

Court File No. _____

FIRE & FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.

PRE-FILING REPORT OF FTI CONSULTING CANADA INC., AS PROPOSED MONITOR

June 5, 2023

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FIRE AND FLOWER HOLDINGS CORP., FIRE & FLOWER INC., 13318184 CANADA
INC., 11180703 CANADA INC., 10926671 CANADA LTD., FRIENDLY STRANGER
HOLDINGS CORP., PINEAPPLE EXPRESS DELIVERY INC., and HIFYRE INC.
(collectively, the "**Applicants**")

PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS PROPOSED MONITOR

A. INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") understands that Fire & Flower Holdings Corp. ("**FFHC**"), Fire & Flower Inc. ("**FFI**"), 13318184 Canada Inc. ("**133 Canada**"), 11180703 Canada Inc. ("**Hi-Line Ventures**"), 10926671 Canada Ltd. ("**Open Fields Distribution**"), Friendly Stranger Holdings Corp. ("**Friendly Stranger**"), Pineapple Express Delivery Inc. ("**Pineapple Express Delivery**") and Hifyre Inc. ("**Hifyre**" and collectively "**F&F**" or the "**Applicants**") intend to make an application (the "**Initial Application**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an initial order (the "**Proposed Initial Order**") granting certain relief, including, *inter alia*, a stay of proceedings (the "**Stay of Proceedings**") against the Applicants until June 15, 2023, and appointing FTI as the monitor (in such capacity, the "**Monitor**"). The proceedings to be commenced by the Applicants will be referred to herein as the "**CCAA Proceedings**".

2. The purpose of this pre-filing report of the Proposed Monitor (the “**Pre-Filing Report**”) is to inform the Court of the following:
- (a) FTI’s qualifications to act as Monitor, if appointed;
 - (b) the activities of FTI and its counsel, Thornton Grout Finnigan LLP (“**TGF**”) to date;
 - (c) FTI’s comments regarding F&F’s cash management system;
 - (d) FTI’s comments regarding F&F’s proposed stakeholder communication plan (the “**Communication Plan**”);
 - (e) F&F’s proposed treatment of certain pre-filing payables in the Proposed Initial Order;
 - (f) F&F’s consolidated cash flow projections of its receipts and disbursements to September 1, 2023 (the “**Cash Flow Projection**”) and the reasonableness thereof, in accordance with section 23(1)(b) of the CCAA;
 - (g) F&F’s request for the approval of a \$9.8 million debtor-in-possession (“**DIP**”) credit facility (the “**DIP Facility**”), of which an initial amount of \$2.7 million will be advanced during the initial 10-day Stay of Proceedings, and a corresponding charge in respect thereof (the “**DIP Lender’s Charge**”);
 - (h) F&F Group’s proposed administration charge (the “**Administration Charge**”) and proposed directors’ and officers’ charge (the “**Directors’ Charge**”) and together with the Administration Charge, the “**Proposed CCAA Charges**”);
 - (i) a discussion of F&F’s intended next steps in the CCAA Proceedings, including relief that the Proposed Monitor understands F&F intends to seek at a proposed comeback hearing (the “**Comeback Hearing**”) if the requested Proposed Initial Order is granted, including:
 - (i) a sale and investment solicitation process (the “**Proposed SISF**”);

- (ii) an increase in the amounts that may be borrowed by the Applicants under the DIP Facility to \$9.8 million and a corresponding increase to the DIP Lender's Charge;
 - (iii) a proposed key employee retention plan (the "**Proposed KERP**");
 - (iv) an increase to certain of the Proposed CCAA Charges;
 - (v) an extension of the Stay of Proceedings to September 1, 2023; and
- (j) FTI's views with respect to the proposed CCAA Proceedings and certain of the relief sought in the Proposed Initial Order.

B. TERMS OF REFERENCE

3. In preparing this Pre-Filing Report, the Proposed Monitor has relied upon audited and unaudited financial information of F&F's books and records, certain financial information and forecasts prepared by F&F, and discussions with various parties, including senior management ("**Management**") of, and advisors to, F&F (collectively, the "**Information**").
4. Except as otherwise described in this Pre-Filing Report:
- (a) the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants of Canada Handbook; and
 - (b) the Proposed Monitor has not examined or reviewed the financial forecasts or projections referred to in this Pre-Filing Report in a manner that would comply with the procedures described in the Chartered Professional Accountants of Canada Handbook.
5. Future-oriented financial information reported in, or relied on, in preparing this Pre-Filing Report is based on Management's assumptions regarding future events. Actual results will vary from these forecasts and such variations may be material.

6. The Proposed Monitor has prepared this Pre-Filing Report in connection with the Initial Application. The Pre-Filing Report should not be relied on for any other purpose.
7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars.
8. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the affidavit of Stéphane Trudel, the Chief Executive Officer of F&F, filed in support of the Initial Application (the “**Trudel Affidavit**”).

C. FTI’S QUALIFICATIONS TO ACT AS MONITOR

9. On May 26, 2023, F&F engaged FTI to assist it in understanding its strategic options and to prepare, on a contingency basis, for the possibility of commencing insolvency proceedings in which FTI would act as Monitor (subject to Court approval). Jeffrey Rosenberg, a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, leads the FTI team with carriage of this matter.
10. Since becoming engaged by F&F, FTI has acquired knowledge of the business and operations of F&F, including its personnel, stakeholders and the key issues in the proposed CCAA Proceedings. As a result, FTI is in a position to immediately act as Monitor in the CCAA Proceedings if appointed by this Court.
11. Neither FTI, nor any of its representatives or affiliates, have been at any time in the past two years:
 - (a) a director, officer or employee of any member of F&F;
 - (b) related to any member of F&F, or to any director or officer of any member of F&F;
or
 - (c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of any member of F&F.

12. At no time has FTI had any involvement with any member of F&F other than in its current role as Proposed Monitor. An aggregate retainer of \$100,000 has been received by the Proposed Monitor and the Proposed Monitor's counsel.
13. FTI has consented to act as Monitor should this Court grant the Proposed Initial Order. A copy of FTI's consent to act as Monitor is attached as Exhibit "M" to the Trudel Affidavit.

D. FTI'S INVOLVEMENT TO DATE

Proposed Monitor's Activities

14. The Proposed Monitor has been involved in a number of activities leading up to the commencement of the CCAA Proceedings, including:
 - (a) participating in discussions with Management, counsel to F&F and certain of the Directors and Officers (as defined below). These discussions have been carried out in connection with the business and affairs of F&F, as well as the Initial Application;
 - (b) participating in discussions with 2707031 Ontario Inc., a wholly-owned indirect subsidiary of Alimentation Couche-Tard Inc. ("ACT"), F&F's secured lender and its financial advisers, National Bank of Canada, as proposed DIP lender ("NBC" or the "DIP Lender") to F&F;
 - (c) reviewing and commenting on the Cash Flow Projection;
 - (d) reviewing and considering various documentation and information in connection with F&F's business, operations and the CCAA Proceedings including, but not limited to:
 - (i) F&F's cash management system;
 - (ii) the DIP Facility;
 - (iii) the Applicants' Communication Plan in respect of these CCAA Proceedings;

- (iv) the Proposed KERP; and
- (v) the quantum and nature of the Proposed CCAA Charges.
- (e) engaging with TGF as its legal counsel to consider issues with respect to the foregoing; and
- (f) preparing this Pre-Filing Report.

E. OVERVIEW OF F&F'S BUSINESS AND AFFAIRS

15. The Trudel Affidavit sets out detailed information with respect to F&F's business and operations, as well as the causes of its ongoing financial distress. The information contained in this Pre-Filing Report is intended to provide context for, and to facilitate an understanding of, the issues addressed in this Pre-Filing Report and is not intended to be an exhaustive summary of all matters relating to the business of F&F. The Proposed Monitor recommends that readers carefully review all of the materials filed by F&F in connection with the Initial Application, including the Trudel Affidavit.
16. F&F is a cannabis retail chain with four distinct segments which sells cannabis products and accessories through ninety-one (91) leased retail locations across the country. F&F also operates a wholesale cannabis business, a national delivery division, and a digital analytical platform.
17. F&F operates its retail locations under the "Fire and Flower" and "Friendly Stranger" banners and maintains an online retail presence.
18. F&F employs approximately 645 employees in its retail operations which accounts for approximately seventy-five percent (75%) of F&F's gross revenue for the quarter ended March 31, 2023.
19. The *Cannabis Act* (Canada) and applicable provincial and municipal legislation regulates the operations of F&F. Across the country, F&F holds the applicable licenses allowing it to operate its cannabis retail stores and distribution services. The Proposed Monitor has

been advised that F&F is compliant with the applicable licensing requirements allowing it to operate.

The Applicants

Fire & Flower Holdings Corp.

20. FFHC is a non-operating holding company incorporated under the *Business Corporations Act* (Ontario) (the “OBCA”) and having its registered and head office is located in Toronto, Ontario. Each of the other Applicants are wholly owned, directly or indirectly, by FFHC.
21. FFHC is a publicly traded company whose common shares are traded on the Toronto Stock Exchange under the symbol “FAF” and over-the-counter on the OTCQX Exchange under the symbol “FFLWF”. ACT holds, directly or indirectly, more than 35% of the common shares of FFHC and holds purchase warrants which, if fully exercised, would result in ACT holding 50.1% of the issued and outstanding common shares of FFHC, on a fully-diluted basis.

Fire & Flower Inc.

22. FFI is the main operating entity with 80 licensed cannabis retail stores under the trademark banner name of “Fire and Flower” throughout Canada.

Friendly Stranger Holdings Corp.

23. Friendly Stranger is the other operating retailer of the Applicants and owns and operates 11 licensed cannabis retail stores under the trademark banner names of “Friendly Stranger” throughout Ontario.

10926671 Canada Ltd. (o/a Open Fields Distribution)

24. Open Fields Distribution operates a wholesale distribution business which purchases cannabis products directly from licensed producers and distributes such products to the retail stores, as well as third-party independent retailers in Saskatchewan. Open Fields Distribution also operates a licensed cross-docking and logistics business in Manitoba.

Pineapple Express Delivery Inc.

25. Pineapple Express Delivery operated the cannabis e-commerce and delivery services for their retail stores which, as a result of changes in government regulations relating to delivery of cannabis products, was shifted to other entities within the F&F group.

Hifyre Inc.

26. Hifyre maintains an omni-channel digital platform that drives F&F's retail operations and provides insight into consumer behaviours. The digital platform is also licensed to third parties and operates a virtual marketplace and last-mile delivery service to support the retail operations of the Applicants.

13318184 Canada Inc.

27. 133 Canada is a non-operating subsidiary of FFI which is a signatory for certain licensing agreements but otherwise does not have any employees or operations.

11180703 Canada Inc.

28. Hi-Line Ventures is a non-operating subsidiary of FFI which licenses the majority of the Applicants' intellectual property and sub-licenses same to an unrelated US entity which owns and operates cannabis retail stores in Colorado and California. Hi-Line Ventures otherwise does not have any employees or operations.

The Non-Applicants

PGED Corp.

29. PGED Corp. is a US subsidiary of Hifyre and operates two websites and content platforms, "Potguide.com" and "Wikileaf.com" which function as a directory and referral service for cannabis retailers and delivery services.

Hifyre US, Inc.

- 30. Hifyre US, Inc. is non-operating US subsidiary of Hifyre which has no employees or operations and holds all the issued and outstanding shares of PGED Corp.

F. F&F’S CASH MANAGEMENT SYSTEM

- 31. The Proposed Monitor has reviewed the description of the cash management system for the members of F&F set out in the Trudel Affidavit and believes those descriptions to be accurate.
- 32. F&F maintains twelve (12) accounts in total, ten (10) of the accounts are with Bank of Montreal (“**BMO**”) and two (2) of the accounts are with ATB Financial (“**ATB**”). The majority of F&F’s bank accounts act as operating accounts and both receive collections, as well as process disbursements. In addition, F&F holds nominal cash to ensure sufficient cash float at the stores. Excess cash is deposited into F&F bank accounts on a regular basis by Brinks, which is typically weekly. Chase Paymentech Solutions Inc., provides point of sales services (“**POS**”) across all retail locations, and People’s Trust Company provides online sale processing services. The chart below provides a summary of F&F’s banking facilities across the different banking institutions:

	BMO	ATB
Fire & Flower Holdings Corp.	R&D	
Fire & Flower Inc.	R&D	R&D
13318184 Canada Inc.	R&D	
10926671 Canada Ltd.	R&D	
Friendly Stranger Holdings Corp.	R&D	
Pineapple Express Delivery Inc.	R&D	
Hifyre Inc.	R&D	

**R = Receipts; D = Disbursements*

- 33. F&F has 3 corporate Canadian Amex credit cards that are paid through its ATB accounts, only two of these credit cards are currently active. Credit cards are primarily used for travel, IT subscriptions and other miscellaneous expenses. F&F estimates that, on average, approximately \$50,000 is charged weekly to the Canadian credit cards.

34. F&F's cash management system is primarily managed out of Toronto, Ontario. The cash management system allows for separate tracking of receipts and disbursements of F&F.
35. F&F currently tracks all intercompany transactions and will continue to monitor and record all intercompany transactions in their accounting system post-filing. As a post-filing matter, prior intercompany transactions of F&F may need to be appropriately reconciled.
36. This cash management system is critical to the ongoing management of F&F's business and affairs. Replacement of the cash management system would be costly and time consuming. Accordingly, the Proposed Monitor supports F&F's request to continue to operate its existing cash management system throughout the CCAA Proceedings.

G. COMMUNICATION PLAN

37. F&F and the Proposed Monitor, with input from their respective counsel and management, have prepared a detailed Communication Plan to inform stakeholder groups of the CCAA Proceedings following their commencement to ensure seamless continuation of the operations of the Applicants.
38. Individual, targeted communications are proposed to be sent to employees, suppliers, landlords and customers, which communications include frequently asked questions (the "FAQs") explaining the general nature of the Initial Application and the CCAA Proceedings, the role of the Court and the Monitor, as well as the immediate implications of the Proposed Initial Order for each particular stakeholder group.
39. The Communication Plan is comprehensive and is consistent with the scope of other communication plans employed at the outset of similar scale CCAA proceedings.
40. The Communication Plan and Proposed Initial Order contemplate that the Monitor is to post materials in connection with the proposed CCAA Proceedings on the Monitor's website at <http://cfcanada.fticonsulting.com/fireandflower> (the "Monitor's Website"). If appointed, FTI as Monitor will also post the FAQs on the Monitor's Website.
41. If appointed, FTI as Monitor will also make available a dedicated email address (fireandflower@fticonsulting.com) and hotline telephone numbers (1-833-981-8009 or

416-649-8129) to stakeholders who may have additional questions in respect of the CCAA Proceedings.

H. PAYMENT OF PRE-FILING AMOUNTS

42. The Proposed Initial Order provides F&F with the authority (but not the obligation) to pay certain expenses whether incurred prior to or following commencement of the CCAA Proceedings. Specifically, F&F would retain the authority to pay, among other things, outstanding and future wages, salaries and certain employee related payments.

I. DISCLAIMER OF LEASES

43. The Proposed Monitor has been advised by F&F that, immediately after the commencement of these proceedings, F&F intends to disclaim certain leases it considers to be “dead” or wholly unprofitable, as set out in the Trudel Affidavit. F&F also intends to disclaim subleased leases, as well as leases used in Pineapple Express’s delivery business. The disclaimers are intended to preserve liquidity. The Proposed Monitor understands that approximately \$429,000 of F&F’s total monthly lease obligations relate to non-operating leases and that the Pineapple Express delivery business has been highly unprofitable. The Proposed Monitor is supportive of F&F’s immediate cost cutting measures aimed at streamlining and preserving value for the remaining business.

J. TERMINATION OF EMPLOYEES

44. The Proposed Monitor has also been advised by F&F that it intends to immediately reduce its employee headcount in respect of certain unprofitable aspects of the business operations. The Proposed Monitor is supportive of these cost-cutting measures in an effort to streamline its operations.

K. CASH FLOW PROJECTION

45. The Cash Flow Projection, together with Management’s report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached as Appendix “A” to this Pre-Filing Report. The Cash Flow Projection covers the 13-week period ending September 1, 2023.

46. The Cash Flow Projection shows an operational cash outflow of approximately \$8.5 million, a net cash outflow of \$11 million, and professional fees of \$2.5 million for that period. The Cash Flow Projection is summarized below:

(\$CAD in thousands)

Forecast Week Ending (Friday)	Total 13 Weeks
Receipts	
Receipts from Operations	\$ 43,273
Miscellaneous Receipts	4,456
<i>Total Receipts</i>	\$ 47,729
Disbursements	
<i>Operating Disbursements</i>	
Inventory Purchases	\$ (32,344)
Rent	(3,140)
Payroll	(9,330)
Taxes	(4,380)
Other Operating Expenses	(7,022)
<i>Total Operating Disbursements</i>	\$ (56,216)
Net Cash from Operations	\$ (8,487)
<i>Restructuring Disbursements</i>	
Restructuring Legal and Professional Costs	(2,500)
Net Cash Flows	\$ (10,987)
Cash	
Beginning Balance	\$ 2,256
Net Receipts/ (Disbursements)	(10,987)
DIP Advances/ (Repayments)	9,800
DIP Fees & Interest Payment	-
Ending Cash Balance	\$ 1,069

47. As shown in the Cash Flow Projection, F&F will require additional funding totalling approximately \$9.8 million during the 13-week period ending September 1, 2023. The ending cash balance at September 1, 2023 is expected to be approximately \$1.1 million. The DIP Facility is described in greater detail below.
48. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standard of Practice 09-1, the Proposed Monitor hereby reports to the Court as follows:
- (a) the Proposed Monitor has reviewed the Cash Flow Projection, which was prepared by Management for the purpose described in notes to the Cash Flow Projection (the “**Projection Notes**”), using the Probable Assumptions and Hypothetical Assumptions set out therein;

- (b) the review consisted of inquiries, analytical procedures and discussion related to information provided by certain members of Management and employees of F&F. Since Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to the Hypothetical Assumptions were limited to evaluating whether the Hypothetical Assumptions were consistent with the purpose of the Cash Flow Projection. The Proposed Monitor has also reviewed the support provided by Management for the Probable Assumptions and the preparation and presentation of the Cash Flow Projection;
- (c) based on that review, and as at the date of this Pre-Filing Report, nothing has come to the attention of the Proposed Monitor that causes it to believe that:
 - (i) the Hypothetical Assumptions are inconsistent with the purpose of the Cash Flow Projection;
 - (ii) the Probable Assumptions are not suitably supported or consistent with the plans of F&F or do not provide a reasonable basis for the Cash Flow Projection, given the Hypothetical Assumptions; or
 - (iii) the Cash Flow Projection does not reflect the Probable and Hypothetical Assumptions.
- (d) since the Cash Flow Projection is based on assumptions regarding future events, actual results will vary from the projection even if the Hypothetical Assumptions occur. Those variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Projection will be achieved. The Proposed Monitor also expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Pre-Filing Report, or relied upon by the Proposed Monitor in preparing this Pre-Filing Report; and
- (e) the Cash Flow Projection has been prepared solely for the purpose described in the Projection Notes. The Cash Flow Projection should not be relied upon for any other purpose.

L. DIP FINANCING

49. Pursuant to the Proposed Initial Order, F&F is seeking authorization from this Court to enter into the DIP Facility on the terms set form in the term sheet attached hereto as **Appendix “B”** (the **“DIP Term Sheet”**).
50. The terms of the DIP Facility are summarized in the table below. Unless otherwise defined herein, terms capitalized in the table have the meaning ascribed in the DIP Term Sheet.
51. The Proposed Monitor and TGF have reviewed the terms of the DIP Term Sheet and participated in a number of discussions with the DIP Lender and its counsel. The DIP Term Sheet is the result of negotiations between the DIP Lender, F&F and their respective counsel, with input from the Proposed Monitor.
52. The Proposed Monitor makes the following observations in respect of certain terms of the DIP Term Sheet:
- (a) **DIP Facility:** non-revolving loan up to the maximum amount of \$9.8 million;
 - (b) **Initial Advance:** an initial advance of \$2.7 million will be made available to the Applicants during the initial 10-day Stay of Proceedings;
 - (c) **Subsequent Advances:** two additional tranches of the DIP Facility will be made available to the Applicants no earlier than every four (4) weeks from the date of the initial advance, in the expected amounts of \$3.0 million and \$4.1 million, respectively;
 - (d) **Interest Rates and Fees:**
 - (i) interest is to accrue at the rate of 12% per annum, compounded and calculated weekly;
 - (ii) an exit fee of \$400,000 (the **“Exit Fee”**) is payable by the Applicants on the earlier of the maturity date and the date that the DIP Facility is repaid in full.

- (e) **Maturity Date:** the earlier of (a) the date on which the Stay of Proceedings is lifted or terminated; (b) September 15, 2023 (or such other date as may be agreed to in writing by the DIP Lender, in its sole discretion); and (c) the date on which the DIP Lender elects to terminate the DIP Facility as a result of an event of default under the DIP Term Sheet;
- (f) **Conditions to Initial Advance:** the Proposed Initial Order shall have been obtained authorizing and approving the initial advance and granting the DIP Lender's Charge;
- (g) **Conditions to Subsequent Advances:** prior to any subsequent advance, the certain conditions must be met, including,
 - (i) The DIP Lender's Charge shall have been granted super-priority status over the assets of the Applicants, subject in priority only to the Administrative Charge (as defined below);
 - (ii) an order amending and restating the Proposed Initial Order (the "**ARIO**"), in form and substance acceptable to the DIP Lender, shall have been obtained authorizing and approving the DIP Facility and granting the increased DIP Lender's Charge;
 - (iii) the ARIO shall contain a mutually acceptable sale and investment solicitation process (the "**SISP**");
 - (iv) FFHC and the DIP Lender shall have agreed on new cash flow projections ("**Amended Cash Flow Projections**") for the length of the stay period provided for in the ARIO; and
 - (v) no Default or Event of Default (as defined in the DIP Term Sheet) shall have occurred and be continuing.
- (h) **Use of Proceeds:** the initial advance under the DIP Facility shall be used in accordance with the cash flow projections attached to the DIP Term Sheet. Any

subsequent advance under the DIP Facility shall be used in accordance with the Amended Cash Flow Projections;

- (i) **Cash Flow Covenant:** a negative variance of the net cash flows calculated in accordance with the DIP Term Sheet of more than 10% compared to the Amended Cash Flow Projections on a cumulative basis since the beginning of the coverage period, which commences in week five, shall constitute and event of default; and
- (j) **Remedies of DIP Lender:** upon the occurrence and continuation of an event of default, the DIP Lender shall be entitled to, among other things, terminate the DIP Facility and apply to the Court for the appointment of an interim receiver or a receiver and manager of the undertaking, property and assets of FFHC.

53. Attached as **Appendix “C”** is a chart of the observed interest rates of DIP loans ranging in size from approximately \$2.5 million to \$20 million, for the period between January 2022 and May 2023 (“**DIP Comparison Period**”), which are summarized in the table below:

	Interest	DIP Fees as a % of DIP Loan
Maximum	27%	6.0%
Average	13%	2.3%
Minimum	8%	0.4%

54. The Proposed Monitor notes that the proposed DIP Facility has an interest rate of 12% and contains an exit fee of \$400,000 (or 4.1% as a percentage of the DIP loan), which equates to a total annualized rate of interest of 28%.

55. Based on the experience of the Proposed Monitor and on the information available to it, the Proposed Monitor is of the view that the interest rate provided in the DIP Term Sheet is near the average rate of DIPs during the DIP Comparison Period. The proposed Exit Fee as a percentage of the DIP Facility is higher than average during the DIP Comparison Period. However, the Monitor notes that the exit fee is not payable until the earlier of the Maturity Date or the repayment of the DIP Facility.

56. The Proposed Monitor was retained on May 26, 2023 and immediately began to canvass the market for a third party DIP facility. Unfortunately, due to the required timing of the commencement of these proceedings, F&F's liquidity situation, and the difficult financing conditions in the cannabis market, there were limited options within the time permitted. To date, the Monitor has not received a letter of intent due to the short time they have canvassed the market. The DIP Term Sheet was heavily negotiated by the Applicants in an effort to obtain the best possible terms in the circumstances. The Proposed DIP represents the only current available alternative to F&F which will allow the Applicants the ability to continue ongoing operations.

DIP Lender's Charge

57. The Proposed Initial Order seeks the granting of the DIP Lender's Charge with respect to the obligations under the DIP Facility.

58. The Proposed Initial Order contemplates that the DIP Lender's Charge will not have priority over the valid interests and liens of existing secured creditors before the Comeback Hearing. However, the Proposed Monitor understands that it is the intention of F&F and the DIP Lender that after the Comeback Hearing the DIP Lender's Charge (and all the Proposed CCAA Charges) be granted priority over all existing security interests, charges and claims, including deemed trusts, in the assets of F&F but not in priority to the Administration Charge.

59. The Proposed Monitor understands that counsel to F&F will be providing notice of the Comeback Hearing, upon issuance of the Proposed Initial Order (if issued), to those parties with lien filings against the assets of F&F with a view to giving those parties as much notice as reasonably possible of the Comeback Hearing.

60. The Proposed Monitor supports F&F's request for authority to enter into the DIP Term Sheet and the granting of the DIP Lender's Charge. The DIP Facility will provide F&F with access to financing within the necessary timeframe. The Proposed Monitor is of the view that there is likely no other viable alternative source of financing available to F&F at this time due to the immediate nature of the financing required.

61. F&F's financial forecasts have identified a need for continued financing to maintain minimum cash balances and preserve ongoing business operations within F&F. The DIP Facility will, subject to the terms thereof, provide sufficient liquidity to F&F. The provision of the DIP financing will provide assurance to F&F employees, suppliers and customers that there is sufficient liquidity to maintain ordinary course business operations while the Applicants pursue restructuring alternatives.
62. The Proposed Monitor has also considered the facts and circumstances giving rise to the CCAA Proceedings and section 11.2(4) of the CCAA. In particular:
- (a) the term of the DIP Facility is sufficient to be available for the duration of F&F's intended restructuring process at this time;
 - (b) the financing to be provided is consistent with the forecast liquidity needs of F&F during that period;
 - (c) the proposed restructuring process cannot move forward without the DIP Facility and, as a result, the DIP Facility enhances the prospects of a viable restructuring in the Proposed Monitor's view; and
 - (d) any creditor of the F&F that believes it may be prejudiced by the DIP Facility will have an opportunity to raise any objections at the Comeback Hearing to be scheduled by the Court.

M. ADMINISTRATION CHARGE

63. The Proposed Initial Order provides for an Administration Charge in the amount of \$600,000 on F&F's assets to secure the fees and disbursements incurred in connection with services provided to F&F both before and after the commencement of the CCAA Proceedings. The Administration Charge will secure services provided to F&F by:
- (a) Counsel to F&F; and
 - (b) the Monitor and its counsel.

64. The Applicants are not requesting this Court to prime the Applicants' existing secured creditors at this time. The Proposed Monitor understands the Applicants' intend to ask this Court for an Order granting the Administration Charge (and certain other charges) super-priority at the Comeback Hearing.
65. The Proposed Monitor has worked with these groups to estimate their fees and costs, and the quantum of the proposed Administration Charge.
66. Given the anticipated amount of time it will take to complete the CCAA Proceedings, the Proposed Monitor is of the view that the size and scope of the Administration Charge is reasonable in the circumstances. The Proposed Monitor therefore supports F&F's request that the Court approve the Administration Charge.

N. DIRECTORS' CHARGE

67. As described in the Trudel Affidavit, F&F maintains directors and officers liability insurance policies (the "**D&O Insurance Policies**") for the benefit of F&F's directors and officers (the "**Directors and Officers**"). The renewal date of the D&O Insurance Policies is June 19, 2023.
68. The Proposed Monitor has worked with F&F to estimate the potential liabilities that the Directors and Officers may be exposed to in their capacities as directors and officers during the CCAA Proceedings.
69. The Proposed Initial Order provides for a Directors' Charge in the amount of \$2.8 million over the assets of F&F to secure the indemnity provided to the Directors and Officers in respect of liabilities that may be incurred after the filing date with respect to any failure to pay wages and source deductions, vacation pay, other employee-related obligations and Sales Taxes (as defined in the Proposed Initial Order). The Directors' Charge is proposed to rank in priority to the DIP Lender's Charge but subordinate to the Administration Charge.

70. The continued support and service of the Directors and Officers will be critical during the CCAA Proceedings and will enable F&F to preserve value and maximize recoveries for stakeholders.
71. In arriving at the quantum for the Directors' Charge, the Proposed Monitor, F&F and counsel to F&F, has taken into account (i) the scope and quantum of coverage provided by the D&O Insurance Policies (ii) the Directors and Officers' potential statutory liabilities for wages, vacation pay, unremitted source deductions, and, in light of the jurisdictions in which F&F carries on business and the number of its employees in each jurisdiction; and (iii) the terms of the DIP Facility.
72. The Proposed Monitor understands that the Directors and Officers will not continue to serve unless the Directors' Charge is granted. Accordingly, the Proposed Monitor is of the view that the granting of the Directors' Charge is necessary in the circumstances and that the quantum and scope of the charge is both fair and reasonable. The Proposed Monitor is also of the view that the Directors' Charge is consistent with this Court's practice and the potential foreseeable scope of director and officer liabilities for unremitted or unpaid employee and tax amounts in this case.

O. ANTICIPATED NEXT STEPS IN THE CCAA PROCEEDINGS

- i) Comeback Hearing*
73. The Proposed Monitor understands that F&F will be requesting the Comeback Hearing to be scheduled on June 15, 2023 which the Proposed Monitor understands is the latest date this Court has available before the expiration of the initial 10-day Stay of Proceedings. At the Comeback Hearing, it is expected that F&F will request:
 - (a) amendments to the amounts and rankings of the Proposed CCAA Charges (although F&F will not seek to increase the Administrative Charge or the Director's Charge);
 - (b) authority for the Applicants to increase the amounts which may be borrowed by FFHC under the DIP Facility Agreement to \$9.8 million;

- (c) approval of the Proposed SISP;
 - (d) approval of the Proposed KERP;
 - (e) authority for the Applicants to incur no further expenses in relation to the Securities Filings (as defined in the Trudel Affidavit) and declare that there shall be no personal liability for any failure to do so;
 - (f) an extension of the time limit to hold the annual shareholders' meeting of FFHC;
 - (g) an extension of the Stay of Proceedings.
74. The Proposed Monitor understands that, if the Initial Order is granted, F&F intends to immediately engage with its key stakeholders, including ACT, F&F's employees and customers, to discuss and obtain their input on the restructuring steps the Applicants need to undertake to maximize value for all stakeholders.
75. If appointed, FTI as Monitor intends to file a further report prior to the Comeback Hearing providing recommendations in respect of such relief.

The Proposed SISP

76. The Proposed Monitor understands that F&F intends at the Comeback Hearing to seek this Court's approval of a SISP to be conducted by the Proposed Monitor (if appointed).
77. In order to provide as much time as possible for interested parties to evaluate F&F's business, the Proposed Monitor (if appointed) intends, prior to the Comeback Hearing, to assist the Applicants in commencing solicitation of interest in preparation for the approval of a SISP. The Proposed Monitor anticipates this will include preparation of a non-disclosure agreement, teaser letter, confidential information package, data room, and a list of potential bidders, sending the teaser letter to potential bidders and facilitating access to confidential information for interested parties.

The Proposed KERP

78. The Proposed Monitor understands that F&F intends to seek this Court's approval of a Proposed KERP at the Comeback Hearing. The Applicants are developing the Proposed KERP, with input from the Board and the Proposed Monitor in order to retain certain key management members that are considered essential to the stability of the operations throughout these proceedings and to facilitate a successful restructuring or sale of the Applicants.
79. The Applicants will be seeking, among other things at the Comeback Hearing, the Court's approval of the KERP Charge.

P. RECOMMENDATIONS

80. The Proposed Monitor is of the view that the Applicants are insolvent and believes it is appropriate for the Applicants to be granted protection under the CCAA and respectfully requests that this Court grant the proposed Initial Order.

All of which is respectfully submitted this 5th day of June, 2023.

FTI Consulting Canada Inc.

In its capacity as Proposed Monitor of

Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc.,
10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc. and
Hifyre Inc.

A handwritten signature in black ink, appearing to read 'Jeffrey Rosenberg', written in a cursive style.

Jeffrey Rosenberg
Senior Managing Director

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

Jodi Porepa
Senior Managing Director

APPENDIX “A”

[ATTACHED]

Fire & Flower Holdings Corp.

Consolidated Cash Flow Forecast

(\$CAD in thousands)

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

Notes to the Consolidated Cash Flow Forecast:

[1] The purpose of the Cash Flow Forecast is to estimate the liquidity requirements of Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Strangers Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. ("F&F", or the "Company") during the forecast period. The forecast above is presented in Canadian Dollars. The forecast 13-week Cash Flow Forecast is on a cash-basis only and does not include timing differences for cash in transit.

[2] Receipts from Operations are based on management's current expectations regarding retail revenue sales and collections, Hifyre services, and wholesale revenue and collections. Receipts from operations have been forecast based on current payment terms, historical trends in collections, and expected demand.

[3] Forecast Miscellaneous Receipts include other receipts from operations.

[4] Forecast Inventory Purchases relate to costs pertaining to retail stores across Canada and wholesale costs in the provinces of Saskatchewan and Manitoba.

[5] Forecast Rent includes payments to landlords across Canada for retail stores, warehouses, and office space.

[6] Forecast Payroll is based on recent payroll amounts and future forecast amounts.

[7] Forecast Taxes include payments related to sales and other tax.

[8] Forecast Other Operating Expenses include selling, general, and administrative payments.

[9] Forecast Restructuring Legal and Professional Costs include legal and professional fees associated with the CCAA proceedings and are based on estimates provided by the advisors.

[10] Forecast DIP Advances/Repayments are based on funding requirements and maintaining a minimum of \$1 million cash balance.

[11] Forecast DIP Accrued Interest reflects PIK interest of 12% accrued on the DIP Advances under the DIP Facility during the forecast period. Although not included in the 13-week Cash Flow Forecast above, it is expected that a DIP fee of \$400,000 will be paid upon exit.

APPENDIX “B”

[ATTACHED]

DIP FACILITY TERM SHEET**Dated: June 5, 2023**

WHEREAS Fire & Flower Holdings Corp. has requested that the DIP Lender (as defined below) provide funding in order to assist with restructuring proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") (the "**CCAA Proceedings**");

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

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

DEFINITIONS	Capitalized terms not otherwise defined herein shall have the meanings given to them on Schedule "A" hereto.
BORROWER	Fire & Flower Holdings Corp. (the " Borrower ").
GUARANTORS	All of the Canadian subsidiaries of the Borrower namely Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc. and Hifyre Inc. (collectively, the " Guarantors ").
DIP LENDER	2707031 Ontario Inc. (the " DIP Lender ").
DIP FACILITY	A non-revolving loan (the " DIP Facility ") up to the maximum principal amount of \$9,800,000 (" Maximum Amount ") including an initial advance in an amount of \$2,700,000 (the " Initial Advance ").
MATURITY DATE	The earlier of (such earlier date, the " Maturity Date "): <ol style="list-style-type: none"> 1. the date on which the stay of proceedings under the CCAA Proceedings is lifted or terminated; 2. September 15, 2023 (or such later date as may be agreed to in writing by the DIP Lender, in its sole discretion); and 3. the date on which the DIP Lender elects to terminate the DIP Facility as a result of an Event of Default that is continuing.

The DIP Lender's commitment in respect of the DIP Facility shall expire on the Maturity Date and all

amounts outstanding under the DIP Facility including accrued Interest and Legal Fees (collectively, the “**Obligations**”) shall be repaid in full on the Maturity Date without the DIP Lender being required to make demand upon the Borrower or to give notice that the DIP Facility has expired and the Obligations are due and payable, subject to the order of the Ontario Superior Court of Justice (Commercial Division) (the “**Court**”).

ACCOUNT

All DIP Advances (as defined below) shall be deposited into an account acceptable to the Borrower, the Monitor and the DIP Lender (the “**Account**”) and withdrawn to pay contemplated expenses under the Cash Flow Projections (as defined below) and otherwise in accordance with the terms hereof.

USE OF PROCEEDS AND PROJECTED CASH FLOWS

The Initial Advance under the DIP Facility shall be used in accordance with the cash flow projections attached herewith as Schedule “B” (the “**Initial Cash Flow Projections**”). Any other advance under the DIP Facility (the “**Additional Advances**” and collectively with the Initial Advance, the “**DIP Advances**”) shall be used in accordance with the Amended Cash Flow Projections (as defined below and collectively with the Initial Cash Flow Projections, the “**Cash Flow Projections**”).

No proceeds of the DIP Advances may be used for any purpose other than in accordance with the Cash Flow Projections except with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld.

Notwithstanding anything to the contrary herein, none of the proceeds of the DIP Advances may be used in connection with (a) any investigation (including discovery proceedings), initiation or prosecution of any claims, causes of action, motions, applications, actions, or other litigation against or involving the DIP Lender, or (b) the initiation or prosecution of any claims, causes of action, motions, applications, actions, or other litigation against or involving the DIP Lender in such capacity in respect of this Agreement, except in each case of (a) and (b), to the extent relating to the CCAA Proceedings.

INTEREST RATE

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

after maturity, demand, default, or judgment until payment in full at a rate of 12% per annum, compounded and calculated weekly shall accrue and be added to the principal amount of the DIP Advances on the first day of each month.

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

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

FEES

On the earlier of the Maturity Date and the repayment in full of the DIP Advances, the Borrower shall pay to the DIP Lender an exit fee of \$400,000.

COSTS AND EXPENSES

The Borrower shall pay all reasonable and documented costs and expenses of the DIP Lender for all out-of-pocket due diligence and travel costs and all reasonable and documented fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant in connection with the implementation and administration of the DIP Facility, including any reasonable and documented costs and expenses incurred by the DIP Lender in connection with the enforcement of any of the rights and remedies available hereunder.

DIP SECURITY

The Guarantors hereby guarantees in favour of the DIP Lender the payment and performance of all Obligations of the Borrower under or in connection with the DIP Facility. All Obligations of the Obligors under or in connection with the DIP Facility and any of the DIP Credit Documentation shall be secured by a Court Ordered Charge on all present and after-acquired personal and real property of the Obligors, in each case of any kind or nature whatsoever and wheresoever situated (the "**DIP Lender's Charge**") without the need for any further loan or security documentation or any filings or registrations in any public register or system.

CONDITIONS PRECEDENT TO THE DISBURSEMENT OF THE INITIAL ADVANCE

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

1. The Borrower' application materials in connection with its application for the issuance of an initial order under the CCAA (the "**Initial Order**") shall be satisfactory to the DIP Lender and such

application shall be brought before the Court no later than June 5, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;

2. The Initial Order, in form and substance, and on notice to such parties acceptable to the DIP Lender, acting reasonably, shall have been executed by the Court authorizing and approving the Initial Advance under the DIP Facility and granting the DIP Lender's Charge shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect materially adversely affecting the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, unless otherwise agreed by the DIP Lender, acting reasonably;
3. As permitted by the CCAA, the DIP Lender's Charge shall have priority over all Liens granted by the Obligors against any of the undertaking, property or assets of the Obligors subject in priority only to an administrative charge on the collateral of the Borrower in an aggregate amount not to exceed \$2.7 million.

**CONDITIONS
PRECEDENT TO THE
DISBURSEMENT OF
DIP ADVANCES
(OTHER THAN THE
INITIAL ADVANCE)**

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

1. The Borrower's application materials in connection with its application for the extension of the Initial Order shall be satisfactory to the DIP Lender, acting reasonably, and such application shall be brought before the Court no later than June 5, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;
2. An order amending and restating the Initial Order, in form and substance acceptable to the DIP Lender, acting reasonably, shall have been executed by the Court authorizing and approving the DIP Facility and granting the DIP Lender's Charge (the "**Restated Initial Order**") shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect materially adversely affecting the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, unless otherwise agreed by the DIP

Lender, acting reasonably;

3. The DIP Lender's Charge shall have priority over all Liens granted by the Obligors against any of the undertaking, property or assets of the Obligors subject in priority only to an administrative charge on the collateral of the Obligors in an aggregate amount not to exceed \$9.8 million;
4. The Borrower and the DIP Lender, each acting reasonably, shall have agreed on the terms and conditions of a mutually acceptable Sale and Investment Solicitation Process (the "**SISP** ") including the various relevant milestones of such SISP and an outside date for the completion of the SISP (the "**SISP Milestones**");
5. The Borrower and the DIP Lender, each acting reasonably, shall have agreed on the length of the stay period provided to the Obligors in the Restated Initial Order;
6. The Borrower and the DIP Lender, each acting reasonably, shall have agreed on new cash flow projections for the length of the stay period provided for in the Restated Initial Order (the "**Amended Cash Flow Projections**");
7. The Borrower shall have delivered a request for such Additional Advance at least two (2) Business Days before such Additional Advance is requested;
8. The amount of such Additional Advance shall be made no earlier than every four (4) weeks in accordance with Schedule "B", in the line titled "Dip Advances/(Repayments)" line;
9. The representations and warranties contained herein shall be true and correct; and
10. No Default or Event of Default shall have occurred and be continuing.

Each of the Obligors agrees to indemnify and hold harmless the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, and its Affiliates and officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the "**Indemnified Persons**") from and against any and all actions, lawsuits, proceedings

(including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, this Agreement, or the DIP Credit Documentation, except to the extent that such actions, lawsuits, proceedings, claims, losses, damages, liabilities or expenses result from the gross negligence or willful misconduct of such Indemnified Persons.

REPRESENTATIONS AND WARRANTIES

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

1. The transactions contemplated by this Agreement and the other DIP Credit Documentation:
 - a. upon the granting of either the Initial Order or the Restated Initial Order, are within the powers of the Obligors;
 - b. have been duly authorized, executed and delivered by or on behalf of the Obligors;
 - c. upon the granting of either the Initial Order or the Restated Initial Order, constitute legal, valid and binding obligations of the Obligors;
 - d. upon the granting of either the Initial Order or the Restated Initial Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Lender's Charge or any DIP Security granted pursuant to the DIP Credit Documentation;
2. The business operations of the Obligors have been and will continue to be conducted in material compliance with all Applicable Laws of each jurisdiction in which each such business has been or is being carried on;
3. The Obligors obtained all material licenses and permits required for the operation of its business, which licenses and permits remain, and after the date of the Initial Advance will remain in full force and effect and in good standing unless such licenses and permits are abandoned or terminated in connection with a Permitted Restructuring (as defined below).

No proceedings have been commenced to revoke or amend any of such licenses or permits and no notices advising of a breach or potential breach of the conditions of such licenses has been received;

4. Except as reflected in the Cash Flow Projections, the Obligors have paid where due their obligations for payroll, employee source deductions, sales taxes, value added taxes and are not in arrears in respect of these obligations;
5. The Obligors do not have any defined benefit pension plans or similar plans; and
6. All factual information provided by or on behalf of the Borrower to the DIP Lender for the purposes of or in connection with this Agreement or any transaction contemplated herein is, to the best of the Borrower' knowledge, true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided. In particular, and without limiting the generality of the foregoing, to the best of the Borrower' knowledge, all information regarding the Borrower' corporate structure is true and complete, all public filings and financial reports are complete and true in all material respects as of the date thereof. As used in this section "to the best of the Borrower' knowledge" refers to the actual knowledge of the Stéphane Trudel and John Chou after reasonable inquiry;

**AFFIRMATIVE
COVENANTS**

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

1. Subject to the variance permitted in #3 of the "Events of Default" section below, comply with the Cash Flow Projections;
2. Subject to any Court ordered limitations relating to the SISF, allow the DIP Lender, its designated representatives and financial advisors full access to the books and records of the Obligors on one (1) Business Day's notice and during normal business hours and cause management thereof to fully cooperate with any advisors to the DIP Lender;
3. Use the proceeds of the DIP Facility only for the

purposes set out herein;

4. Comply with the provisions of the Court orders made in the CCAA Proceedings;
5. Comply with the SISP and the SISP Milestones;
6. Provide the DIP Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intends to file within the CCAA Proceedings at least three (3) days prior to any service of such materials or, where it is not practically possible to do so at least three days prior to any such service, as soon as possible;
7. Maintain all licenses required for the operation of their business in good standing, other than any licenses abandoned or terminated in connection with a Permitted Restructuring;
8. Provide the DIP Lender with all material correspondence between the Obligors and any governmental authority in respect of their cannabis licenses from and after the date of the Initial Order;
9. The Initial Order, the Restated Initial Order and any other Court orders which are being sought by the Borrower shall be submitted to the Court in a form confirmed in advance to be satisfactory to the DIP Lender, acting reasonably, subject to any amendments that are required by the Court or otherwise acceptable to the DIP Lender, acting reasonably;
10. Subject to any Court ordered limitations, use all reasonable efforts to keep the DIP Lender apprised on a timely basis of all material developments with respect to the business and affairs of the Obligors and with respect to the SISP;
11. Deliver on the following Thursday of the week due to the DIP Lender any Updated Bi-Weekly Budgets and Bi-Weekly Budget Variance Reports and such other reporting and information from time to time as is reasonably requested by the DIP Lender in form and substance satisfactory to the DIP Lender;
12. Maintain all insurance with respect to the

Collateral in existence as of the date hereof;

13. Forthwith notify the DIP Lender of any event or circumstance that, with the passage of time, may constitute an Event of Default;
14. Forthwith notify the DIP Lender of the occurrence of any Event of Default, or of any event or circumstance that may constitute a material adverse change from the Cash Flow Projections;
15. Duly and punctually pay or cause to be paid to the DIP Lender all principal and interest payable by it under this Agreement and under any other DIP Credit Documentation on the dates, at the places and in the amounts and manner set forth herein;
16. Comply in all material respects with all Applicable Laws; and
17. Comply in all material respects with all of their obligations under all other agreements with the DIP Lender and its Affiliates.

**NEGATIVE
COVENANTS**

Each of the Obligors covenants and agrees not to do the following, other than with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld:

1. Other than pursuant to a Permitted Restructuring, sell, assign, transfer, lease or otherwise dispose of all or any part of its assets outside the ordinary course of business, except for the disposition of any obsolete equipment or other assets;
2. Make any payment of principal or interest in respect of existing (pre-filing date) indebtedness or declare or pay any dividends except as contemplated by the Cash Flow Projections;
3. Create or permit to exist indebtedness for borrowed money other than existing (pre-filing date) debt and debt contemplated by this DIP Facility;
4. Create or permit to exist any Liens on any of its properties or assets other than Permitted Liens;
5. Enter into or agree to enter into any investments other than cash equivalents or acquisitions of any

kind, direct or indirect, in any business;

6. Incur, assume or otherwise agree to be bound by any contingent liabilities or provide any guarantee or financial assistance to any Person;
7. Enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly or indirectly, all or any significant portion of the undertaking, property or assets of any Obligor would become the property of any other Person or Persons;
8. Seek or support a motion by another party to provide to a third party a charge upon any of the Borrower' assets (including, without limitation, a critical supplier's charge) without the prior consent of the DIP Lender, except to the extent such motion or charge will result in a repayment in full of all Obligations owing to the DIP Lender under the DIP Facility;
9. Amend or seek to amend the Initial Order, Restated Initial Order, the SISP or the SISP Milestones;
10. Other than (i) for cause or (ii) in connection with a Permitted Restructuring, terminate the employment of any personnel required to maintain its cannabis licenses in good standing unless replaced in due course;
11. Terminate or repudiate any agreement with the DIP Lender, solely in its capacity as lender under the DIP Facility and not in any other capacity, or any of its Affiliates;
12. Seek or obtain any order from the Court that materially adversely affects the DIP Lender, except with the prior written consent of the DIP Lender; and
13. Deliver any lease disclaimer notice pursuant to section 32 CCAA, except with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld, and provided that upon the Borrower providing a copy of any such proposed lease disclaimer notice, the DIP Lender promptly (and in any event within two (2) Business Days) advises the Borrower if it has any objections

to the proposed disclaimer.

EVENTS OF DEFAULT

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

1. failure of the Borrower to pay principal or interest when due under this Agreement or any other DIP Credit Documentation;
2. any other breach by any Obligor in the observance or performance of any provision, covenant (affirmative or negative) or agreement contained in this Agreement, provided, that, in the case of a breach of any affirmative covenant, such breach remains unremedied for longer than three (3) Business Days;
3. A negative variance of the net cash flows calculated in accordance with the methodology set out in Schedule "B" of more than 10% compared to the Cash Flow Projections on a cumulative basis since the beginning of the period covered thereby, provided that the payment of the DIP Lender's fees and expenses pursuant to this Agreement (if paid prior to Maturity Date) shall be excluded from such calculation. This test starts in week 5 and does not apply to weeks 1-4;
4. (i) any order shall be entered reversing, amending, varying, supplementing, staying, vacating or otherwise modifying in any respect in a manner materially affecting the DIP Lender without the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld, (ii) either the Initial Order or the Restate Initial Order shall cease to be in full force and effect in a manner that has a material adverse effect on the interests of the DIP Lender, or (iii) Borrower shall fail to comply in any material respect that has an adverse effect on the interests of the DIP Lender with any Order granted by the Court in the CCAA Proceedings;
5. this Agreement or any other DIP Credit Documentation shall cease to be effective or shall be contested by a Borrower;
6. any order is issued by the Court (or any other court of competent jurisdiction) that materially adversely affects the DIP Lender, in its capacity as DIP Lender, without the prior written consent of

the DIP Lender, which consent shall not be unreasonably withheld;

7. the CCAA Proceedings are terminated or converted to bankruptcy proceeding or any order is granted by the Court (or any court of competent jurisdiction) granting relief from the stay of proceedings during the CCAA Proceedings (as extended from time to time until the Maturity Date), unless agreed by the DIP Lender, acting reasonably;
8. any Plan is filed or sanctioned by the Court in a form and in substance that is not acceptable to the DIP Lender if such Plan does not either provide for the repayment of the obligations under the DIP Facility in full by the Maturity Date or designate the DIP Lender as unaffected by such Plan;
9. if any of the Borrower's cannabis licenses are revoked or the Borrower fails to comply with a material condition required to keep such licenses in good standing, other than as a result of a Permitted Restructuring, and such license is not reinstated or the Borrower's failure to comply with such material condition continues for a period of five (5) Business Days;
10. any of the Borrower makes any material payments of any kind not permitted by this Agreement, the Cash Flow Projections or any order of the Court;
11. if the Monitor, counsel to the Monitor, or counsel to the Borrower withdraws its services on behalf of the Borrower and/or terminates its engagement with the Borrower and a replacement professional acceptable to the DIP Lender is not appointed or engaged, as applicable, or if alternative arrangements acceptable to the DIP Lender are not made within 5 Business Days;
12. borrowings under the DIP Facility exceed the Maximum Amount.

REMEDIES

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

1. terminate the DIP Facility;
2. on prior notice to the Borrower and the service list of no less than three (3) Business Days, apply to

the Court for the appointment of an interim receiver or a receiver and manager of the undertaking, property and assets of the Borrower or for the appointment of a trustee in bankruptcy of the Borrower;

3. exercise the powers and rights of a secured party under any legislation; and
4. exercise all such other rights and remedies under the DIP Credit Documentation and Orders of the Court in the CCAA Proceedings.

DIP LENDER APPROVALS

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

FURTHER ASSURANCES

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

ENTIRE AGREEMENT

This Agreement, including the Schedules hereto and the DIP Credit Documentation, constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Agreement and any of the other DIP Credit Documentation, this Agreement shall govern.

AMENDMENTS, WAIVERS, ETC.

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

ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Borrower may not assign its rights and obligations under this Agreement

without the written consent of the DIP Lender. The DIP Lender's rights and obligations under this Agreement are fully assignable, to an affiliate of the DIP Lender or with the consent of the Borrower, acting reasonably, before an Event of Default to any other entity and are freely assignable after an Event of Default has occurred and is continuing. Each of the Obligors hereby consents to the disclosure of any confidential information in respect of the Borrower to any potential assignee provided such potential assignee agrees in writing to keep such information confidential.

SEVERABILITY

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

PRESS RELEASES

The Borrower shall not issue any press releases or other public disclosure, other than Court documents approved in the manner set out herein, naming the DIP Lender without its prior approval, acting reasonably unless the Borrower is required to do so by applicable securities laws or other applicable law.

**COUNTERPARTS AND
FACSIMILE
SIGNATURES**

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

NOTICES

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

In the case of the DIP Lender:

With a copy to:

Davies Ward Philips & Vineberg LLP
155 Wellington Street West
Toronto, ON M5V 3J7

Attention: Sébastien Thériault, Christian Lachance and
Natalie Renner
Email: stheriault@dwpv.com, clachance@dwpv.com and
nrenner@dwpv.com

In the case of the Borrower:

With a copy to:

Stikeman Elliott LLP
5300 Commerce Court West
Toronto, Ontario M5L 1B9

Attention: Maria Konyukhova
Email: mkonyukhova@stikeman.com

In either case, with a copy to the Monitor:

FTI Consulting Inc.
Toronto Dominion Centre, Suite 2010, P.O. Box 104
Toronto, ON M5K 1G8

Attention: Jeffrey Rosenberg
Email: jeffrey.rosenberg@fticonsulting.com

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

Thornton Grout Finnigan LLP
Suite 3200, TD West Tower
100 Wellington Street West
Toronto, Ontario M5K 1K7

Attention: Leanne Williams
Email: lwilliams@tgf.ca

ENGLISH LANGUAGE

The parties hereto confirm that this Agreement and all related documents have been drawn up in the English language at their request. *Les parties aux présentes confirment que le présent acte et tous les documents y relatifs furent rédigés en anglais à leur demande.*

**GOVERNING LAW
AND JURISDICTION**

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

[REMAINDER OF PAGE INTENTIONALLY BLANK]

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

FIRE & FLOWER HOLDINGS CORP.

By: _____
Name:
Title:

FIRE & FLOWER INC.

By: _____
Name:
Title:

13318184 CANADA INC.

By: _____
Name:
Title:

11180703 CANADA INC.

By: _____
Name:
Title:

10926671 CANADA LTD.

By: _____
Name:
Title:

FRIENDLY STRANGER HOLDINGS CORP.

By: _____
Name:
Title:

PINEAPPLE EXPRESS DELIVERY INC.

By: _____
Name:
Title:

HIFYRE INC.

By: _____
Name:
Title:

2707031 ONTARIO INC.

By: _____
Name:
Title:

SCHEDULE "A"

Additional Definitions

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

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

"Bi-Weekly Budget Variance Report" means a variance report showing on a line-by-line basis actual receipts and disbursements and the total available liquidity for the last day of the prior week for the cumulative period since the commencement of the CCAA Proceedings and for a cumulative period once the CCAA Proceedings have been pending for four weeks and noting therein all variances on a line-by-line basis from the amounts in the Updated Bi-Weekly Budget and shall include explanations for all material variances and shall be certified by the Chief Financial Officer of the Borrower.

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

"Cannabis Laws" means the Cannabis Licence Act, 2018, S.O. 2018, c.12, Sched. 2, the Cannabis Act, S.C. 2018, c. 16 (Canada), the Cannabis Control Act, 2017, S.O. 2017, c. 26, Schedule 1 (Ontario), and any other applicable governing legislation and the regulations thereunder, all as may be amended, supplemented or replaced from time to time and those which regulate the sale or distribution of Cannabis (in various forms), cannabinoid product or paraphernalia commonly associated with Cannabis and/or related cannabinoid products.

"Court Ordered Charges" means the charges granted by the Court over the assets, properties and undertakings of the Obligors in the CCAA Proceedings, which shall include, without limitation, an administration charge and the DIP Lender's Charge.

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

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

"DIP Security" means the contractual security and contractual hypothecary documents granted by the Borrower providing for a security interest/hypothec in and lien on all now-owned and hereafter-acquired assets and property of the Borrower, real and personal, tangible or intangible and all proceeds therefrom (the "**Collateral**"), but excluding (i)

such assets, if any, as the DIP lender in its discretion determines to be immaterial or to be assets for which the cost and other burdens of establishing and perfecting a security interest outweigh the benefits of establishing and perfecting a security interest, and (ii) other exceptions to be mutually agreed.

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

“Liens” means all mortgages, pledges, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

“Monitor” means FTI Consulting Inc.

“Obligors” means the Borrower and the Guarantors.

“Permitted Restructuring” shall mean any restructuring and/or closure of stores or other premises used by any Obligor approved by the DIP Lender, acting reasonably.

“Permitted Liens” means (i) Court Ordered Charges; (ii) the liens registered against the Obligors in the Provinces of Ontario, British Columbia, Saskatchewan, Manitoba, Alberta, and Yukon Territory, as more particularly described in the search summaries attached to Exhibit “L” of the Affidavit of Stephane Trudel sworn on June 5, 2023 in connection with the CCAA Proceedings, and (iii) liens in respect of amounts payable by an Obligor for wages, vacation pay, deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada), income tax and workers compensation claims.

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

“Plan” means the implementation of a plan of compromise or arrangement within the CCAA proceedings which has been approved by the requisite majorities of the Borrower’s creditors and by order entered by the Court and by the DIP Lender.

“Updated Bi-Weekly Budget” means a revised 13-week period detailed budget which is in form and substance satisfactory to the DIP Lender, which revised budget shall be reviewed by the Monitor.

SCHEDULE "B"

Initial Cash Flow Projections

(see attached)

Fire & Flower Holdings Corp.

Consolidated Cash Flow Forecast

(\$CAD in thousands)

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

Notes to the Consolidated Cash Flow Forecast:

[1] The purpose of the Cash Flow Forecast is to estimate the liquidity requirements of Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Strangers Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. ("F&F", or the "Company") during the forecast period. The forecast above is presented in Canadian Dollars. The forecast 13-week Cash Flow Forecast is on a cash-basis only and does not include timing differences for cash in transit.

[2] Receipts from Operations are based on management's current expectations regarding retail revenue sales and collections, Hifyre services, and wholesale revenue and collections. Receipts from operations have been forecast based on current payment terms, historical trends in collections, and expected demand.

[3] Forecast Miscellaneous Receipts include other receipts from operations.

[4] Forecast Inventory Purchases relate to costs pertaining to retail stores across Canada and wholesale costs in the provinces of Saskatchewan and Manitoba.

[5] Forecast Rent includes payments to landlords across Canada for retail stores, warehouses, and office space.

[6] Forecast Payroll is based on recent payroll amounts and future forecast amounts.

[7] Forecast Taxes include payments related to sales and other tax.

[8] Forecast Other Operating Expenses include selling, general, and administrative payments.

[9] Forecast Restructuring Legal and Professional Costs include legal and professional fees associated with the CCAA proceedings and are based on estimates provided by the advisors.

[10] Forecast DIP Advances/Repayments are based on funding requirements and maintaining a minimum of \$1 million cash balance.

[11] Forecast DIP Accrued Interest reflects PIK interest of 12% accrued on the DIP Advances under the DIP Facility during the forecast period. Although not included in the 13-week Cash Flow Forecast above, it is expected that a DIP fee of \$400,000 will be paid upon exit.

APPENDIX “C”

[ATTACHED]

Overview of DIP Facilities Granted in Canada During the DIP Comparison Period

	Debtor	DIP Lender	Filing Date	Jurisdiction	Industry	DIP Loan (C\$MM)	DIP Interest	DIP Fees as a % of DIP Loan
1	J.W. Carr Holdings Ltd. et al.	MGB Investments Ltd.	20-Apr-23	AB	Real Estate	\$ 2.70	12%	0.9%
2	GreenSpace Brands Inc.	Pivot Financial I Limited Partnership Inc.	06-Apr-23	ON	Food & Accommodation	\$ 2.60	14%	0.4%
3	Phoena Holdings Inc. et al.	Cortland Credit Lending Corporation	04-Apr-23	ON	Cannabis	\$ 3.10	27%	2.0%
4	Dynamic Technologies Inc. et al.	Promising Experts Limited	09-Mar-23	AB	Professional Services	\$ 2.60	12%	NA
5	Rambler Metals and Mining Canada Inc. and 1948565 Ontario Inc.	RMM Debt Limited Partnership	27-Feb-23	NL	Mining	\$ 6.73	17%	2.5%
6	Forex Inc. et al.	Les Placements Al-Vi Inc.	07-Feb-23	QC	Manufacturing	\$ 10.63	10%	NA
7	Acerus Pharmaceuticals Corporation et al.	First Generation Capital Inc.	26-Jan-23	ON	Healthcare	\$ 7.00	8%	NA
8	Manitoba Clinic Medical Corporation and The Manitoba Clinic Holding Co. Ltd.	CIBC	30-Nov-22	MB	Healthcare	\$ 4.00	12%	NA
9	Groupe Sélection Inc.	National Bank, CIBC, Desjardins, TD, BMO, HSBC, Briva Finance and Fiera	21-Nov-22	QC	Food & Accommodation	\$ 20.00	NA	NA
10	Trichome Financial Corp.	Cortland Credit Lending Corporation	07-Nov-22	ON	Cannabis	\$ 4.88	14%	2.0%
11	Pure Gold Mining Inc.	Sprott Private Resource Lending II (Collector), LP	31-Oct-22	BC	Mining	\$ 10.00	15%	NA
12	Xebec Adsorption Inc. et al.	National Bank of Canada	29-Sep-22	QC	Oil and Gas	\$ 3.60	NA	NA
13	MPX International Corporation et al.	Certain Debentureholders	25-Jul-22	ON	Cannabis	\$ 2.67	12%	2.0%
14	Freshlocal Solutions Inc. et al.	Third Eye Asset Management Inc.	16-May-22	BC	Retail	\$ 10.00	13%	6.0%
15	Freshlocal Solutions Inc. et al.	Ayal Capital Advisors EliteFund LP and Heidi S. Shippell Heiland 2008 Irrevocable Trust	16-May-22	BC	Retail	\$ 3.00	10%	3.0%
16	Hazleton Development Corporation	Triumph Eastern Investments Inc.	20-Apr-22	ON	Real Estate	\$ 9.0	13%	2.0%
17	Rising Phoenix International Inc.	Interim Financing - Gestion Levy inc.	06-Jan-22	QC	Education	\$ 4.3	NA	NA

Source: Insolvency Insider and Government of Canada Public CCAA Records