



CONFIDENTIAL

October 10, 2024

Re: Tokyo Smoke – Phase One Process Letter

We appreciate your continued interest in exploring a potential transaction with 2675970 Ontario Inc. (together with its subsidiaries, “**Tokyo Smoke**”).

As you are aware, on August 28, 2024, Tokyo Smoke commenced proceedings under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”) pursuant to an initial order (as amended and restated, the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). Among other things, the Initial Order appointed Alvarez & Marsal Canada Inc. as monitor (in such capacity, the “**Monitor**”).

On September 18, 2024, the Court granted an order (the “**Sale Process Approval Order**”), which among other things, approved the sale and investment solicitation process (the “**SISP**”) and the stalking horse agreement with TS Investments Corp. (the “**Stalking Horse Bidder**”).

The purpose of this letter is to communicate information regarding next steps in connection with the SISP. We encourage you to review the SISP and this letter is not intended to amend or vary the SISP in any manner. A copy of the SISP is attached for your reference. As described in further detail below, the Stalking Horse Bid established a minimum purchase price in the SISP.

Pursuant to your execution of the non-disclosure agreement (the “**NDA**”) with Tokyo Smoke, you have been provided certain confidential information with respect to the operations and financial performance of Tokyo Smoke. Interested parties wishing to pursue a transaction are being asked to prepare and submit a non-binding Letter of Interest (“**LOI**”).

Pursuant to the SISP, we ask that you please submit your LOI to A&M by no later than **5:00pm Eastern Time on Monday, October 21, 2024** (“**Phase 1 Bid Deadline**”). You are requested to send your LOI by email, to the attention of:

Josh Nevsky  
Managing Director  
[jnevsky@alvarezandmarsal.com](mailto:jnevsky@alvarezandmarsal.com)

Skylar Rushton  
Director  
[srushton@alvarezandmarsal.com](mailto:srushton@alvarezandmarsal.com)

Mitch Binder  
Associate  
[mbinder@alvarezandmarsal.com](mailto:mbinder@alvarezandmarsal.com)

Your LOI must comply with requirements established paragraph 13 of the SISP and must be signed by a senior officer with the authority to submit such an LOI. Without limiting paragraph 13 of the SISP, your LOI should reflect the best and most attractive basis upon which you would make an offer based on the information available to you and should include, in reasonable detail, the following:

1. **Structure:** Provide a description of proposed transaction structure, including an indication: (a) that your offer is to acquire or invest in all, substantially all or portions of the Company’s assets, including a description of such assets or shares to be purchased and, liabilities (if any) to be

assumed; and (b) whether the proposed transaction is to be implemented by way of a “reverse vesting order” or an alternative structure.

2. **Consideration:** State the cash consideration, expressed in Canadian dollars, which you will be prepared to pay on a cash-free and debt-free basis and the valuation methodology you have used, including any working capital assumptions.

In order to be a Phase 1 Qualified Bidder (as defined in the SISP), your purchase price must, at a minimum, provide cash sufficient to pay in full upon closing: (i) the amount equal to the purchase price in the Stalking Horse Agreement (\$77.3 million); (ii) an incremental overbid amount of \$250,000; (iii) an administrative reserve to wind-down the CCAA proceedings; and (iv) a break fee in the amount of \$390,000.

3. **Purchaser:** Please include details on the identity of the proposed purchaser, including background information, financial condition, description, advisors that have been or are expected to be retained by the proposed purchaser and the rationale for pursuing the transaction. Please include the identity of the purchaser’s material shareholders along with any entity or person that will be sponsoring, participating in or benefiting from the proposed transaction. Your LOI should also provide names, titles and contact information for the representatives of the proposed purchaser. If the Purchaser will be a newly formed entity, please identify the entity or entities that will provide backstops in the form of a guarantee and / or equity commitment letter and describe the nature of such arrangement(s).
4. **Financing:** Your LOI provides written evidence that will allow the Monitor, in consultation with Tokyo Smoke, to make a reasonable business judgment as to the Participant’s ability to consummate the proposed transaction within the timeframe contemplated by the SISP. Such information should include, among other things, the intended sources and quantum of equity and debt financing for the transaction, evidence of the availability of such financing (e.g., any received term sheets or indications of interest, including associated conditions and timing requirements or internal resources), and details on any actions you have taken to date to obtain funding commitment(s). Without prior written consent of Tokyo Smoke, neither you nor your Representatives shall discuss the Transaction with any potential lender or other debt or equity capital provider.
5. **Strategy:** Describe the strategic rationale for your interest in Tokyo Smoke and your plans for the business going forward. If applicable, please provide relevant information regarding the anticipated offers of employment to current employees and management.
6. **Approvals:** Describe the level of review and approval your LOI has received by senior officers/directors of your organization, as well as a description of any additional corporate, board, unitholder, shareholder, investment committee, regulatory or other material approvals that would be required prior to your submission of a definitive binding proposal. Your LOI should also provide the expected timeframe for obtaining such approvals.
7. **Closing Conditions:** Set out any conditions to closing that you wish to impose or any other terms and conditions that would be required in order to complete the transaction.

8. **Due Diligence:** Provide a detailed outline of any due diligence requirements that you would require to submit a binding proposal and the timeframe you would require to complete any remaining due diligence.
9. **Fees and Expenses:** Confirm that you will bear your own costs and expenses (including legal and advisor fees) in connection with the LOI and proposed transaction.
10. **Other:** Please set out any other factors you believe may be relevant to the Monitor and Tokyo Smoke in evaluating your LOI.

Following the Phase 1 Bid Deadline, the Monitor, in consultation with Tokyo Smoke, shall assess the LOIs received. If the Monitor determines that an LOI constitutes a Phase 1 Qualified Bid, then such Participant who submitted the LOI will be deemed to be qualified to participate in Phase 2 of the SISP (in that capacity a “**Phase 2 Qualified Bidder**”) and the Monitor will notify each Participant that has been selected as Phase 2 Qualified Bidder.

In the event that no Phase 1 Qualified Bid is received, or the Monitor has determined in its reasonable business judgment that it would not be appropriate to select any Phase 2 Qualified Bidders, the Monitor will, as soon as reasonably possible, declare the Stalking Horse Bidder as the Successful Bidder.

The terms and content of this letter are subject to the terms of the NDA previously executed by you. Tokyo Smoke, its affiliates and its advisors assume no liability or obligation whatsoever to any interested party in connection with the process, including, but not limited to, as a result of the rejection of any or all of the LOIs, the acceptance of another interested party’s LOI or the termination of the process. No party will be entitled for any reason (including, without limitation, any modification of the procedures contemplated herein) to reimbursement for any costs or expenses incurred in reliance upon the procedures set forth in this letter, as such procedures may be modified from time to time. No finder’s fees, commissions, expenses or other compensation will be paid by Tokyo Smoke, its affiliates or its advisors to agents, consultants, advisors or other intermediaries of any party. Tokyo Smoke, its affiliates and its advisors reserve the right to amend any information which has been made available to interested parties whether by way of addition, deletion, amendment or otherwise.

The Monitor and Tokyo Smoke will not be under any obligation to review, consider or accept any offer that you may submit. The Monitor reserves the right, at its sole discretion and without liability to change, suspend or terminate the SISP and the procedures outlined above at any time and in any respect, and to reject any and all proposals and to terminate negotiations and discussions at any time and for any reason, without being obliged to give any reasons, with any or all potential purchasers and to negotiate with any party in any manner and to a timetable that may be different to that outlined in this letter. You acknowledge and accept that neither the Monitor nor Tokyo Smoke has made any commitment or otherwise incurred any obligation to consider or conclude any transaction with you, and that both the Monitor and Tokyo Smoke remain free to conclude such a transaction at any time with any person without notice to you or to other potential purchasers, or to withdraw or terminate the transaction contemplated by this letter at any time and will have no liability to you for damages or other compensation in relation to any such actions or in relation to the rejection of any offer of any kind at any time. You acknowledge and agree that, except as may be later agreed in writing with you in a legally binding definitive agreement executed by you and Tokyo Smoke with respect to the transaction, all costs, expenses or other liabilities that you or any of your affiliates, agents, representatives or advisers may incur in connection with your LOI or the transaction contemplated by this letter shall be entirely for your own account and that neither the Monitor nor Tokyo Smoke (nor

A&M in its personal or corporate capacity) will have any liability to you in respect of such costs, expenses or other obligations or liabilities.

Pursuant to the NDA, under no circumstances are you permitted to contact any of Tokyo Smoke's executives, employees, directors, shareholders, affiliates, lenders, customers, suppliers, vendors or service providers with respect to any transaction unless consented to by Tokyo Smoke or its advisors, nor to disclose the potential transaction or this process to any third parties. All communications or inquiries regarding the process or any other matters relating to this letter should be directed to the Monitor.

We appreciate your interest and look forward to receiving your LOI.