' rights generally or affecting the enforcement of the rights of creditors generally;
 - (b) applicable laws regarding limitations of actions;
 - (c) general principles of equity which may apply to any proceeding in equity or at law;
 - (d) the powers of a court to stay proceedings before it, to stay the execution of judgment and to grant relief from forfeiture;
 - (e) the discretion which a court may reserve to itself to decline to hear a proceeding if it is contrary to public policy for it to do so or if it is not the proper forum to hear such proceeding;
 - (f) limitations upon the right of a creditor to receive immediate payment of amounts stated to be payable on demand or acceleration;

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- (g) the obligation to act honestly and in good faith in the performance or enforcement of any contract;
 - (h) limitations upon the right of a party to the Documents to enforce such document on the basis of a default of a minor or non-substantive nature, such as the failure to produce a document in a timely manner;
 - (i) limitations which may be imposed by law on the effectiveness of terms exculpating a party from a liability, including, without limitation, any provision in any Document which purports to exculpate the Agent, its agents or any receiver, manager, receiver manager, or monitor appointed by it from liability in respect of acts or omissions which may be illegal, fraudulent or involve wilful misconduct;
 - (j) limitations upon the right of a person to accelerate the maturity of any indebtedness without reasonable notice to the indebted party;
 - (k) any governmental authorization, order, permit, approval, grant, license, consent, right, franchise, privilege, certificate, judgement, writ, injunction, award, determination, direction, decree or demand or the like issued or granted by law or by rule or regulation of any administrative or governmental authority which may be required in connection with (i) the conveyance of any collateral which is the subject of the security interests constituted by the Security Documents, or (ii) the enforcement of any Security Document by the Agent or by a person on its behalf, whether such enforcement involves the operation of the business of the Borrower or a sale, transfer or disposition of its property or assets; and
3. we express no view as to the enforceability of any provisions of the Documents which:
- (a) purport to establish evidentiary standards, such as provisions stating that certain determinations, calculations, requests or certificates will be conclusive and binding;
 - (b) purport to effect waivers of the benefit or protection of doctrines, principles or statutory provisions viewed by a court as based on public policy;
 - (c) purport to relieve a person from a duty or liability otherwise owed, or which purport to require indemnification or reimbursement to the extent that they relate to the failure of such person to have performed such duty or liability;
 - (d) purport to sever from the Documents any provision that is prohibited or unenforceable under applicable law without affecting the enforceability or validity of the remainder of the Documents;
 - (e) purport to render a party liable for a higher rate of interest or the payment of other amounts at a higher rate after default than before;
 - (f) purport to apply notwithstanding non-performance by another party thereto or notwithstanding contrary provisions of applicable laws;
 - (g) deem reliance on, or permit the enforcement of, representations, warranties, certificates or other factual information, by a person having notice (actual or constructive) of inaccuracies or misleading statements therein;

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- (h) directly or indirectly purport to exclude unwritten variations, amendments, waivers or consents or purport that such Document constitutes the entire agreement between the parties;
 - (i) purport to waive rights to notice or restrict access to legal or equitable remedies or waive the benefit of legal defences, doctrines, principles or protections which are judged by a court not to be capable of being waived, in whole or in part;
 - (j) provide for an agreement of the parties to agree on a matter at a later date;
 - (k) provide for obligations, rights or remedies which are inconsistent with any other provisions of the Documents or subject or subordinate to, or overridden by, other provisions of Documents;
 - (l) appoint or constitute any person as attorney for the Borrower to execute any document or to do any other act on behalf of the Borrower;
 - (m) prevent a party thereto from exercising a right of set-off or defences by counterclaim;
 - (n) create a separate cause of action after judgment;
 - (o) provide for the waiver of certain legal or equitable rights or which absolve or purport to absolve a party from responsibility for its acts;
 - (p) purport to bind or affect, or confer a benefit upon, persons which are not party to the Documents other than by or through an agent or trustee which is a party thereto; or
 - (q) provide that delay or failure by a party to exercise any right, remedy or option will not operate as a waiver thereof.
4. we express no view as to the availability of equitable remedies for the enforcement of any provision of the Documents;
 5. we express no view as to the compliance of the Documents with section 347 of the *Criminal Code* (Canada) or whether any of the Documents provide for receipt of interest or other amounts by the Agent or the Lenders at a "criminal rate" within the meaning of or in contravention of section 347 of the *Criminal Code* (Canada);
 6. the provisions of the *Interest Act* (Canada) or the *Judgment Interest Act* (Alberta), or other similar legislation, as applicable, may limit interest on a judgment debt to a rate less than the rate provided for contractually;
 7. we express no view with respect to the compliance of the interest and fee provisions of any Document with Section 4 of the *Interest Act* (Canada), which provides that, except as to mortgages on real property, whenever any interest is made payable at a rate or percentage per day, week, month, or at any rate or percentage for any period less than a year, no interest exceeding five percent per annum shall be payable unless the contract contains an express statement of the yearly rate or percentage of interest to which the other rate or percentage is equivalent;
 8. determinations or demands made by a person in the exercise of a discretion purported to be given to it may be unenforceable if made in an unreasonable or arbitrary fashion or if made in contravention of the *Bankruptcy and Insolvency Act* (Canada) and determinations or

Schedule "C" – Assumptions and Qualifications

references based upon practice or the publication or reporting of certain rates or yields may not be enforceable if the practice changes or the rates or yields are not ascertainable or are equivocal;

9. the ability to recover a claim for certain costs or expenses may be restricted by a court to a reasonable amount and legal fees are subject to taxation;
10. the *Currency Act* (Canada), in effect, precludes a court in Canada from giving judgment in any currency other than the lawful money of Canada;
11. if the collateral purporting to be charged by the Security Documents now or hereafter includes an interest or claim in or under any contract of annuity or policy of insurance, no view is expressed herein as to the creation or validity of the security interests therein;
12. in the case of real or personal property in respect of which the rights of a secured party are, or may be deemed to be, subject to the PPSA, the exercise of the remedies and enforcement provisions contained in the Documents will be subject to the limitations imposed by the PPSA, all the rights, remedies, duties and obligations of an enforcing party under the Security Documents must be exercised and discharged honestly, in good faith and in a commercially reasonable manner and any provision of a Security Documents which purports to limit the liability of a person for failure to discharge duties imposed on it by the PPSA is unenforceable;
13. we express no view as to the enforceability of provisions of the Security Documents purporting to deem a receiver, receiver-manager, or monitor to be the agent of a party thereto or to absolve a party from liability for its acts or to exclude its duties;
14. a receiver, receiver and manager, or monitor appointed pursuant to or in connection with a Security Document may be required to obtain consents or approvals of, or give notice to, one or more governmental authorities or third parties, in order to operate or dispose of property;
15. a receiver, receiver and manager, or monitor appointed pursuant to or in connection with the provisions of any Security Document may, for certain purposes, be treated by a court as being the agent of the Agent and not solely the agent of the Borrower (and the Agent may be deemed not to be acting as the agent and attorney of the Borrower in making such appointment), notwithstanding any agreement to the contrary;
16. notwithstanding that, subject to attachment, registration under the PPSA will perfect a secured party's security interest in all forms of personal property collateral to the extent that the PPSA applies to such personal property collateral, possession or control by or on behalf of a secured party of chattel paper, instruments (including certain types of letters of credit and advances of credit), securities and negotiable documents of title is sufficient to defeat the interest of certain specified parties as provided for under the PPSA;
17. to the extent that the security interests created by the Security Documents:
 - (a) attach intangibles (as defined in the PPSA), which would include accounts receivable;
 - (b) attach goods which are of a kind that are normally used in more than one jurisdiction, if such goods are classified as equipment (as defined in the PPSA) or are inventory (as defined in the PPSA), leased or held for lease by the Borrower to others; or

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- (c) are non-possessory security interests in a security, chattel paper, a negotiable document of title, an instrument or money (as such terms are defined in the PPSA),
- the validity of such security interest is governed by the laws of the jurisdiction where the Borrower is located at the time such security interest attaches; if at such time the Borrower has more than one place of business, the Borrower is deemed to be located at its chief executive office;
18. to the extent that the security interests created by the Security Documents attach to investment property (as defined in the PPSA), the validity of such security interests is governed by the laws of:
- (a) the jurisdiction where the certificate is located in the case of certificated securities (as defined in the PPSA);
 - (b) the issuer's jurisdiction in the case of uncertificated securities (as defined in the PPSA);
 - (c) the security intermediary's jurisdiction in the case of a security entitlement or a securities account (as such terms are defined in the PPSA); or
 - (d) the futures intermediary's jurisdiction in the case of a futures contract or a futures account (as such terms are defined in the PPSA),
- in each case determined at the time such security interests attach.
19. the security interests created under the Security Documents may not be enforceable in respect of the proceeds of the collateral charged thereunder which are not identifiable or traceable;
20. inasmuch as the concept of a "security interest" is a creation of the PPSA, the PPSA does not apply to interests in real property, as such, any provision in the Security Documents which creates a security interest (as defined in the PPSA) in real property may not be valid or enforceable provided;
21. with respect to "serial number goods" as defined in the PPSA and the regulations thereto (which includes motor vehicles, trailers, aircraft, boats and outboard motors for a boat), where such goods are used as "equipment" or "consumer goods" (as defined in the PPSA), a security interest in such goods is not perfected to the fullest extent available by law unless the registration in respect of such collateral includes a description by serial number in accordance with the provisions of the PPSA;
22. we express no view as to the existence of or the legal or beneficial right, title or interest of the Borrower in and to any of the collateral subject to the Security Documents or the ranking or priority of any lien, mortgage, charge or security interest expressed to be created by or under the Security Documents;
23. we express no view as to compliance with the *Personal Information Protection Act* (Alberta), the *Personal Information Protection and Electronic Documents Act* (Canada) or any other privacy laws with respect to any provision in the Security Documents which purport to grant the Agent or any other person access to books, records, correspondence or other information of any person;

Schedule "C" – Assumptions and Qualifications

24. the enforceability of the Security Documents and the rights and remedies set out therein may be limited by the discretion which a court may reserve to itself;
25. we express no view as to the creation, validity or perfection of the Security Documents in any part of the Collateral which is of a type or kind that would not be governed by the PPSA;
26. we have assumed the validity and enforceability of the obligations, liabilities and indebtedness owing to the Agent which is secured by the Security Documents and that such obligations, liabilities and indebtedness have not been repaid or discharged;
27. no view is expressed regarding any provision of the Security Documents which requires the Borrower to pay, or indemnify, the Agent or the Lenders for their costs and expenses or those of a receiver or monitor in connection with judicial proceedings. Such a provision may derogate from a court's discretion to determine by whom and to what extent these costs and expenses should be paid;
28. the awarding of costs is in the discretion of a court of competent jurisdiction;
29. no view is expressed regarding the creation, validity or enforceability of any security interest or other interest in, or the enforceability of each Security Document insofar as it relates to any of the following property or any interest therein:
 - (a) any real property, fixtures, underground cables, crops or coal, mineral, placer, timber, mining, claims or rights or any interest in real property or right to payment that arises in connection with an interest in land;
 - (b) any policy of insurance or contract of annuity;
 - (c) any permits, quotas, licences, regulatory authorizations or other similar property which is not personal or movable property;
 - (d) any consumer goods (as such term is defined in the PPSA);
 - (e) any property to the extent that a security interest or other interest therein is governed by the provisions of a statute of Canada including, without limitation, any vessel registered under the *Canada Shipping Act* (Canada) and any rolling stock, patents, patent applications, trade-marks, trade-mark applications, copyrights, industrial design registrations and other intellectual property rights;
 - (f) any interest in a right to damages in tort or at law;
 - (g) any interest in deposits;
 - (h) any contractual rights, which by their terms or by the nature of the contract, or any permits, quotas, licences or other similar property, which by their terms, their nature or by the nature of the business of the Borrower cannot be the subject of a security interest or other interest, without the consent, authorization or approval of a third party;
 - (i) any debt owing to the Borrower by the Crown or any agent thereof;

Schedule "C" – Assumptions and Qualifications

- (j) any property which is an interest in present or future wages, salary, pay, commission or any other compensation for labour or personal services other than fees for professional services;
 - (k) any property which is an interest in an unearned right to payment under a contract to a transferee who is to perform the transferor's obligations under the contract;
 - (l) any property held by the Borrower on consignment; and
 - (m) any investment property (as such term is defined in the PPSA);
30. no view is expressed regarding the creation, validity, enforceability or perfection of any lien or other interest expressed to be created by or under the Security Documents with respect to any property of the Borrower or any proceeds of such property that are not identifiable or traceable;
 31. any security interests in an account or chattel paper (as those terms are defined in the PPSA), are subject to Section 41 of the PPSA, including, *inter alia*, the giving of proper notice of the security interests to the account debtor thereunder;
 32. we have assumed the Collateral subject to the Security Documents is located in Alberta;
 33. we have assumed the accuracy of the description of the personal property subject to the Security Documents as specified therein and that such description is sufficient to enable such collateral to be identified;
 34. this opinion does not apply to security interests in collateral created by the Security Documents against any entities other than the Borrower, nor does it apply to security interests created by a previous owner, if any, of such collateral;
 35. a security interest in "goods" (as defined in the PPSA) will be defeated by certain claimants to whom the Borrower sells or leases such goods in the ordinary course of business in the circumstances described in the PPSA;
 36. no view is expressed as to the enforceability of any provision of the Security Documents which may be characterized by a court as an unenforceable penalty and not as a genuine pre-estimate of damages;
 37. no opinion is expressed as to any licenses, permits or approvals that may be required in connection with the enforcement of the Security Documents by the Agent or by a person on its behalf, whether such enforcement involves the operation of the business of the Borrower or a sale, transfer or disposition of its property and assets;
 38. the PPSA, the *Civil Enforcement Act* (Alberta), or other similar legislation, may affect the enforcement of certain rights and remedies contained in the Security Documents, as applicable, to the extent that those rights and remedies are inconsistent with or contrary to any applicable statutes;
 39. a court may not treat as conclusive, binding or deemed those certificates, determinations and facts which the Security Documents require to be so treated;

Schedule "C" – Assumptions and Qualifications

40. we have assumed that the Agent nor the Lenders have received notice of any interest from a person who has assumed control of any collateral subject to the Security Documents through execution or otherwise;
41. the enforceability of the Security Documents are subject to the effect of vitiating factors such as mistake, misrepresentation, fraud, duress or undue influence; and
42. if the Security Documents create a security interest in property which may hereafter become a fixture, the enforceability of such security interest may be adversely affected by the failure of the Agent to register such security interest or other notices in respect thereof against title to the property of the Borrower in the appropriate land registry or land titles office.

Appendix “C”

APPENDIX D - BID PROTECTIONS ANALYSIS AS AT NOVEMBER 4, 2024

Debtor	Purchaser	Trustee	APA Date	Jurisdiction	Termination Fee (\$MM)	Expense Reimbursement (\$MM)	Total (\$MM)	Transaction Value (\$MM)	% of Transaction Value
2675970 Ontario Inc. et al. (Tokyo Smoke)	ITS Investments Corp.	A&M	September 12, 2024	Ontario	0.39	-	0.39	77.00	0.5%
Heritage Cannabis Holdings Corp.	BJK Holdings Ltd. and HAB Cann Holdings Ltd.	KPMG	April 10, 2024	Ontario	0.40	-	0.40	7.70	5.2%
BZAM Ltd.	1000816625 Ontario Inc.	KSV	March 1, 2024	British Columbia	0.75	0.10	0.85	N/A	4.4%
Aleafia Health Inc. et al.	RWB (PV) Canada Inc.	KSV	August 10, 2023	Ontario	-	0.50	0.50	27.00	1.9%
Fire & Flower Inc. et al.	2707031 Ontario Inc. (the DIP lender)	FTI	June 15, 2023	Ontario	0.65	0.10	0.75	N/A	3.4%
Trichome Financial Corp.	L5 Capital Inc.	KSV	December 12, 2022	Ontario	-	0.20	0.20	5.00	4.0%
The Flowr Corporation et al.	1000343100 Ontario Inc.	EY	October 31, 2022	Ontario	0.19	-	0.19	3.88	4.8%
Cannapiece Group Inc. et al.	Cardinal Advisory Limited	BDO	November 8, 2022	Ontario	0.18	0.03	0.20	3.50	5.7%
Cura-Can Health Corp. and its wholly-owned subsidiary The Clinic Network Canada Inc.	Avonlea-Drewry Holdings Inc.	KPMG	March 14, 2022	Alberta	0.33	-	0.33	6.75	4.8%
Muskoka Grown	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	11.96	0.9%
James E. Wagner Cultivation Corporation	Trichome Financial Corp.	KSV	March 31, 2020	Ontario	-	0.10	0.10	11.70	0.9%

MIN	-	-	0.10	3.50	0.5%
MAX	0.75	0.50	0.85	77.00	5.7%
AVERAGE	0.26	0.10	0.36	17.17	3.3%