



ONTARIO SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

COUNSEL/ENDORSEMENT SLIP

COURT FILE NO.: CL-26-00000122-0000

DATE: April 2, 2026

NO. ON LIST: 3

TITLE OF PROCEEDING: THE CANNABIST COMPANY HOLDINGS INC. et al

BEFORE: Justice J. Dietrich

PARTICIPANT INFORMATION

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ENDORSEMENT OF JUSTICE J. DIETRICH:

- [1] The Applicants obtained an initial order under the *Companies' Creditors Arrangement Act* (the “**CCAA**”) on March 24, 2026. This is the 10-day comeback motion contemplated by the CCAA.
- [2] Defined terms used but not otherwise defined herein have the meaning provided to them in the factum of the Applicants filed for use on this motion.
- [3] The Applicants request an Amended and Restated Initial Order (“**ARIO**”) which
- (a) extends the Stay Period established by the Initial Order until May 29, 2026;
 - (b) approves a key employee retention plan (“**KERP**”) and corresponding charge (the “**KERP Charge**”);
 - (c) appoints SierraConstellation Partners LLC (“**CSP**”) as chief restructuring officer of the Applicants (the “**CRO**”);
 - (d) approves the amended and restated engagement letter between Moelis & Company LLC (“**Moelis**”) and the Parent Company dated March 9, 2026 (the “**A&R Moelis Engagement Letter**”), under which Moelis provides financial advisory services to the Company;
 - (e) approves the engagement letter between Ducera Partners LLC (“**Ducera**”), the financial advisor of the Supporting Noteholders, and certain of the Applicants dated December 18, 2025 (the “**Ducera Engagement Letter**”);
 - (f) authorizes the Company to incur no further expenses in relation to the Securities Filings;
 - (g) increases the amount of pre-filing payments permitted to critical suppliers from \$4 million to \$8 million;
 - (h) approves and ratifies the Applicants’ execution of the Support Agreement;
 - (i) increases the amount of the Administration Charge to \$2.5 million;
 - (j) increases the amount of the D&O Charge to \$10.5 million;
 - (k) grants a Moelis Transaction Fee Charge and a Ducera Transaction Fee Charge against the Property in the amounts of \$4,300,000 and \$1,000,000, respectively, as security for Moelis’ and Ducera’s Transaction Fees; and
 - (l) seals the unredacted KERP.

- [4] In support of the relief requested the Monitor has filed its First Report to Court dated March 31, 2026 (the “**First Report**”).
- [5] Mr. Adams appeared today and advised that he wishes to pursue an employment related claim in the United States against one of the Subsidiaries. No evidence was before me today in respect of claim. The Monitor and the Applicants have advised they will engage in discussions with Mr. Adams to understand his request and if court-relief is required it can proceed once proper evidence is before the Court. Mr. Adams confirmed there was no immediate urgency in respect of this matter.
- [6] Counsel to the Applicants also advised they received an email from one Noteholder raising concerns with Ducera's fees, however, no opposition was raised in that regard before me.
- [7] Otherwise, no opposition to the relief requested by the Applicants was expressed before this Court.
- [8] Background in respect of the Applicants and their business is set out in my endorsement of March 24, 2026 and is not repeated here. This endorsement should be read in the context of the May 24, 2026 endorsement.
- [9] On March 26, 2026, the United States Bankruptcy Court for the District of Delaware (the “**U.S. Court**”) granted relief sought by the Applicants under Chapter 15 of Title 11 of the United States Code (the “**U.S. Bankruptcy Code**”) on a provisional basis.

KERP and KERP Charge

- [10] In July 2025, the Compensation Committee approved a Transaction Bonus Plan for 16 key employees and other service providers providing for bonus pools up to a maximum of \$5,000,000. Following the establishment of the Special Committee in connection with the Strategic Review and progression of the Sales Process, the Company, in consultation with ClearBridge, an independent consulting advisory firm advising boards of directors and senior management on executive compensation matters, reviewed the terms of the existing Transaction Bonus Plan and replaced it with the KERP to better align with the objectives of the Strategic Review and address heightened retention needs. At a high level, the KERP reflects cash payments in monthly installments, contingent on continued employment through specified periods and not payments tied to divestitures by the Company.
- [11] Approximately \$1.66 million remains payable to the Key Employees, consisting of 18 individuals including C-Suite executives and senior executives responsible for overseeing management of the Company's business, managing cash flows, communications with stakeholders, and treasury operations.
- [12] Factors generally considered by the Court in approving a KERP under the CCAA include whether: (a) the Monitor approves of the KERP; (b) the beneficiaries of the KERP would consider other employment opportunities if the charge was not approved; (c) the beneficiaries of the KERP are crucial to the successful restructuring of the debtor company; (d) a replacement could be found in a timely manner; (e) the board of directors exercised their business judgment in developing the KERP; and (f) whether the KERP is supported or consented to by secured creditors of the debtor: see *Aralez Pharmaceuticals Inc. (Re)*, 2018 ONSC 6980 [*Aralez*] at para. 29 and *Just Energy Group Inc. et al.*, 2021 ONSC 7630 [*Just Energy*], at para. 7.
- [13] The Court in *Aralez* reflected on the existing factors established by caselaw and set out three considerations which provide a framework for courts to consider the objective business judgment

underlining a proposed KERP: the arm's length input, including from the Monitor, into the design, scope and implementation; the necessity on a case-by-case basis of the retention program; and whether the program's design reasonably relates to the goals pursued, which goals must be of demonstrable benefit to the objectives of the restructuring process.

- [14] I am satisfied that considering these factors the KERP and the corresponding KERP Charge should be approved. The Company revisited the Transaction Bonus Plan previously established to ensure it aligned with the objectives of the refreshed Strategic Review and reflected the likely outcome of the entire business in connection with multiple transactions. Further, the Company engaged ClearBridge, an independent consulting firm advising boards of directors and senior management on executive compensation matters, to assist with the review. The Company requires the continued participation of the Key Employees to avoid any disruption to the Company's business and the ongoing Sale Transactions. Finding alternative, qualified individuals will be challenging, disruptive, costly, and time consuming for the Company, particularly given the Key Employees' institutional knowledge of the Company's business. It is not expected that any buyer will be offering employment to the Key Employees through transactions as the contemplated sales will involve only going-concern sales of individual markets, not a sale of the entire Company. Further, the Supporting Noteholders have consented to the proposed KERP pursuant to the Support Agreement and the Monitor supports the proposed KERP and KERP Charge.

CRO

- [15] On November 14, 2025, SCP and the Parent Company executed an engagement letter, which was amended and restated on March 23, 2026 (the "**SCP Engagement Letter**"), pursuant to which SCP was retained to provide financial advisory and restructuring support services to the Company. The scope of SCP's engagement included preparing a potential wind down plan, developing cash flow forecasts, building financial models, communicating with lenders and other stakeholders, and advising on restructuring alternatives.
- [16] Over the course of its engagement, SCP constructed short-term and long-term liquidity forecasts with associated variance tracking, prepared a long-term budget to facilitate ongoing restructuring efforts, assisted the Company's advisors with due diligence efforts, communicated engagement and liquidity developments to the Ad Hoc Group and its advisors, and assisted in the preparation leading up to the commencement of these CCAA Proceedings.
- [17] The SCP Engagement Letter contemplates that in SCP's role as the CRO of the Applicants, it will, among other things: (a) provide oversight and assistance with the preparation of financial information; (b) communicate with lenders directly regarding financial performance, strategy, and other matters; (c) evaluate and make recommendations in connection with strategic alternatives as needed to maximize the value of the Company; (d) evaluate cash-flows; (e) provide oversight and assistance in connection with communications and negotiations with constituents, including trade vendors, investors and other critical constituents to the successful execution of the Company's plan during the CCAA Proceedings; (f) provide affidavit evidence and testimony, as necessary; and (g) perform such other services as requested or directed by the Company. The CRO is to be compensated based on an hourly rate structure.
- [18] The Court has the statutory authority to make an order engaging the CRO under s. 11 of the CCAA has done so where the proposed CRO has expertise which will assist the applicants and the monitor in achieving the objectives of the CCAA: see *Boreal Capital Partners Ltd et al, Re*, 2021 ONSC 7802 at para 31.

- [19] SCP's familiarity with the Company's operations since being engaged on November 14, 2025, its established relationships with the Company's stakeholders including the Ad Hoc Group, and its expertise in complex restructuring matters make it well-suited to serve as the CRO of the Applicants: see *Victorian Order of Nurses for Canada (Re)*, 2015 ONSC 7371 at para 27. As well, the Monitor advises that on or around November 15, 2025, the Chief Financial Officer (“CFO”) of the Company resigned and entered into a consulting agreement to continue assisting the the Company in a non-employee consultant capacity. The Monitor has been advised that the CFO's consulting agreement has now expired and he is no longer working with the Company. The Monitor's view is that proposed CRO's role would add value, in particular as the Company no longer has a CFO.
- [20] SCP has also advised several confidential cannabis companies in distressed situations. The cannabis industry is heavily regulated and complex, with an added layer of complexity given the cross-border nature of these proceedings.
- [21] Accordingly, I am satisfied that the appointment of SCP as the CRO is appropriate and necessary in the circumstances.

Moelis & Ducera Engagements

- [22] As part of the Company's strategic review processes, the Parent Company engaged Moelis as its investment banker and financial advisor. On March 9, 2026, the Parent Company, Weil (as counsel to and on behalf of the Company), and Moelis entered into the A&R Moelis Engagement Letter which amended and restated certain prior engagement letters. Under the A&R Moelis Engagement letter, Moelis is to paid a monthly financial advisory fee of \$150,000, subject to certain offsets, and is to be reimbursed for certain out of pocket expenses. The A&R Moelis Engagement Letter also provides for certain fees in the event that one or more successful transactions involving the Parent Company is implemented, with a number of different fees that could apply depending on the type of transaction effected – primarily: a Restructuring Fee, a Company Sale Transaction Fee, and an Asset Sale Transaction Fee.
- [23] The Company also entered into an engagement letter with Ducera on December 18, 2025, pursuant to which Ducera acts as financial advisor to counsel for the Ad Hoc Group and is entitled to certain transaction fees upon the implementation of successful transactions.
- [24] To secure the Transaction Fees payable to Moelis and Ducera, the Applicants seek approval of the Transaction Fee Charge over the Property in the maximum amount of \$4,300,000 and \$1,000,000 respectively, which are proposed to rank on a pari passu basis with respect to each other but behind the other Charges
- [25] The Court has the jurisdiction to approve the engagement of financial advisors under s. 11 of the CCAA, and courts have approved the engagement of a financial advisor in order to assist CCAA debtors in achieving the objectives of the CCAA, to assist the debtors’ management in dealing with a crisis situation, and to allow management to focus on the debtors’ continued operations: see *In the Matter of a Plan of Compromise or Arrangement of Sandvine Corporation et al.*, 2024 ONSC 6199 at paras 58-61.
- [26] Courts have similarly approved corresponding charges to secure such advisors’ professional fees, where such advisors’ knowledge and experience is critical to assisting the debtor with a successful restructuring or is necessary to assist the debtor with a liquidation sale: see *Payless ShoeSource Canada Inc and Payless ShoeSource Canada GP Inc. (Re)*, 2019 ONSC 1215 at paras. 30-32.

- [27] The evidence is that (i) Moelis has worked extensively with the Applicants since its initial engagement in April 2024, has worked diligently in soliciting proposals from several potential investors and purchasers, (ii) Moelis is largely responsible for generating the Sale Transactions which are expected to maximize value for stakeholders; and (iii) its continued involvement will be critical to the successful completion of the Sale Transactions. Similarly, Ducera has worked extensively with the Ad Hoc Group, the Company's primary secured creditors and major stakeholders, in connection with the development of the Sale Transactions and the negotiation of the Support Agreement with the Company.
- [28] The Monitor supports the approval of the Moelis Engagement Letter and the Ducera Engagement Letter. The Monitor has reviewed data in respect of investment banking fees approved in proceedings under Chapter 11 of the United States Bankruptcy Code over the last two years and has advised that based on its review both the Moelis and Ducera fees are within market parameters. As well, the Monitor is of the view that the continued engagement of Moelis and Ducera to assist the Company in the restructuring process will be beneficial to the CC Group and its stakeholders.
- [29] Accordingly, the Moelis Engagement Letter, the Ducera Engagement Letter and corresponding Transaction Fee Charge are approved.

Securities Filings

- [30] The Applicants are seeking authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for the Applicants to incur no further expenses in relation to the Securities Filings that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the Securities Act (Ontario), and comparable statutes enacted by other provinces of Canada, and other rules, regulations and policies of CBOE (collectively, the “**Securities Provisions**”).
- [31] As referenced in the cases at para 71 of *BZAM Ltd. Plan of Arrangement*, 2024 ONSC 1645, Courts have exercised their broad jurisdiction under the CCAA to permit reporting issuers to not incur further expenses in relation to any filings and disclosures that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada.
- [32] The Parent Company is a publicly-traded company and a reporting issuer whose common shares are listed for trading under the ticker symbol “CBST” on the Cboe Canada Inc. exchange (“CBOE”), a Canadian stock exchange based in Toronto, Ontario. Common shares of the Parent Company also trade under the ticker symbol “CBSTF” on the OTCQX. Following the commencement of the CCAA Proceedings, CBOE has commenced a de-listing review.
- [33] In the current circumstances, it would not be practical or appropriate for the Applicants to incur costs associated with its filing and disclosure obligations. Further, there is no prejudice to shareholders or stakeholders given that detailed financial information and other information regarding the Company will continue to be made publicly available through the materials filed in these CCAA Proceedings. Accordingly, the requested relief from Securities Filings is appropriate and is approved.

Support Agreement

- [34] The aggregate principal obligations outstanding under the Senior Notes are approximately US\$179 million (together with all other accrued interest, fees, expenses and other amounts payable under the

Indenture and related security documents, the “**Senior Notes Obligations**”). The Senior Notes Obligations are secured by first-ranking liens against substantially all of the business and assets of Cannabist in Canada and the United States. The Monitor has received opinions from its counsel in respect of the security underlying the Senior Notes governed by New York law and British Columbia law as granted by certain members of the CC Group is valid and enforceable subject to typical qualifications and assumptions.

- [35] The Support Agreement was entered into by the Applicants and holders of approximately 60% of the Senior Notes following on March 23, 2026. Previously, certain holders of the Senior Notes had entered into a forbearance agreement under which they had agreed to forbear from exercising rights related to the Company's failure to make the required interest payment in December of 2025. That forbearance agreement expired on March 25, 2026.
- [36] The Support Agreement: (a) sets forth the terms of the restructuring transactions that the Supporting Noteholders are prepared to support; (b) contains an agreed process for the use and distribution of the proceeds of certain restructuring transactions; (c) sets forth the basis on which the Supporting Noteholders will support the CCAA proceedings, including milestones for the completion of various transactions; and (d) requires that the Company operate in accordance with an agreed Weekly Cash Flow Forecast. If the Support Agreement is breached by the Company, the Supporting Noteholders may terminate the support agreement or return to this Court to seek additional relief.
- [37] The Monitor supports approval of the Support Agreement on the basis that the Support Agreement represents buy-in from the majority of the Senior Noteholders, being the senior secured creditors of the Company; the Support Agreement materially reduces the execution risk associated with this CCAA Proceeding; and the Senior Noteholders are not expected to recover the full amount of their outstanding claims under the Senior Notes, meaning they are the fulcrum creditor of the Company and the primary economic stakeholder in respect of the contemplated Sale Transactions.

[38] In the circumstances, I am satisfied that it is appropriate to approve the Support Agreement.

Increase in Administration Charge and D&O Charge

- [39] The Initial Order approved the Administration Charge in the amount of \$1,300,000 and a D&O Charge in the amount of \$9,000,000. The Applicants now seek to increase the Administration Charge to \$2,500,000 and the D&O Charge to \$10,500,000.
- [40] I am satisfied, for the reasons set out in the March 26, 2026 endorsement, the charge remain appropriate and the increased amounts are supported by the Monitor's First Report and are approved.

Increase in pre-filing critical supplier payment amount

- [41] The Initial Order authorizes, but does not require, the Company to make payments for goods or services supplied to the Company in the amount of \$4,000,000. The Applicants now seek to increase the maximum quantum that may be paid to Critical Suppliers in respect of pre filing amounts to \$8,000,000. I am satisfied, for the reasons set out in the March 26, 2026 endorsement, the relief remains appropriate and the increased amount is supported by the Monitor's First Report.

Extension of the Stay Period

[42] The Stay Period currently expires today and the Applicants seek to extend the Stay Period to May 29, 2026. Pursuant to s. 11.02(2) of the CCAA, this Court is empowered to extend the stay of proceedings granted to a debtor company. The Court must consider whether: (a) the order sought is appropriate in the circumstances; and (b) the applicant has been acting in good faith and with due diligence. The cash flow forecast attached to the First Report indicates that the Applicants are expected to have sufficient liquidity to support its operations through the requested extension period. The requested extension of the Stay Period and the continued extension of the Stay to the Subsidiaries is intended to provide the Company with the breathing space and operational stability to continue operating and seek approval to implement the Sale Transactions. The requested extension is supported by the Monitor who is of the view that the Applicants are acting with good faith and due diligence. Accordingly, the requested stay extension is approved.

Requested Sealing Order

[43] The Applicants request that this Court extend the sealing of Confidential Exhibit “J” to the Initial Kroll Affidavit which contains a confidential summary of the proposed KERP where it may be unsealed pursuant to further order of the Court.

[44] I am satisfied that the requested sealing order for the unredacted KERP meets the test in *Sherman Estate v. Donovan* 2021 SCC 25 at para 38. The unredacted KERP summary includes employee names and individual compensation information and the KERP payments for each eligible employee. Employees have reasonable expectation that their names and compensation information will be kept confidential. Protecting the sensitive personal and compensation information of the employees is an important public interest that should be protected. Finally, as a matter of proportionality, the benefits of sealing the requested information outweigh its negative effects, including because the overall potential cost of the KERP has been disclosed to stakeholders. Courts have previously granted sealing orders in respect of individual compensation arrangements relating to key employee retention plans: see *Ontario Securities Commission v. Bridging Finance Inc.*, 2021 ONSC 4347 at paras. 23-28 and *Just Energy* at paras. 26-29.

Disposition

[45] Order to go in the form signed by me this day with immediate effect.



Date: Apr 02, 2026

Justice J. Dietrich