



Strictly Private and Confidential

March 5, 2021

Dear Sirs and Mesdames:

Re: FIGR Brands, Inc. et al - Submission of Final Bid

We appreciate your continued interest in exploring a potential transaction with FIGR Brands, Inc., Canada's Island Garden Inc. (d/b/a FIGR East) and FIGR Norfolk Inc. (collectively, "**FIGR**", or the "**Applicants**").

In accordance with the terms of SISP Approval Order of the Ontario Superior Court of Justice (the "**Court**") granted on January 29, 2021 (the "**SISP Approval Order**") and the Sale and Investment Solicitation Process (the "**SISP**") attached as Schedule A thereto, the Monitor, in consultation with the Applicants and the DIP Lender, have determined that you are a Phase 2 Qualified Bidder entitled to participate in Phase 2 of the SISP. The purpose of Phase 2 is to allow Qualified Phase 2 Bidders to finalize and submit binding bids for a sale of all or part of the Property and/or an investment in the Business (each, a "**Transaction**"). Capitalized terms used herein not otherwise defined are as defined in the Amended and Restated Initial Order granted January 29, 2021, the SISP Approval Order or the SISP as applicable.

You are reminded that your receipt of this letter, as well as the additional non-public information you may receive during Phase 2 and/or have already received during the SISP, is covered by the terms of the non-disclosure agreement which you have entered into with FIGR (the "**NDA**"). Nothing in this letter amends or otherwise changes any term in the NDA executed by you.

Phase 2 Key Dates and Bid Qualification Criteria

In accordance with the SISP, you are required to deliver to the Monitor your final irrevocable binding proposal to purchase all or part of the Property and/or to make an investment in the Business (the "**Final Bid**"), including a duly authorized and executed transaction agreement (the "**Definitive Agreement**") based on the form of transaction agreements posted to the electronic dataroom and accompanied by a mark-up of the applicable form of transaction agreement showing amendments and modifications made thereto, together with all exhibits and schedules thereto, and such ancillary agreements as may be required by you, so as to be received by the Monitor in electronic format no later than **5:00 p.m. Eastern Time on Thursday, April 1, 2021** ("**Final Bid Deadline**") at the following addresses:

To the Monitor:

Jeff Rosenberg
Senior Managing Director
FTI Consulting Canada Inc.
Tel: (416) 649-8073
jeffrey.rosenberg@fticonsulting.com

Jamie Belcher
Senior Managing Director
FTI Capital Advisors
Tel: (416) 649-8081
jamie.belcher@fticonsulting.com

Patrick Kennedy
Senior Associate
FTI Capital Advisors
Tel: (416) 649-8080
patrick.kennedy@fticonsulting.com

Your Definitive Agreement should state the terms upon which you are prepared to enter into a binding Transaction to purchase all or part of the Property and/or an investment in the Business, subject to only those conditions stated therein, and shall constitute an irrevocable offer.

A complete list of your remaining due diligence requests should be submitted to the Monitor at the addresses listed above in electronic format no later than **5:00 p.m. Eastern Time on Thursday, March 25, 2021**. If you or your counsel wish to address any questions or issues regarding the SISP or form of transaction agreements in advance of the Final Bid Deadline, please advise the Monitor at the addresses listed above and the Monitor will advise if your request can be accommodated prior to the Final Bid Deadline.

Your Final Bid should reflect your best and final offer and be accompanied by a letter to the Monitor (the "**Final Bid Letter**") confirming compliance with the Qualified Bid Criteria (as defined below). The Monitor and the Applicants, in accordance with the SISP, reserve the right to negotiate and request that Phase 2 Qualified Bidders submit a revised Final Bid reflecting improved terms or other amendments requested by the Monitor and the Applicants. In such a case, you should assume that you will not be given an opportunity to rebid, renegotiate or improve any terms of your Final Bid. In order to be a "**Qualified Bid**", your Final Bid must comply with the criteria set forth in the SISP for Phase 2 Bids (collectively, the "**Qualified Bid Criteria**") and we ask that, where indicated below, you confirm compliance with the Qualified Bid Criteria in your Final Bid Letter.

Qualified Bid Criteria

Your Final Bid should be submitted in conformity with the following guidelines:

- (a) your Final Bid must comply with all of the requirements set forth in the SISP in respect of Phase 1 Qualified LOIs and in respect of the terms set forth in this letter;
- (b) your Final Bid Letter and/or Definitive Agreement must confirm that your Final Bid is irrevocable until the selection of the Successful Bidder(s), provided that if you are selected as the Successful Bidder, your offer must remain irrevocable until the closing of the Transaction with the Successful Bidder;
- (c) your Final Bid must fully disclose the identity of each person or entity that will be (directly or indirectly) entering into the Transaction or providing financing in connection with the Transaction (including through the issuance of debt in connection with such bid) as contemplated by the Final Bid, including, but not limited to, the name(s) of the Phase 2 Qualified Bidder and any advisors or consultants that you have retained to assist you in the evaluation of a Transaction and the names and contact numbers of the person(s) to be contacted by the Monitor in connection with your Final Bid. Such disclosure shall include, without limitation: (i) in the case of a Phase 2 Qualified Bidder formed for the purposes of entering into the proposed Transaction, the identity of each of the actual or proposed direct or indirect equity holders of such Phase 2 Qualified Bidder and the terms and participation percentage of such equity holder's interest in such bid; and (ii) the identity of each entity that has or will receive a benefit from such bid from or through the Phase 2 Qualified Bidder or any of its equity holders and the terms of such benefit. We ask that

you and your representatives be available between **April 3 and April 6, 2021** to discuss any aspect of your Final Bid as may be required;

- (d) your Final Bid must include a duly authorized and executed Definitive Agreement, including the purchase price (in an exact figure and not expressed as a range), investment amount and any other key economic terms expressed in Canadian dollars (the “**Purchase Price**”), together with all exhibits and schedules thereto (or term sheets that describe the material terms and provisions of such agreements), and proposed order to approve the Transaction by the Court;
- (e) your Final Bid must include a blackline comparison between the Definitive Agreement submitted and the applicable form of transaction agreement provided to Phase 2 Qualified Bidders in the electronic dataroom;
- (f) your Final Bid must not be conditional upon obtaining financing and must include written evidence of a firm irrevocable commitment(s) for financing or other evidence of ability to consummate the Transaction, that will allow the Applicants and the Monitor to make a determination as to the Phase 2 Qualified Bidder’s financial and other capabilities to consummate the Transaction. If you will be relying on internally generated funds, please provide evidence of sufficiency of such funds to complete the Transaction. If you intend to access external financing (debt and/or equity), your Final Bid must be accompanied by fully executed and unredacted copies of commitment letters from parties evidencing their irrevocable commitment to invest or lend sufficient funds to the Phase 2 Qualified Bidder to complete the Transaction and satisfy the Purchase Price under the Definitive Agreement;
- (g) your Final Bid shall not include any request for or entitlement to any break fee, expense reimbursement or similar type of payment, unless otherwise agreed to by the Applicants and the Monitor;
- (h) your Final Bid must not be conditional on: (i) the outcome of unperformed due diligence by the Phase 2 Qualified Bidder, apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which was withheld in Phase 1 or Phase 2 from the Phase 2 Qualified Bidder; or (ii) obtaining financing, but may be conditional upon the Applicants receiving the required approvals or amendments relating to the licenses required to operate the Business, if necessary;
- (i) your Final Bid shall include acknowledgements and representations of the Phase 2 Qualified Bidder that the Phase 2 Qualified Bidder: (i) confirms that the Transaction is on an “as is, where is” basis; (ii) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Applicants prior to making its offer (apart from, to the extent applicable, the disclosure of due diligence materials that represent proprietary or sensitive competitive information which were withheld in Phase 1 or Phase 2 from the Phase 2 Qualified Bidder); (iii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and (iv) did not rely upon any written or oral statements, representations,

warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the Definitive Agreement signed by the applicable Applicants;

- (j) your Final Bid shall include a description of your operational plans for the Applicants, including the proposed treatment of any obligations or liabilities of FIGR, including, without limitation, material contracts and employees, to be assumed by the Phase 2 Qualified Bidder;
- (k) your Final Bid shall contain other information required by the Monitor, in consultation with the Applicants, including, without limitation, such additional information as may be required in the event Phase 2 is supplemented in accordance with paragraph 16 of the SISP to contemplate that an auction of certain Property be conducted; and
- (l) the Final Bid must be received by the Final Bid Deadline (**5:00 p.m. Eastern Time on Thursday, April 1, 2021**).

In addition, the Final Bid must include:

1. In the Case of a Sale Proposal:

- (a) a clear indication and description of the Property that is expected to be subject to the Transaction and any of the Property expected to be excluded; and
- (b) a commitment by the Phase 2 Qualified Bidder to provide a deposit in the amount of not less than 10% of the Purchase Price offered upon the Phase 2 Qualified Bidder being selected as the Successful Bidder on the terms agreed to in the Definitive Agreement.

2. In the Case of an Investment Proposal:

- (a) a detailed description of how the Phase 2 Qualified Bidder will structure the proposed investment, restructuring, recapitalization, refinancing or reorganization; and
- (b) a commitment by the Phase 2 Qualified Bidder to provide a deposit in the amount of not less than 10% of the total new investment contemplated in the Final Bid upon the Phase 2 Qualified Bidder being selected as the Successful Bidder on the terms agreed to in the Definitive Agreement.

The description of certain aspects of the SISP contained herein, including the overview of criteria to qualify as a Qualified Bid, is a summary only and is not intended to replace or supersede the terms of the SISP or its requirements. The terms of the SISP will govern in all respects.

Final Bids that, among other factors, maximize value for the Applicants' stakeholders, are submitted in accordance with this letter and the SISP, provide for execution certainty and speed (including any regulatory approvals required to close the Transaction), have minimal conditionality

and demonstrate an ability and willingness to complete a Transaction in an expeditious manner will be preferred.

Following the Final Bid Deadline, the Monitor and the Applicants will assess the Final Bids received. The Monitor, in consultation with the Applicants and the DIP Lender, will designate the most competitive bids that comply with the Qualified Bid Criteria to be a Qualified Bid. Only Phase 2 Qualified Bidders whose bids have been designated as Qualified Bids are eligible to become Successful Bidder(s). The Monitor and the Applicants may, in consultation with the DIP Lender, aggregate separate Final Bids received from unaffiliated Phase 2 Qualified Bidders to create one Qualified Bid.

The Monitor will notify each Phase 2 Qualified Bidder in writing as to whether its Final Bid constituted a Qualified Bid within ten (10) business days of the Final Bid Deadline, or at such later time as the Monitor deems appropriate.

In accordance with the SISP, the Monitor and the Applicants, in conjunction with the DIP Lender, reserve the right to negotiate with any Phase 2 Qualified Bidder any provision of its Final Bid or to request or agree to any changes in any such Final Bid. The Applicants shall have no obligation to enter into a Successful Bid, and they reserve the right, in consultation with the Monitor and the DIP Lender, to reject any or all Phase 2 Qualified Bids.

The Monitor, with the consent of the Applicants, and in consultation with the DIP Lender, may waive strict compliance with any one or more of the qualification requirements specified in the SISP and deem such non-compliant Final Bids to be a Qualified Bid. If the Applicants, in consultation with the Monitor and the DIP Lender, are not satisfied with the number or terms of the Qualified Bids, the Applicants may, in consultation with the DIP Lender and with the approval of the Monitor, extend the Final Bid Deadline, or the Applicants may amend the SISP or the SISP Procedures in accordance with the terms set out within the SISP.

Evaluation of Qualified Bids

A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the value provided by such bid; (ii) the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transactions; (iii) the proposed transaction agreement; (iv) factors affecting the speed, certainty and value of the Transaction; (v) the assets or liabilities included or excluded from the Final Bid; (vi) any related restructuring costs; and (vii) the likelihood and timing of consummating such Transaction, each as determined by the Monitor and the Applicants, in consultation with the DIP Lender.

Selection of Successful Bid

The Monitor and the Applicants, in consultation with the DIP Lender, will: (a) review and evaluate each Qualified Bid, provided that each Qualified Bid may be negotiated between the Applicants, the Monitor and the applicable Phase 2 Qualified Bidder, and may be amended, modified or varied to improve such Phase 2 Qualified Bid as a result of such negotiations; and (b) identify the Successful Bid for any particular Property or the Business in whole or part. The determination of any Successful Bid by the Applicants, with the assistance and approval of the Monitor, and in consultation with the DIP Lender, shall be subject to approval by the Court.

At the hearing of any motion to approve any transaction with a Successful Bidder, the Applicants shall seek, among other things, approval from the Court to consummate such Successful Bid. To the extent other Phase 2 Qualified Bids other than the Successful Bid are in respect of the same Property as such Successful Bid, such other Phase 2 Qualified Bids shall be deemed to be rejected on and as of the date of approval of the Successful Bid by the Court.

The Monitor, the Applicants and the DIP Lender expressly disclaim any and all liability for representations, warranties or statements contained in this letter or in any other written material furnished or information orally transmitted to a potential purchaser, except, in the case of the Applicants, only those particular representations and warranties of the Applicants made to a Successful Bidder(s) in its Definitive Agreement when, as and if such Definitive Agreement is ultimately executed by the Applicants and approved by the Court and subject to such limitations and restrictions as may be contained therein.

The terms and content of this letter are subject to the terms of the NDA executed by you. The Monitor and the Applicants, including their respective affiliates, employees, officers, directors, agents and advisors, assume no liability or obligation whatsoever to any Phase 2 Qualified Bidder in connection with the SISP, including, but not limited to, as a result of decisions with respect to any Final Bid or the termination of the SISP. Unless otherwise agreed, no party will be entitled for any reason (including, without limitation, any modification of the SISP) to reimbursement for any costs or expenses incurred in reliance upon the SISP, as such may be modified from time to time. Unless otherwise agreed, no finder's fees, commissions, expenses, or other compensation will be paid by the Applicants, the Monitor or their respective affiliates, employees, officers, directors, agents and advisors to any interested party including to any agents, consultants, advisors, or other intermediaries of any such party. The Applicants, the Monitor and their respective affiliates, employees, officers, directors, agents and advisors reserve the right to amend any information which has been made available to interested parties whether by way of addition, deletion, amendment or otherwise.

Pursuant to your NDA and participation in the SISP, under no circumstances are you permitted to contact any of the Applicants' officers, directors, employees, agents, representatives, creditors, shareholders, affiliates, wholesalers, customers, distributors, suppliers, vendors or service providers with respect to any Transaction unless you receive prior written consent from the Applicants and the Monitor. All communications or inquiries regarding the Transaction process, including Phase 2, or any other matters relating to this letter or the Applicants should be directed to the Monitor by contacting either **Jeff Rosenberg at: (416) 649-8073 / jeffrey.rosenberg@fticonsulting.com** or **Jamie Belcher at: (416) 649-8081 / jamie.belcher@fticonsulting.com**.



Once again, we appreciate your interest and look forward to receiving your Final Bid.

Yours truly,

FTI Capital Advisors – Canada ULC
On behalf of FTI Consulting Canada Inc.
in its capacity as Monitor of FIGR

A handwritten signature in blue ink, appearing to read 'J. Belcher', written in a cursive style.

Name: Jamie Belcher
Title: Senior Managing Director