

**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 2675970 ONTARIO INC., 2733181
ONTARIO INC., 2385816 ALBERTA LTD., 2161907 ALBERTA
LTD., 2733182 ONTARIO INC., 2737503 ONTARIO INC.,
2826475 ONTARIO INC., 14284585 CANADA INC., 2197130
ALBERTA LTD., 2699078 ONTARIO INC., 2708540 ONTARIO
CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON
INC., 2742591 ONTARIO INC., 2796279 ONTARIO INC.,
10006215 MANITOBA LTD., AND 80694 NEWFOUNDLAND &
LABRADOR INC.

**THIRD REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

NOVEMBER 26, 2024

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1.0 INTRODUCTION

- 1.1 On August 28, 2024, 2675970 Ontario Inc. (“**ParentCo**”) and 16 affiliated entities (collectively, the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 Tokyo Smoke (as defined below) owns, operates, and franchises retail cannabis dispensaries across Canada. The Applicants’ stores operate in Ontario, Saskatchewan, Manitoba, and Newfoundland & Labrador. The CCAA Proceedings were commenced by the Applicants to stabilize and maintain their business, provide a platform to pursue certain restructuring initiatives (including closing a sub-set of underperforming locations and holding discussions with landlords to obtain consensual lease amendments for remaining store locations), and to initiate a court-supervised marketing process for the business and assets of Tokyo Smoke, underpinned by a Stalking Horse Agreement (as defined below) advanced by the ultimate shareholder of the Applicants.
- 1.3 The Initial Order, among other things:
- (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as the monitor of the Applicants in the CCAA Proceedings (in such capacity, the “**Monitor**”);
 - (ii) granted a stay of proceedings (the “**Stay**”) up to and including September 7, 2024, in favour of the Applicants and extended the Stay to TS-IP Holdings Ltd., TS

Programs Ltd., 1000451353 Ontario Inc., and 1000451354 Ontario Inc. (the “**Non-Applicant Entities**”, and together with the Applicants, “**Tokyo Smoke**”);

- (iii) approved an initial draw of \$3.3 million from a debtor-in-possession credit facility (the “**DIP Facility**”) provided by TS Investments Corp. (“**TS Investments**”, in such capacity, the “**DIP Lender**”), and granted a corresponding charge in respect thereof (the “**DIP Lender’s Charge**”); and
- (iv) granted the Administration Charge and Directors’ Charge over the Property up to a maximum of \$400,000 and \$2.25 million, respectively (each as defined in the Initial Order).

1.4 On September 6, 2024, the Court granted the Amended and Restated Initial Order (the “**ARIO**”), which modified the Initial Order in certain respects. The ARIO, among other things:

- (i) extended the Stay up to and including December 6, 2024;
- (ii) increased the Administration Charge and Directors’ Charge up to a maximum of \$850,000 and \$3.0 million, respectively;
- (iii) approved the Applicants’ key employee retention plan (the “**KERP**”) and granted a super-priority charge over the Property as security for payments to be made in accordance with the KERP in the maximum amount of \$218,500; and
- (iv) increased the amounts which may be borrowed by the Applicants under the DIP Term Sheet from \$3.3 million to \$8 million and correspondingly increased the DIP

Lender's Charge to the maximum principal amount of \$8 million plus interest, fees and costs.

1.5 On September 18, 2024, the Court:

- (i) granted an order (the “**Sale Process Approval Order**”), which among other things:
 - (a) authorized the Monitor, with the assistance of the Applicants, to conduct a sale and investment solicitation process to determine market interest in a potential sale and investment transaction in respect of Tokyo Smoke's business and assets (the “**SISP**”); and (b) approved the stalking horse subscription agreement (the “**Stalking Horse Agreement**”) between ParentCo and TS Investments (in such capacity, the “**Stalking Horse Bidder**”);
- (ii) approved amendments to the ARIO that permitted the extension of applicable limitation periods until 60 days following expiry of the Stay, including the limitation period in respect of any claim of several franchisees who have rescinded franchise agreements with the Applicants prior the CCAA Proceedings (the “**Recission Claimants**”); and
- (iii) adjourned the Applicants' motion for an amendment to the ARIO to stay any Related Proceeding against or in respect of DAK – a related party corporation of the Applicants while the Stay remained in effect (the “**Related Proceeding Stay**”) pending a hearing that occurred on October 18, 2024.

- 1.6 Following a hearing on October 18, 2024, the Court granted the Related Proceeding Stay in respect of DAK until such time as the SISP was completed and a transaction has been implemented.
- 1.7 The purpose of this report (the “**Third Report**”) is to provide the Court with information, and where applicable the Monitor’s views, on:
- (i) the completion of the SISP;
 - (ii) the Applicants’ motion for an order (the “**Approval and Reverse Vesting Order**”), which, among other things:
 - (a) approves the Stalking Horse Agreement between ParentCo and the Stalking Horse Bidder pursuant to which the Stalking Horse Bidder will subscribe to newly issued common shares of ParentCo, through a reverse vesting transaction (the “**Transaction**”);
 - (b) adds 1001065113 Ontario Inc. (“**ResidualCo**”) as an applicant in the CCAA Proceedings;
 - (c) approves certain reorganization, vesting and payment steps in connection with closing the Transaction;
 - (d) releases the Released Parties (as defined below) in respect of post-filing claims relating to the CCAA Proceedings, the Subscription Agreement and the Transaction;

- (e) releases the directors and officers of the Applicants from certain pre-filing claims, subject to a carve-out for any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA;
 - (f) declares that the Applicants meet the criteria prescribed by Section 3.2 of the Regulations of the *Wage Earner Protection Program Act* (“**WEPPA**”) and that certain of the Applicants’ former employees are individuals to whom the WEPPA applies;
 - (g) approves the activities of the Monitor and the fees and disbursements of the Monitor and its counsel; and
 - (h) approves the discharge of the Monitor upon occurrence of the bankruptcy of ResidualCo;
- (iii) certain updates since the granting of the ARIO on September 18, 2024;
 - (iv) the cash flow results of the Applicants for the twelve-week period ended November 15, 2024;
 - (v) the activities of the Monitor since the date of the Second Report (September 16, 2024); and
 - (vi) the Monitor’s conclusions and recommendations in connection with the foregoing.

1.8 Additional details regarding the Applicants and the circumstances leading to, and the steps taken in, the CCAA Proceedings are set out in the Pre-Filing Report of the Proposed Monitor dated August 27, 2024 (the “**Pre-Filing Report**”), the First Report of the Monitor

dated September 4, 2024, the Second Report of the Monitor dated September 16, 2024 (the “**Second Report**”) and the Supplement to the Second Report dated October 16, 2024 (collectively, the “**Prior Reports**”). The Prior Reports and other Court-filed documents in the CCAA proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/TokyoSmoke (the “**Case Website**”). A copy of the Second Report, without appendices, is attached hereto as **Appendix “A”**. All capitalized terms used herein but not defined shall have the meanings given to them in the Second Report.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Third Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Applicants and has held discussions with management of the Applicants and their legal counsel, as well as certain individuals of TS Investments, the ultimate parent company of the Applicants’ (collectively, the “**Information**”). Except as otherwise described in this Third Report in respect of the Applicants’ cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this Third Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Third Report was prepared based on the estimates and assumptions of the Applicants. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 The Third Report should be read in conjunction with the affidavit of Andrew Williams sworn on November 21, 2024 (the “**Fourth Williams Affidavit**”). Capitalized terms used and not defined in the Third Report have the meanings given to them in the ARIO or the Fourth Williams Affidavit, as applicable.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.0 SALE AND INVESTMENT SOLICITATION PROCESS

3.1 The SISP was designed to be a two-phase sale process administered by the Monitor to solicit interest in, and opportunities for, a sale of or investment in all or part of Tokyo Smoke’s assets and business operations, as a going concern or otherwise. Capitalized terms used and not defined in this section of the Third Report have the meanings given to them in the SISP.

- 3.2 During Phase 1 of the SISP, the Monitor contacted 65 parties regarding the opportunity, including providing a summary of Tokyo Smoke's business, an outline of the process under the SISP and an invitation to participate in the process (the "**Teaser**") and published a notice of the SISP on the Case Website. Additional parties that contacted the Monitor or Applicants regarding the opportunity were also provided a copy of the Teaser.
- 3.3 Of the 65 parties contacted, 10 executed a non-disclosure agreement ("**NDA**"). Upon executing the NDA, parties were provided with a confidential information package and access to the electronic data room. Over the course of Phase 1 of the SISP and leading up to the Phase 1 Bid Deadline, the Applicants and the Monitor responded to diligence requests and questions from the Participants. Of the 10 Participants who executed an NDA, four (4) performed a higher level of due diligence in respect of the business and requested certain additional financial and operational information items from the Monitor.
- 3.4 On October 10, 2024, the Monitor provided each of the 10 Participants who had executed an NDA with a process letter that outlined the requirements for a non-binding Letter of Intent ("**LOI**") to be considered a Phase 1 Qualified Bid (as set out in paragraph 13 of the SISP) and a reminder of the Phase 1 Bid Deadline.
- 3.5 By October 21, 2024, the Phase 1 Bid Deadline, the Monitor received one (1) non-binding LOI (the "**Submitted LOI**") from a participant (in such capacity, the "**Other Bidder**"). Following its submission, the Monitor held discussions with the Other Bidder outlining certain of the Monitor's concerns with the Submitted LOI's non-compliance with the requirements of a Phase 1 Qualified Bid. These concerns included material closing conditions, a material holdback provision in respect of the cash consideration portion of

the purchase price, and that a substantial portion of the purchase price comprised publicly traded equity in the Other Bidder. The Monitor consulted with the Applicants and Bank of Montreal (“**BMO**”) (the Applicants’ first-ranking secured creditor) in respect of the issues identified in the Submitted LOI and subsequently raised its concerns with the Other Bidder. The Monitor suggested to the Other Bidder that it would need to improve its transaction proposal and address the concerns by re-submitting a revised LOI as soon as practicable, but in no event later than October 25, 2024.

3.6 In response to the concerns raised by the Monitor, the Other Bidder submitted a revised LOI on October 24, 2024 that addressed certain of the Monitor’s concerns with the Submitted LOI. However, the Monitor remained concerned with the revised LOI, including primarily, the Other Bidder’s ability to consummate the transaction contemplated by the revised LOI as the Other Bidder did not have the necessary capital on hand to do so. The Other Bidder would have had to raise additional capital to complete the transaction, and it appeared unlikely that such capital could be raised within the timeframe contemplated by the SISP. The Other Bidder could not provide any comfort to the Monitor that such capital (whether debt or equity) could be raised prior to the Outside Date of December 6, 2024 contemplated by the SISP.

3.7 The Monitor consulted with the Applicants and BMO in respect of its remaining concerns with the revised LOI. Following such consultation and considering input received from BMO, the Monitor determined in its business judgement that it would not be appropriate to select the Other Bidder as a Phase 2 Qualified Bidder. Pursuant to the SISP, the Monitor, declared the Stalking Horse Bidder as the Successful Bidder. On October 28, 2024, the

Monitor served the Notice of Successful Bidder (the “**Notice**”) and published the Notice on the Case Website.

4.0 THE TRANSACTION

- 4.1 The transaction contemplated under the Stalking Horse Agreement with TS Investments (the ultimate shareholder of the Applicants) (in such capacity, the “**Purchaser**”) contemplates the acquisition of the Applicants’ business on a going concern basis through the subscription by the Purchaser of newly issued common shares of ParentCo through a reverse vesting transaction. The Stalking Horse Agreement is described in detail in paragraph 39 of the Fourth Williams Affidavit (attached thereto as Exhibit “**K**”) and the Second Report.
- 4.2 The Transaction comprises a credit bid by the Purchaser that results in the Purchaser acquiring the restructured business of the Tokyo Smoke in exchange for the payment of priority ranking claims, assumption of the Retained Liabilities, assumption of the Applicants’ debt owed to BMO and a credit bid and discharge of a substantial portion of the Applicants’ pre-filing secured debt owing to the Purchaser.
- 4.3 The Monitor understands the Applicants and the Purchaser have amended the Stalking Horse Agreement such that the debt owing under the DIP Term Sheet (approximately \$2.8 million as of the date of the Third Report) will be treated as a Retained Liability rather than being released as a portion of the credit bid. The Monitor understands the Applicants will serve such amendment on the Service List prior to the return of the motion for the Approval and Reverse Vesting Order.

4.4 The Transaction contemplated by the Stalking Horse Agreement will result in:

- (i) assumption of the Applicants' debt owed to BMO and under the DIP Term Sheet;
- (ii) the release and cancellation of approximately \$31 million of the Applicants' debt owing pursuant to the TS Investments Grid Note (as defined in the Stalking Horse Agreement);
- (iii) the payment in cash of the Priority Payment Amount and Administrative Expense Amount by the Purchaser;
- (iv) the retention by the Applicants of the Retained Assets;
- (v) the retention (and effective assumption) by the Applicants of the Retained Liabilities, including obligations in respect of employment-related obligations for employees continuing employment with the Applicants, Gift Cards, the High Roller Club Rewards Program, the remaining portion of the debt owing under TS Investments Grid Note and Post-Filing Claims, in each case accruing to and after the Closing Time, and obligations (including Cure Costs) in respect of Retained Contracts and tax liabilities of the Applicants; and
- (vi) the transfer to, assumption by and vesting in ResidualCo of the Excluded Assets and Excluded Liabilities, essentially representing all assets and liabilities other than the Retained Assets and Retained Liabilities.

4.5 The Stalking Horse Agreement provides for the payment of the Priority Payment Amount, defined as: (a) those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6)

of the CCAA; (b) the Administration Charge, the Directors' Charge, and the KERP Charge granted in the ARIO; (c) any payments in respect of Leases that are required under the CCAA; and (d) any Claims ranking in priority to the security granted by the Purchased Entities to the Purchaser pursuant to the TS Investments GSA. On the Closing Date, ParentCo shall pay the Priority Payment Amount to the applicable payees.

4.6 Completion of the Transaction is conditional on the satisfaction of certain standard closing conditions, including:

- (i) the Approval and Reverse Vesting Order shall have been issued by the Court and shall have become a Final Order (mutual closing condition);
- (ii) compliance with covenants under the Purchase Agreement in all material respects (mutual closing condition); and
- (iii) delivery of closing deliverables by the Purchaser and ParentCo (as detailed in paragraph 11.3 and 11.4 of the Stalking Horse Agreement).

4.7 The Stalking Horse Agreement contains an outside date of December 6, 2024 (the "**Outside Date**"). If the Transaction is not completed by the Outside Date either the Stalking Horse Bidder or the Applicants may terminate the Stalking Horse Agreement, provided that any party seeking to terminate is not in breach of its obligations under the Stalking Horse Agreement. The Applicants' and Purchaser anticipate closing the transaction prior to the Outside Date.

Monitor's Observations and Views with respect to the SISP and the Transaction

4.8 The Monitor makes the following observations and expresses the following views with respect to the SISP and the Transaction:

- (i) the SISP was reasonable in the circumstances and conducted in accordance with the process approved by this Court pursuant to the Sales Process Approval Order;
- (ii) as contemplated under the SISP, good faith efforts were made to identify potential sale or investment transactions with third party bidders that were not related to the Applicants. However, no LOIs were received that, in the Monitor's reasonable business judgment, were appropriate to select as a Phase 2 Qualified Bid;
- (iii) BMO, the Applicants' first-ranking secured creditor, was consulted by the Monitor throughout the SISP, including in respect of the decision to declare the Stalking Horse Bidder as the Successful Bidder and terminate the SISP. TS Investments, the Applicants' other secured creditor, was not consulted given its position as the Stalking Horse Bidder;
- (iv) in the Monitor's view, the Transaction is more beneficial to creditors than a liquidation under the CCAA or a sale or disposition under bankruptcy;
- (v) the Purchase Price under the Stalking Horse Agreement includes a credit bid of a significant portion of the TS Investments Grid Note. As described in the Second Report, the Monitor's counsel has undertaken a review of the security granted by each of the Applicants in respect of the TS Investments Grid Note and concluded, subject to customary assumptions and qualifications, that the security constitutes

valid and enforceable security and creates a valid security interest, registered in all applicable Canadian provinces provided for under applicable law;

- (vi) in addition to the credit bid, the Stalking Horse Agreement contemplates the assumption of the Retained Liabilities, including Post-Filing Claims and the debt owing under the BMO Post-Closing Loan Documents, the remaining portion of the debt owing under TS Investments Grid Note and the DIP Term Sheet;
- (vii) the going-concern Transaction results in substantial benefits to significant stakeholders of the Applicants, including BMO and the Applicants' continuing customers, employees, suppliers and landlords;
- (viii) given the results of the SISP and the industry challenges facing cannabis retailers, the Monitor believes that the consideration to be received under the Transactions is fair and reasonable; and
- (ix) the Monitor believes it is necessary to implement the Transaction in a timely manner given the Applicants' remaining liquidity and business imperatives.

4.9 Accordingly, the Monitor supports the approval of the Transaction as contemplated by the Approval and Reverse Vesting Order.

5.0 THE APPROVAL AND REVERSE VESTING ORDER

Reverse Vesting Structure

5.1 As noted above, the Subscription Agreement contemplates implementing the Transaction through a reverse vesting structure in accordance with the requested Approval and Reverse

Vesting Order. The reverse vesting structure will permit the Purchaser to: (i) retain the licenses, certifications and permits (the “**Licenses**”) necessary to operate Tokyo Smoke’s business, including the cannabis retailer operator licenses; and (ii) maintain the value of the accrued tax losses which total approximately \$40 million.

Reorganization Steps

- 5.2 The Subscription Agreement contemplates that the Applicants may complete a pre-closing reorganization (the “**Reorganization**”) to reorganize their corporate structure. The closing sequence set forth in the Approval and Reverse Vesting Order contemplates a number of restructuring steps to complete the Reorganization which is intended to streamline and simplify the Applicants’ corporate structure. The steps include, among other things, (i) the transfer of shares of 2826475 Ontario Inc. from ParentCo to 2733182 Ontario Inc.; (ii) the transfer of shares of 10006215 Manitoba Ltd. and 80694 Newfoundland & Labrador Inc. from 14284585 Canada Inc. to ParentCo; and (iii) the amalgamation of certain of the Applicants. The Applicants’ organization structure following the Reorganization is set forth at paragraph 72 of the Fourth Williams Affidavit.

Releases

- 5.3 The proposed Approval and Reverse Vesting contemplates a release of post-filing claims (the “**Post-Filing Claims Release**”) against the Applicants, the Monitor, the Purchaser, and ResidualCo and their directors, officers, shareholders, partners, employees, consultants, legal counsel, advisors and certain affiliates (the “**Released Parties**”). The Post-Filing Claims Release is limited to claims related to these CCAA Proceedings, the Subscription Agreement and the consummation of the Transaction. The Post-Filing Claims

Release excludes claims arising from fraud or willful misconduct or any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA.

- 5.4 In the view of the Monitor, each of the Released Parties contributed meaningfully and was necessary to Tokyo Smoke's efforts to address its financial difficulties, the SISF, the CCAA Proceedings, and the Transaction and each of the Released Parties was a necessary part of the successful restructuring. The Monitor also is of the view that the Post-Filing Claims Release will assist in bringing finality to actions taken in the CCAA Proceedings under the supervision of the Court.
- 5.5 In addition to the Post-Filing Claims Release, the proposed Approval and Reverse Vesting Order also contemplates a release in favour of the current directors and officers of the Applicants relating to any act or omission, transaction, dealing or other occurrence existing or taking place prior to commencement of these CCAA Proceedings in respect of the Applicants or their business (the "**Pre-Filing Claim D&O Release**"). The Pre-Filing Claim D&O Release excludes any claims arising from fraud or willful misconduct and any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA.
- 5.6 The Pre-Filing Claim D&O Release also contemplates that any claim where insurance is available (an "**Insured Claim**") will be channelled to such insurance to potentially allow recovery by claimants.
- 5.7 As noted above, the Monitor is of the view that the directors and officers of the Applicants did make meaningful contributions to Tokyo Smoke's restructuring efforts. The Monitor also views the continuation of the directors and officers in their roles of the business as

integral to the success of Tokyo Smoke's go-forward business following its emergence from the CCAA Proceedings.

- 5.8 The Monitor is not aware of any claims against the directors and officers of the Applicants, other than the Recission Claims. The Monitor understands that amounts which are statutory liabilities for directors and officers, including wages, source deductions and HST, have been paid to date in the ordinary course.
- 5.9 The Recission Claims comprise of three (3) claims where franchisees have asserted potential claims against the Applicants, Jürgen Schreiber, Justin Farbstein and Josh Davidson (collectively, without the Applicants, the “**Individual Defendants**”). Additional franchisees have sought to rescind their franchise agreements but have not asserted similar claims against the Applicants' directors and officers to date. Jürgen Schreiber is a current director of the Applicants and proposed to be included in the Pre-Filing Claim D&O Release. Justin Farbstein resigned from his position from Tokyo Smoke prior to the commencement of the CCAA Proceedings and accordingly, will not be covered by the Pre-Filing Claim D&O Release. Similarly, Josh Davidson was an employee of Tokyo Smoke prior to the commencement of the CCAA Proceedings and will not be covered by the Pre-Filing Claim D&O Release. The Monitor understands that the Applicants do not have director and officer liability insurance that would provide for coverage of the Recission Claims as such coverage typically requires a separate rider to the director and officer liability policy.
- 5.10 The Monitor understands the potential liability from the Recission Claims arises from section 7 of the *Arthur Wishart Act (Franchise Disclosure), 2000* (“**AW Act**”) which

provides “[i]f a franchisee suffers a loss because of a misrepresentation contained in the disclosure document or in a statement of a material change or as a result of the franchisor’s failure to comply in any way with section 5 the franchisee has a right of action for damages against: (a) the franchisor; (b) the franchisor’s agent; (c) the franchisor’s broker...; (d) the franchisor’s associate; and (e) every person who signed the disclosure document or statement of material change.”

- 5.11 On November 24, 2024, counsel to the franchisees which commenced Recission Claims contacted the Monitor to express concern regarding the scope of the Pre-Filing Claim D&O Release and potential prejudice to their existing Recission Claims. Counsel for the franchisees has also indicated to the Monitor that the franchisees may assert other liability (other than based upon misrepresentation) against the Individual Defendants by claiming they are each a “franchisor’s associate” as defined by the AW Act.
- 5.12 The Monitor notes that the carve-out for claims under section 5.1(2) may apply to the alleged Recission Claims against Mr. Schreiber as section 5.1(2) prohibits the release of claims that “are based on allegations of misrepresentations made by directors to creditors...”. The Applicants’ position is that this should be determined in the underlying litigation. The Monitor agrees that the merits of any of the Recission Claims and factual issues in dispute need to be determined in the underlying litigation.
- 5.13 If there are other claims of the franchisees against Mr. Schreiber which are not based on misrepresentations made by him, they would be released by the Pre-Filing Claim D&O Release. The Monitor notes that these requested releases would not be available in the case of a bankruptcy or liquidation.

WEPP

- 5.14 The Applicants are seeking a declaration in the Approval and Reverse Vesting Order that declares that the Applicants meet the criteria prescribed by Section 3.2 of the WEPPA Regulations and the Applicants' former employees are individuals to whom the WEPPA applies.
- 5.15 Section 5(1) of WEPPA provides that an individual is eligible to receive payment if, among other things: (i) the individual is owed eligible wages by a former employer; (ii) the former employer is subject to proceedings under the CCAA; and (iii) a court determines under subsection 5(5) that criteria prescribed by WEPPA Regulations are met.
- 5.16 Section 5(5) of WEPPA provides that on application by any person, a court under the CCAA may determine that a former employee meets criteria prescribed by regulation and section 3.2 of the WEPPA Regulations provides that "for purposes of subsection 5(5) of the WEPPA, a court may determine whether the former employer is the former employer of all of whose employees in Canada have been terminated other than any retained to wind down its business operations (emphasis added)."
- 5.17 Due to the operational restructuring implemented by the Applicants in the CCAA Proceedings, including the downsizing of the Applicants' store footprint, approximately 115 employees were terminated. The terminated employees have not received termination and/or severance pay and claims will be transferred and vested solely with ResidualCo in connection with the Transaction. As many of these terminated employees were hourly store level employees they may encounter hardship without such payments.

- 5.18 The requested relief will assist the terminated employees receive access to the Wage Earners Protection Program which can provide payments up to approximately \$8,500 per employee.
- 5.19 The Monitor notes that 328 employees of Tokyo Smoke are anticipated to continue employment with the Applicants following the Transaction and therefore, the enumerated criteria set forth in section 3.2 of the WEPPA Regulations may not be met. However, the criteria in the WEPPA Regulations are permissive and do not restrict where a Court may find former employees are eligible for WEPPA. The Monitor is aware of several cases where debtor companies have completed going-concern asset sales where certain employees have obtained employment with the purchaser and the employment relationship with the debtor company ceased. On this basis, courts have found the conditions prescribed by the WEPPA Regulations have been met. These cases have included the CCAA proceedings of Mastermind Toys, FIGR Brands and DCL Corporation. These CCAA Proceedings have produced a similar result for the employees though the Transaction being implemented through a reverse vesting structure where the debtor company will continue operating following closing.
- 5.20 On the above basis the Monitor supports the requested relief which will permit employees to access payments from Wage Earners Protection Program to partially alleviate the prejudice arising from the operational restructuring in these CCAA Proceedings. If such declaration is made, the Monitor intends to work with the Applicant's management to identify all employees that may be eligible for payments under WEPPA and assist eligible individuals in making submissions to Service Canada at the appropriate time.

Termination of the CCAA Proceedings

- 5.21 The Approval and Reverse Vesting Order contemplates that the CCAA Proceedings in respect of the Applicants will be terminated upon closing of the Transaction and ResidualCo will be added as an Applicant. ResidualCo is expected to file for bankruptcy following closing of the Transaction and the Monitor, or another trustee-in-bankruptcy at the Monitor's direction, will be authorized to act as trustee-in-bankruptcy of ResidualCo. Upon such bankruptcy, the CCAA Proceedings will be terminated and A&M will be discharged as Monitor in these CCAA Proceedings, subject to any matters that may be incidental to termination of the CCAA Proceedings.

Monitor's Observations and Views with respect to the Approval and Reverse Vesting Order

- 5.22 The Monitor makes the following observations and expresses the following views with respect to the Approval and Reverse Vesting Order:
- (i) the Monitor understands the reverse vesting structure will allow for an expedited closing which is necessary due to the Applicants liquidity position. The Monitor also understands that reverse vesting structure will allow the Applicants to maintain the Licenses which are necessary to operate their business. Reverse vesting orders have been particularly common in cannabis restructurings for this reason and have been used to implement successful restructurings in recent CCAA proceedings, including Fire & Flower Holdings Corp. and Atlas Global Brands Inc.;

- (ii) based on discussions with the Applicants and its review of the Transaction, the Monitor does not believe that any stakeholder is materially prejudiced by the use of a reverse vesting transaction structure relative to a traditional asset sale;
- (iii) the Pre-Closing Reorganization will simplify the Applicants' corporate structure and there does not appear to be any material prejudice to the Applicants' stakeholders;
- (iv) the Monitor recommends the Post-Filing Claims Release be granted as it relates to actions taken in the CCAA Proceedings under the supervision of this Court and the release is not overly broad considering the circumstances;
- (v) the Monitor is supportive of the relief related to the termination of the CCAA Proceedings, discharge of the Monitor and bankruptcy of ResidualCo. Obtaining the relief now will prevent the Applicants incurring further cost and expense associated with further motions for such relief; and
- (vi) the director proposed to benefit from the Pre-Filing Claim D&O Release contributed meaningfully to the Applicants' successful restructuring and will be instrumentally involved in the ongoing business of Tokyo Smoke. The Monitor is not aware of any stakeholders that would suffer material prejudice from the Pre-Filing Claim D&O Release other than the franchisees who have commenced Rescission Claims. In the case of these franchisees, any claims based on misrepresentations made by the director likely benefits from the carve-out provided by section 5.1(2) of the CCAA, such that those claims will not be released. Claims based on other theories of liability would be released by the Pre-Filing Claim D&O

Release. The Individual Defendants, other than the current director of ParentCo (Mr. Schreiber), do not benefit from the release.

6.0 UPDATES ON THE CCAA PROCEEDING

Rent Negotiations and Operational Restructuring

- 6.1 As described in the Prior Reports, a principal component of the Applicants' restructuring plan is to: (i) negotiate consensual lease amendments that achieve rent reductions such that remaining store locations could be cash flow positive and obtain an acceptable length of lease term to provide a level of certainty for the restructured business; and (ii) close store locations that do not achieve the desired level of profitability.
- 6.2 On or about September 4, 2024, the Applicants commenced contacting certain of their landlords with the aim of negotiating lease amendments to ensure each location is economically feasible.
- 6.3 As of the date of this Third Report, the Applicants have successfully restructured and executed lease amending agreements for approximately 25 of the 101 stores originally operated by the Applicants as of the Filing Date. The Applicants were not able to reach consensual lease amendments for six underperforming stores and issued notice of disclaimers of the retail store leases. Based on the rent negotiations and disclaimers as of the date of this Third Report, the Applicants anticipate the restructured business will include approximately 57 go-forward store locations.

Other Initiatives

- 6.4 As a result of store closures described in Prior Reports, the Applicants have provided notice of termination to approximately 107 store level employees and eight corporate employees. As of the date of this Third Report, the Applicants have approximately 328 employees across the retail stores and head office.
- 6.5 Since the Second Report, the Applicants have also disclaimed: (i) three franchise agreements; (ii) six lease agreements for underperforming locations where rent concessions could not be obtained; and (iii) 36 contracts with certain suppliers whose services are not required in the go-forward business, primarily relating to security and telecommunication services.
- 6.6 The Applicants have relocated all support functions, infrastructure and employees to the new head office location, which will reduce overhead rent costs by approximately \$750,000 annually.
- 6.7 The restructuring initiatives described above will allow the Applicants to emerge from the CCAA Proceedings as a more efficient and resilient retailer, while maintaining their brand and loyal customer base.

7.0 CASH FLOW RESULTS RELATIVE TO FORECAST

- 7.1 Receipts and disbursements for the twelve-week period from August 24, 2024 to November 15, 2024 (the “**Reporting Period**”), as compared to the cash flow forecast that was attached as Appendix “C” to the Pre-Filing Report (the “**Cash Flow Forecast**”), are summarized in the table below.

Cash Flow Variance Reporting		Cumulative Twelve Week Period Ended November 15, 2024	
<i>(CAD \$000s, unaudited)</i>	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Receipts	18,147	15,526	2,621
Disbursements			
Merchandise Vendors	(11,322)	(9,354)	(1,968)
Payroll & Benefits	(3,443)	(3,946)	503
Rent	(2,294)	(2,589)	295
Non-Merchandise Vendors	(1,120)	(2,498)	1,378
Professional Fees	(1,222)	(2,048)	826
KERP and Incentive Payments	(596)	(570)	(26)
BMO Financing Costs	(981)	(1,126)	145
Sales Tax Remittances	(400)	(780)	380
Total Disbursements	(21,378)	(22,910)	1,533
Non-Applicant Net Cash Flow	1,433	747	686
Net Cash Flow	(1,797)	(6,637)	4,840
Opening Cash	147	147	--
Net Cash Flow	(1,797)	(6,637)	4,840
DIP Facility Advance / (Paydown)	2,370	6,820	(4,450)
Closing Cash	720	330	390

7.2 During the Reporting Period, the Applicants total receipts were approximately \$2.6 million greater than projected in the Cash Flow Forecast. The positive variance is attributed to higher than forecast sales at continuing stores and additional sales at closed stores due to the timing of closures.

7.3 During the Reporting Period, the Applicants total disbursements were approximately \$1.5 million less than projected in the Cash Flow Forecast. The net positive variance is primarily attributable to lower than forecast payroll disbursements associated with personnel at closed stores (by approximately \$503,000), certain non-merchandise expenditures that are no longer anticipated to be incurred by the Applicants (by approximately \$1.4 million), and timing of professional fees (by approximately \$826,000). The positive variance was

partially offset by increased payments to merchandise vendors to replenish inventory levels due to higher sales.

7.4 As at November 15, 2024, Tokyo Smoke's: (i) cash balance was approximately \$720,000 compared to the forecast cash balance of \$330,000; and (ii) direct borrowings were approximately \$2.4 million under the DIP facility.

7.5 The Initial Order entitles the Applicants to continue to utilize their existing Cash Management System, as described in the Pre-Filing Report. The Applicants' Cash Management System continues to operate in the same manner as it had prior to the commencement of the CCAA Proceedings.

8.0 APPROVAL OF THE MONITOR'S ACTIVITIES AND THE FEES AND DISBURSEMENTS OF THE MONITOR AND MONITOR'S LEGAL COUNSEL

Approval of Activities

8.1 The proposed Approval and Reverse Vesting Order approves this Third Report, the Prior Reports and the activities of the Monitor set out herein and therein. Pursuant to the proposed Approval and Reverse Vesting Order, only the Monitor, in its personal capacity and only with respect to its own liability, shall be entitled to rely upon or utilize in any way such approval.

8.2 The Monitor respectfully submits that the activities set out in this Third Report and the Prior Reports have been diligently carried out in good faith and in accordance with the provisions of the CCAA and the Orders issued in the CCAA Proceedings and should therefore be approved.

Approval of Fees and Disbursements Incurred to Date

- 8.3 Pursuant to paragraphs 31 and 32 of the ARIO: (i) the Monitor and its counsel shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to the date of the Initial Order; and (ii) the Monitor and its counsel shall pass their accounts from time to time before the Court. To date, approval of the fees and disbursements of the Monitor and its counsel has not been sought in the CCAA Proceedings.
- 8.4 Attached hereto as **Appendix “B”** is the Affidavit of Josh Nevsky sworn November 26, 2024 (the “**Nevsky Affidavit**”), attesting to the fees and disbursements of the Monitor for the period of August 28, 2024 to November 16, 2024 in the aggregate amount of \$303,104.13, comprised of fees of \$257,679.50, disbursements (primarily for publication of notices of the proceedings in *The Globe and Mail* (National Edition)) of \$10,554.24 and HST of \$34,870.39.
- 8.5 Attached hereto as **Appendix “C”** is the Affidavit of Lee Nicholson of Stikeman Elliott LLP (“**Stikeman**”), counsel to the Monitor, sworn November 26, 2024 (the “**Nicholson Affidavit**”), attesting to the fees and disbursements of the Stikeman for the period of August 14, 2024 to November 8, 2024 in the aggregate amount of \$282,816.92, comprised of fees of \$250,206.00, disbursements of \$76.30 and HST of \$32,534.62.
- 8.6 The Monitor confirms that the fees and disbursements set out in Stikeman’s invoices relate to advice sought by the Monitor and assistance provided in respect of the CCAA Proceedings, and that, in the Monitor’s view, Stikeman’s fees and disbursements are properly chargeable, reasonable, and appropriate.

8.7 In addition to the fees and disbursements set forth in the Nevsky Affidavit and Nicholson Affidavit, the Monitor anticipates additional fees and disbursements (the “**Remaining Fees and Disbursements**”) for the activities related to the motion for Approval and Reverse Vesting Order, closing of the Transaction, and other activities related to the wind-down of the CCAA Proceedings and bankruptcy of ResidualCo. The Subscription Agreement contemplates the payment of the Priority Payment Amount and Administrative Expense Amount to fund such Remaining Fees and Disbursements, and the Monitor anticipates that will be sufficient to pay the Remaining Fees and Disbursements. The Monitor estimates that the Remaining Fees and Disbursements of the Monitor and Stikeman will be no more than \$240,000 exclusive of HST.

8.8 It is the Monitor’s view that the fees and disbursements of the Monitor and its counsel described in the Nevsky Affidavit and the Nicholson Affidavit and the estimated Remaining Fees and Disbursements are reasonable and appropriate in the circumstances having regard to the scope of activity undertaken by the Monitor in the CCAA Proceedings.

9.0 ACTIVITIES OF THE MONITOR

9.1 Since the date of the Second Report, the primary activities of the Monitor have included the following:

- (i) reviewing and approving notices of disclaimer of retail store leases, franchise agreements, and other service contracts;
- (ii) commencing the marketing process in respect of Tokyo Smoke, including contacting potentially interested parties, distributing the Teaser, coordinating

access to the data room, managing diligence requests from Participants (as defined in the SISP) and holding discussions with the Other Bidder regarding the Submitted LOI, all of which culminated in the Stalking Horse Bidder being declared the Successful Bidder;

- (iii) monitoring the Applicants' cash receipts and disbursements, and assisting in preparing bi-weekly cash flow variance reporting and other reporting required under the DIP Term Sheet and BMO Forbearance;
- (iv) maintaining regular contact with BMO regarding the SISP, bi-weekly cash flow reporting and other matters;
- (v) preparing for and attending the hearings held on September 18, 2024 and October 18, 2024;
- (vi) coordinating the uploading of Court-filed documents to the Case Website;
- (vii) responding to supplier, stakeholder, landlords, creditor and other inquiries received via the Monitor's toll-free number or e-mail account for the CCAA Proceedings and other contact points; and
- (viii) with the assistance of Stikeman, counsel to the Monitor, preparing the Supplement to the Second Report and this Third Report.

10.0 CONCLUSIONS AND RECOMMENDATIONS

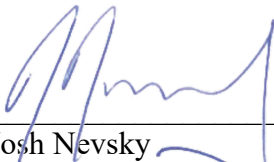
- 10.1 For the reasons set out in this Third Report, the Monitor respectfully recommends that the Court grant the Approval and Reverse Vesting Order.

All of which is respectfully submitted to the Court this 26th day of November, 2024.

Alvarez & Marsal Canada Inc., in its capacity as

**Monitor of 2675970 Ontario Inc., 2733181 Ontario Inc., 2385816 Alberta Ltd., 2161907 Alberta Ltd., 2733182 Ontario Inc., 2737503 Ontario Inc., 2826475 Ontario Inc., 14284585 Canada Inc., 2197130 Alberta Ltd., 2699078 Ontario Inc., 2708540 Ontario Corporation, 2734082 Ontario Inc., TS Wellington Inc., 2742591 Ontario Inc., 2796279 Ontario Inc., 10006215 Manitoba Ltd., and 80694 Newfoundland & Labrador Inc.,
and not in its personal or corporate capacity**

Per:



Josh Nevsky
Senior Vice-President

APPENDIX A
SECOND REPORT OF THE MONITOR

See attached.

**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 2675970 ONTARIO INC., 2733181
ONTARIO INC., 2385816 ALBERTA LTD., 2161907 ALBERTA
LTD., 2733182 ONTARIO INC., 2737503 ONTARIO INC.,
2826475 ONTARIO INC., 14284585 CANADA INC., 2197130
ALBERTA LTD., 2699078 ONTARIO INC., 2708540 ONTARIO
CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON
INC., 2742591 ONTARIO INC., 2796279 ONTARIO INC.,
10006215 MANITOBA LTD., AND 80694 NEWFOUNDLAND &
LABRADOR INC.

**SECOND REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

SEPTEMBER 16, 2024

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APPENDICES

Appendix A – First Report of the Monitor (without Appendices)

1.0 INTRODUCTION

- 1.1 On August 28, 2024 (the “**Filing Date**”), 2675970 Ontario Inc. (“**ParentCo**”) and 16 affiliated entities (collectively, the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 Tokyo Smoke (as defined below) owns, operates, and franchises retail cannabis dispensaries across Canada. The Applicants’ stores, both corporate and franchised, operate in Ontario, Saskatchewan, Manitoba, and Newfoundland & Labrador. The CCAA Proceedings were commenced by the Applicants to stabilize and maintain their business and provide a platform to pursue certain restructuring initiatives, including closing a subset of underperforming locations and commencing discussions with landlords to seek consensual lease amendments for remaining store locations.
- 1.3 The Initial Order, among other things:
- (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as the monitor of the Applicants in the CCAA Proceedings (in such capacity, the “**Monitor**”);
 - (ii) granted a stay of proceedings (the “**Stay**”) up to and including September 7, 2024, in favour of the Applicants and extended the Stay to TS-IP Holdings Ltd., TS Programs Ltd., 1000451353 Ontario Inc., and 1000451354 Ontario Inc. (the “**Non-Applicant Entities**”, and together with the Applicants, “**Tokyo Smoke**”);

- (iii) approved an initial draw of \$3.3 million from a debtor-in-possession credit facility (the “**DIP Facility**”) provided by TS Investments Corp. (“**TS Investments**”, in such capacity, the “**DIP Lender**”), and granted a corresponding charge in respect thereof (the “**DIP Lender’s Charge**”); and
- (iv) granted the Administration Charge and Directors’ Charge over the Property up to a maximum of \$400,000 and \$2.25 million, respectively (each as defined in the Initial Order).

1.4 On September 6, 2024, the Court granted the Amended and Restated Initial Order (the “**ARIO**”), which modified the Initial Order in certain respects. The ARIO, among other things:

- (i) increased the Administration Charge and Directors’ Charge up to a maximum of \$850,000 and \$3.0 million, respectively;
- (ii) approved the Applicants’ key employee retention plan (the “**KERP**”) and granted a super-priority charge over the Property as security for payments to be made in accordance with the KERP in the maximum amount of \$218,500;
- (iii) increased the amounts which may be borrowed by the Applicants under the DIP Term Sheet from \$3.3 million to \$8 million and correspondingly increased the DIP Lender’s Charge to the maximum principal amount of \$8 million plus interest, fees and costs;

- (iv) increased the quantum that the Applicants can pay to certain suppliers for pre-filing expenses, with the consent of the Monitor and in accordance with the terms of the DIP Term Sheet and the Cash Flow Forecast (as defined herein); and
 - (v) extended the Stay up to and including December 6, 2024.
- 1.5 In connection with the CCAA Proceedings, A&M, in its capacity as proposed monitor, filed the Pre-Filing Report of the Proposed Monitor dated August 27, 2024 (the “**Pre-Filing Report**”). The Monitor has also provided the Court with the First Report of the Monitor dated September 4, 2024 (the “**First Report**”). The Pre-Filing Report, the First Report and other Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/TokyoSmoke (the “**Case Website**”). A copy of the First Report, without appendices, is attached hereto as **Appendix “A”**.
- 1.6 The purpose of this report (the “**Second Report**”) is to provide the Court with information, and where applicable, the Monitor’s views on:
 - (i) the proposed sale and investment solicitation process (the “**SISP**”);
 - (ii) the Applicants’ motion for an order (the “**Sale Process Approval Order**”), which among other things:
 - (a) approves the SISP in a form substantially similar to the form attached as “Schedule A” to the Sale Process Approval Order;
 - (b) authorizes and directs the Applicants and the Monitor to immediately commence the SISP, and to take any and all actions as may be necessary or

desirable to implement and carry out the SISP in accordance with its terms and the Sales Process Approval Order; and

- (c) approves the Stalking Horse Agreement (as defined herein) between ParentCo, as vendor, and TS Investments (a related party), as purchaser (in such capacity the “**Stalking Horse Bidder**”), solely for the purpose of constituting the “**Stalking Horse Bid**” under the SISP; and
- (iii) the Applicants’ motion for an amendment to the ARIO extending the Stay to stay all proceedings against or in respect of DAK Capital Inc. (“**DAK**”), an entity related to the Applicants, that relate to or involve any of the Applicants or Non-Applicant Entities (any such proceeding a “**Related Proceeding**”) except with the written consent of DAK and the Monitor, or with leave of the Court (the “**Related Proceeding Stay**”);
- (iv) certain updates since the granting of the ARIO;
- (v) the cash flow results of the Applicants for the two-week period ended September 6, 2024;
- (vi) the activities of the Monitor since the date of the First Report (September 4, 2024); and
- (vii) the Monitor’s conclusions and recommendations in connection with the foregoing.

2.0 TERMS OF REFERENCE AND DISCLAIMER

2.1 In preparing this Second Report, A&M, in its capacity as Monitor, has been provided with, and has relied upon, unaudited financial information, books and records and financial information prepared by the Applicants and has held discussions with management of the Applicants and their legal counsel, as well as certain individuals of TS Investments, the ultimate parent company of the Applicants' (collectively, the "**Information**"). Except as otherwise described in this Second Report in respect of the Applicants' cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the *Chartered Professional Accountants Canada Handbook* (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
- (ii) some of the information referred to in this Second Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

2.2 Future oriented financial information referred to in this Second Report was prepared based on the estimates and assumptions of the Applicants. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not

ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

2.3 The Second Report should be read in conjunction with the affidavit of Andrew Williams sworn on September 12, 2024 (the “**Third Williams Affidavit**”). Capitalized terms used and not defined in the Second Report have the meanings given to them in the ARIO or the Third Williams Affidavit, as applicable.

2.4 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

3.0 STALKING HORSE AGREEMENT AND SALE AND INVESTMENT SOLICITATION PROCESS

Stalking Horse Agreement

3.1 The objective of these CCAA Proceedings is to stabilize and restructure the Applicants’ business and to commence a court-supervised marketing and sale process for the business and assets of Tokyo Smoke. The Monitor understands that the Applicants view entering into a stalking horse agreement as beneficial to such marketing process as it provides a level of certainty that the Applicants’ restructured business can be preserved as a going concern, and also sets a “floor” price that bidders in the SISP must bid against.

3.2 On September 12, 2024, ParentCo entered into the stalking horse subscription agreement with the Stalking Horse Bidder (the direct and indirect shareholder of the Applicants), as purchaser to acquire substantially all of Tokyo Smoke’s assets on the terms and conditions

set forth therein (the “**Stalking Horse Agreement**”). A copy of the Stalking Horse Agreement is attached as Exhibit “D” to the Third Williams Affidavit.

- 3.3 Pursuant to the Sale Process Approval Order, the Applicants seek, among other things: (i) authorization to enter into the Stalking Horse Agreement; (ii) that the Stalking Horse Agreement be approved and recognized as the Stalking Horse Bid under the SISP; and (iii) approval of the Break Fee (as defined below) in the event the Stalking Horse Bidder is not the Successful Bid under the SISP. Capitalized terms used and not defined in this section of the Second Report have the meanings given to them in the Stalking Horse Agreement.
- 3.4 The Monitor’s understanding of certain key terms of the Stalking Horse Agreement is summarized below:
- (i) the Stalking Horse Bidder will subscribe to newly issued common shares of ParentCo, through a reverse vesting transaction, pursuant to which all equity interest of ParentCo will be cancelled without consideration, and the Stalking Horse Bidder will be the sole parent of the Applicants and the Non-Applicant Entities (the “**Transaction**”);
 - (ii) prior to the acquisition of the shares, Residual Co., will be incorporated by ParentCo and all of the Excluded Assets, Excluded Contracts and Excluded Liabilities of the Applicants will be transferred to Residual Co.;
 - (iii) the estimated Purchase Price under the Stalking Horse Agreement is approximately \$77 million, comprised of:

- (a) the outstanding obligations payable by the Applicants as of the Closing Date under the DIP Facility plus all accrued and unpaid interest, fees, and costs (the “**DIP Credit Bid**”);
 - (b) the outstanding indebtedness under the BMO Loan Documents (approximately \$38.3 million as of the date of this Second Report);
 - (c) the amount of \$31 million representing a portion of the outstanding secured obligations payable by the Applicants under the TS Investments Grid Note (the “**Secured Credit Bid**”, together with the DIP Credit Bid, the “**Credit Bid Consideration**”);
 - (d) the assumption of Retained Liabilities (other than the amount of indebtedness owing to BMO) that have accrued as of the Closing Date, which is defined to include, among other things, certain employee, real property lease, post-filing trade, tax, Intercompany Liabilities and gift card/loyalty program obligations; and
 - (e) a cash amount required to fund the Cash Consideration¹;
- (iv) the Stalking Horse Bidder, by nature of its ownership of ParentCo, will acquire substantially all of the assets and businesses of Tokyo Smoke. The Stalking Horse

¹ “Cash Consideration” is defined in the Stalking Horse Agreement as an amount equal to: (i) indebtedness under the BMO Loan Documents, if the Stalking Horse Bidder elects to have the outstanding indebtedness paid in cash; (ii) any Cure Cost amounts required to cure monetary defaults of the Applicants under any Retained Contract, Retained Lease or Restructured Lease; (iii) the Priority Payment Amount; and (iv) the Administrative Expense Amount (cash in an amount to be agreed as between the Monitor and the Stalking Horse Bidder, acting reasonably, and to be held by the Monitor) to fund the completion of these CCAA Proceedings and final wind-down of any remaining estates.

Bidder has various rights to exclude or add certain assets and liabilities at prescribed times under the Stalking Horse Agreement;

- (v) the Stalking Horse Agreement is conditional upon, among other things, the Court issuing the Sale Process Approval Order, the Stalking Horse Bid being selected as the Successful Bid and the Court issuing the Approval and Reverse Vesting Order;
- (vi) the Stalking Horse Agreement includes certain termination rights in favour of the Stalking Horse Bidder, among others, if the Stalking Horse Bidder is not the Successful Bid (as defined in the SISP) and the transaction contemplated by the Successful Bid is closed. In such case, the Stalking Horse Bidder is entitled to a break-up fee in an amount up to \$390,000 (being the aggregate of 1% of the Credit Bid Consideration) (the “**Break Fee**”); and
- (vii) the Outside Date to consummate the Transaction is December 6, 2024.

Overview of the SISP

3.5 Pursuant to the Sale Process Approval Order, the Applicants are also seeking, among other things, the Court’s approval of the SISP and the Bidding Procedures set forth therein. Capitalized terms in this section not otherwise defined herein have the meanings ascribed to them in the proposed SISP.

3.6 The SISP contemplates a two-phase sale process that will be administered by the Monitor over approximately 50 days. The Stalking Horse Agreement will act as the Stalking Horse Bid and will be subject to better and higher offers that may be received during the SISP. Pursuant to the Bidding Procedures, the SISP is intended to solicit interest in, and

opportunities for a sale of or investment in all or part of Tokyo Smoke’s assets and business operations, as a going concern or otherwise (the “**Opportunity**”).

3.7 The Monitor, with the assistance of the Applicants, has developed a list of potential bidders, a Teaser Letter describing the Opportunity and a form of non-disclosure agreement (“**NDA**”), each of which will be sent to potential bidders and other parties expressing interest in the Opportunity upon the commencement of the SISP.

3.8 The following is a summary of the key terms and milestones contemplated by the SISP:

SISP Summary <i>(Certain capitalized terms below have the meanings ascribed in the proposed SISP)</i>		
Phase / Event	Timeline	Description of Activities
Approval and Commencement of the SISP	September 18, 2024	<ul style="list-style-type: none"> Hearing of the Applicants motion for the Sale Process Approval Order on September 18, 2024. Commencement of marketing and solicitation of interest as soon as reasonably practicable but no later than September 20, 2024 (the “Commencement Date”). Prior to or on the Commencement Date, the Monitor in consultation with the Applicants, shall prepare a list of known bidders, publish a notice of the SISP on the Case Website, prepare the Teaser Letter, the NDA and a preliminary virtual data room.
Phase 1	For a period of up to 33 days after the commencement of the SISP	<ul style="list-style-type: none"> The Monitor and the Applicants will solicit non-binding letters of interest (“LOI”). Upon execution of the NDA, Participants will be granted access to a preliminary virtual data room, which may include limitations regarding specific confidential information as described in the SISP.
Phase 1 Bid Deadline	5:00PM ET on Monday October 21, 2024	<ul style="list-style-type: none"> Participants wishing to bid are required to submit an LOI to the Monitor prior to the Phase 1 Bid Deadline. The LOI must meet certain criteria as set out in the SISP to be considered a Phase 1 Qualified Bid. The LOI must, at a minimum, provide cash consideration to pay in full the purchase price in the Stalking Horse Agreement which is approximately \$77 million (plus an incremental bid in the minimum amount of \$250,000, a break fee in the amount of \$390,000, and an administrative reserve, in an amount satisfactory to the Monitor, necessary to wind-down the CCAA Proceedings (the “Minimum Purchase Price”).

SISP Summary <i>(Certain capitalized terms below have the meanings ascribed in the proposed SISP)</i>		
Assessment of Phase 1 Qualified Bids	Three business days after the Phase 1 Bid Deadline, being October 24, 2024	<ul style="list-style-type: none"> Phase 1 Qualified Bids will be assessed by the Monitor, in consultation with the Applicants, to determine whether any Phase 1 Qualified Bidder will be deemed a Phase 2 Qualified Bidder. Phase 2 Qualified Bidders will be notified in writing by the Monitor within three business days following the Phase 1 Bid Deadline. In the event that no Phase 1 Qualified Bid is received: <ul style="list-style-type: none"> i. the Stalking Horse Bidder shall be deemed by the Monitor as the Successful Bidder; ii. the Monitor will post a notice on the Case Website that the SISP has been terminated; and iii. the Applicants shall seek Court approval of, and authority to consummate, the Stalking Horse Agreement and the transactions provided for therein. The Monitor, in consultation with the Applicants, may waive compliance with any one or more of the requirements to otherwise qualify a Phase 1 Qualified Bid.
Phase 2	For a period of 21 days after the Phase 1 Bid Deadline	<ul style="list-style-type: none"> Phase 2 Qualified Bidders will be provided the opportunity to perform further due diligence and submit a binding offer (“Binding Offer”) in accordance with the requirements set out in the SISP. An offer will only be considered a Binding Offer where it complies with certain criteria identified in the SISP including, among other things: <ul style="list-style-type: none"> i. Binding Offers may not be subject to any financing condition and must provide for net cash proceeds that are not less than the Minimum Purchase Price (unless it is part of an Aggregated Bid); ii. If the Binding Offer is structured: (i) as a “reverse vesting transaction”, it shall include a duly authorized and executed binding transaction agreement, describing the terms and conditions of the proposed transaction, together with a blackline against the Stalking Horse Agreement; or (ii) in a form other than a “reverse vesting transaction”, it includes a duly authorized and executed definitive transaction agreement containing detailed terms and conditions of the proposed transaction; iii. Binding Offers must be accompanied by a deposit in the amount of not less than 10% of the cash purchase price payable on closing or total new investment contemplated, as the case may be; iv. Binding Offers must be unconditional, other than upon receipt of the Approval Order(s) and satisfaction of any other conditions expressly set forth in the Binding Offer; and v. The Binding Offer is accompanied by a letter that confirms that the Binding Offer: (i) may be accepted by the Applicants by countersigning the Binding Offer; and (ii) is irrevocable and capable of acceptance until the earlier of (A) two business days after the date of closing of the Successful Bid(s); and (B) the Outside Date.

	SISP Summary <i>(Certain capitalized terms below have the meanings ascribed in the proposed SISP)</i>	
Phase 2 Bid Deadline	5:00PM ET on November 11, 2024	<ul style="list-style-type: none"> • Binding Offers will be reviewed by the Monitor, in consultation with the Applicants and BMO to determine which bids are to be deemed the Successful Bid(s). • In the event that no Binding Offers are received, the Monitor will, as soon as reasonably practicable, post a notice on the Case Website that the SISP has concluded, and the Applicants will promptly seek a motion before the Court for approval of the Stalking Horse Agreement.
Evaluation and Successful Bid Selection Deadline	Two business days after the Phase 2 Bid Deadline, being November 13, 2024	<ul style="list-style-type: none"> • A Binding Offer will be valued based upon numerous factors, including items such as the purchase price contemplated, the net value provided by such bid, the identity, circumstances and ability of the Phase 2 Qualified Bidder to successfully complete such transaction(s), the proposed transaction documents, the effects of the bid on the stakeholders of the Applicants, factors affecting the speed, certainty and value of the transaction, the assets included or excluded from the bid, any related restructuring costs, and the likelihood and timing of consummating such transactions, each as determined by the Monitor, in consultation with the Applicants and BMO. • If a Binding Offer is received other than the Stalking Horse Agreement, the Monitor, in consultation with the Applicants, will direct such Binding Bidders to participate in an auction (the “Auction”) to be conducted and administered by the Monitor in accordance with the Auction Procedures Letter to be prepared by the Monitor. The highest bid at the Auction will be deemed the Successful Bid.
Approval of Successful Bid(s)	As soon as reasonably practicable after the selection of a Successful Bid	<ul style="list-style-type: none"> • The Applicants will bring a motion for an Order approving the Successful Bid(s). • The SISP shall have an outside date of December 6, 2024, by which the parties are to close the transaction(s) contemplated in the Successful Bid(s).

General Comments Regarding the SISP and Stalking Horse Agreement

3.9 The SISP timeline was negotiated among the Applicants, the Monitor, and the Stalking Horse Bidder in consultation with BMO. The SISP and its timeline are supported by all of the aforementioned parties and adherence to the timelines and milestones set out in the SISP is a requirement of the DIP Lender providing the DIP Facility. The SISP milestones were developed to balance the time required to administer a commercially reasonable marketing process designed to maximize opportunities for sale of, or investment in, all or

part of the Applicants' assets and business with the available financial resources of the Applicants.

- 3.10 The SISP provides the flexibility for the Monitor to modify, amend, vary or supplement the Bidding Procedures (as defined in the SISP), in order to give effect to the substance of the SISP, the Bidding Procedures or the Sale Process Approval Order, without the need for obtaining an order of the Court. Specifically, the Monitor, in consultation with the Applicants, may extend the milestones and deadlines in the SISP by up to two weeks. The Outside Date can only be extended or amended, without court approval, with the written consent of the DIP Lender and BMO.
- 3.11 The Monitor will manage the day-to-day execution of the SISP. The Applicants are required to assist and support the efforts of the Monitor as provided for in the SISP. In the event that clarification is required with respect to the SISP, the Monitor will seek the advice and direction of the Court.
- 3.12 The Monitor has considered and supports the relief sought by the Applicants pursuant to the proposed Sale Process Approval Order for the following reasons:
- (i) the Monitor is of the view that the SISP and Bidding Procedures are commercially reasonable and have been designed to maximize value through a competitive bidding process, and to provide greater certainty of a going concern outcome for the business should the SISP not produce a superior result to the Stalking Horse Agreement;

- (ii) although the timelines included in the proposed SISP and Bidding Procedures are condensed, the Monitor is of the view that SISP participants will have been provided sufficient time to review the Opportunity and submit a non-binding LOI (33 days) or a Binding Offer (54 days). Of note, the Monitor has sufficiently advanced the materials supporting the SISP (i.e., Teaser Letter, NDA, list of interested parties, and certain information to be populated in the virtual data room) such that the materials can be sent to interested parties and Known Potential Bidders immediately following the commencement of the SISP;
- (iii) while not included as Applicants in the CCAA Proceedings, the business and assets of the Non-Applicant Entities (comprised of the Tokyo Smoke intellectual property, data programs business, medical business and banner business) are included in the SISP given that their shares are assets of the Applicants;
- (iv) the Monitor has compared the Break Fee (1% of the Credit Bid Consideration) to other stalking horse break fees and expense reimbursements approved by this Court in similar proceedings (including in situations where the stalking horse purchaser is also a related party and/or participated in the existing equity of the business), and based on the Monitor's review, the Break Fee appears to be reasonable in circumstances and typical for a transaction of this size and complexity; and
- (v) the Monitor does not believe the creditors of the Applicants would be materially prejudiced by the Stalking Horse Agreement, the SISP or the Bidding Procedures.

Security Review

- 3.13 As referenced in the Pre-Filing Report, the Monitor instructed its legal counsel, Stikeman Elliott LLP (“**Stikeman**”), to review the security interest granted pursuant to: (i) a general security agreement dated October 7, 2022, as amended by a general security agreement amending agreement on each of December 30, 2022, February 21, 2023 and May 31, 2024, by the Applicants and others in favour of TS Investments (collectively, the “**Security Agreement**”) in respect of the Applicants’ obligations under the TS Investments Grid Note (as defined in the Pre-Filing Report); and (ii) the guarantee dated October 7, 2022, as amended by a guarantee amending agreement on each of December 30, 2022, February 21, 2023 and May 31, 2024, by the Applicants and others in favour of TS Investments (collectively, the “**Guarantee**”), and provide an opinion on the validity, enforceability and perfection of the Security Agreement with respect to the personal property of each of the Applicants.
- 3.14 Stikeman’s opinion dated September 16, 2024 (the “**Stikeman Opinion**”), addresses the laws of Ontario, for all Applicants, and Alberta, in respect of the Applicants organized in that jurisdiction (being 2161907 Alberta Ltd., 2197130 Alberta Ltd. and 2385816 Alberta Ltd.). Stikeman retained: (i) McInnes Cooper to provide an opinion dated September 16, 2024, addressing the laws of Newfoundland and Labrador (the “**NL Opinion**”) in respect of the Applicant organized in that jurisdiction (being 80694 Newfoundland & Labrador Inc.); (ii) Pitblado LLP to provide an opinion dated September 16, 2024, addressing the laws of Manitoba (the “**MB Opinion**”) in respect of the Applicant organized in that jurisdiction (being 10006215 Manitoba Ltd.); and (iii) MLT Aikins LLP, to provide an opinion dated September 16, 2024, addressing the laws of Saskatchewan in respect of the

Applicant with security registration in that jurisdiction (being 14284585 Canada Inc.) (the “**SK Opinion**”, together with the Stikeman Opinion, the NL Opinion and the MB Opinion, collectively, the “**Security Opinions**”).

- 3.15 The Security Opinions provide, with respect to the Applicants noted above, that, subject to the customary assumptions and qualifications of an opinion of such nature: (i) the Security Agreement entered into between the Applicants and TS Investments constitutes a legal, valid and binding agreement of the Applicants, enforceable against each Applicant in accordance with its terms; (ii) the personal property security granted by the Applicants to TS Investments appears to have been properly registered in the jurisdictions noted in the Security Opinions; and (iii) the Security Agreement creates a valid security interest in the personal property of the Applicants described in the Security Agreement in favour of TS Investments.
- 3.16 Copies of the Security Opinions can be made available to the Court upon request.
- 3.17 The Monitor understands that the TS Investments Grid Note was originally incurred in connection with a refinancing of certain indebtedness owed to another related party of the Applicants, DAK Capital Inc., in October 2022. The Monitor understands, that since the refinancing, TS Investments has continued to make advances of over \$20 million to the Applicants pursuant to the TS Investments Grid Note.

4.0 UPDATES SINCE THE COMEBACK HEARING

Rent Dispute

- 4.1 As described in the First Report, on August 26, 2024, the Applicants informed the landlords for seven of the Vacant Stores that the leases have been repudiated, the premises are not being occupied and the landlords may relet the premises and no post-filing rents would be paid at such vacant locations. The landlords of certain of these locations asserted that post-filing rent is payable until such time as the disclaimers issued for these leases become effective.
- 4.2 Regarding the issues raised by these landlords, the parties have now reached an agreement regarding the rent to be paid during the disclaimer period, and such rent has been paid by the Applicants in connection with the disputed amounts.

Rent Negotiations

- 4.3 As described in the Pre-Filing Report and First Report, a principal component of the Applicants' restructuring plan is to seek consensual lease amendments for stores which are anticipated to remain part of the business going forward. Among other things, the primary objectives of the negotiations are to achieve rent reductions such that remaining store locations could be cash flow positive based on the respective store's revenue, obtain an acceptable length of lease term to provide a level of certainty for the restructured business, or close store locations that do not achieve the desired level of profitability.

4.4 On or about September 4, 2024, the Applicants commenced contacting certain of their landlords with the aim of negotiating lease amendments to ensure each location is economically feasible.

4.5 As of the date of this Second Report, the Applicants continue to advance discussions with landlords and anticipate that sufficient concessions can be obtained. The Monitor will provide further updates to the Court and SISP participants as negotiations progress.

5.0 CASH FLOW RESULTS RELATIVE TO FORECAST

5.1 Receipts and disbursements for the two-week period from August 24, 2024 to September 6, 2024 (the “**Reporting Period**”), as compared to the cash flow forecast that was attached as Appendix “C” to the Pre-Filing Report (the “**Cash Flow Forecast**”), are summarized in the table below.

Cash Flow Variance Reporting	Cumulative 2-Week Period Ended September 6, 2024		
<i>(CAD \$000s, unaudited)</i>	<u>Actual</u>	<u>Forecast</u>	<u>Variance</u>
Receipts	3,209	2,674	535
Disbursements			
Merchandise Vendors	(1,927)	(1,671)	(256)
Payroll & Benefits	(703)	(1,038)	335
Rent	(747)	(1,268)	521
Non-Merchandise Vendors	(237)	(684)	447
Professional Fees	(302)	(626)	323
BMO Financing Costs	(325)	(375)	51
Sales Tax Remittances	(60)	(130)	70
Total Disbursements	(4,302)	(5,791)	1,489
Non-Applicant Net Cash Flow	205	71	134
Net Cash Flow	(888)	(3,047)	2,159
Opening Cash	147	147	--
Net Cash Flow	(888)	(3,047)	2,159
DIP Facility Advance / (Paydown)	1,270	3,220	(1,950)
Closing Cash	529	320	209

- 5.2 During the Reporting Period, the Applicants' total receipts were approximately \$535,000 greater than projected in the Cash Flow Forecast. The positive variance is primarily attributed to higher than forecast sales at closing stores.
- 5.3 During the Reporting Period, the Applicants' total disbursements were approximately \$1.5 million less than projected in the Cash Flow Forecast. The net positive variance is primarily attributable to:
- (i) timing variances in rent payments as rent for remaining stores is paid on the 1st and the 15th of the month, while the Cash Flow Forecast included payment of the full month rents during the Reporting Period;
 - (ii) lower than forecast non-merchandise vendor costs and professional fees, which are primarily timing and expected to reverse in future weeks;
 - (iii) lower than forecast payroll costs associated with personnel at closing stores due to reduced hours and the final calculation of accrued vacation pay; and
 - (iv) the above positive variances are partially offset by a negative variance related to higher than forecast payments to merchandise vendors to replenish inventory levels due to higher sales.
- 5.4 As at September 6, 2024, Tokyo Smoke's: (i) cash balance was approximately \$529,000 compared to the forecast cash balance of \$320,000; and (ii) borrowings under the DIP Facility were approximately \$1.3 million.

6.0 ADDITIONAL RELIEF SOUGHT IN THE FURTHER AMENDED AND RESTATED ARIO

Related Proceeding Stay

- 6.1 The Applicants seek an amendment to the ARIO to grant the Related Proceeding Stay, which will stay any Related Proceeding against or in respect of DAK except with the written consent of DAK and the Monitor, or with leave of the Court, until December 6, 2024.
- 6.2 As described in the Pre-Filing Report, DAK is a related party corporation of the Applicants. DAK provides two of the Applicants, ParentCo and 2161907 Alberta Ltd. (“**216 Alberta**”), with management services pursuant to certain management services agreements.
- 6.3 In connection with the management services provided, DAK, as payment guarantor, is party to a share purchase agreement dated September 23, 2022, with Canopy Growth Corporation (“**Canopy Growth**”) and Tweed Inc. (“**Tweed**”), as vendors, and ParentCo, as purchaser (as amended, the “**SPA**”). Pursuant to the SPA, ParentCo purchased Canopy Growth’s Canadian retail cannabis business.
- 6.4 On March 8, 2024, Canopy Growth, Tweed, and Tweed Leasing Corporation (collectively, the “**Canopy Claimants**”) issued a notice of arbitration against four of the Applicants – ParentCo, 216 Alberta, 2733181 Ontario Inc., and 14284585 Canada Inc. (collectively, the “**TS Respondents**”) - as well as DAK (the “**Canopy Arbitration**”). The Canopy Arbitration relates to alleged breaches of a several agreements between the Canopy Claimants, the TS Respondents and DAK, including the SPA. The Monitor understands

that no significant procedural steps have been taken to advance the Canopy Arbitration since its commencement.

- 6.5 As a result of the ARIIO, the Canopy Arbitration is stayed against the TS Respondents, however the Monitor understands that the Canopy Claimants have advised that they wish to continue the Canopy Arbitration against DAK. The Applicants are of the view that given that the allegations by the Canopy Claimants against DAK relate to its role as a party to the SPA, DAK's liability, if any, will derive from any liability of the TS Respondents for breach of the SPA. As such, the Applicants advised the Monitor that the continuation of the Canopy Arbitration against DAK will require substantive participation from the TS Respondents and their employees, as witnesses and/or document custodians, in any such litigation.
- 6.6 The Monitor believes that the participation of the directors, officers and/or employees of the TS Respondents in the Canopy Arbitration would likely consume considerable resources and manpower that would otherwise be focused on the Applicants' ongoing operational restructuring efforts, to the detriment of the success of these CCAA Proceedings.
- 6.7 The proposed Related Proceeding Stay does not purport to release, compromise or permanently enjoin any Related Proceedings. Rather, it imposes a temporary stay of proceedings until December 6, 2024, to maintain stability, preserve the Applicants' and the directors' limited time and resources, and facilitate the administration of these CCAA Proceedings. The Monitor understands that no prejudice (other than a delay of several months) will result from the Related Proceeding Stay.

- 6.8 As such, the Monitor is supportive of the relief sought by the Applicants for an extension of the Stay to DAK in respect of such Related Proceedings.

Proposed Tolling of Limitation Periods

- 6.9 In the week of September 9, 2024, the Monitor engaged in discussions with counsel to several franchisees who have commenced rescissions of their franchise agreements with Tokyo Smoke (the “**Rescission Claimants**”) and have sought to continue to preserve their claims during the pendency of the CCAA proceedings. As of the date of this Report, discussions remain ongoing in respect of the Rescission Claimants’ request. The Monitor will update this Court prior to the hearing should there be any developments in those discussions.

7.0 ACTIVITIES OF THE MONITOR

- 7.1 Since the date of the First Report, the primary activities of the Monitor have included the following:
- (i) together with the Monitor’s legal counsel, assisting the Applicants and their legal counsel in developing the SISP and negotiating the Stalking Horse Agreement;
 - (ii) monitoring the Applicants’ cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting and other reporting required under the DIP Term Sheet and BMO Forbearance (as defined in the First Report);
 - (iii) preparing for and attending by videoconference the comeback hearing held on September 6, 2024;

- (iv) engaging with certain suppliers, stakeholders and landlords and their counsel who have reached out to the Monitor;
- (v) assisting the Applicants with landlord and franchisee discussions, and rent negotiations;
- (vi) coordinating the uploading of Court-filed documents to the Case Website;
- (vii) responding to creditor and other inquiries received via the Monitor's toll-free number or e-mail account for the CCAA Proceedings and other contact points;
- (viii) working with Stikeman to prepare the Security Opinions; and
- (ix) with the assistance of Stikeman, counsel to the Monitor, preparing this Second Report.

8.0 CONCLUSIONS AND RECOMMENDATIONS

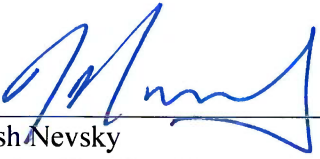
- 8.1 For the reasons set out in this Second Report, the Monitor respectfully recommends that the Court grant the Sale Process Approval Order and the further amended and restated ARIO in the form sought by the Applicants.

All of which is respectfully submitted to the Court this 16th day of September, 2024.

Alvarez & Marsal Canada Inc., in its capacity as

**Monitor of 2675970 Ontario Inc., 2733181 Ontario Inc., 2385816 Alberta Ltd., 2161907 Alberta Ltd., 2733182 Ontario Inc., 2737503 Ontario Inc., 2826475 Ontario Inc., 14284585 Canada Inc., 2197130 Alberta Ltd., 2699078 Ontario Inc., 2708540 Ontario Corporation, 2734082 Ontario Inc., TS Wellington Inc., 2742591 Ontario Inc., 2796279 Ontario Inc., 10006215 Manitoba Ltd., and 80694 Newfoundland & Labrador Inc.,
and not in its personal or corporate capacity**

Per:


Josh Nevsky
Senior Vice-President

APPENDIX B
FEE AFFIDAVIT OF JOSH NEVSKY

See attached.

Court File No.: CV-24-00726584-00CL

**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 2675970 ONTARIO INC., 2733181 ONTARIO INC.,
2385816 ALBERTA LTD., 2161907 ALBERTA LTD., 2733182 ONTARIO INC.,
2737503 ONTARIO INC., 2826475 ONTARIO INC., 14284585 CANADA INC.,
2197130 ALBERTA LTD., 2699078 ONTARIO INC., 2708540 ONTARIO
CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON INC., 2742591
ONTARIO INC., 2796279 ONTARIO INC., 10006215 MANITOBA LTD., AND
80694 NEWFOUNDLAND & LABRADOR INC.**

**FEE AFFIDAVIT
(Sworn November 26, 2024)**

I, Josh Nevsky, of the City of Toronto, in the Province of Ontario, **MAKE OATH AND
SAY:**

1. I am a Managing Director of Alvarez & Marsal Canada Inc. ("**A&M**"), the Court-appointed monitor in the above-noted proceeding (in such capacity, the "**Monitor**"). As such, I have personal knowledge of the matters to which I hereinafter depose in this Affidavit. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and, in all cases, believe it to be true.

2. A&M was appointed as Monitor pursuant to an initial order granted by the Ontario Superior Court of Justice (Commercial List) (the "**Court**") under the *Companies' Creditors Arrangement*

Act, R.S.C. 1985, c. C-36 on August 28, 2024 (as amended and restated on September 18, 2024, the “**ARIO**”). The Monitor retained Stikeman Elliott LLP as its counsel in these proceedings.

3. Pursuant to paragraph 31 of the ARIO, the Monitor and its legal counsel are to be paid their reasonable fees and disbursements, in each case at their standard rates and charges, whether incurred prior to, on or subsequent to the date of the ARIO, by the Applicants (as defined in the ARIO) as part of the costs of these proceedings. Pursuant to paragraph 32 of the ARIO, the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are referred to the Court.

4. Attached hereto as **Exhibit “A”** are copies of the invoices rendered by A&M (the “**A&M Accounts**”) in respect of this matter for the period from August 28, 2024 to November 16, 2024 (the “**A&M Application Period**”). The A&M Accounts have been redacted to address matters of confidentiality or privilege. Nothing in this Affidavit or its exhibits is intended to constitute a waiver of any applicable privilege.

5. Attached hereto as **Exhibit “B”** is a summary of the A&M Accounts in respect of the A&M Application Period.

6. Attached hereto as **Exhibit “C”** is a summary of the hours incurred by, and standard hourly rates of, the A&M personnel involved in this matter.

7. A&M expended a total of 389.6 hours in connection with this matter during the A&M Application Period, giving rise to fees and disbursements totaling \$303,104.13, comprised of fees of \$257,679.50, disbursements of \$10,554.24 and HST of \$34,870.39.

8. The fees and disbursements to be incurred by A&M, in its capacity as the Monitor, in connection with the performance of the Monitor's duties in these proceedings following the A&M Application Period are not anticipated to exceed \$125,000, plus applicable taxes.

9. To the best of my knowledge, A&M's rates and disbursements are consistent with those in the market for these types of matters and the hourly billing rates charged by A&M are comparable to the rates charged by A&M for services rendered in similar proceedings. A&M has had its rates and disbursements, including the rates of various professionals who provided services in these proceedings, approved by the Court in respect of similar services provided in a number of insolvency and restructuring files.

10. This Affidavit is sworn in connection with a motion by the Monitor to, among other things, have the fees and disbursements of the Monitor and its counsel in connection with these proceedings approved by the Court and for no other or improper purpose.

SWORN REMOTELY by Josh Nevsky stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on November 26th, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Rania Hammad

3CCD226759524E3...

RANIA HAMMAD

Commissioner for Taking Affidavits
(or as may be)

DocuSigned by:

Josh Nevsky

EE876A542EF3427...

JOSH NEVSKY

THIS IS **EXHIBIT “A”** REFERRED TO IN
THE AFFIDAVIT OF JOSH NEVSKY,
SWORN BEFORE ME THIS 26TH DAY OF NOVEMBER, 2024.

DocuSigned by:

Rania Hammad

3CCD226750524E3...

RANIA HAMMAD

A Commissioner for taking Affidavits
(or as may be)



Alvarez & Marsal Canada ULC
Royal Bank Plaza, South Tower
200 Bay Street, Suite 3501, P.O. Box 22
Toronto, ON M5J 2J1
Phone: +1 416 847 5200
Fax: +1 416 847 5201

September 11, 2024

2675970 Ontario Inc.
590 King Street West, Suite 400
Toronto, ON M5V 1M3

Attention: Mr. Andy Williams

RE: 2675970 ONTARIO INC. and subsidiaries (the “Companies”)
INVOICE #1 - (857444A)

For professional services rendered in our capacity as Court-appointed Monitor under the *Companies’ Creditors Arrangement Act* pursuant to the Initial Order dated August 28, 2024, for the period to September 7, 2024.

<u>BILLING SUMMARY</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
J. Nevsky, Managing Director	19.8	\$965	\$19,107.00
S. Rushton, Director	44.0	\$630	27,720.00
M. Binder, Associate	36.6	\$480	17,568.00
B. Wei, Analyst	7.2	\$365	2,628.00
	<u>107.6</u>		<u>\$67,023.00</u>
Add: HST @ 13%			8,712.99
TOTAL INVOICE			<u>\$75,735.99</u>



2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – August 28 to September 7, 2024**

<u>J. Nevsky</u>	<u>Hrs.</u>
Aug 28 Call with Stikeman to [REDACTED]; attend at Initial Hearing; internal meeting to discuss Day 1 noticing and file planning; review of and sign lease disclaimers.	2.0
Aug 29 Correspondence with Company regarding Day 1 communications and related matters; review and update draft First Report of the Monitor ("First Report"); internal discussion on sale process and preparing marketing materials; correspondence with Stikeman on file matters.	1.8
Aug 30 Call with Company on landlord strategy and related matters; update call with Company and Recon on CCAA matters; correspondence with Stikeman on [REDACTED]; review of correspondence from [REDACTED] and discussion with Recon and Stikeman regarding same; attend on call with [REDACTED], Recon and Stikeman regarding [REDACTED]; review and update draft First Report; review of proposed KERP and bonus materials.	4.8
Aug 31 Review of intercompany debt schedules and internal discussion on same; correspondence with Stikeman on [REDACTED]; review and update draft First Report; review and provide comments on draft Sale Process Approval Order and ARIO.	3.5
Sept 2 Review of landlord and rent reduction schedule; review of preliminary sale process materials and preliminary buyers list; correspondence with Recon and Stikeman regarding file matters; call with Company regarding timing of Court hearing and sale process launch.	1.8
Sept 3 Update call with Recon on file matters; review and provide comments on of draft Williams Affidavit, ARIO and BMO forbearance agreement; internal update regarding file matters.	2.0
Sept 4 Call from inbound party regarding SISP and next steps; call with Recon and Stikeman regarding [REDACTED]; call with Stikeman to [REDACTED].	1.6
Sept 5 update call with Recon and Company; call with Recon and Stikeman regarding [REDACTED]; review and provide comments on [REDACTED].	1.5

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – August 28 to September 7, 2024**

Sept 6	Attend at ARIO Court hearing; internal meeting to advance sale process marketing materials; correspondence with Stikeman regarding [REDACTED] and review of [REDACTED] regarding same.	0.8
TOTAL – J. Nevsky		19.8 hrs.

S. Rushton**Hrs.**

Aug 28	Attendance at Court; review of disclaimer notices; internal discussion regarding next steps, drafting of First Report and other matters; draft preliminary version of the First Report; review of draft SISP.	9.5
Aug 29	Drafting of First Report; internal discussion regarding creditor inquiries and information request list; correspondence with management regarding disclaimers and lease terms; review and reconcile store disclaimer list.	6.9
Aug 30	Correspondence regarding outstanding inquiries and other information request items; videoconference with management regarding landlord negotiations; draft First Report; internal discussion regarding creditor noticing, the creditors list, prospective buyers list and SISP; review and update prospective buyers list; review of proposed KERP and materials compiled regarding recent KERPs approved by the Court.	3.2
Aug 31	Internal discussion regarding secured debt and credit bid structure; review landlord schedule prepared for management and creditor noticing; update draft First Report based on internal comments.	2.4
Sept 1	Update draft teaser and prospective purchaser list based on internal comments; internal discussion regarding lease portfolio analysis and creditor listing.	3.1
Sept 2	E-mail correspondence regarding creditors listing; internal discussion regarding teaser, prospective purchaser list and other matters relating to the comeback hearing; review of revised landlord lease analysis; review of creditor list to be posted to the Monitor's website.	3.7
Sept 3	Review of updated lease analysis based on information provided by management; attend on call with Tokyo Smoke management team to review and discuss the lease analysis; review draft Amended and Restated Initial Order and Affidavit; videoconference with management regarding proposed disbursements and rent payments; review of internal comments received on the First Report.	5.3

2675290 Ontario Inc. et al – 857444A

DETAILED SUMMARY – August 28 to September 7, 2024

Sept 4	Update draft of the First Report; internal discussion regarding same; conference call with management regarding banking information, cash flow process and proposed disbursements; update workplan and information request list for remaining items; draft preliminary confidential information memorandum structure.	4.1
Sept 5	Draft preliminary confidential information memorandum structure and listing of information for the virtual data room; conference call with creditors regarding inquiries regarding the CCAA proceedings.	2.9
Sept 6	Preparation for and attendance at Court; review of draft stalking horse agreement; internal discussion regarding disbursement process and proposed payments; review of cash flow reporting for the week ended August 30; draft the Second Report of the Monitor.	2.9
TOTAL – S. Rushton		44.0 hrs.

M. Binder

Hrs.

Aug 28	Email correspondence with the Company regarding cash flow forecast and rent payments; review finalized disclaimer documents; drafting of the sale process teaser document; update information request list; coordinate upload of materials to the case website; internal meeting to discuss file matters; correspondence with the Company regarding proposed payments.	5.3
Aug 29	Respond to emails sent to the Monitor's inbox; prepare noticing materials; coordinate upload of materials to case website; call with the Company's finance team to discuss certain vendors inquiries; drafting of legal notice to be published in The Globe & Mail ("G&M"); email correspondence with the Company regarding information requests.	4.3
Aug 30	Correspondence with the G&M regarding publishing the legal notice; drafting of Notice to Creditors; email correspondence with website administrator; internal meeting regarding creditor list and noticing materials, update prospective buyers list to participate in the sale process; prepare creditor listing; respond to emails sent to the Monitor's inbox; review proposed KERP and compare to recent KERP's approved by the Court.	4.8
Aug 31	Prepare creditor listing; review store-by-store historical financial results and prepare lease analysis [REDACTED]; review draft First Report.	3.5

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – August 28 to September 7, 2024**

Sept 1	Internal discussion regarding lease portfolio analysis and creditor listing; prepare creditor listing.	3.1
Sept 2	Review listing of accrued liabilities and finalize creditor listing; update lease portfolio analysis; review updated teaser document and prospective buyer list; review standard form NDA for sale process.	3.2
Sept 3	Attend on call with Tokyo Smoke management team to review and discuss the lease analysis; review draft Amended and Restated Initial Order; update prospective buyer list; respond to emails sent to the Monitor's inbox; update lease analysis based on information provided by management; correspondence with Tokyo Smoke finance team regarding proposed payments and funding request.	4.9
Sept 4	Coordinate upload of materials to the case website; correspondence with the Company regarding cash flow reporting; prepare administrative bankruptcy forms; phone call with vendor to discuss post-filing arrangements; respond to emails sent to the Monitor's inbox; update prospective buyer list.	3.4
Sept 5	Attend on call with the Company's finance team to review cash flow actuals for the week ended August 30; respond to emails sent to the Monitor's inbox; coordinate upload of materials to the case website.	1.8
Sept 6	Internal discussions regarding sales process and case matters; review cash flow reporting for the week ended August 30; respond to emails sent to the Monitor's inbox; correspondence with the Company's finance team regarding proposed payments.	2.3
TOTAL – M. Binder		36.6 hrs.
<u>B. Wei</u>		<u>Hrs.</u>
Aug 29	Review lease agreements for stores impacted by closure and prepare lease summary matrix outlining key information.	2.8
Sept 3	Prepare and mail Notice to Creditor packages.	4.4
TOTAL – B. Wei		7.2 hrs.





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October 1, 2024

2675970 Ontario Inc.
590 King Street West, Suite 400
Toronto, ON
M5V 1M3

Attention: Mr. Andy Williams

RE: 2675970 ONTARIO INC. and subsidiaries (the “Companies”)
INVOICE #2 - (857444A)

For professional services rendered in our capacity as Court-appointed Monitor under the *Companies’ Creditors Arrangement Act* pursuant to the Initial Order dated August 28, 2024, for the period September 8 to 28, 2024.

<u>BILLING SUMMARY</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
J. Nevsky, Managing Director	37.9	\$965	\$36,573.50
S. Rushton, Director	82.9	\$630	52,227.00
M. Binder, Associate	38.0	\$480	18,240.00
K. Meng, Analyst	5.3	\$380	2,014.00
	<u>164.1</u>		<u>\$109,054.50</u>
Add: Out of pocket expense – The Globe & Mail Notice			9,441.30
			<u>\$118,495.80</u>
Add: HST @ 13%			15,404.45
TOTAL INVOICE			<u>\$133,900.25</u>

[REDACTED]

[REDACTED]

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 8 to 28, 2024**

<u>J. Nevsky</u>	<u>Hrs.</u>
Sept 9 Internal meeting to review draft CIM and buyers list; review and pross OSB forms; review of Stikeman [REDACTED] review and provide comment on [REDACTED] and discussion with Stikeman on same.	3.2
Sept 10 Attend on update call with Recon and Company; review of diligence information list and data room request list, internal discussion on same; internal review of comparable break fee schedule; review of correspondence from landlords seeking information; review and comment on draft Amended ARIO.	1.8
Sept 11 [REDACTED] and correspondence with Stikeman on same; review of draft CIM with company; initial review of cash flow report; correspondence with Recon on file matters; review draft Affidavit and provide comments on same.	2.8
Sept 12 Review of cash flow report for the two-week period ended September 7; call with Company and Recon regarding Stalking Horse Agreement and purchase price; correspondence with Stikeman regarding [REDACTED]	1.6
Sept 13 Correspondence with Stikeman to [REDACTED]; review and update Monitor's Second Report.	2.0
Sept 16 Review and update Second Report; review of Recon's revisions to Report; call with Stikeman to [REDACTED]; review and update Teaser and CIM documents; review of gridnote and correspondence with Stikeman regarding [REDACTED].	3.2
Sept 17 Call with Stikeman regarding [REDACTED]; call with Recon on file matters; review of Teaser and CIM; review of pro-forma model and cash flow forecast; internal meeting to advance SISP marketing materials, data room and related materials.	4.2
Sept 18 Attend Court hearing; call with Stikeman regarding file matters; review and finalize Teaser and draft SISP contact email to commence SISP; attend to correspondence from potential SISP participants; correspondence with Recon regarding SISP and related file matters.	3.4
Sept 19 Attend meeting with Company and Recon; correspondence with Stikeman on [REDACTED]; review and update CIM, and internal discussion on same.	2.0

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 8 to 28, 2024**

Sept 20	Review and update CIM, internal discussion regarding same; correspondence with Stikeman regarding [REDACTED]; correspondence with SISP participant; internal call to review diligence and data room materials.	4.0
Sept 21	Review and comment on draft CIM, internal discussion on same; review of pro forma model [REDACTED].	2.2
Sept 23	Review of updated CIM; review of Canopy Motion Record; correspondence with Stikeman regarding [REDACTED]; review of correspondence from Interested Parties and marked up NDAs; call with interested party regarding SISP process.	1.3
Sept 24	Attend on call with Company and Company to finalize CIM and data room content; review and comment on final CIM; review contents of data room and internal discussion on same.	2.0
Sept 25	Call with Recon on file matters.	0.4
Sept 26	Diligence call with SISP participant; attend on cash flow update call with Company; attend on steering committee call with Recon and Company; review of data room and internal discussion on same; internal update meeting; review of cash flow report and SISP update summary report for BMO.	2.3
Sept 27	Correspondence with potential purchaser; review of cash flow report, internal discussion on same; review of information requests received by interested party.	1.5
TOTAL – J. Nevsky		37.9 hrs.

S. Rushton**Hrs.**

Sept 9	Draft Second Report of the Monitor; update draft teaser document for comments received; review draft stalking horse agreement and sale and investment solicitation process (“SISP”); internal discussion regarding teaser and confidential information memorandum (“CIM”) drafts; update tracker for lease and franchise disclaimers; review of break fees for comparable related party stalking horse agreements in publicly available documents.	6.1
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2675290 Ontario Inc. et al – 857444A

DETAILED SUMMARY – September 8 to 28, 2024

Sept 10	Update teaser for comments received; internal discussion regarding CIM layout and required sections; correspondence with management regarding proposed disbursements; conference calls with landlords regarding CCAA proceedings, and timing of store turnover for disclaimed stores; review of comparable stalking horse break fees including related party stalking horse bidders.	4.9
Sept 11	Drafting of Second Report, including incorporating internal comments and additional information regarding the stalking horse agreement; review and advance draft CIM in preparation for meeting with management; internal discussion regarding cash flow forecast; review proposed disbursements; correspondence with management regarding same; review of draft Affidavit and compilation of comments on same.	4.9
Sept 12	Review of revised Affidavit and stalking horse agreement; correspondence with landlords regarding disclaimed leases; videoconference with management regarding revised cash flow reporting package; update cash flow package for same; videoconference with management regarding the teaser and CIM template.	2.5
Sept 13	Internal discussions regarding status of teaser and CIM, inquiries to the Monitor's inbox, and Monitor's Second Report; videoconference with management regarding supporting data for the teaser and CIM; draft Second Report, including incorporating internal comments; review of management's comments and data provided regarding the draft CIM template; conference call with management regarding outstanding items for the Teaser and CIM; review of management's schedule of amounts outstanding for the related party grid note.	5.9
Sept 16	Internal discussion regarding CIM and SISP status; conference call with management regarding outstanding requests on the teaser, CIM and reach-out list; update teaser for additional data received; compile documents for the virtual data room.	5.1
Sept 17	Compile additional requests for the virtual data room; correspondence regarding outstanding items for the CIM and teaser; conference call with management regarding same; update teaser for comments received and additional data provided by management; update CIM for data and commentary provided by management.	6.9
Sept 18	Attend at Court hearing; finalize standard form non-disclosure agreement and teaser document; update reach-out list for additional parties who have contacted the Monitor; videoconference with management regarding outstanding information for the CIM; update CIM regarding same; internal discussion regarding disbursements; correspondence with landlords regarding inquiries on disclaimed leases.	8.7

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 8 to 28, 2024**

Sept 19	Conference call with management regarding the cash flow forecast and variance reporting; update CIM for additional data received from management; review of reach-out list and status of responses from interested parties; summarization of store income statements and other documents for inclusion in the virtual data room; review of management's pro-forma model.	7.1
Sept 20	Review of sales data provided by management for inclusion in the CIM; update the summarization of store income statements based on revised data provided; conference call with management regarding historical balance sheet and income statements; correspondence with management regarding items to be included in the virtual data room.	6.5
Sept 22	Update CIM for data received and internal comments.	2.9
Sept 23	Update CIM for internal comments; review of same; update remaining outstanding items for the CIM; correspondence with management regarding [REDACTED].	1.5
Sept 24	Videoconference with management regarding CIM and other SISP matters; internal discussion regarding outstanding items to finalize the CIM.	1.2
Sept 25	Review and update of final CIM; conference calls with management to finalize the CIM and documents to be included in the virtual data room; coordination of documents to be shared with parties who have signed a non-disclosure agreement; update summarization of store income statements; correspondence with management regarding documents to be included in the virtual data room.	8.5
Sept 26	Correspondence with interested parties regarding the SISP and data room; review of status of parties reached out to; internal discussion regarding store income statements; conference call with management regarding cash flow variance reporting; review of same; compilation of SISP update and cash flow reporting package; corresponding to the Bank of Montreal regarding same; conference call with landlord regarding a disclaimed location.	6.2
Sept 27	Review of responses from interested parties; review of proposed disbursements; correspondence with management regarding same; summarizing diligence requests from interested parties.	2.9

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 8 to 28, 2024**

Sept 28	Review of additional diligence requests from interested parties; review of existing data provided by management regarding same; review of data provided regarding store income statements; internal correspondence regarding same.	1.1
TOTAL – S. Rushton		82.9 hrs.

<u>M. Binder</u>	<u>Hrs.</u>	
Sept 8	Review cash flow budget to actual summary for the week ended August 30.	1.9
Sept 9	Draft Second Report of the Monitor; preparation of draft teaser and CIM documents, internal discussions regarding same; review of break fees for recent stalking horse purchase agreements in publicly available documents.	3.8
Sept 10	Call with management to discuss cash flow forecast; preparation of CIM; attend on calls with landlord and franchisee regarding the stay of proceedings and post-filing matters.	3.0
Sept 11	Preparation of CIM; review cash flow budget to actual summary for the week ended September 6; attend on call with management team to review draft teaser and CIM template, attend on call with the finance team to review cash flow; respond to inquiries sent to the Monitor's inbox.	3.1
Sept 12	Attend on call with management to discuss cash flow reporting package, prepare updates based on same.	0.8
Sept 13	Respond to inquiries sent to the Monitor's inbox.	0.6
Sept 16	Email correspondence with landlords; attend on call with management team to discuss draft teaser and CIM document; call with landlord to discuss lease disclaimer; coordinate upload of materials to the case website.	1.5
Sept 18	Respond to emails sent to the Monitor's inbox; distribute teaser document and form of NDA to prospective buyers of the business; coordinate upload of court documents to the case website; preparation of CIM; review proposed payments and correspondence with the Company regarding same.	2.3

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 8 to 28, 2024**

Sept 19	Review cash flow budget to actual summary for the week ended September 13, attend on call with the Company's finance team regarding same; call with vendor regarding consignment goods and the stay of proceedings; email correspondence with prospective buyers of the business; respond to emails sent to the Monitor's inbox.	4.5
Sept 20	Attend on call with prospective buyer of the business.	0.5
Sept 21	Review and reformat certain materials provided by the Company and preparation of the virtual data room.	1.4
Sept 22	Ongoing review of materials provided by the Company and preparation of the virtual data room.	1.8
Sept 23	Review materials provided by the Company and preparation of the virtual data room; preparation of the CIM; email correspondence with prospective buyers of the business.	3.0
Sept 24	Attend on call with management to review draft CIM and virtual data room; email correspondence with prospective buyers of the business; review updated Affidavit.	2.4
Sept 25	Email correspondence with prospective buyers of the business; prepare sale process update deck; updates to the virtual data room.	2.9
Sept 26	Email correspondence with prospective buyers of the business and finalize sale process update deck; attend on call with prospective buyer of the business; review cash flow budget to actual summary for the week ended September 20 and attend on call with management to discuss same.	2.8
Sept 27	Email correspondence with prospective buyers of the business; review proposed disbursements.	1.7
TOTAL – M. Binder		38.0 hrs.
<u>K. Meng</u>		<u>Hrs.</u>
Sept 26	Compile summary of additional store-level profitability details in response to diligence questions raised by interested parties.	5.3
TOTAL – K. Meng		5.3 hrs.





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October 23, 2024

2675970 Ontario Inc.
590 King Street West, Suite 400
Toronto, ON
M5V 1M3

Attention: Mr. Andy Williams

RE: 2675970 ONTARIO INC. and subsidiaries (the “Companies”)
INVOICE #3 - (857444A)

For professional services rendered in our capacity as Court-appointed Monitor under the *Companies’ Creditors Arrangement Act* pursuant to the Initial Order dated August 28, 2024, for the period September 29 to October 19, 2024.

<u>BILLING SUMMARY</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
J. Nevsky, Managing Director	15.8	\$965	\$15,247.00
S. Rushton, Director	30.3	\$630	19,089.00
M. Binder, Associate	12.1	\$480	5,808.00
	<u>58.2</u>		<u>\$40,144.00</u>
Add: Out of pocket expenses including case website maintenance charges, travel costs, postage and meals			<u>737.94</u>
			<u>\$40,881.94</u>
Add: HST @ 13%			<u>5,314.65</u>
TOTAL INVOICE			<u>\$46,196.59</u>

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2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 29 to October 19, 2024**

<u>J. Nevsky</u>	<u>Hrs.</u>
Sept 30 Review of diligence requests and internal discussion on sale process and next steps; CCAA process update meeting with Company and Recon; review and sign contract disclaimer notice.	1.1
Oct 1 Correspondence with potential purchaser on SISP process and diligence matters.	0.5
Oct 2 Internal status update meeting on sale process and related matters; review of sale process tracker list, arrange follow up correspondence with SISP participants.	0.6
Oct 3 Attend on steering committee call with Company and Recon; update call with Recon; review of and sign contract disclaimer.	1.0
Oct 4 Internal correspondence on file matters and SISP next steps.	0.6
Oct 7 Review and update Phase 1 SISP process letter, internal correspondence on same; review of buyer summary and status tracker; correspondence with BMO regarding cash flow and sale process update.	1.3
Oct 8 Correspondence with Stikeman on [REDACTED]; correspondence with bidder regarding SISP and diligence; [REDACTED].	1.0
Oct 9 Review of comments received and update Phase 1 Process Letter; update call with Stikeman on [REDACTED]; diligence meeting with interested party; internal discussion regarding open diligence matters.	1.6
Oct 10 Update call with Recon and Company; correspondence with Stikeman on [REDACTED]; internal meeting to review SISP and status of diligence matters.	1.3
Oct 11 Internal correspondence on sale process, open diligence and related file matters; call with BMO regarding status of the SISP; [REDACTED].	1.8
Oct 14 Review and update draft Supplemental Report and correspondence with Stikeman on same.	0.6
Oct 15 Review of Reply Factum served by Recon; call with interested party regarding bid deadline; internal review of diligence items; correspondence with BMO and Stikeman regarding [REDACTED].	1.7

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 29 to October 19, 2024**

Oct 16	Review and finalize Supplement to Second Report with Stikeman; internal meeting regarding SISP and next steps; correspondence with Stikeman regarding [REDACTED].	0.8
Oct 17	Update call with Company and Recon; review of case website.	0.6
Oct 18	Correspondence with Stikeman regarding [REDACTED]; internal update meeting regarding SISP and ongoing diligence process; correspondence with BMO regarding SISP process and stalking horse.	1.3
TOTAL – J. Nevsky		15.8 hrs.

S. Rushton**Hrs.**

Sept 29	Review of diligence requests from interested parties; update store network summary based on internal discussion.	0.8
Sept 30	Correspondence with management regarding diligence requests from interested parties; internal discussion on sale process and next steps.	1.3
Oct 1	Review of proposed disbursements; [REDACTED]; correspondence with management regarding same; review of inquiries from landlord's counsel regarding post-filing rent payments.	1.1
Oct 2	Internal status update meeting on sale process and related matters; conference call with [REDACTED]; conference call with management regarding landlord inquiries, [REDACTED] and other matters; conference call with former employees regarding CCAA proceedings; draft process letter for Phase 1 of SISP; review of updated proposed disbursements.	2.8
Oct 3	Correspondence with interested parties regarding SISP materials; review of additional parties to be reached out to regarding the SISP.	0.8
Oct 4	Internal correspondence regarding the SISP next steps; review of reach out list and status of same.	0.3
Oct 7	Update reach out list for additional interested parties; conference call with management regarding same and outstanding diligence requests; internal correspondence regarding Phase 1 SISP process letter; correspondence with BMO regarding cash flow and sale process update.	2.1
Oct 8	Conference call with management regarding status of diligence requests and other matters.	0.7

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 29 to October 19, 2024**

Oct 9	Conference call with former employees regarding CCAA proceedings; conference call with Stikeman on [REDACTED]; diligence meeting with interested party; internal discussion regarding open diligence requests; review of proposed disbursements, conference call with management regarding outstanding diligence requests and cash flow forecast.	2.8
Oct 10	Update sale process status report; review of updated proposed disbursements; update Phase 1 SISP process letter for comments received; review of revised 13-week cash flow forecast and results to date; compilation of same and sale process update for BMO.	3.9
Oct 11	Internal discussion on sale process, diligence request and other matters; update diligence request listing for additional inquiries received; conference call with management regarding landlord inquiries; responding to interested parties diligence requests; review of court materials provided and coordination of posting to the Monitor's website.	2.3
Oct 15	Correspondence regarding franchisee disclaimers; conference call with interested party regarding diligence requests and other SISP matters; review of and responding to inquiries to the Monitor inbox; coordination of posting additional materials to the Monitor's website.	2.9
Oct 16	Review of draft 13-week cash flow provided by management.	0.3
Oct 17	Correspondence with vendors regarding the CCAA proceeding; conference call with management regarding landlord inquiries and SISP matters; conference call with interested party regarding diligence requests; commence drafting preliminary Monitor's third report, including status of SISP to date.	2.9
Oct 18	Attendance at court hearing internal status update regarding SISP and ongoing diligence; review of disbursements and responses to inquiries regarding the cash flow forecast; review of and responding to inquiries to the Monitor inbox; draft introduction and cash flow sections of the preliminary Monitor's third report.	5.3
TOTAL – S. Rushton		30.3 hrs.

M. Binder**Hrs.**

Sept 30	E-mail correspondence with prospective buyers of the business; correspondence with management regarding vendor inquiries; coordinate additional parties access to the data room.	1.9
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2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – September 29 to October 19, 2024**

Oct 1	Review of and responding to inquiries to the Monitor inbox.	0.5
Oct 2	E-mail correspondence with prospective buyers of the business; coordinate additional parties access to the data room; internal discussion regarding SISP and other matters.	1.1
Oct 4	Coordinate adding parties to the data room and providing access to the confidential information memorandum.	0.3
Oct 5	Review of and responding to inquiries to the Monitor inbox; update status of prospective buyers active in the SISP.	0.5
Oct 6	Review of and responding to inquiries to the Monitor inbox.	0.4
Oct 7	Correspondence with prospective buyers of the business, including distribution of Teaser and NDA to additional interested parties; review of and responding to inquiries to the Monitor inbox.	2.5
Oct 8	Correspondence with management regarding utility and other service provider inquiries; review of documents regarding same; coordinate upload of materials to the case website.	1.4
Oct 9	Correspondence with management regarding vendor inquiries regarding pre-filing obligations; responding to creditor inquiries regarding CCAA proceedings;	0.8
Oct 10	Review of additional diligence requests from interested parties; review of and responding to inquiries to the Monitor inbox.	1.1
Oct 11	Distribute Phase 1 Process Letter to participants active in the SISP; internal discussion and correspondence with management regarding same; coordination of management's signature for executed NDAs; review of and responding to inquiries to the Monitor inbox.	1.6
TOTAL – M. Binder		12.1 hrs.



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Licensed Insolvency Trustees
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November 19, 2024

2675970 Ontario Inc.
590 King Street West, Suite 400
Toronto, ON
M5V 1M3

Attention: Mr. Andy Williams

RE: 2675970 ONTARIO INC. and subsidiaries (the “Companies”)
INVOICE #4 - (857444A)

For professional services rendered in our capacity as Court-appointed Monitor under the *Companies’ Creditors Arrangement Act* pursuant to the Initial Order dated August 28, 2024, for the period October 20 to November 16, 2024.

<u>BILLING SUMMARY</u>	<u>Hours</u>	<u>Rate</u>	<u>Total</u>
J. Nevsky, Managing Director	15.2	\$965	\$14,668.00
S. Rushton, Director	36.2	\$630	22,806.00
M. Binder, Associate	8.3	\$480	3,984.00
	<u>59.7</u>		<u>\$41,458.00</u>
Add: Out of pocket expenses – case website maintenance charges			375.00
			<u>\$41,833.00</u>
Add: HST @ 13%			5,438.29
TOTAL INVOICE			<u><u>\$47,271.29</u></u>

[REDACTED]

[REDACTED]

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – October 20 to November 16, 2024**

<u>J. Nevsky</u>	<u>Hrs.</u>
Oct 21 Review of LOI received and internal discussion on same; correspondence with Stikeman regarding [REDACTED]; review and execute lease disclaimer; [REDACTED]	1.3
Oct 22 Update call with Stikeman regarding [REDACTED]; correspondence with Reconstruct regarding SISP and LOI review process.	0.7
Oct 23 Call with party who submitted LOI to review same; correspondence with Reconstruct on LOI and status of SISP.	0.8
Oct 24 Review of revised LOI received from bidder; correspondence with Reconstruction on revised LOI and SISP considerations; review of cash flow report; call with BMO to review cash flow report and status of the SISP.	1.6
Oct 25 [REDACTED] call with Reconstruct and Stikeman, internal discussion regarding next steps; review and updated SISP summary report.	1.2
Oct 28 Prepare draft SISP notice, discussion with Stikeman [REDACTED]; call with party who submitted LOI to review and consider same; correspondence with Recon and Stikeman regarding [REDACTED]; correspondence with BMO regarding SISP; internal discussion regarding SISP and next steps.	1.8
Oct 29 Attend on steering committee call with Company and Reconstruct.	0.4
Oct 31 Attend on update call with Company and Reconstruct.	0.5
Nov 1 Correspondence with Reconstruct regarding stalking horse implementation; review of contract disclaimers and correspondence with Reconstruct on same.	0.7
Nov 4 Attend on steering committee call with Reconstruct and Company; correspondence with Stikeman regarding [REDACTED].	0.7
Nov 5 Update meeting with A&M and Stikeman.	0.5
Nov 6 Review of cash flow reporting package and internal discussion on same; discussion on transaction and wind down matters, and Monitor's draft report.	1.1
Nov 7 Review of various contracts provided by Reconstruct for disclaimer; internal discussion regarding project matters.	0.6

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – October 20 to November 16, 2024**

Nov 8	Correspondence with Reconstruct and Stikeman regarding [REDACTED].	0.3
Nov 11	Attend on [REDACTED] call with Reconstruct and Stikeman; internal correspondence regarding closing matters.	0.6
Nov 12	Attend steering committee meeting.	0.3
Nov 14	Attend on call with Reconstruct and Company.	0.3
Nov 15	Review of wind down budget and internal discussions on same; review and provide comments on draft RVO and Affidavit; correspondence with Stikeman [REDACTED].	1.8
TOTAL – J. Nevsky		15.2 hrs.

S. Rushton**Hrs.**

Oct 21	Update preliminary draft of the Monitor's Third Report; conference call with interested party regarding bid deadline and diligence requests; update SISP tracker following Phase 1 Bid Deadline; review of and respond to creditor inquiries; internal discussion regarding Phase 1 bid deadline and Letter of Intent ("LOI") received; review of LOI from interested party, prepare summary of considerations regarding same; update Phase 1 summary presentation.	6.5
Oct 22	Internal discussion regarding Phase 1 bid deadline, received LOI and related matters; review of disclaimer tracker; review of and responding to inquiries to the Monitor's inbox; conference call with Stikeman regarding [REDACTED]; correspondence with BMO regarding Phase 1 bid deadline and status of sale process; [REDACTED]	5.1
Oct 23	Internal discussion regarding LOI received and considerations; videoconference with interested party regarding LOI and clarifications regarding same; review of cash flow forecast and variance reporting provided by management; videoconference with management regarding same; review of proposed disclaimers.	5.3
Oct 24	Review of proposed disbursements; review of proposed disclaimers received from Reconstruct; update disclaimer tracker for issued disclaimers; review of cash flow forecast and variance reporting provided by management; update cash flow package for BMO; review of re-submitted LOI from an interested party.	3.4

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – October 20 to November 16, 2024**

Oct 25	Videoconference with Stikeman and Reconstruct regarding [REDACTED]; update summary of Phase 1 bid deadline and content to be posted on the Monitor's case website; correspondence with Stikeman's [REDACTED].	2.4
Oct 28	Internal discussion regarding SISP and next steps; videoconference with interested party regarding revised LOI; coordinating upload of materials to the Monitor's case website.	1.4
Oct 29	Review of and responding to inquiries to the Monitor's inbox; review of proposed disbursements.	0.9
Nov 1	Review and respond to inquiries received in the Monitor's inbox; update disclaimer tracker for issued disclaimers.	0.6
Nov 6	Conference call with Stikeman regarding [REDACTED]; correspondence with management regarding [REDACTED].	0.7
Nov 7	Review of proposed disclaimers to be issued; conference call with management regarding the cash flow forecast and variance report; update cash flow forecast for certain items discussed with management and prepare reporting package for BMO.	1.6
Nov 8	Update draft of Monitor's Third Report regarding results of the SISP and other matters; update disclaimer tracker for issued disclaimers.	0.9
Nov 11	Videoconference with Stikeman and Reconstruct regarding [REDACTED]; review of proposed disbursements; review of stalking horse agreement regarding priority payables and administrative reserve.	1.9
Nov 12	Conference call with supplier regarding status of CCAA proceedings; review of and responding to inquiries to the Monitor's inbox.	0.9
Nov 13	Correspondence with management regarding proposed disbursements; review of administrative reserve contemplated in the stalking horse agreement.	0.5
Nov 14	Correspondence with management regarding [REDACTED] and other matters.	0.3
Nov 15	Review of the cash flow forecast and variance reporting provided by management; review of and responding to inquiries to the Monitor's inbox; update disclaimer tracker.	1.2

2675290 Ontario Inc. et al – 857444A**DETAILED SUMMARY – October 20 to November 16, 2024**

Nov 16	Review of proposed disbursements; review of the draft approval and reverse Vesting Order and Affidavit; update draft of Monitor's Third Report.	2.6
TOTAL – S. Rushton		36.2 hrs.

<u>M. Binder</u>	<u>Hrs.</u>	
Oct 13 *	Review Court documents and coordinate upload of same to the case website.	0.6
Oct 15 *	Review Court documents and coordinate upload of same to the case website; respond to emails sent to the Monitor's inbox.	1.8
Oct 16 *	Phone calls with former employees of the business to discuss the CCAA proceeding; respond to emails sent to the Monitor's inbox; coordinate upload of Court documents to the case website.	1.5
Oct 28	Email correspondence with vendor regarding stay of proceedings; review Court documents and coordinate upload of same to the case website.	0.8
Oct 29	Email correspondence with vendor regarding stay of proceedings.	0.3
Oct 30	Email correspondence with vendors regarding stay of proceedings.	0.6
Nov 4	Review cash flow budget to actual report for the week ended November 1; email correspondence with vendors regarding the stay of proceedings.	0.7
Nov 5	Phone call with vendor to discuss consignment goods.	0.3
Nov 6	Email correspondence with vendors regarding the stay of proceedings; coordinate upload of Court documents to the case website.	0.5
Nov 14	Email correspondence with vendors regarding the stay of proceedings.	0.5
Nov 15	Review cash flow budget to actual report for the week ended November 8.	0.7
TOTAL – M. Binder		8.3 hrs.
<i>*Hours not previously billed on Inv. #3</i>		



THIS IS **EXHIBIT “B”** REFERRED TO IN
THE AFFIDAVIT OF JOSH NEVSKY,
SWORN BEFORE ME THIS 26TH DAY OF NOVEMBER, 2024.

DocuSigned by:
Rania Hammad
3CCD226759524E3...

RANIA HAMMAD

A Commissioner for taking Affidavits
(or as may be)

ALVAREZ & MARSAL CANADA INC.
COURT-APPOINTED MONITOR OF 2675970 ONTARIO INC AND AFFILIATES.
(August 28, 2024 to November 16, 2024)

Invoice No.	Invoice Date	Invoice Period / Description	Total Hours	Fees	Disbursements	HST	Invoice Total (\$CAD)
Invoice #1	September 11, 2024	August 28, 2024 to September 7, 2024	107.6	\$ 67,023.00	\$.00	8,712.99	75,735.99
		Josh Nevsky	19.8	19,107.00			
		Skylar Rushton	44.0	27,720.00			
		Mitchell Binder	36.6	17,568.00			
		Bob Wei	7.2	2,628.00			
Invoice #2	October 1, 2024	September 8, 2024 to September 28, 2024	164.1	109,054.50	9,441.30	15,404.45	133,900.25
		Josh Nevsky	37.9	36,573.50			
		Skylar Rushton	82.9	52,227.00			
		Mitchell Binder	38.0	18,240.00			
		Kevin Meng	5.3	2,014.00			
Invoice #3	October 23, 2024	September 29, 2024 to October 19, 2024	58.2	40,144.00	737.94	5,314.65	46,196.59
		Josh Nevsky	15.8	15,247.00			
		Skylar Rushton	30.3	19,089.00			
		Mitchell Binder	12.1	5,808.00			
Invoice #4	November 19, 2024	October 20, 2024 to November 16, 2024	59.7	41,458.00	375.00	5,438.29	47,271.29
		Josh Nevsky	15.2	14,668.00			
		Skylar Rushton	36.2	22,806.00			
		Mitchell Binder	8.3	3,984.00			
TOTAL			389.6	\$257,679.50	\$10,554.24	\$34,870.39	\$303,104.13

THIS IS **EXHIBIT “C”** REFERRED TO IN
THE AFFIDAVIT OF JOSH NEVSKY,
SWORN BEFORE ME THIS 26TH DAY OF NOVEMBER, 2024.

DocuSigned by:

Rania Hammad

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RANIA HAMMAD

A Commissioner for taking Affidavits
(or as may be)

ALVAREZ & MARSAL CANADA INC.
COURT-APPOINTED MONITOR OF 2675970 ONTARIO INC AND AFFILIATES.
(August 28, 2024 to November 16, 2024)

Staff Member	Title	Total Hours	Avg Rate (\$CAD)	Amount Invoiced (\$CAD)
Josh Nevsky	Managing Director	88.7	965.00	85,595.50
Skylar Rushton	Director	193.4	630.00	121,842.00
Mitchell Binder	Associate	95.0	480.00	45,600.00
Kevin Meng	Analyst	5.3	380.00	2,014.00
Bob Wei	Analyst	7.2	365.00	2,628.00
Total Fees (excl. Disbursements and HST)		389.6	Avg Rate \$661.40	\$257,679.50

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

Court File No. CV-24-00726584-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 2675970 ONTARIO INC., 2733181 ONTARIO INC., 2385816 ALBERTA LTD., 2161907 ALBERTA LTD., 2733182 ONTARIO INC., 2737503 ONTARIO INC., 2826475 ONTARIO INC., 14284585 CANADA INC., 2197130 ALBERTA LTD., 2699078 ONTARIO INC., 2708540 ONTARIO CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON INC., 2742591 ONTARIO INC., 2796279 ONTARIO INC., 10006215 MANITOBA LTD., AND 80694 NEWFOUNDLAND & LABRADOR INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**AFFIDAVIT OF
JOSH NEVSKY
(Sworn November 26, 2024)**

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Maria Konyukhova LSO#: 52880V
Email: mkonyukhova@stikeman.com
Tel: (416) 869-5230

Lee Nicholson LSO#: 66412I
Email: leenicholson@stikeman.com
Tel: (416) 869-5563

Rania Hammad LSO#: 86940I
Tel: (416) 869-5578
Email: rhammad@stikeman.com

Lawyers for Alvarez & Marsal Canada Inc.,
the Court-Appointed Monitor

APPENDIX C
FEE AFFIDAVIT OF LEE NICHOLSON

See attached.

Court File No. CV-24-00726584-00CL

**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 2675970
ONTARIO INC., 2733181 ONTARIO INC., 2385816 ALBERTA LTD., 2161907 ALBERTA
LTD., 2733182 ONTARIO INC., 2737503 ONTARIO INC., 2826475 ONTARIO INC.,
14284585 CANADA INC., 2197130 ALBERTA LTD., 2699078 ONTARIO INC., 2708540
ONTARIO CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON INC., 2742591
ONTARIO INC., 2796279 ONTARIO INC., 10006215 MANITOBA LTD., AND 80694
NEWFOUNDLAND & LABRADOR INC.**

Applicants

**AFFIDAVIT OF LEE NICHOLSON
(Affirmed November 26, 2024)**

I, **LEE NICHOLSON**, of the City of Toronto, in the Province of Ontario, **AFFIRM AND SAY:**

1. I am a barrister and solicitor qualified to practice law in the Province of Ontario and a partner with Stikeman Elliott LLP ("**Stikeman Elliott**"), counsel to Alvarez & Marsal Canada Inc. ("**A&M**"), in its capacity as the court-appointed monitor (the "**Monitor**") of 2675970 Ontario Inc., 2733181 Ontario Inc., 2385816 Alberta Ltd., 2161907 Alberta Ltd., 2733182 Ontario Inc., 2737503 Ontario Inc., 2826475 Ontario Inc., 14284585 Canada Inc., 2197130 Alberta Ltd., 2699078 Ontario Inc., 2708540 Ontario Corporation, 2734082 Ontario Inc., Ts Wellington Inc., 2742591 Ontario Inc., 2796279 Ontario Inc., 10006215 Manitoba Ltd., and 80694 Newfoundland & Labrador Inc. (collectively, the "**Applicants**"), in the above-noted proceeding pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), and as such I have knowledge of the matters to which I hereinafter depose. Unless I indicate to the contrary, the facts herein are within my personal knowledge and are true. Where I have indicated that I have obtained facts from other sources, I believe those facts to be true.

2. The Monitor does not, and does not intend to, waive privilege and no statement I make herein should be construed as such.

3. I affirm this Affidavit in connection with the Applicants' motion seeking an Order of this Court to, among other things, approve the fees and disbursements of Stikeman Elliott, in its capacity as counsel to the Monitor, (i) for the period from August 14, 2024, to November 8, 2024, and (ii) for the period from November 9, 2024 to the date of the termination of the Applicants' CCAA proceedings.

Overview

4. Pursuant to an order of this Court dated August 28, 2024 (as amended and restated on September 6, 2024, the "**Initial Order**"), Alvarez & Marsal Canada Inc. was appointed Monitor of the Applicants. The Monitor retained Stikeman Elliott as its legal counsel in these CCAA proceedings.

5. Paragraph 31 of the Initial Order provides that the Monitor and its legal counsel are to be paid their reasonable fees and disbursements, in each case at their standard rates and charges.

6. Paragraph 32 of the Initial Order provide that the Monitor and its legal counsel are to pass their accounts from time to time.

Stikeman Elliott's Fees and Disbursements

7. During the period from August 14, 2024, to November 8, 2024, Stikeman Elliott incurred legal fees in the amount of \$250,206.00 (exclusive of HST) and disbursements and other charges in the amount of \$76.30 (exclusive of HST). The total amount of HST applicable to Stikeman Elliott's fees, disbursements and charges is \$32,534.62. In total, Stikeman Elliott is seeking \$282,816.92 (inclusive of HST) as compensation for fees, disbursements, and other charges. Stikeman Elliott's invoices include a portion of fees, disbursements and charges from before the commencement of these CCAA proceedings.

8. Attached and marked collectively as **Exhibit “A”** to this Affidavit are copies of the accounts rendered by Stikeman Elliott for the period from August 14, 2024, to November 8, 2024. These accounts include narratives that describe the work carried out by Stikeman Elliott, which narratives have been redacted to remove confidential, privileged, and sensitive information.

9. Attached hereto as **Exhibit “B”** is a summary of Stikeman Elliott’s accounts for the period from August 14, 2024, to November 8, 2024, including the date, fees, charges, disbursements and HST in each account, the contents of which I believe to be true.

10. Attached hereto as **Exhibit “C”** is a schedule summarizing the billing rates and total amount billed with respect to each member of Stikeman Elliott who rendered services to the Monitor.

11. Stikeman Elliott estimates that it will incur additional fees and disbursements in the amount of no more than \$115,000, plus applicable taxes, from November 9, 2024, to the date on which the Monitor is discharged (i.e., the date on which these CCAA proceedings conclude). Stikeman Elliott has created this estimate on the basis that most of its work between November 9, 2024 and the Monitor’s discharge will consist of activities related to the motion for the Order, closing of the reverse vesting transaction in respect of the sale of the Applicants’ business, and other activities and administrative matters related to the wind-down of the CCAA proceedings.

Services Rendered by Stikeman Elliott to the Monitor

12. Stikeman Elliott’s services for the period from August 14, 2024, to November 8, 2024, include, among other things, advising and assisting the Monitor with respect to the conduct and activities set out in its reports to this Court.

13. A comprehensive team of Stikeman Elliott lawyers and non-lawyer professionals, each with different skillsets and levels of experience, have provided the Monitor (and continue to

provide the Monitor) with the wide-ranging legal services that it requires to fulfill its court-ordered mandate.

14. For the period from August 14, 2024, to November 8, 2024, 7 lawyers and 5 non-lawyer professionals (including 2 law students) at Stikeman Elliott assisted on this file. Each Stikeman Elliott lawyer and non-lawyer professional that worked on this file performed necessary and non-duplicative work. Work was delegated to professionals who bill at lower rates where it was more efficient and practical than involving professionals who bill at higher rates. Stikeman Elliott has at all times endeavoured to provide its services in a prudent and economical manner.

Reasonableness of the Fees and Disbursements

15. I have reviewed the accounts and confirm that, to the best of my knowledge, information, and belief, they accurately reflect the work that was done in connection with this matter and that all of the time spent was reasonable and necessary.

16. Stikeman Elliott assesses the hourly rates of its professionals on an annual basis. Based on this annual review and on my experience in restructuring mandates, I believe that the hourly rates for each of the lawyers and non-lawyer professionals over the relevant period are consistent with those charged by similar firms in the Toronto market with similar levels of experience and expertise, and with the capacity to handle a file of similar size and complexity to the present file.

Redactions

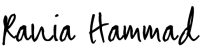
17. As noted above, the narratives included in Stikeman Elliott's accounts attached as **Exhibit "A"** to this Affidavit contain redactions. These redactions are primarily intended to (a) remove information subject to solicitor-client privilege; and (b) remove sensitive (and non-public) information that could cause harm to Stikeman Elliott, the Monitor or another party deserving of protection (e.g. personally identifiable information that should not form part of the public record).

I believe that the redactions contained in **Exhibit “A”** are used sparingly and are truly necessary.

18. The Monitor does not and does not intend to waive privilege as a result of Stikeman Elliott passing its accounts.

19. It is my view that the redactions in the accounts do not prevent stakeholders in these CCAA proceedings (and the public more generally) from understanding Stikeman Elliott’s activities and conduct in the course of these CCAA proceedings, nor do they prevent the careful scrutiny that is required to determine whether the fees and disbursements are fair and reasonable for the services performed.

AFFIRMED remotely via videoconference, by Lee Nicholson, stated as being located in the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this November 26, 2024, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*

DocuSigned by:

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RANIA HAMMAD
Commissioner for Taking Affidavits

DocuSigned by:

82C0CC85604B4A8...
LEE NICHOLSON

EXHIBIT “A”

This is
EXHIBIT "A"
referred to in the Affidavit of
LEE NICHOLSON
Affirmed on November 26, 2024

DocuSigned by:

Rania Hammad

300B226750624E0...

Commissioner for Taking Affidavits

Stikeman Elliott

Stikeman Elliott LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON Canada M5L 1B9

Main: 416 869 5500
Fax: 416 947 0866
www.stikeman.com

GST / HST No. [REDACTED]
QST No. [REDACTED]

Account

August 26, 2024

File No. 1194991010
Invoice No. 6193763

Alvarez & Marsal
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Attention: Josh Nevsky
Director

For Professional Services Rendered in connection with Tokyo Smoke for the period up to August 26, 2024.

Account Summary

	<u>Taxable</u>	<u>Non-Taxable</u>	<u>Total</u>
Professional Services	80,558.50	0.00	\$80,558.50
HST @ 13.0%			10,472.61
Disbursements	16.15	8.00	24.15
HST @ 13.0%			2.10
Amount Due			<u>CA \$91,057.36</u>

Stikeman Elliott LLP



Lee Nicholson

Accounts are due within 30 days. Please note that a prevailing quarterly pre-judgement interest rate will be charged for amounts unpaid 30 days or more.

Disbursements and charges may not have been posted at the date of this account. Please quote our File number and/or Invoice number 119499.1010/6193763 when making payment.

Stikeman Elliott

Payment can be wired as follows:

The required format for wire payments being sent to Stikeman Elliott LLP has recently been updated. Going forward please follow the below instructions to ensure your wire payment is accepted, specifically noting the following:

- 1. The **Beneficiary** detail including address for Stikeman Elliott LLP must match the below address.
- 2. The **Account Number** for wire payments being sent to [REDACTED] must be exactly 7 digits and cannot include a dash "-" or a space " ".
- 3. **Beneficiary Bank** details must include the Bank Address.
- 4. **Swift Payment Details / Additional Information** must include the Canadian Clearing Code.

Payments made via Canadian Clearing Code:	
Field	Format
Beneficiary Bank	[REDACTED]
Bank Address	[REDACTED]
Bank Number	[REDACTED]
Transit Number	[REDACTED]
Canadian Clearing Code / Routing #	[REDACTED]
Beneficiary	[REDACTED]
Account Number	[REDACTED]
	[REDACTED]

Payments made via SWIFT Code:	
Field	Format
Beneficiary Bank	[REDACTED]
Bank Address	[REDACTED]
SWIFT Code	[REDACTED]
Canadian Clearing Code / Routing #	[REDACTED]
Beneficiary	[REDACTED]
Account Number	[REDACTED]
	[REDACTED]
Payment Details / Additional Information	[REDACTED]

Please include client number on transfer documents. All fields are mandatory and must be entered in the format provided to ensure your payment instructions are accepted.

For accurate and timely processing, please email a copy of your payment confirmation to [REDACTED].

Stikeman Elliott

Time Summary

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Aug 14, 2024	L. Nicholson	0.25	Call with C. Fell re: background.
Aug 15, 2024	L. Adams	0.30	Reviewing request and attached materials from L. Nicholson and discussing scope of security review with J Legge.
Aug 15, 2024	J.G.G. Legge	1.00	Multiple emails with L. Nicholson and internal team, review organizational chart, call with L. Adams, provide advice and instructions
Aug 15, 2024	L. Nicholson	0.75	Emails re: security review; review restructuring plan.
Aug 16, 2024	L. Adams	0.25	Reviewing emails from L. Nicholson and J Legge regarding documents and timing; Reviewing list of documents provided.
Aug 16, 2024	J.G.G. Legge	1.00	Emails with L. Nicholson and L. Adams re: security review, call with L. Adams, discuss scope of review and provide instructions, review emails and comment, call with L. Nicholson Email with L. Adams with detailed comments and arranging phone call with L. Adams, further email with L. Nicholson with documents, brief review.
Aug 16, 2024	L. Nicholson	0.50	Emails re: security opinion; call with J. Legge re: security opinion.
Aug 18, 2024	L. Adams	2.17	Reviewing documents in database for organization and any missing materials; Discussion with J Legge regarding timing and key points for review of documents and delegation.
Aug 18, 2024	R. Hammad	0.67	Review of background materials; and related correspondence.
Aug 18, 2024	M. Konyukhova	1.17	Review draft affidavit; review organization chart and security documents overview.
Aug 18, 2024	J.G.G. Legge	0.75	Review Selected documents provided by debtor, emails with L. Nicholson and L. Adams re: CCAA filing of Tokyo Smoke [REDACTED], review emails, phone call with L. Adams to discuss next steps and documents provided.
Aug 19, 2024	L. Adams	5.28	Reviewing documents in database for security review; Communications with R Hammad to delegate review; Emails with R Hamman, J Hershenfield and J Legge regarding additional materials for review.
Aug 19, 2024	R. Hammad	6.50	Meeting with L. Nicholson and M. Konyukhova; meetings with Recon and A&M; review of/consolidate SE and A&M comments to Initial Affidavit and circulate to Recon; review of Initial Order and consolidate SE comments; meetings with L. Adams and M. Pasquariello re: PPSA review; correspondence with Recon re: additional documents to be reviewed; and related correspondence with SE team.
Aug 19, 2024	M. Konyukhova	2.75	Call with L. Nicholson and R. Hammad regarding draft affidavit and questions; review past filings regarding

Stikeman Elliott

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
			[REDACTED]; emails regarding same; emails regarding security opinion; call with Reconstruct and A&M regarding [REDACTED]; review and provide comments on draft affidavit; review and provide comments on the draft Initial Order.
Aug 19, 2024	J.G.G. Legge	1.50	Multiple emails with Stikeman team re: information requests, review emails and respond, provide comments and advising.
Aug 19, 2024	L. Nicholson	4.75	Internal call; call with Recon re: filing status; call with A&M; e-mails re: security review; review [REDACTED] issues; review budget; review initial order.
Aug 19, 2024	M. Pasquariello	5.17	Creating excel spreadsheet organizing PPSA search results for diligence purposes; meeting with R. Hammad to discuss spreadsheet.
Aug 20, 2024	L. Adams	6.83	Reviewing security documents confirming details; Discussion with J Legge about drafting issues with certain security documents; Conference call with J Legge, L Nicholson and R Hammad regarding [REDACTED]; Email to internal group [REDACTED]; Communications with Manitoba and Newfoundland counsel regarding opinions to be provided for filing.
Aug 20, 2024	R. Hammad	5.25	Circulate Initial Order comments to A&M and Recon; ordering Profile Report ([REDACTED]); SE meeting re: Security Review; PPSA searches review (ON, Nfld, MB, AB) and updating excel summary; review of Applicant entity Articles; correspondence with Recon re: additional documents to be reviewed; and related correspondence with SE team.
Aug 20, 2024	J.G.G. Legge	2.50	On call with L. Adams review and discuss documents and issues in detail, multiple emails with Stikeman team re: security review, review emails, review documents. Call with Stikeman team re: security review for Tokyo Smoke, discuss and advise, review files for MB and NFLD contact info, emails advising, emails with local counsels, advising and review, detailed email with summary of findings.
Aug 20, 2024	B. Malloy	0.27	Regarding [REDACTED] obtain corporate profile report for R. Hammad.
Aug 20, 2024	L. Nicholson	0.75	Call re: security review.
Aug 20, 2024	M. Pasquariello	4.00	Creating excel spreadsheet organizing PPSA search results for diligence purposes; meeting with R. Hammad to discuss spreadsheet.
Aug 21, 2024	L. Adams	2.48	Updating review summary; Discussions with R Hammad regarding PPSA review; Correspondence with Manitoba and Newfoundland counsel confirming availability.
Aug 21, 2024	R. Hammad	3.75	Review of PPSA searches (SK) and updating excel

Stikeman Elliott

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
			summary; review of PPSA search summary and circulate to L. Adams with e-mail summary of results; correspondence with Recon re: additional documents to be reviewed; and correspondence with L. Nicholson re: Security Review and Monitor's Report.
Aug 21, 2024	M. Konyukhova	0.92	Emails regarding SISP and prospective bidders; emails regarding disclaiming [REDACTED]; review DIP.
Aug 21, 2024	J.G.G. Legge	1.00	Emails with L. Adams re: opinion requests, advising, emails with Pitblado, Mc Innes and L. Adams re: Newfoundland and MB legal opinions, review emails. Multiple emails with Stikeman team re: security review and documents, review emails, review selected documents provided by company counsel.
Aug 21, 2024	L. Nicholson	2.50	Call with A&M [REDACTED]; email buyer list; review materials for report; review [REDACTED]; email to C. Fell re: [REDACTED].
Aug 21, 2024	M. Pasquariello	0.08	Email correspondence.
Aug 22, 2024	L. Adams	4.73	Reviewing PPSA summary and updating security summary; Email to each of Manitoba counsel and Newfoundland counsel providing instructions and documents; Communications with R Hammad regarding review of corporate materials; Communications with J Legge regarding drafting opinion.
Aug 22, 2024	R. Hammad	1.25	Meeting with A&M; drafting Pre-Filing report extract; and related correspondence.
Aug 22, 2024	M. Konyukhova	0.42	Emails regarding pre-filing issues; consider non-filing entities issues.
Aug 22, 2024	J.G.G. Legge	0.50	Emails with Stikeman team re: Security review and documents, review emails, commenting and providing instructions. Further emails with Pitblado and Mc Innes team re: Documents for legal opinion, review.
Aug 22, 2024	L. Nicholson	1.50	Update call with A&M; e-mails re: security review.
Aug 23, 2024	R. Hammad	4.00	Draft Pre-Filing Report extract on Secured Debt and DIP Facility; review of draft DIP Term Sheet, [REDACTED] credit documents; meeting with L. Nicholson and related correspondence.
Aug 23, 2024	M. Konyukhova	2.33	Review and provide comments on draft SISP, Order, DIP; emails regarding filing issues; call with J. Nevsky and L. Nicholson [REDACTED]
Aug 23, 2024	L. Nicholson	5.50	Review and revise DIP agreement; review initial order; review and revise initial affidavit; review and revise SISP; call with A&M re: [REDACTED]; review precedent SISPs; consider rent issues; e-mails re: SISP and DIP.
Aug 24, 2024	R. Hammad	1.50	Draft Pre-Filing Report extract on Secured Debt and DIP Facility; review of draft DIP Term Sheet, [REDACTED] credit documents; and related correspondence.
Aug 24, 2024	M. Konyukhova	1.00	Review comments and revised versions of the DIP,

Stikeman Elliott

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Aug 25, 2024	R. Hammad	2.50	affidavit and SISP; emails regarding same.
Aug 25, 2024	M. Konyukhova	1.92	Review of A&M Pre-Filing Report and consolidating SE Comments; and related correspondence.
Aug 25, 2024	L. Nicholson	4.67	Review and provide comments on DIP, revised draft affidavit, draft pre-filing report and Order.
			Review pre-filing report; call with company counsel and DIP lender counsel; review DIP agreement; review debt summary; call regarding security and debt documents.

Fee Summary

<u>Timekeeper</u>	<u>Hours</u>	<u>Rate/Hr</u>	<u>Amount</u>
L. Adams	22.04	\$800.00	\$17,632.00
R. Hammad	25.42	590.00	14,997.80
M. Konyukhova	10.51	1,150.00	12,086.50
J.G.G. Legge	8.25	1,400.00	11,550.00
B. Malloy	0.27	410.00	110.70
L. Nicholson	21.17	950.00	20,111.50
M. Pasquariello	9.25	440.00	4,070.00
Professional Services			CA \$80,558.50
HST @ 13.0%			10,472.61
Total Professional Services and Taxes			CA \$91,031.11

Disbursements Summary

<u>Description</u>	<u>Taxable</u>	<u>Non - Taxable</u>	<u>Total</u>
Corporate Search N/T		8.00	8.00
Corporate Search	16.15		16.15
Total Disbursements	16.15	8.00	24.15
HST @ 13.0%			2.10
Total Disbursements and Taxes			CA \$26.25

Stikeman Elliott

Stikeman Elliott LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON Canada M5L 1B9
Main: 416 869 5500
Fax: 416 947 0866
www.stikeman.com

GST / HST No. [REDACTED]
QST No. [REDACTED]

Account

September 27, 2024

File No. 1194991010
Invoice No. 6201386


Alvarez & Marsal
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1

Attention: Josh Nevsky - Director

For Professional Services Rendered in connection with Tokyo Smoke for the period up to September 27, 2024.

Account Summary	<u>Taxable</u>	<u>Non-Taxable</u>	<u>Total</u>
Professional Services	137,506.10	0.00	\$137,506.10
HST @ 13.0%			17,875.79
Charges	19.00	0.00	19.00
HST @ 13.0%			2.47
Disbursements	25.15	8.00	33.15
HST @ 13.0%			3.27
Amount Due			<u>CA \$155,439.78</u>

Stikeman Elliott LLP



Lee Nicholson

Accounts are due within 30 days. Please note that a prevailing quarterly pre-judgement interest rate will be charged for amounts unpaid 30 days or more.

Disbursements and charges may not have been posted at the date of this account. Please quote our File number and/or Invoice number 119499.1010/6201386 when making payment.

Stikeman Elliott

Payment can be wired as follows:

The required format for wire payments being sent to Stikeman Elliott LLP has recently been updated. Going forward please follow the below instructions to ensure your wire payment is accepted, specifically noting the following:

- 1. The **Beneficiary** detail including address for Stikeman Elliott LLP must match the below address.
- 2. The **Account Number** for wire payments being sent to [REDACTED] must be exactly 7 digits and cannot include a dash "-" or a space " ".
- 3. **Beneficiary Bank** details must include the Bank Address.
- 4. **Swift Payment Details / Additional Information** must include the Canadian Clearing Code.

Payments made via Canadian Clearing Code:	
Field	Format
Beneficiary Bank	[REDACTED]
Bank Address	[REDACTED]
Bank Number	[REDACTED]
Transit Number	[REDACTED]
Canadian Clearing Code / Routing #	[REDACTED]
Beneficiary	[REDACTED]
Account Number	[REDACTED]

Payments made via SWIFT Code:	
Field	Format
Beneficiary Bank	[REDACTED]
Bank Address	[REDACTED]
SWIFT Code	[REDACTED]
Canadian Clearing Code / Routing #	[REDACTED]
Beneficiary	[REDACTED]
Account Number	[REDACTED]
Payment Details / Additional Information	[REDACTED]

Please include client number on transfer documents. All fields are mandatory and must be entered in the format provided to ensure your payment instructions are accepted.

For accurate and timely processing, please email a copy of your payment confirmation to [REDACTED].

Stikeman Elliott

Time Summary

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Aug 26, 2024	L. Adams	2.58	Drafting security opinion; Responding to Newfoundland counsel question on timing.
Aug 26, 2024	R. Hammad	1.30	Review of A&M Consent to Act as Monitor and circulating comments; review of Affidavit and Pre-Filing Report; and related correspondence.
Aug 26, 2024	M. Konyukhova	1.42	Emails regarding disclaimers of leases and franchise agreements and other pre-filing issues; review comments on the draft report; emails regarding employee and lease terminations.
Aug 26, 2024	J.G.G. Legge	0.50	Emails with Stikeman team re: Newfoundland and MB legal opinions, review emails, review selected documents provided by company counsel, advising.
Aug 26, 2024	L. Nicholson	2.83	Review closure schedule; circulate pre-filing report; emails re: security opinion; emails re: DIP matters; review forbearance agreement; revise report; emails re: initial affidavit.
Aug 27, 2024	L. Adams	6.57	Inserting PPSA search details into draft opinion; Discussion with J Legge regarding other entities referred to in opinion; Email to Saskatchewan counsel to obtain SK opinion; Email to J Legge including draft opinion, PPSA summary, security review materials.
Aug 27, 2024	R. Hammad	3.00	Meeting with A&M to discuss [REDACTED]; preparing punch-list of outstanding items; reviewing and finalizing Pre-Filing Report and serving to Service List.
Aug 27, 2024	M. Konyukhova	1.17	Various emails regarding disclaimers, initial application materials, comeback motion and pre-filing report; call with A&M regarding [REDACTED].
Aug 27, 2024	J.G.G. Legge	1.00	Emails with L. Adams re: Security opinion, call with L. Adams, discuss opinion scope in detail, review emails for SK counsel contact information. Further emails with [REDACTED] and L. Adams re: Saskatchewan Legal opinion, review emails.
Aug 27, 2024	L. Nicholson	3.75	Review pre-filing report; call re: pre-filing report; review disclaimers; emails re: disclaimers; review draft disclaimers; call with DIP lender counsel; email re: grid note; email to Judge re: pre-filing report; review disclaimer list.
Aug 28, 2024	L. Adams	5.08	Reviewing successive drafts of Newfoundland opinion; Conference call with Newfoundland counsel; Communications with J Legge regarding legal opinions; Editing legal opinion to incorporate comments; Communications with Manitoba counsel regarding timing of opinion draft; Communications with A Foster for Alberta review; Communications with Saskatchewan counsel regarding conflicts check; Email to R Hammad regarding PPSA search files.

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<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Aug 28, 2024	A. Foster	0.17	Internal correspondence on Alberta opinion review.
Aug 28, 2024	R. Hammad	2.00	Preparing for and attending Initial Hearing; meeting with M. Konyukhova and L. Nicholson; and related correspondence.
Aug 28, 2024	M. Konyukhova	1.08	Emails and office conference regarding initial hearing, comeback issues and next steps; emails regarding board composition.
Aug 28, 2024	J.G.G. Legge	3.75	Detailed review of draft opinion, detailed review of documents, mark up opinion with comments, emails with Pitblado and L. Adams re: draft Security opinion, call with L. Adams, review emails, emails Stikeman team. Multiple emails with L. Adams review and detailed comments and amendments re: draft security opinion. Further emails with L. Adams and AB counsel re: draft of security review opinion, review email and comments.
Aug 28, 2024	B. Malloy	0.27	Regarding 2675970 Ontario Inc. obtain corporate profile report for R. Hammad.
Aug 28, 2024	L. Nicholson	2.00	Prepare for initial hearing; call with J. Nevsky; attend initial hearing; review endorsement.
Aug 29, 2024	L. Adams	2.58	Editing opinion to incorporate additional comments; Circulating to A Foster; Communications with Newfoundland counsel regarding opinion comments; Reviewing Manitoba opinion and providing comments; Emails to second Saskatchewan counsel providing materials and instructions.
Aug 29, 2024	J. Bochnak	2.02	Reviewing and revising opinion schedules; compiling schedules into the Security Opinion and email to L. Adams re same.
Aug 29, 2024	A. Foster	0.07	Review emails.
Aug 29, 2024	R. Hammad	0.75	Preparing/updating service list; and correspondence re: First Report to be prepared.
Aug 29, 2024	M. Konyukhova	1.25	Review draft forbearance agreement and comments on same; emails with L. Nicholson regarding same; review email from [REDACTED] regarding [REDACTED]; review draft KERP.
Aug 29, 2024	J.G.G. Legge	1.25	Multiple emails with MLT Atkins and L. Adams re: SK security opinion, review emails and advising. Emails with Pitblado and L. Adams re: MB draft Security opinion, review emails, review documents. Further emails with L. Adams and AB counsel re: revised security review opinion, review email and revisions.
Aug 29, 2024	L. Nicholson	1.67	Call re: disclaimers; review newspaper notice; email with LL re: disclaimer; review e-mail from [REDACTED]; review and revise forbearance agreement; review KERP.
Aug 29, 2024	M. Pasquariello	1.37	Updating of service list; call with R. Hammad discussing service list.
Aug 29, 2024	P. Yang	1.17	Call with L. Nicholson; review file
Aug 30, 2024	L. Adams	1.58	Various emails to Saskatchewan counsel to provide documentation and instructions; Internal emails with

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<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
			A Foster and J Legge regarding comments on opinion; Internal emails with R Hammad providing draft opinions.
Aug 30, 2024	N. Crasto	0.18	Met with P. Yang to discuss research request regarding [REDACTED].
Aug 30, 2024	A. Foster	5.10	Review opinion, transaction documents, security registration summary and raw search results. Revise opinion. Prepare rider for Alberta security registration summaries. Internal correspondence on foregoing.
Aug 30, 2024	R. Hammad	0.33	Updating service list, and related correspondence.
Aug 30, 2024	M. Konyukhova	3.83	Call and emails with P. Yang regarding instructions regarding comeback motion issues; call with Reconstruct and A&M regarding [REDACTED]; various emails regarding same; review research; call with [REDACTED] emails regarding security opinion; emails regarding credit bid.
Aug 30, 2024	J.G.G. Legge	1.50	Multiple emails with MLT Atkins and L. Adams re: SK security opinion and GSA Amending agreement, review emails, review documents with comments and advising. Further emails with Stikeman team re: draft of security review Legal opinion (Nfld), review email and comments. Emails with A. Foster re: Alberta Security Opinion, review emails, review documents and emails arranging call with Stikeman team re: comments on opinions and detailed review. Emails with Pitblado and L. Adams re: MB Security opinion, review emails, review documents.
Aug 30, 2024	L. Nicholson	0.50	Call with M. Konyukhova; review LL issues.
Aug 30, 2024	M. Pasquariello	0.48	Updating of service list.
Aug 30, 2024	P. Yang	1.33	Call with M. Konyukhova and N. Crasto to discuss research on [REDACTED]; review draft Solicitation Order and ARIO
Aug 31, 2024	J.G.G. Legge	0.50	Emails with L. Adams re: SK security opinion, review emails, review draft opinion with comments/ redline and advising. Emails with A. Foster re: Alberta Security Opinion, review emails, review documents.
Aug 31, 2024	P. Yang	0.30	Calls and emails with respect to issues related to comeback hearing
Sep 1, 2024	R. Hammad	2.25	Drafting / revising First Report of the Monitor, and related correspondence.
Sep 1, 2024	L. Nicholson	0.75	Review first report.
Sep 1, 2024	P. Yang	2.75	Review of forbearance agreement and security opinion; review of draft First Report and work on same; call with M. Konyukhova
Sep 2, 2024	L. Adams	1.50	Internal call with J Legge and A Foster regarding comments on security opinion; Revising security opinion and circulating to J Legge.
Sep 2, 2024	L. Adams	1.87	Internal call with A Foster regarding Alberta opinions;

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<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Sep 2, 2024	A. Foster	0.42	Editing opinion and circulating revisions to J Legge.
Sep 2, 2024	M. Konyukhova	1.17	Conference call on opinion markup. Review draft report and comments; emails regarding landlord issues; emails with A&M regarding [REDACTED].
Sep 2, 2024	J.G.G. Legge	0.75	Emails with L. Adams re: Security opinion, call with L. Adams and A. Foster, discuss opinion scope in detail, further review revised security opinion.
Sep 2, 2024	P. Yang	0.40	Review comments from L. Nicholson and updated Report prepared by R. Hammad
Sep 3, 2024	L. Adams	2.48	Ordering updated Alberta PPSA search, revising opinion; Forwarding final draft SE opinion for review by the monitor.
Sep 3, 2024	R. Hammad	1.00	Review of draft ARIO, updating Service List and circulating to A&M/Recon, review of draft Security Opinions, and related correspondence.
Sep 3, 2024	M. Konyukhova	3.83	Review ARIO, draft affidavit regarding Comeback, draft report and revised forbearance agreement; provide comments and various emails regarding same.
Sep 3, 2024	J.G.G. Legge	0.50	Multiple Emails with L. Adams and A. Foster re: revised Security opinion, provide comments and advising.
Sep 3, 2024	P.T. Oster	0.25	Conduct Alberta Personal Property Registry search for [REDACTED]
Sep 3, 2024	M. Pasquariello	0.42	Updating of service list; email correspondence pertaining to same.
Sep 3, 2024	P. Yang	2.85	Review standard form NDA and provide comments on same; review forbearance agreement [REDACTED] all emails regarding forbearance agreement; continue working on draft First Report
Sep 4, 2024	L. Adams	0.33	Reviewing and providing comments on Saskatchewan opinion; Circulating revised draft Saskatchewan opinion for review by the Monitor.
Sep 4, 2024	R. Hammad	1.00	Updating service list, review of Monitor's First Report / uploading to CaseLines, and related correspondence.
Sep 4, 2024	M. Konyukhova	3.42	Various emails and calls regarding landlord issues; review and revise First Report; various emails regarding same; review Forbearance Agreement; emails regarding same.
Sep 4, 2024	J.G.G. Legge	0.33	Multiple emails with MLT Atkins, Pitblado and L. Adams re: draft security opinion, review emails and review documents; further emails with Stikeman team re: AB and ON draft Security opinion, review emails.
Sep 4, 2024	P. Yang	0.93	Call with A&M to discuss [REDACTED]; finalize and serve First Report to the Service List
Sep 5, 2024	R. Hammad	0.70	Updating Service List and related correspondence re: uploads to Monitor's website.
Sep 5, 2024	M. Konyukhova	3.92	Various calls and emails with [REDACTED]

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<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
			[REDACTED] emails regarding service list issues.
Sep 5, 2024	P. Yang	0.20	Discussions with R. Hammad regarding stalking horse agreement
Sep 6, 2024	R. Hammad	3.80	Preparing for and attending Comeback Hearing; review of draft Stalking Horse Agreement and circulating comments to M. Konyukhova; and related correspondence.
Sep 6, 2024	M. Konyukhova	2.75	Prepare for and attend Comeback Hearing; review [REDACTED]; emails regarding same; review revised ARIO; review draft stalking horse agreement.
Sep 9, 2024	R. Hammad	2.00	Updating service list; review of updated SISP and SISP Approval Order; correspondence with SE Banking re: security review; revising/drafting security opinion write-up for Second Report; preparing issues list on Stalking Horse Agreement; and related correspondence.
Sep 9, 2024	M. Konyukhova	3.33	Review evidence of [REDACTED]; emails with J. Nevsky and R. Hammad regarding same; review revised SISP and Order; review BMO comments on same; emails with A&M regarding [REDACTED]; emails regarding indebtedness to TS investments; review and revise list of issues regarding stalking horse agreement; email to Oslers and Recon.
Sep 9, 2024	J.G.G. Legge	0.17	Email with Stikeman team regarding Grid notes advances, review email and review documents.
Sep 10, 2024	M. Konyukhova	2.75	Emails with A&M regarding [REDACTED]; review NDA and teaser and provide comments; call with Recon and Osler regarding Stalking Horse agreement; emails regarding [REDACTED], break fee and other issuers; review revised ARIO and consider issue regarding third party stay in favour of DAK; consider applicable caselaw; email regarding draft revised ARIO.
Sep 10, 2024	P. Yang	0.20	Review of precedent stalking horse agreements for quantum of break fees and/or expense reimbursements
Sep 11, 2024	R. Hammad	0.80	Correspondence re: Service List; compiling SE and A&M comments to draft Affidavit and circulating to Recon.
Sep 11, 2024	M. Konyukhova	1.58	Various emails regarding SISP and SISP order revisions; review draft affidavit and provide comments; emails regarding ARIO.
Sep 12, 2024	R. Hammad	4.00	Review of final SISP & Stalking Horse Agreement against draft affidavit; review of [REDACTED] Loan Agreement and [REDACTED] Grid Note; correspondence with SE Banking re: security review excerpt for Second

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<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Sep 12, 2024	M. Konyukhova	3.92	Report; review of / incorporating comments to draft Second Report; and related correspondence. Review revised ARIO and provide comments; review revised Stalking Horse Agreement and consider changes; review revised draft affidavit and emails regarding same; review [REDACTED] agreement regarding prior debt; various emails and calls regarding ARIO and SISP materials; review security opinions; review and revise excerpt for the Second Report regarding security review; review draft Second Report.
Sep 13, 2024	L. Adams	2.02	Editing report summary regarding security package and legal opinions; Internal communications regarding proposed edits.
Sep 13, 2024	R. Hammad	3.50	Review of / incorporating SE comments to draft Second Report and circulating to A&M; and related correspondence.
Sep 13, 2024	M. Konyukhova	2.75	Calls and emails regarding franchise rescission claims; work on draft report; emails and calls regarding Canopy and stay provisions.
Sep 14, 2024	R. Hammad	0.75	Review of A&M comments to draft Second Report; circulating draft Second Report to Recon for review; and related correspondence with M. Konyukhova and J. Nevsky.
Sep 15, 2024	R. Hammad	0.42	Correspondence with SE Banking re: security review opinions; and related correspondence with M. Konyukhova and J. Nevsky.
Sep 15, 2024	M. Konyukhova	0.33	Emails regarding tolling provisions and monitor's report.
Sep 16, 2024	L. Adams	1.82	Communications with external counsel providing comment on draft opinion and requesting issuance; Reviewing finalized opinions and forwarding internally; Communications internally to confirm final SE opinion and arranging for issuance; Discussions with R Hammad regarding comments from corporate counsel.
Sep 16, 2024	R. Hammad	5.00	Meeting with A&M to discuss [REDACTED]; meeting with SE Banking to discuss [REDACTED] Grid Note; drafting/revising Second Report; finalizing and serving Second Report; uploads to CaseLines; and related correspondence with M. Konyukhova, A&M and Recon.
Sep 16, 2024	M. Konyukhova	3.17	Various calls and emails regarding monitor's reports and comments on same; emails regarding [REDACTED] request; emails regarding Canopy arbitration; call with A&M regarding [REDACTED]; attend to finalizing report and service.
Sep 17, 2024	L. Adams	0.10	Email to SK counsel following up on opinion; Reviewing issued opinion and forwarding internally.
Sep 17, 2024	R. Hammad	1.25	Meeting with L. Nicholson and M. Konyukhova re: file updates; preparing Affidavit of Service re: Second Report; updating Service List; and related

Stikeman Elliott

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Sep 17, 2024	M. Konyukhova	3.58	correspondence. Various calls and emails regarding Canopy third party stay opposition and rescission claimants; emails regarding [REDACTED]; prepare for motion; call with J. Nevsky regarding [REDACTED].
Sep 18, 2024	R. Hammad	1.50	Preparing for and attending Tokyo Smoke SISP Approval Hearing; and related correspondence.
Sep 18, 2024	M. Konyukhova	1.08	Prepare for and attend motion regarding SISP and other matters; emails regarding next steps in Canopy arbitration.
Sep 19, 2024	M. Konyukhova	0.25	Emails regarding Canopy arbitration; call with J. Nevsky regarding [REDACTED].
Sep 20, 2024	M. Konyukhova	0.33	Review responding record of Canopy; emails regarding same.
Sep 23, 2024	M. Konyukhova	0.42	Review CIM and provide comments; emails regarding Canopy litigation.
Sep 24, 2024	M. Konyukhova	0.67	Emails regarding Canopy arbitration dispute; review email from LL regarding [REDACTED]; email to J. Nevsky regarding [REDACTED] emails regarding [REDACTED] landlord.
Sep 25, 2024	M. Konyukhova	0.25	Emails regarding [REDACTED] landlord issues; emails regarding Canopy litigation.

Stikeman Elliott

Fee Summary

<u>Timekeeper</u>	<u>Hours</u>	<u>Rate/Hr</u>
L. Adams	28.51	\$800.00
J. Bochnak	2.02	410.00
N. Crasto	0.18	440.00
A. Foster	5.76	775.00
R. Hammad	35.35	590.00
M. Konyukhova	48.25	1,150.00
J.G.G. Legge	10.25	1,400.00
B. Malloy	0.27	410.00
L. Nicholson	11.50	950.00
M. Pasquariello	2.27	440.00
P. Yang	10.13	640.00
Paralegal Services	0.25	\$460.00

Professional Services	CA \$137,506.10
HST @ 13.0%	17,875.79

Total Professional Services and Taxes	CA \$155,381.89
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Charges Summary

<u>Description</u>	<u>Taxable</u>	<u>Non - Taxable</u>	<u>Total</u>
Photocopies	19.00		19.00
Total Charges	19.00	0.00	19.00
HST @ 13.0%			2.47

Total Charges and Taxes	CA \$21.47
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Disbursements Summary

<u>Description</u>	<u>Taxable</u>	<u>Non - Taxable</u>	<u>Total</u>
Corporate Search N/T		8.00	8.00
PPSA Search	9.00		9.00
Corporate Search	16.15		16.15
Total Disbursements	25.15	8.00	33.15
HST @ 13.0%			3.27

Total Disbursements and Taxes	CA \$36.42
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Stikeman Elliott

Stikeman Elliott LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, ON Canada M5L 1B9

Main: 416 869 5500
Fax: 416 947 0866
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GST / HST No. [REDACTED]
QST No. [REDACTED]

Account

November 8, 2024

File No. 1194991010
Invoice No. 6216243

Alvarez & Marsal
Royal Bank Plaza, South Tower
200 Bay Street, Suite 2900
P.O. Box 22
Toronto, ON M5J 2J1


Attention: Josh Nevsky
Director

For Professional Services Rendered in connection with Tokyo Smoke for the period up to November 8, 2024.

Account Summary

	<u>Taxable</u>	<u>Non-Taxable</u>	<u>Total</u>
Professional Services	32,141.40	0.00	\$32,141.40
HST @ 13.0%			4,178.38
Amount Due			<u>CA \$36,319.78</u>

Stikeman Elliott LLP



Lee Nicholson

Accounts are due within 30 days. Please note that a prevailing quarterly pre-judgement interest rate will be charged for amounts unpaid 30 days or more.

Disbursements and charges may not have been posted at the date of this account.
Please quote our File number and/or Invoice number 119499.1010/6216243 when making payment.

Stikeman Elliott

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- 1. The **Beneficiary** detail including address for Stikeman Elliott LLP must match the below address.
- 2. The **Account Number** for wire payments being sent to [REDACTED] must be exactly 7 digits and cannot include a dash "-" or a space " ".
- 3. **Beneficiary Bank** details must include the Bank Address.
- 4. **Swift Payment Details / Additional Information** must include the Canadian Clearing Code.

Payments made via Canadian Clearing Code:	
Field	Format
Beneficiary Bank	[REDACTED]
Bank Address	[REDACTED]
Bank Number	[REDACTED]
Transit Number	[REDACTED]
Canadian Clearing Code / Routing #	[REDACTED]
Beneficiary	[REDACTED]
Account Number	[REDACTED]

Payments made via SWIFT Code:	
Field	Format
Beneficiary Bank	[REDACTED]
Bank Address	[REDACTED]
SWIFT Code	[REDACTED]
Canadian Clearing Code / Routing #	[REDACTED]
Beneficiary	[REDACTED]
Account Number	[REDACTED]
Payment Details / Additional Information	[REDACTED]

Please include client number on transfer documents. All fields are mandatory and must be entered in the format provided to ensure your payment instructions are accepted.

For accurate and timely processing, please email a copy of your payment confirmation to [REDACTED].

Stikeman Elliott

Time Summary

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
Sep 13, 2024	J.G.G. Legge	0.33	Emails with Stikeman team regarding Security Review Draft; review document in detail, providing detailed comments.
Sep 15, 2024	J.G.G. Legge	0.25	Email with Stikeman team regarding Security Review Draft and update on timing, review.
Sep 16, 2024	J.G.G. Legge	1.25	Emails and call with Stikeman team regarding ON and AB SE opinion and monitor's report, review emails, advising; multiple emails with local counsels and Stikeman team regarding final opinions, review documents.
Sep 17, 2024	J.G.G. Legge	0.17	Emails with MLT Atkins and Stikeman team regarding SK security opinion.
Sep 27, 2024	R. Hammad	0.33	Correspondence regarding Service List.
Sep 29, 2024	M. Konyukhova	0.33	Review Tokyo Smoke responding motion record regarding Canopy litigation.
Sep 30, 2024	R. Hammad	0.37	Updating Service List & related correspondence with M. Binder.
Sep 30, 2024	M. Konyukhova	0.25	Emails regarding Canopy litigation and certain disclaimers.
Oct 1, 2024	M. Konyukhova	0.92	Calls with Cassels and Recon regarding Canopy litigation; emails regarding disclaimer.
Oct 2, 2024	M. Konyukhova	0.25	Emails regarding DAK stay motion.
Oct 3, 2024	M. Konyukhova	1.00	Attend cross-examination of Canopy affiant.
Oct 4, 2024	M. Konyukhova	2.17	Attend cross-examinations of A. Williams; emails regarding disclaimed lease.
Oct 7, 2024	L. Nicholson	0.50	Review process letter.
Oct 8, 2024	M. Konyukhova	0.33	Emails regarding disclaimers and Canopy litigation.
Oct 9, 2024	R. Hammad	0.60	Meeting with client, and related correspondence.
Oct 9, 2024	M. Konyukhova	0.58	Call with A&M regarding [REDACTED]; emails regarding report regarding same.
Oct 9, 2024	L. Nicholson	0.50	Call regarding status and process letter.
Oct 10, 2024	R. Hammad	2.50	Drafting Supplement to Second Report of the Monitor, and related correspondence.
Oct 10, 2024	M. Konyukhova	0.42	Emails regarding report on Canopy litigation; review factum regarding same.
Oct 11, 2024	R. Hammad	3.50	Drafting/revising Supplement to Second Report of the Monitor, and related correspondence with M. Konyukhova and A&M.
Oct 11, 2024	M. Konyukhova	1.08	Review report supplement on Canopy litigation; emails regarding same; call with J. Nevsky regarding [REDACTED]; review revised report.
Oct 13, 2024	R. Hammad	0.33	Circulating draft Supplement to Second Report to Recon, and related correspondence.
Oct 15, 2024	M. Konyukhova	0.33	Emails regarding disclaimers and Canopy litigation.
Oct 16, 2024	R. Hammad	1.80	Drafting/revising Supplement to Second Report and

Stikeman Elliott

<u>Date</u>	<u>Timekeeper</u>	<u>Hours</u>	<u>Description</u>
			related correspondence with M. Konyukhova, L. Nicholson, client and Recon; finalizing and serving Supplement to Second Report to Service List.
Oct 16, 2024	M. Konyukhova	0.83	Review comments on draft report and emails regarding same; emails regarding revisions.
Oct 16, 2024	L. Nicholson	0.67	Review supplemental report; emails regarding supplemental report.
Oct 17, 2024	R. Hammad	0.30	Preparing and filing affidavit of service regarding Supplement to Second Report and related correspondence.
Oct 17, 2024	M. Konyukhova	0.50	Review materials in advance of hearing.
Oct 18, 2024	M. Konyukhova	2.75	Attend hearing regarding third party stay regarding Canopy; emails regarding SISP status.
Oct 21, 2024	M. Konyukhova	0.67	Review emails regarding SISP [REDACTED]; review [REDACTED].
Oct 22, 2024	M. Konyukhova	1.00	Emails regarding SISP; call with A&M; review and provide comments on emails to BMO and Recon; review SISP.
Oct 22, 2024	L. Nicholson	1.83	Call regarding [REDACTED]; review bid summary; call with S. Blundell regarding [REDACTED]; call with A&M regarding [REDACTED]; email to company regarding [REDACTED].
Oct 23, 2024	M. Konyukhova	0.33	Emails and office conference regarding [REDACTED] SISP.
Oct 23, 2024	L. Nicholson	0.75	Call with BMO regarding SISP; call with A&M.
Oct 24, 2024	M. Konyukhova	0.58	Review presentation to BMO regarding SISP and provide comments; emails regarding next steps; review [REDACTED].
Oct 24, 2024	L. Nicholson	0.50	Review and revise bid summary.
Oct 25, 2024	R. Hammad	0.58	Drafting Notice of Successful Bidder and related correspondence with L. Nicholson.
Oct 25, 2024	M. Konyukhova	0.50	Update call [REDACTED] with C. Fell and A&M; review SISP documents.
Oct 28, 2024	R. Hammad	0.60	Finalizing and serving Notice of Successful Bidder to Service List, and related correspondence with L. Nicholson and A&M.
Oct 28, 2024	L. Nicholson	0.50	Revise notice of successful bidder; emails regarding successful bid.
Nov 6, 2024	L. Nicholson	0.50	Update call with A&M.
Nov 7, 2024	L. Nicholson	0.42	Review endorsement; email regarding [REDACTED].

Fee Summary

<u>Timekeeper</u>	<u>Hours</u>	<u>Rate/Hr</u>	<u>Amount</u>
R. Hammad	10.91	\$590.00	\$6,436.90
M. Konyukhova	14.82	1,150.00	17,043.00
J.G.G. Legge	2.00	1,400.00	2,800.00

Stikeman Elliott

L. Nicholson	6.17	950.00	5,861.50
Professional Services			CA \$32,141.40
HST @ 13.0%			4,178.38
Total Professional Services and Taxes			CA \$36,319.78

EXHIBIT “B”

This is
EXHIBIT "B"
referred to in the Affidavit of
LEE NICHOLSON
Affirmed on November 26, 2024

DocuSigned by:

Rania Hammad

3CCD226750524E3

Commissioner for Taking Affidavits

SUMMARY OF ACCOUNTS

For the Period from August 14, 2024, to November 8, 2024

Invoice No.	Date of Account	Hours Billed	Fees	Disbursements & Charges	HST	Total
6193763	26-Aug-2024	96.91	\$80,558.50	\$24.15	\$10,474.71	\$91,057.36
6201386	27-Sept-2024	154.74	\$137,506.10	\$52.15	\$17,881.53	\$155,439.78
6216243	08-Nov-2024	33.90	\$32,141.40	\$0.00	\$4,178.38	\$36,319.78
Total		285.55	\$250,206.00	\$76.30	\$32,534.62	\$282,816.92

TOTAL BILLED: \$282,816.92

Average Hourly Rate (before HST)

Total fees before HST of \$250,206.00
÷ Total hours of 285.55
= \$876.22

EXHIBIT “C”

This is
EXHIBIT "C"
referred to in the Affidavit of
LEE NICHOLSON
Affirmed on November 26, 2024

DocuSigned by:

Rania Hammad

3CCD226750524E3

Commissioner for Taking Affidavits

COSTS SUMMARY

For the Period from August 14, 2024, to November 8, 2024

Timekeeper	Title	Rate	Time
Jennifer Legge	Partner	\$1,400.00	20.50
Maria Konyukhova	Partner	\$1,150.00	73.58
Lee Nicholson	Partner	\$950.00	38.84
Lori Adams	Associate	\$800.00	50.55
Andrew Foster	Associate	\$775.00	5.76
Philip Yang	Associate	\$640.00	10.13
Rania Hammad	Associate	\$590.00	71.68
Michael Pasquariello	Student	\$440.00	11.52
Natasha Crasto	Student	\$440.00	0.18
Pamela Oster	Paralegal	\$460.00	0.25
Julia Bochnak	Clerk	\$410.00	2.02
Bailey Malloy	Clerk	\$410.00	0.54
TOTAL			285.55

TOTAL HOURS BY TIMEKEEPER

For the Period from August 14, 2024, to November 8, 2024

Timekeeper	Cumulative Hours
Rania Hammad	71.68
Maria Konyukhova	73.58
Lori Adams	50.55
Lee Nicholson	38.84
Jennifer Legge	20.50
Michael Pasquariello	11.52
Philip Yang	10.13
Andrew Foster	5.76
Julia Bochnak	2.02
Bailey Malloy	0.54
Pamela Oster	0.25
Natasha Crasto	0.18
TOTAL	285.55

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

Court File No. CV-24-00726584-00CL

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 2675970 ONTARIO INC., 2733181 ONTARIO INC., 2385816 ALBERTA LTD., 2161907 ALBERTA LTD., 2733182 ONTARIO INC., 2737503 ONTARIO INC., 2826475 ONTARIO INC., 14284585 CANADA INC., 2197130 ALBERTA LTD., 2699078 ONTARIO INC., 2708540 ONTARIO CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON INC., 2742591 ONTARIO INC., 2796279 ONTARIO INC., 10006215 MANITOBA LTD., AND 80694 NEWFOUNDLAND & LABRADOR INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**AFFIDAVIT OF
LEE NICHOLSON
(Affirmed November 26, 2024)**

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Lawyers for Alvarez & Marsal Canada Inc.,
the Court-Appointed Monitor

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 2675970 ONTARIO INC., 2733181 ONTARIO INC., 2385816 ALBERTA LTD., 2161907 ALBERTA LTD., 2733182 ONTARIO INC., 2737503 ONTARIO INC., 2826475 ONTARIO INC., 14284585 CANADA INC., 2197130 ALBERTA LTD., 2699078 ONTARIO INC., 2708540 ONTARIO CORPORATION, 2734082 ONTARIO INC., TS WELLINGTON INC., 2742591 ONTARIO INC., 2796279 ONTARIO INC., 10006215 MANITOBA LTD., AND 80694 NEWFOUNDLAND & LABRADOR INC.

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**THIRD REPORT OF THE MONITOR
(November 26, 2024)**

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