

Court File No. CV-23-00700581-00CL

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.

**SUPPLEMENT TO THE FIRST REPORT OF
FTI CONSULTING CANADA INC., AS MONITOR**

June 14, 2023

Contents

Section	Page
A. INTRODUCTION	2
B. ADJOURNMENT REQUEST.....	2

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**")

SUPPLEMENT TO THE FIRST REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.,
IN ITS CAPACITY AS MONITOR

A. INTRODUCTION

1. On June 5, 2023, Fire & Flower Holdings Corp. ("**F&F Holdings**"), Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc. and Hifyre Inc. (collectively "**F&F**" or the "**Applicants**") sought and obtained an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). The proceedings commenced under the CCAA by F&F are referred to herein as the "**CCAA Proceedings**".
2. This report (the "**Supplemental Report**") is being prepared as a supplement to the first report of the Monitor dated June 14, 2023 (the "**First Report**"). Capitalized terms not otherwise defined herein have the meanings ascribed to them in the First Report.

B. ADJOURNMENT REQUEST

3. The Monitor is in receipt of correspondence from Green Acre Capital LP ("**Green Acre**") to the Applicants dated June 13, 2023 wherein Green Acre requested an adjournment of

the relief requested by the Applicants in respect of the Proposed SISP and Stalking Horse Agreement, a copy of which is attached as **Appendix “A”**.

4. The Monitor was subsequently in receipt of additional correspondence to the Applicants dated June 14, 2023, a copy of which is attached as **Appendix “B”**, specifically requesting an adjournment of the Proposed SISP and related relief for 30 days.
5. The Monitor was also copied on correspondence between ACT and Green Acre and received separate correspondence from Green Acre each dated June 14, 2023, copies of which are attached as **Appendices “C”** and **“D”** respectively.
6. The Applicants responded to the Green Acre correspondence on June 14, 2023, a copy of which is attached as **Appendix “E”**. Counsel to the Monitor and the Applicants received an email from counsel to ACT in respect of the letter they received from Green Acre, attached as **Appendix “F”**.
7. Green Acre’s correspondence to the Monitor advised that Green Acre was seeking an adjournment to “facilitate the exploration of readily available alternatives that preserve value for stakeholders in addition to Couche Tard”. In response to such correspondence, the Monitor sets out its views on Green Acre’s below.
8. As set out in the First Report, the Cash Flow Projection is based on certain assumptions, including:
 - (a) the Applicants continue to take steps to restructure operations during the CCAA Proceedings, including the lease repudiation discussed in the Second Trudel Affidavit and other cash conservation measures intended to be implemented by the Applicants; and
 - (b) the Proposed SISP process is approved on June 15, 2023, without delay.
9. In the event that the commencement of the Proposed SISP is delayed as requested by Green Acre, the Applicants will currently have insufficient funds to complete the Proposed SISP and conclude a going-concern transaction for the benefit of the Applicants’ stakeholders. Contrary to the assertions of Green Acre, the Applicants have been actively taking steps to

conserve cash and return to profitability which measures have already been factored into the Cash Flow Projection. The delay proposed by Green Acres would materially prejudice the Applicants' stakeholders as it may cause a cessation of the Applicants business and the loss of the going-concern transaction contemplated by the Stalking Horse Agreement.

10. The Monitor is of the view that alternatives to preserve value are precisely what the Applicants, with the assistance of the Monitor, intend to pursue during the term of the Proposed SISP. The Proposed SISP provides for a broad, open, fair and transparent process with an appropriate level of independent oversight and the flexibility necessary for the Applicants to consider the broad range of potential transactions that may be available to generate value from the Business. The Monitor is prepared to immediately meet with Green Acre and any other prospective bidder to discuss any proposed transaction in accordance with the terms and timeline of the Proposed SISP.

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Dated this 14th day of June, 2023.

FTI Consulting Canada Inc.
In its capacity as 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]



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June 13, 2023

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Sent via E-mail: mkonyukhova@stikeman.com

Larry Ellis

Direct Line: 416.595.8639

lellis@millerthomson.com

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

Attention: Maria Konyukhova

Re: CCAA Proceedings of Fire & Flower Holdings Corp., et al

We represent Green Acre Capital LP (“**Green Acre**”), a significant shareholder of Fire & Flower Holdings Corp. (together with its wholly owned subsidiaries, “**FAF**”). Green Acre is working with other shareholders and creditors of FAF as described below. Capitalized but undefined terms in this letter have the meaning given to them in the Affidavit of Stephane Trudel sworn June 5, 2023 (the “**Trudel Affidavit**”). We will file our Notice of Appearance in due course. If you would please add us to the Service List on behalf of Green Acre it would be appreciated.

We have reviewed the court materials filed in the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) proceedings (the “**CCAA Proceedings**”), including the Monitor’s pre-filing report dated June 5, 2023 (the “**Report**”).

Our understanding of the CCAA Proceedings is that FAF intends to sell its going concern business to the highest bidder by way of approval and vesting order. Green Acre was recently contacted by the Monitor to discuss Green Acre’s possible interest in participating in the sale and investment solicitation process (the “**SISP**”) for the going concern business. On that call, the Monitor described the SISP as being an expedited sales process with a view to completing a sale transaction before the end of summer. Green Acre’s concern is that the proposed expedited SISP will result in a credit bid scenario where ACT Investor is likely to credit bid the combination of its secured debt and the DIP Facility to purchase FAF’s going concern business. This would result in a complete wipe out of all subordinate debt and equity interests.

The purpose of this letter is to request the following:

1. an adjournment of certain relief intended to be sought at the hearing scheduled for Thursday June 15, 2023, including relief in connection with the commencement of the SISP;
2. answers to critically important questions, as set out below; and
3. a meeting with current FAF management and the Monitor team to understand and discuss alternatives to the SISP.

Adjournment of SISP

Green Acre is requesting an adjournment of the SISP-related relief for the following reasons:

1. As at the time of writing this letter there is neither a court report nor an affidavit uploaded to the Monitor's website that provides a detailed description of the SISP. To the extent that such documents have been provided to the Service List, please provide a copy to us. Green Acre and other stakeholders are entitled to sufficient evidence describing the SISP, and a sufficient period of time to understand the impact of the SISP on their legal rights.
2. We anticipate that FAF is going to suggest that cash burn is the driver for urgency. Our team's financial advisor has reviewed the Cash Flow Statement and believes that it can offer significant improvements to conserve cash. More importantly, Green Acre's team is confident that if certain obligations, including dead leases and other unnecessary expenses, were disclaimed and managed immediately, that FAF could transition to being cash flow positive by mid July. Once FAF was cash flow positive it would enable it to draw less on the DIP Facility and FAF could market itself from a position of strength. Green Acre is prepared to share its restructuring plan in a meeting with FAF management and the Monitor team. It should be encouraging to note that on a conservative basis Green Acre's model of a restructured FAF business demonstrates a company with EBITDA in the range of \$7 million to \$10 million, effective immediately.
3. We anticipate that FAF is going to point to the fact that it has already hired Canaccord Genuity Corp. ("**Canaccord**"), engaged a special committee and spoken to the market regarding a possible sale of, or investment in, FAF. Green Acre is intimately aware of these efforts and participated directly in that process. Please note the following:
 - a. On March 30, 2023, Green Acre made an equity proposal to invest \$15,000,000 in FAF, conditional on participation from ACT and other diligence. Green Acre's diligence was slowed as a result of the unavailability of a data room. In May of 2023 Green Acre was granted access to a data room and ultimately confirmed that their offer would not proceed as a result of the number of dead leases. However, it was made clear to FAF management that if FAF could relieve itself from the dead lease obligations, Green Acre would be immediately willing to engage in dialogue regarding equity investment.
 - b. FAF received a letter of intent from 5037597 Ontario Inc. o/a Pop's Cannabis Co. ("**Pop's Cannabis**") on June 1, 2023 (the "**Pop's Offer**"). We understand that the Pop's Offer contemplated the purchase of 32 of FAF's retail locations in Ontario in exchange for an all-cash purchase price that would have repaid ACT Investor in full, provided \$5-6 million of cash to fund operating expenses, and maintained existing equity. We further understand that FAF didn't engage with Pop's Cannabis following receipt of the Pop's Offer.
4. Green Acre's conclusion is that a simple restructuring effort using the CCAA would immediately result in renewed interest for those equity holders that would be encouraged to invest in a "cleaned up" FAF. A secondary conclusion is that the original process marketed a highly distressed asset without the key disclosure that FAF could utilize a CCAA process to restructure legacy liabilities. Put another way, the original marketing process was flawed in that it marketed a company that nobody would invest in.



An adjournment is fair and reasonable in the circumstances given that, based on the stay of proceedings and Cash Flow Statement, there is no material prejudice caused by a short adjournment to ensure there is a robust canvassing of all reasonable restructuring opportunities with affected stakeholders. An adjournment will allow FAF an opportunity to spend 30 - 60 days working with existing shareholders and other stakeholders to save the business and protect existing stakeholders. Any cash flow concerns can be addressed by utilizing the CCAA to disclaim dead leases and other non-essential obligations. Green Acre looks forward to meeting with FAF and the Monitor team to present its restructuring plan and is hopeful that FAF's management team is willing to do whatever it takes to avoid a sale and save enterprise value for all stakeholders.

Green Acre intends to oppose the SISP for the reasons noted above, among others. Please also note that Green Acre isn't definitively opposed to a SISP. Green Acre's position is that FAF owes a duty to act in the best interest of its stakeholders, which includes an obligation to stabilize the business and develop a solution from a position of strength, rather than conducting a fire sale.

Questions

1. For the period beginning January 1, 2020 and continuing to the present, which members of FAF's Board of Directors and/or executive management have previously been employed by, or served as a director or consulted for, ACT Parent Co. or its affiliates and related parties (including ACT Investor, collectively, "ACT")? For any such individuals, when did they begin working or consulting for FAF (in any capacity)?
2. Regarding the special committee mandate referred to at paragraphs 13 and 136 of the Trudel Affidavit, what directors served on the special committee? Did the special committee and/or Canaccord investigate alternatives to the loan agreement with ACT Investor dated October 18, 2022 (the "**October 2022 Loan**")? If yes, please describe those investigations.
3. Did ACT Investor give any indication that it would be unwilling to support the business beyond the October 2022 Loan?
4. Prior to retaining Canaccord and FTI, did FAF retain any other financial advisor? Did ACT retain a financial advisor? If so, in either case, were any reports prepared by any such financial advisor(s)?
5. Is ACT willing to permit FAF time to identify an alternative solution to the proposed expedited SISP? Has FAF considered a rights offering to be coupled with a plan of arrangement? If so, can Green Acre review that analysis? If not, why not?
6. Regarding the special committee mandate and discussions referred to at paragraphs 15 and 140 of the Trudel Affidavit:
 - a. What directors served on the special committee?
 - b. What "key stakeholders of FAF and other industry participants and financial institutions" did the special committee speak to? Were any of those parties provided access to a data room and, if so, when?



- c. Did the special committee consider the Pop's Offer? If not, why not? If yes, why was a response not provided?
 - d. Did the special committee and/or FAF's other directors and/or FAF management discuss the Pop's Offer with ACT?
 - e. Did the special committee and/or FAF consider a shareholder rights offering as a means of funding a plan of arrangement restructuring? If yes, why was a SISP restructuring path chosen instead?
7. For the period of time from the October 2022 Loan until present, how many credible offers has FAF received for a purchase of, or investment in, its business, other than the Pop's Offer? Did any of these offers exceed the combined aggregate value of the DIP Facility and the October 2022 Loan?
8. At any point did FAF request that ACT Investor enter into a forbearance agreement? If not, why not?
9. Is ACT supportive of FAF making an effort to restructure its affairs?
10. Regarding the DIP Term Sheet, were any other lenders canvassed to ensure that the terms were competitive?

Meeting

The Green Acre team includes professionals with considerable cannabis retail experience. This team has worked around the clock over the past seven days to develop a path that saves value for existing stakeholders. Our client would appreciate the opportunity to meet with FAF management and the Monitor team to present its restructuring plan, which provides a clear solution that preserves value for all stakeholders.

Green Acre appreciates that time is of the essence and is prepared to meet as early as Monday next week. Please note that Green Acre is currently working with many shareholders and creditors. There may be additional parties that are interest in joining the meeting.

We will close by noting that Green Acre's objective isn't to prevent a sale of FAF's business to ACT. Green Acre's objective is to explore readily available opportunities that would avoid the value destruction that would result from ACT utilizing a credit bid to own FAF's business. The fundamental concern is that a truncated SISP does not maximize stakeholder value, and is not necessary in the circumstances.

Best regards,

MILLER THOMSON LLP

Per:





Larry Ellis
Partner

LE/mf

- c. Gavin Finlayson, Miller Thomson LLP
- Patrick Corney, Miller Thomson LLP
- Sam Massie, Miller Thomson LLP
- Leanne Williams, Thornton Grout Finnegan LLP
- Rebecca Kennedy, Thornton Grout Finnegan LLP
- Jeffrey Rosenberg, FTI Consulting
- Jodi Porepa, FTI Consulting



APPENDIX “B”

[ATTACHED]



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June 14, 2023

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Gavin Finlayson
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Stikeman Elliott LLP
5300 Commerce Court West
199 Bay Street
Toronto, Ontario M5L 1B9

Attention: Maria Konyukhova

Dear Ms. Konyukhova,

Re: CCAA Proceedings of Fire & Flower Holdings Corp., et al

We are counsel to Green Acre Capital LP (“**Green Acre**”) and we write further to the Applicants’ motion record served this morning, in support of a motion returnable tomorrow (the “**Motion Record**”). Capitalized but undefined terms in this letter have the meaning given to them in the Affidavit of Stephane Trudel, dated June 14, 2023.

As you know from our letter dated June 13, 2023 (the “**Green Acre Letter**”), Green Acre requests a minimum 30-day adjournment of the SISP approval and related relief being sought tomorrow. That adjournment is all the more reasonable and necessary in light of the Applicants’ Motion Record, which seeks approval of a Stalking Horse Agreement on one day of notice and (as of yet) without a factum or any justification for the short-service of the Motion Record. We recognize that service of materials in CCAA proceedings on the Commercial List often does not strictly comply with the *Rules of Civil Procedure*, but given the concerns raised in the Green Acre Letter and the impact of the proposed Stalking Horse Agreement on the Applicants’ stakeholders, one day of notice is not fair and reasonable and does not give stakeholders any effective ability to consider the materials nor the effect of the materials on their legal position.

At this time, Green Acre intends to serve responding materials and to cross examine Stephane Trudel on his affidavits dated June 5 and June 14, 2023. We will require 1.5 days for the examination. We are prepared to consent to an expedited schedule. Provided we receive meaningful responses to the information requests in the Green Acre Letter, we expect to be in a position to deliver materials next week, and to conduct examinations towards the end of the week.

There is no immediate material prejudice caused by our requested adjournment and, accordingly, we are of the view that your consenting to such adjournment would be consistent with the three “C’s” of the Commercial List.

Given the imminent motion date, we look forward to hearing from you as soon as possible.

Yours truly,

MILLER THOMSON LLP

Per:



Gavin Finlayson
Partner
GF/mf

- c. Larry Ellis, Miller Thomson LLP
- Patrick Corney, Miller Thomson LLP
- Sam Massie, Miller Thomson LLP
- Philip Yang, Stikeman Elliott LLP
- Leanne Williams, Thornton Grout Finnegan LLP
- Rebecca Kennedy, Thornton Grout Finnegan LLP
- Jeffrey Rosenberg, FTI Consulting
- Jodi Porepa, FTI Consulting



APPENDIX “C”

[ATTACHED]



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June 14, 2023

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Sent via E-mail

Larry Ellis
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DAVIES WARD PHILLIPS & VINEBERG LLP
1501 McGill College Avenue, 8th Floor
Montreal, QC H3A 3N9

Attention: Christian Lachance
Natalie Renner

Dear Sir/Mesdame,

Re: CCAA Proceedings of Fire & Flower Holdings Corp., et al (the “CCAA Proceedings”)

We represent Green Acre Capital LP (“**Green Acre**”), a significant shareholder of Fire & Flower Holdings Corp. (together with its wholly-owned subsidiaries, “**FAF**”). In addition, you are advised that Green Acre will likely be a creditor of FAF as well in very short order. Capitalized but undefined terms in this letter have the meaning given to them in the Affidavit of Stephane Trudel sworn June 14, 2023 (the “**Trudel Affidavit**”).

We understand that you represent ACT Investor (together with ACT Parent Co., “**Couche Tard**”), and that Couche Tard is FAF’s largest shareholder and only secured creditor, DIP Lender for the CCAA Proceedings, and proposed Stalking Horse Bidder.

The purpose of this letter is to request answers to questions that are critically important to our assessment of the Applicants’ motion for approval of a SISF and related Stalking Horse Agreement with Couche Tard.

As described in the Trudel Affidavit, following an abbreviated SISF, and absent a successful competing bid, the Applicants intend to sell their business to Couche Tard in accordance with the terms of the Stalking Horse Agreement. The Stalking Horse Agreement contemplates a credit bid and reverse vesting structure that would result in a complete elimination of all FAF’s subordinate debt and equity interests. This is a particularly troubling outcome in this case, given that approximately 58% of FAF’s equity is held by retail investors. In our view, the Applicants’ proposed process fails to maximize stakeholder value, and is not necessary at this time.

Green Acre’s financial advisor has reviewed the Cash Flow Statement and has identified a number of steps that would lead to immediate improvements to FAF’s financial performance and conservation of cash. In particular, Green Acre is confident that if certain obligations, including dead leases and other unnecessary expenses, were immediately disclaimed, FAF could transition to being cash flow positive by mid-July. Green Acre’s model of a restructured FAF business forecasts EBITDA in the range of \$7 million to \$10 million, effective immediately. Positive cash flow would reduce (or eliminate) FAF’s dependence on the DIP facility and would enable FAF to market itself from a position of strength.

In light of the foregoing, Green Acre is of the view that it is premature for the Applicants to seek approval of the SISP and Stalking Horse Agreement before they have fully explored the viability of a plan of arrangement. Consequently, we have requested that the Applicants and Monitor agree to a 30-day adjournment of their motion, and would be pleased to discuss this request with you directly.

If Couche Tard insists that the Applicants proceed with their motion for approval of the SISP and Stalking Horse Agreement at this time, then we ask that Couche Tard respond to the following requests at its earliest opportunity:

1. Provide a description of Mr. Trudel's employment history with Couche Tard.
2. Provide particulars regarding Mr. Trudel's involvement in the negotiations regarding any of the Bridge Loan Agreement, the failed Warrant and Share Transaction, the DIP Facility Agreement, and the Stalking Horse Agreement.
3. Provide particulars including the dates and amounts of any compensation (including non-cash benefits) provided to Mr. Trudel or any persons related to him by Couche Tard or any affiliate.
4. Advise whether, at the time the ACT Investor entered the Bridge Loan Agreement, it was Couche Tard's intention to use this debt as consideration for the purchase of FAF's business. If not, advise as to when Couche Tard formed the intention to credit bid the Bridge Loan Agreement debt.
5. Green Acre calculates the effective interest rate for the DIP Facility at 28%. Advise whether Couche Tard agrees with this calculation, or in the alternative, the basis for any disagreement.
6. Advise whether Couche Tard intends to include any fees and expenses related to the Stalking Horse Bid, the Stalking Horse Agreement, and due diligence of FAF's business in the Credit Bid Consideration.
7. Provide Couche Tard's rationale for seeking to effect its takeover of FAF through a reverse vesting order, when a plan of arrangement is viable in the circumstances.
8. Advise whether Couche Tard has retained a financial advisor to assess FAF, and if so, whether such advisor prepared a report on FAF and provide a copy of such report.

Please be assured that Green Acre's objective is not to prevent a sale of FAF's business to Couche Tard. Rather, Green Acre's objective is to ensure that all available alternatives have first been explored, with a view toward avoiding the value destruction that would result from Couche Tard's credit bid.

We trust the foregoing is satisfactory.

Best regards,
MILLER THOMSON LLP

Per:

A handwritten signature in black ink, appearing to be the initials 'JTS' or similar, written in a cursive style.

Larry Ellis
Partner
LE/mf

- c. Gavin Finlayson, Miller Thomson LLP
- Patrick Corney, Miller Thomson LLP
- Sam Massie, Miller Thomson LLP
- Leanne Williams, Thornton Grout Finnegan LLP
- Rebecca Kennedy, Thornton Grout Finnegan LLP
- Jeffrey Rosenberg, FTI Consulting
- Jodi Porepa, FTI Consulting

APPENDIX “D”

[ATTACHED]



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June 14, 2023

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FTI CONSULTING CANADA INC.

TD Waterhouse Tower
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Attention: Jeffrey Rosenberg
Jodi Porepa

THORNTON GROUT FINNIGAN LLP

Suite 3200, TD West Tower
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Attention: Leanne Williams
Rebecca Kennedy

Dear Ms. Williams and Ms. Kennedy:

Re: CCAA Proceedings of Fire & Flower Holdings Corp., et al (the “CCAA Proceedings”)

We represent Green Acre Capital LP (“**Green Acre**”), a significant shareholder of Fire & Flower Holdings Corp. (together with its wholly owned subsidiaries, “**FAF**”). Capitalized but undefined terms in this letter have the meaning given to them in the Affidavit of Stephane Trudel sworn June 14, 2023 (the “**Trudel Affidavit**”).

You have been copied on our correspondence to FAF dated June 13 and June 14, 2023, and our letter to ACT Investor (together with ACT Parent Co., “**Couche Tard**”) dated June 14, 2023.

The purpose of this letter is to obtain the Monitor’s position on Green Acre’s request for an adjournment of the SISP approval and Stalking Horse Agreement approval relief. Green Acre’s position is that the SISP approval and Stalking Horse Agreement approval relief should be adjourned for a minimum of 30 days to facilitate the exploration of readily available alternatives that preserve value for stakeholders in addition to Couche Tard. If such an adjournment cannot be agreed to, Green Acre will oppose the relief and require agreement with the Applicants and the Monitor on a litigation timetable.

Service rules exist to provide parties with reasonable notice in order to understand how their rights are being affected. Proceeding with SISP and Stalking Horse Agreement approval on one day of notice (and as of 5:00 p.m., without a factum) is not fair and reasonable and does not give stakeholders any effective ability to consider the materials nor their position. Stakeholders are entitled to that ability

because the proposed Stalking Horse Agreement contemplates a pure credit bid for FAF's business, under which every unsecured creditor and shareholder will be wiped out.

Of course service can be abridged, but there should be an extraordinary commercial rationale for it. In this case, the Applicants have not tendered a shred of evidence regarding why the relevant portions of their motion are urgent and why service should be abridged. Moreover, in their Initial Order materials, the Applicants did not even preview Stalking Horse Agreement approval. Green Acre's position is that a SISP and Stalking Horse Agreement approval are not urgently required, for the reasons described in our June 13 letter to FAF, and that an adjournment causes no material prejudice to anyone. While an adjournment might cause small additional costs to Couche Tard, that is the price of having a Court-supervised process and requesting to access the extraordinary power of a reverse vesting order.

Given that the motion is scheduled to be heard tomorrow morning, we look forward to hearing from you tonight.

Best regards,

MILLER THOMSON LLP

Per:



Larry Ellis
Partner
LE/mf

- c. Gavin Finlayson, Miller Thomson LLP
Patrick Corney, Miller Thomson LLP
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APPENDIX “E”

[ATTACHED]

Maria Konyukhova
Direct: +1 416 869 5230
MKonyukhova@stikeman.com

June 14, 2023
File No.: 150065.1002

Miller Thomson LLP
40 King Street West, Suite 5800
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By e-mail (lellis@millerthomson.com)

Attention: Larry Ellis:

Re: CCAA Proceedings of Fire & Flower Holdings Corp., et al

Fire & Flower Holdings Corp. (the “**Company**”) is in receipt of your letter dated June 13, 2023 (received at 6:21 p.m. on Tuesday, June 13) and your partner’s letter of June 14, 2023. Capitalized terms used but not defined herein shall have the meaning ascribed thereto in such letters.

We understand Green Acre is a shareholder of the Company and holds no secured or unsecured debt.

The Company delivered its affidavit and supporting materials in connection with the SISP motion early on June 14, 2023 and included Green Acre on the service list. Notice of Motion of the SISP was sent out on June 10, 2023.

The Company is not agreeable to an adjournment of matters relating to the SISP at its hearing on June 15, 2023. As outlined in greater detail below and contrary to your assertions, there will be immediate material prejudice caused by your requested adjournment as the Company does not have the liquidity necessary to fund an additional 30 days of discussions. In addition, the uncertainty that would follow a delay in commencing the SISP, default under the DIP Agreement (as defined and described below) and continued lack of a committed going concern solution will only harm the value of this business - which Green Acre may not care about as they are currently “out-of-the-money” shareholders only.

Moreover, the discussions Green Acre is proposing to have can and should happen in parallel and under the umbrella of a Court-approved and Monitor-supervised process to ensure fairness and transparency. Your letters fail to outline any benefit to any stakeholders from delaying the SISP to conduct those discussions.

The SISP outlines a process that is customary for companies in its position. After careful consideration of all alternatives by the Company and its board of directors (the “**Board**”), the SISP has been developed by the Company and the Monitor as a means of seeking to maximize the value of the business and assets of the Company and its subsidiaries (the “**F&F Group**”). In particular, the SISP has been designed to be broad and flexible, and to solicit interest in, and

opportunities for: (a) one or more sales or partial sales of all, substantially all, or certain portions of the F&F Group's business and assets; and/or (ii) an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the F&F Group or their business.

As part of the SISP, the Company has entered into non-disclosure agreements with numerous interested parties and intends to cooperate with such parties to maximize value for its stakeholders. Green Acre is welcome to participate in such process if it wishes to propose its "clear solution" that preserves value for all stakeholders that was not previously shared by Green Acre since its execution of a non-disclosure agreement with the Company on December 6, 2022, including after months of subsequent discussions with the Company's directors and senior management. In order to ensure that all interested parties are on a level playing field, the Company will not be meeting with interested parties to discuss alternatives to the SISP. Instead, all interested parties, including Green Acre, are invited to follow the same procedures relating to the evaluation and submission of proposals as provided for in the SISP.

As you are aware, the Company has been actively pursuing additional financing to raise capital to fund its operations. Following careful consideration of all available alternatives, and consultation with legal and financial advisors, the Board determined that it was in the best interests of the Company to file an application for creditor protection under the CCAA. In order to fund the CCAA proceedings and other short-term working capital requirements, the F&F Group executed a term sheet (the "**DIP Agreement**") with 2707031 Ontario Inc. (the "**DIP Lender**"), an affiliate of Alimentation Couche-Tard Inc. ("**ACT**"), pursuant to which the DIP Lender agreed to advance a debtor-in-possession loan in the amount of C\$9,800,000 (the "**DIP Loan**") on customary market terms, in accordance with the Corporation's rules and policies, including the Related Party Transactions Policy. The DIP Loan was approved by an order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the CCAA, and is paramount to the successful restructuring of the F&F Group as part of the CCAA proceedings.

Notably, an adjournment requested by Green Acre will foreclose the Company's ability to obtain the second advance under the DIP Loan which it requires to maintain any operations beyond the week of June 30, 2023. Without that financing, the Company will be forced to start shutting down operations immediately to provide notice to employees. This is so despite the Company already taking aggressive cost-cutting measures by disclaiming dead and unprofitable leases and downsizing its workforce – the anticipated cost savings of which are reflected in the cash-flows filed with the Court.

Furthermore, your letter and complaints seem to focus on matters predating the CCAA and irrelevant to the relief being sought by the Company tomorrow. In the spirit of transparency, we respond to those questions below without admitting any relevance of same to the hearing tomorrow.

Pursuant to the DIP Agreement, the F&F Group is required to comply with the SISP and the milestones set forth therein. An adjournment of the SISP by the F&F Group could constitute a breach of covenant under the DIP Agreement, and such breach would have a material adverse effect on the F&F Group, as it will not have sufficient funds on hand to continue operations in the ordinary course throughout the CCAA proceedings.

As mentioned above, the Company entered into a mutual non-disclosure agreement with Green Acre on December 6, 2022, pursuant to which the Company provided Green Acre with access to a densely populated data room, which included sufficient information about the Company to

help Green Acre determine the desirability of entering into a business arrangement or transaction with the Company. In addition to making these confidential documents available to Green Acre, the Company made its directors and officers available to Green Acre and held multiple meetings with Green Acre to share and discuss the Company's 2023 budget and cash flow. The need for additional capital was made abundantly clear in such conversations. At no point during the subsequent six-month process has Green Acre proposed a viable investment, acquisition or other arrangement or transaction which is comparable in quantum to the DIP Loan, or other investments either proposed or completed by ACT or its affiliates, without the conditionality of involvement by ACT in such transaction. As you state in your letter, the Green Acre \$15 million equity proposal was conditional on concurrent warrant exercises by ACT in an aggregate amount of \$12 million, and Green Acre was only prepared to commit to invest \$3 million. Given the access that Green Acre has already had to the Company and its management team, Green Acre will not be prejudiced by participating in the SISF.

As publicly disclosed, in September 2022, a special committee of the board of directors of the Company of independent directors, namely Donald Wright (Chair), Sharon Ranson and Avininder Grewal, was formed to assist the Board in reviewing and negotiating matters related to the Companies' existing strategic capital investments and financing arrangements (including with respect to a financing proposal received from the DIP Lender) in accordance with the Corporation's rules and policies, including the Related Party Transactions Policy. The special committee retained Canaccord Genuity Corp. ("**Canaccord**") as financial advisor. Shortly thereafter, in October 2022, the Company entered into (i) a loan agreement with the DIP Lender in respect of a \$11 million working capital loan pursuant to a secured loan facility; and (ii) a subscription agreement and warrant amending agreement that collectively contemplated a \$5 million equity investment by the DIP Lender (the "**Proposed Financing**"). The Proposed Financing was amended on December 15, 2022 to provide that the maturity date for approximately \$2.4 million of unsecured convertible debentures held by the DIP Lender to be extended. The Proposed Financing was subject to shareholder approval (including by a majority of the minority shareholders) and in recommending that shareholders vote in favour of the Proposed Financing at a special meeting initially called for December 16, 2022 and subsequently held on December 29, 2022, the special committee relied in part on a fairness opinion from Canaccord that the Proposed Financing was fair from a financial point of view to the Companies.

As you know, following the Company's full cooperation with Green Acre in connection with its extensive inquiries surrounding the Proposed Financing, Green Acre advised the Company that it would be voting against the Proposed Financing and Debenture Extension at its special meeting of shareholders, without providing any alternative funding proposal. Ultimately, the Proposed Financing and Debenture Extension were not approved by the requisite number of votes of shareholders at such special meeting.

Notwithstanding the Company's failure to consummate the Proposed Financing and Debenture Extension, it continued discussions with numerous key stakeholders and potential transaction counterparties (several of which the Company had been engaged with in discussions for many months), including Green Acre, in relation to a potential transaction, continuing to provide access to commercially sensitive information about the Company, and making senior management and directors of the Company available to such stakeholders and potential transaction counterparties, including Green Acre for several months following the Meeting, up to as recently as May 2023, and the Company was unable to enter into a viable transaction.

Following consultations with the special committee, senior management and the Company's legal and financial advisors, the Board determined that it was desirable and in the best interests of the F&F Group that an application be filed on their behalf under the CCAA to the Court commencing proceedings thereunder.

In connection with such proceedings, the F&F Group negotiated with the DIP Lender (in its capacity as both the senior secured creditor of the F&F Group and the lender under the DIP Loan) regarding a potential "Stalking Horse Bid". These discussions resulted in the DIP Lender and the F&F Group negotiating the Stalking Horse Agreement, in accordance with the Corporation's rules and policies, including the Related Party Transactions Policy, which the Company believes provides for an executable path to a successful restructuring of the Company. While the F&F Group is optimistic that the SISP will result in a competitive bidding process in furtherance of a value maximizing transaction, the Stalking Horse Agreement assures the preservation and continuity of the core business of the F&F Group as a going concern, and the continued employment of many of the F&F Group's employees.

The terms of the Stalking Horse Agreement were negotiated extensively between the F&F Group and 270, in consultation with the Court-appointed Monitor. Accordingly, the Company believes that the consideration provided under the Stalking Horse Agreement is both fair and reasonable in the circumstances, and reflects the product of extensive, good faith negotiations. The Monitor also supports the approval of the Stalking Horse Agreement solely for the purpose of approving it as the Stalking Horse Bid under the SISP. Green Acre is most welcome to participate in the SISP and the Company looks forward to Green Acre's participation in same.

For all the foregoing reasons, we are not agreeable to adjourning the motion to approve the SISP or the Stalking Horse Agreement. We ask that you consider the consequences of your request on the many stakeholders of the Company, including its many employees, that depend on its continued operations. We would welcome having productive conversations with Green Acre within the context of the Court-approved SISP.

Yours truly,

A handwritten signature in blue ink, appearing to read "Maria Konyukhova", followed by a horizontal line.

Maria Konyukhova

cc. Philip Yang, *Stikeman Elliott* LLP

APPENDIX “F”

[ATTACHED]

From: Renner, Natalie <nrenner@dwpv.com>
Sent: Wednesday, June 14, 2023 10:45 PM
To: Maria Konyukhova <mkonyukhova@stikeman.com>; Leanne Williams <LWilliams@tgf.ca>
Subject: Fwd: CCAA Proceedings of Fire & Flower Holdings Corp., et al

Maria and Leanne,

We have received the attached letter from Green Acre wherein they have requested a 30-day adjournment of tomorrow's motion. If the adjournment being sought in this letter is granted, we will not be in a position to advance the second tranche of the DIP. As you are aware, the DIP is conditional on the SISP Milestones being met and based on the cash-flow forecasts, we understand F&F will not have the cash flow to run the SISP without the DIP advance. These SISP Milestones were heavily negotiated and agreed to by the parties having regard to the commercial realities of the business and the companies financial situation and taking into account the cash flow and cash burn of the company over the next 13 weeks. We agreed that the SISP Milestones would provide parties with enough time to conduct diligence and submit bids within the timelines contemplated.

There is nothing that prevents Green Acres from proposing an investment or financing alternative as that is permitted by the SISP.

Natalie Renner
T 416.367.7489
nrenner@dwpv.com
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De : Lachance, Christian
Envoyé : juin 14, 2023 18:22
À : 'Wojciechowska, Julia' <julia.wojciechowska@couche-tard.com>
Cc : Thériault, Sebastien <stheriault@dwpv.com>; Renner, Natalie <nrenner@dwpv.com>
Objet : TR: CCAA Proceedings of Fire & Flower Holdings Corp., et al

Julia,

See attached the special letter from Green Acres. We can discuss at your convenience.

Thanks

De : Faheim, Monica <mfaheim@millerthomson.com>
Envoyé : juin 14, 2023 17:40

À : Lachance, Christian <clachance@dwpv.com>; Renner, Natalie <nrenner@dwpv.com>
Cc : Ellis, Larry <lellis@millerthomson.com>; Finlayson, Gavin <gfinlayson@millerthomson.com>;
Corney, Patrick <pcorney@millerthomson.com>; Massie, Sam <smassie@millerthomson.com>;
LWilliams@tgf.ca; rkennedy@tgf.ca; Jeffrey.Rosenberg@fticonsulting.com;
jodi.porepa@fticonsulting.com
Objet : CCAA Proceedings of Fire & Flower Holdings Corp., et al

External Email / Courriel externe

Good evening,

In connection with the above-noted matter, please see the attached letter on behalf of Larry Ellis.

Thank you,

Monica

MONICA FAHEIM
Associate

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June 14, 2023

Private and Confidential
Sent via E-mail

Larry Ellis
Direct Line: 416.595.8639
lellis@millerthomson.com

DAVIES WARD PHILLIPS & VINEBERG LLP
1501 McGill College Avenue, 8th Floor
Montreal, QC H3A 3N9

Attention: Christian Lachance
Natalie Renner

Dear Sir/Mesdame,

Re: CCAA Proceedings of Fire & Flower Holdings Corp., et al (the “CCAA Proceedings”)

We represent Green Acre Capital LP (“**Green Acre**”), a significant shareholder of Fire & Flower Holdings Corp. (together with its wholly-owned subsidiaries, “**FAF**”). In addition, you are advised that Green Acre will likely be a creditor of FAF as well in very short order. Capitalized but undefined terms in this letter have the meaning given to them in the Affidavit of Stephane Trudel sworn June 14, 2023 (the “**Trudel Affidavit**”).

We understand that you represent ACT Investor (together with ACT Parent Co., “**Couche Tard**”), and that Couche Tard is FAF’s largest shareholder and only secured creditor, DIP Lender for the CCAA Proceedings, and proposed Stalking Horse Bidder.

The purpose of this letter is to request answers to questions that are critically important to our assessment of the Applicants’ motion for approval of a SISP and related Stalking Horse Agreement with Couche Tard.

As described in the Trudel Affidavit, following an abbreviated SISP, and absent a successful competing bid, the Applicants intend to sell their business to Couche Tard in accordance with the terms of the Stalking Horse Agreement. The Stalking Horse Agreement contemplates a credit bid and reverse vesting structure that would result in a complete elimination of all FAF’s subordinate debt and equity interests. This is a particularly troubling outcome in this case, given that approximately 58% of FAF’s equity is held by retail investors. In our view, the Applicants’ proposed process fails to maximize stakeholder value, and is not necessary at this time.

Green Acre’s financial advisor has reviewed the Cash Flow Statement and has identified a number of steps that would lead to immediate improvements to FAF’s financial performance and conservation of cash. In particular, Green Acre is confident that if certain obligations, including dead leases and other unnecessary expenses, were immediately disclaimed, FAF could transition to being cash flow positive by mid-July. Green Acre’s model of a restructured FAF business forecasts EBITDA in the range of \$7 million to \$10 million, effective immediately. Positive cash flow would reduce (or eliminate) FAF’s dependence on the DIP facility and would enable FAF to market itself from a position of strength.

In light of the foregoing, Green Acre is of the view that it is premature for the Applicants to seek approval of the SISP and Stalking Horse Agreement before they have fully explored the viability of a plan of arrangement. Consequently, we have requested that the Applicants and Monitor agree to a 30-day adjournment of their motion, and would be pleased to discuss this request with you directly.

If Couche Tard insists that the Applicants proceed with their motion for approval of the SISP and Stalking Horse Agreement at this time, then we ask that Couche Tard respond to the following requests at its earliest opportunity:

1. Provide a description of Mr. Trudel's employment history with Couche Tard.
2. Provide particulars regarding Mr. Trudel's involvement in the negotiations regarding any of the Bridge Loan Agreement, the failed Warrant and Share Transaction, the DIP Facility Agreement, and the Stalking Horse Agreement.
3. Provide particulars including the dates and amounts of any compensation (including non-cash benefits) provided to Mr. Trudel or any persons related to him by Couche Tard or any affiliate.
4. Advise whether, at the time the ACT Investor entered the Bridge Loan Agreement, it was Couche Tard's intention to use this debt as consideration for the purchase of FAF's business. If not, advise as to when Couche Tard formed the intention to credit bid the Bridge Loan Agreement debt.
5. Green Acre calculates the effective interest rate for the DIP Facility at 28%. Advise whether Couche Tard agrees with this calculation, or in the alternative, the basis for any disagreement.
6. Advise whether Couche Tard intends to include any fees and expenses related to the Stalking Horse Bid, the Stalking Horse Agreement, and due diligence of FAF's business in the Credit Bid Consideration.
7. Provide Couche Tard's rationale for seeking to effect its takeover of FAF through a reverse vesting order, when a plan of arrangement is viable in the circumstances.
8. Advise whether Couche Tard has retained a financial advisor to assess FAF, and if so, whether such advisor prepared a report on FAF and provide a copy of such report.

Please be assured that Green Acre's objective is not to prevent a sale of FAF's business to Couche Tard. Rather, Green Acre's objective is to ensure that all available alternatives have first been explored, with a view toward avoiding the value destruction that would result from Couche Tard's credit bid.

We trust the foregoing is satisfactory.

Best regards,
MILLER THOMSON LLP

Per:

A handwritten signature in black ink, appearing to be the initials 'JTS' or similar, written in a cursive style.

Larry Ellis
Partner
LE/mf

- c. Gavin Finlayson, Miller Thomson LLP
- Patrick Corney, Miller Thomson LLP
- Sam Massie, Miller Thomson LLP
- Leanne Williams, Thornton Grout Finnegan LLP
- Rebecca Kennedy, Thornton Grout Finnegan LLP
- Jeffrey Rosenberg, FTI Consulting
- Jodi Porepa, FTI Consulting

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 & 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.**

Applicants

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceedings commenced at Toronto

SUPPLEMENT TO THE FIRST REPORT

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