
No. S-228344
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

AND

**IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57, AS
AMENDED AND THE *BUSINESS CORPORATIONS ACT*, R.S.O. 1990, c. B.16, AS
AMENDED**

AND

**IN THE MATTER OF FLOWER ONE HOLDINGS INC., FO LABOUR MANAGEMENT LTD.
AND FLOWER ONE CORP.**

**MONITOR'S SECOND REPORT TO COURT
(Prepared for the November 25th, 2022 Court Hearing)**

November 22, 2022



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1. INTRODUCTION

- 1.1 On October 17, 2022 (the "**Filing Date**"), Flower One Holdings Inc., FO Labour Management Ltd., and Flower One Corp. (collectively, the "**Petitioners**") sought and obtained an Initial Order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCA**") from the Supreme Court of British Columbia (the "**Court**"). The Petitioners' proceedings pursuant to the CCA are herein referred to as the "**CCA Proceedings**".
- 1.2 The Initial Order, *inter alia*:
 - 1.2.1 Appointed PricewaterhouseCoopers Inc. ("**PwC**") as monitor of the Petitioners (the "**Monitor**");
 - 1.2.2 Granted a stay of proceedings in respect of the Petitioners up to and including October 25, 2022 ("**Stay of Proceedings**"); and
 - 1.2.3 Granted an Administration Charge and a D&O Charge (each as defined herein).
- 1.3 On October 21, 2022, the Monitor filed its first report to the Court (the "**First Report**") for the hearing that took place on October 25, 2022 (the "**Come Back Hearing**").
- 1.4 The First Report provided an overview of the Petitioners and their business, their financial challenges and their restructuring efforts prior to the Filing Date. It also set out the cashflow projections and Court ordered charges being sought by the Petitioners, as well as the Monitor's comments on the Petitioners' application for a claims process order.
- 1.5 On October 25, 2022, the Court granted the Amended and Restated Initial Order (the "**ARIO**") which, *inter alia*, provided:
 - 1.5.1 An extension to the Stay of Proceedings to January 16, 2023; and
 - 1.5.2 An Intercompany Advance Charge over all the Petitioners' assets in favour of the Operating Subsidiaries.
- 1.6 Also on October 25, 2022, the Court granted a Claims Process Order (the "**CPO**") approving the claims process proposed by the Petitioners (the "**Claims Process**"), and authorizing and directing the Petitioners and the Monitor to implement the Claims Process.

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- 1.7 The purpose of this report (the “**Second Report**”) is to provide the Court with information pertaining to:
- 1.7.1 The activities of the Monitor and Petitioners since the First Report;
 - 1.7.2 The Petitioners’ cash flows to November 13, 2022;
 - 1.7.3 An update on the Claims Process;
 - 1.7.4 An update on Flower One Group’s restructuring efforts to date;
 - 1.7.5 The Petitioners’ proposed plan of compromise, arrangement and reorganization (the “**Plan**”);
 - 1.7.6 The Petitioners’ request for a meeting order (the “**Meeting Order**”) to provide the creditors with the opportunity to vote on the proposed Plan; and,
 - 1.7.7 The Monitor’s comments and recommendations on the foregoing.
- 1.8 Capitalized terms not otherwise defined herein are as defined in the Plan, the Petitioners’ application materials and the First Report. Attached as **Appendix A** is a Glossary of Defined Terms used in this Second Report.
- 1.9 Unless otherwise stated, all monetary amounts contained herein are expressed in US dollars (“**USD**”).
- 1.10 Material documents pertaining to these CCAA Proceedings are available on the Monitor’s Website at www.pwc.com/ca/FONE. The Monitor’s Website will be regularly updated to ensure creditors and other interested parties are kept current on the status of these proceedings.

2. ACTIVITIES OF FLOWER ONE AND THE MONITOR SINCE THE FIRST REPORT

- 2.1 Since the First Report, the Petitioners have:
- 2.1.1 Continued negotiating with the senior secured lenders and equipment lender to the Operating Subsidiaries to obtain certain accommodations, including a forbearance and amendments to their existing credit agreements. These discussions continue as of the date of this report;
 - 2.1.2 Developed the Plan which is discussed in Section 6 of this report;

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- 2.1.3 Together with their Operating Subsidiaries and Mr. Harry Ayzavian (the "**Plan Sponsor**") and in consultation with the Monitor, negotiated restructuring terms which would be effected pursuant to: (i) a restructuring agreement among the Operating Subsidiaries (including Cana Nevada) and the Plan Sponsor (the "**US Restructuring Agreement**"), and (ii) a restructuring agreement among the Petitioners, the Plan Sponsor and Cana Nevada (the "**Canadian Restructuring Agreement**" and together with the US Restructuring Agreement, the "**Restructuring Agreements**") which are discussed below;
 - 2.1.4 Prepared outstanding Goods and Sales Tax ("**GST**") returns for the Petitioners and worked with a representative of the Canada Revenue Agency (the "**CRA**") to facilitate a payroll trust audit;
 - 2.1.5 Assisted the Monitor to complete the Claims Process and reviewed certain claims to determine whether a revision or disallowance was required;
 - 2.1.6 Together with the Monitor, prepared the cash flow variance analysis;
 - 2.1.7 Issued a press release pertaining to the Come Back Hearing, the Claims Process and extension of the Stay of Proceedings;
 - 2.1.8 Continued to manage relationships with suppliers to maintain an uninterrupted provision of products and services, particularly those suppliers whose products and/or services are key to the operations of the Operating Subsidiaries; and,
 - 2.1.9 Continued to communicate with key stakeholders of the Flower One Group.
- 2.2 Since the First Report, the Monitor has undertaken the following activities:
- 2.2.1 In accordance with the CPO, sent "**Claims Packages**" (Claims Notice, Proof of Claim, Instruction Letter and a copy of the CPO) to all known creditors of the Petitioners via email, and posted the Claims Package on the Monitor's Website;
 - 2.2.2 Reviewed and assessed the proofs of claim received and coordinated a response to the claim filed by the Dennis Group (as discussed in section 4);
 - 2.2.3 Participated in numerous discussions between the Operating Subsidiaries and their senior secured lenders and equipment lender to seek agreement on a forbearance agreement and an amended credit agreement;

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- 2.2.4 Participated in numerous discussions with the Petitioners, the Operating Subsidiaries, the Plan Sponsor and their legal and (where applicable) tax advisors, which have resulted in the proposed Canadian Restructuring Agreement, US Restructuring Agreement and Plan;
- 2.2.5 Participated in numerous discussions with the Petitioners and their legal and (where applicable) tax advisors and developed the terms of the Plan. The Monitor also reviewed various drafts of the Plan and related materials as they were developed;
- 2.2.6 In conjunction with the Monitor's counsel, the Monitor investigated and considered the nature, scope and possible recovery in respect of the potential Litigation Claims referred to in the Plan;
- 2.2.7 Coordinated cash flow reporting and monitoring requirements;
- 2.2.8 Responded to various stakeholder inquiries;
- 2.2.9 Provided comments in respect of the proposed Meeting Order; and,
- 2.2.10 Developed the Monitor's view on the Plan, the proposed Meeting Order and process contemplated thereby, and prepared this Second Report.

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3. CASH FLOW FROM OCTOBER 17, 2022 TO NOVEMBER 13, 2022

- 3.1 The Petitioners' actual cash flow for the period October 17, 2022 to November 13, 2022 as compared to the Initial Cash Flow Projections is presented in the table below:

Second Report Variance Analysis For the 4 weeks ending November 13, 2022 \$USD	Cumulative		Favourable / (Adverse)
	Forecast 17-Oct-22 13-Nov-22	Actual 17-Oct-22 13-Nov-22	Variance 17-Oct-22 13-Nov-22
Receipts	-	-	-
Net Cash Receipts	-	-	-
Operating Costs			
Director Fees	(44,500)	(21,332)	23,168
Corporate Overhead	(20,000)	-	20,000
Other Professional Fees	(48,000)	(4,935)	43,065
Total Operational Costs	(112,500)	(26,267)	86,233
Restructuring costs			
Restructuring professional fees	(374,000)	(122,000)	252,000
Total Operating and Restructuring Costs	(486,500)	(148,267)	338,233
Cash Position			
Opening Cash Balances	117,211	117,211	-
Intercompany Advance	450,000	300,000	(150,000)
Net Cash Inflow/(Outflow) From Period	(486,500)	(148,267)	338,233
Closing Cash Balance	80,711	268,944	188,233

- 3.2 Upon commencement of the CCAA Proceedings, the Petitioners were prevented access to their cross-border payments platform until October 27, 2022. As such, they were restricted from making payments in Canadian dollars to recipients with Canadian bank accounts.
- 3.3 The Petitioners' operational costs have been \$86,233 lower than forecast, which is the result of timing difference and is expected to reverse in subsequent periods.
- 3.4 Restructuring costs are \$252,000 lower than forecast. This is due to timing differences of forecast and actual invoice payment dates. This timing difference is also expected to reverse over the coming periods.

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- 3.5 As noted in the Monitor's First Report, the Operating Subsidiaries are funding the Petitioners' costs during the CCAA Proceedings by way of Intercompany Advances which are secured by Intercompany Advance Charges (and in the absence of such Intercompany Advances, the Petitioners would be unable to fund the costs of the CCAA Proceedings). Intercompany Advances are typically timed with the payment of expenses. Given the lower level of expenses during the first four weeks, the Operating Subsidiaries advanced \$150,000 less than forecast. This is anticipated to reverse in the coming weeks.

4. UPDATE ON THE CLAIMS PROCESS

- 4.1 The Claims Process Order was made on October 25, 2022. The Claims Process was a "negative claims process", by which known creditors were provided "**Claims Notices**" that set out the amount owed to them by the Petitioners based on the Petitioners' books and records.
- 4.2 Under the Claims Process, a creditor was only required to file a proof of claim by the Claims Bar Date in the event that it:
- 4.2.1 Disagreed with the Claim as set forth in the Claims Notice;
 - 4.2.2 Wished to assert a Director / Officer Claim;
 - 4.2.3 Wished to assert a Restructuring Claim; or,
 - 4.2.4 Did not receive a Claims Notice but wished to assert a Claim against the Petitioner(s) or any Director or Officer.
- 4.3 In accordance with the Claims Process Order:
- 4.3.1 On October 25, 2022, Flower One issued a press release on its website and on SEDAR, giving notice of the Claims Process; and
 - 4.3.2 On October 26, 2022, the Monitor sent Claims Packages to all known creditors to the email addresses last shown in the Petitioners' books and records, and posted the Claims Package and a copy of the Claims Process Order on the Monitor's Website.

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- 4.4 No proofs of claim were received from creditors who had not received a Claim Notice. The Monitor received the following two proofs of claim:
- 4.4.1 The Canadian Revenue Agency (“**CRA**”) submitted a marker claim for amounts to be determined upon completion of an examination for a payroll account. The CRA further noted that the Petitioners had numerous outstanding GST returns. As noted above, the Petitioners have since filed the outstanding GST returns and as set out below, such GST returns may result in the Petitioners receiving a GST refund (though the timing of any such GST refund is uncertain). Based on these filings, the Monitor does not expect that a balance will be owing to the CRA once the CRA has assessed the outstanding returns and completed its payroll examination.
- 4.4.2 The Dennis Group Inc. (the “**Dennis Group**”) filed a claim for approximately \$4.1 million (CAD \$5.6 million). This claim arises from a construction contract dated June 29, 2018 between the Dennis Group and CN Landco LLC wherein the Dennis Group agreed to provide, amongst other things, crop, process and packaging equipment for the Bruce St. Facility. The construction contract price was approximately \$57.4 million and the Dennis Group claim that certain balances remain outstanding. On September 30, 2020 Flower One entered into a payment agreement with the Dennis Group to address the outstanding balance. The Dennis Group further claims that Flower One has not made all the payments pursuant to the payment agreement. The claim is reflected as a Disputed Claim as the Flower One Group considers the underlying obligation under the construction contract to be in dispute and subject to a potential counter claim. The Monitor has invited the Dennis Group to provide further information to the Monitor and is consulting with the Petitioners to determine the claim and whether it will be accepted or a NORD will be issued with respect to this claim. In order to ensure that all of the information is received and properly considered, the Monitor, in consultation with the Petitioners, extended the timeline to accept the claim or issue a NORD pursuant to the CPO to November 28, 2022.

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- 4.5 The table below summarizes the Proven and Unresolved Claims (all of which were received by the Claims Bar Date of November 14, 2022):

	Number of Creditors	Proven Claims (CAD)	Unresolved Claims (CAD)
Public Debentures	1*	\$20,943,783.06	
Trade Creditors	34	\$1,517,737.10	\$5,606,411.88
Subtotal	35	\$22,461,520.16	\$5,606,411.88
Private Debentures	41	\$27,544,954.10	
Short Term Financing	1	\$8,230,200.00	
Total	77	\$58,236,674.26	\$5,606,411.88

*Odyssey Trust Company (the "**Public Debenture Trustee**") submitted one claim on behalf of all the Public Debentures. The Public Debenture Trustee has initiated a Broadridge Search to identify the individual Public Noteholders or their respective brokers.

5. RESTRUCTURING THE FLOWER ONE GROUP

- 5.1 As noted in the First Report, the Flower One Group's new management team has made significant progress towards an operational and balance sheet restructuring since February 2021. However, more work has been and continues to be required to position the Flower One Group for success as a viable business, including:
- 5.1.1 Further operational restructuring to drive improved production volume and rationalize costs such that the Operating Subsidiaries generate positive earnings before interest, tax, depreciation and amortization ("**EBITDA**");
 - 5.1.2 Right sizing its capital structure and reduce financing costs to a level supported by the anticipated EBITDA;
 - 5.1.3 Eliminating costs associated with Flower One being a public company, which are estimated to be approximately ~\$2 million per year; and,
 - 5.1.4 Attracting new sources of capital.

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- 5.2 The Flower One Group's operational restructuring has focused on the Operating Subsidiaries in Nevada and is comprised of two broad initiatives:
- 5.2.1 Negotiating a lease modification agreement with the landlord for the Neeham Facility, which will lead to the return of the facility to the landlord and relieve the Operating Subsidiaries and Flower One of considerable economic burden under such lease; and,
 - 5.2.2 A complete overhaul of the Bruce St. Facility, including certain capital upgrades, deep cleaning and introducing superior genetics to improve production quality and volumes at the facility.
- 5.3 The Flower One Group's financial restructuring has focused on the following initiatives:
- 5.3.1 Negotiating a forbearance/amended credit agreement with the senior lenders and the equipment lender to the Operating Subsidiaries. The objective of the credit amendment is to defer principal repayments and certain interest repayments for a period of time to allow for the completion of the financial restructuring and the overhaul of the Bruce St. Facility;
 - 5.3.2 Compromising a significant portion of its debt obligations to right size its capital structure; and
 - 5.3.3 Taking the company private in order to alleviate the financial and administrative burden associated with Flower One being a public company.
- 5.4 To date, the Flower One Group is in advanced stages of its discussions with the Operating Subsidiary lenders and it has secured the support of the Plan Sponsor. The Plan Sponsor currently owns 17% of the outstanding shares of Flower One, is owed \$11 million by Flower One and a further \$16 million by the Operating Subsidiaries. The Plan Sponsor has agreed to compromise the Flower One debt pursuant to the Plan, provide certain funding to facilitate the restructuring, and exchange debt owing to him by the Operating Subsidiaries in return for equity in the Operating Subsidiaries which will result in further right-sizing of the capital structure.
- 5.5 The details of the agreement with the Plan Sponsor are included in the US Restructuring Agreement and the Canadian Restructuring Agreement, which will be implemented in conjunction with the Petitioners' Plan. The US Restructuring Agreement, the Canadian Restructuring Agreement and the Plan are summarized below.

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US Restructuring Agreement

- 5.6 While the US Restructuring Agreement is not with the Petitioners and is therefore being pursued outside of these CCAA Proceedings, it is tied into the Plan. The Monitor understands that the key element of the US Restructuring Agreement is that the Plan Sponsor will acquire shares in Cana Nevada in exchange for:
- 5.6.1 Approximately \$16.5 million in debt owing by the Operating Subsidiaries for new shares in Cana Nevada (which includes \$2 million to be provided to the Operating Subsidiaries between the period of the Filing Date to December 30, 2022 to fund working capital and the costs of the CCAA Proceedings); and,
 - 5.6.2 A cash equity injection in Cana Nevada of \$4 million, of which funds will be utilized by Cana Nevada to fund working capital and the distributions to be made to Affected Creditors under the Plan.

Canadian Restructuring Agreement

- 5.7 The key elements of the Canadian Restructuring Agreement are:
- 5.7.1 Cana Nevada will acquire the Petitioners' potential Litigation Claims (discussed below). These potential Litigation Claims are preliminary and uncertain in nature and may or may not be advanced in the future;
 - 5.7.2 Cana Nevada will provide the Petitioners with approximately \$2 million to fund the cash payment being offered to the Petitioners' Public Noteholder Claimants and General Unsecured Creditors with Proven Claims pursuant to the Plan (the "**Cash Distribution**");
 - 5.7.3 Cana Nevada will issue approximately \$1.7 million in Private Debenture Notes being offered to the Private Noteholder Claimants pursuant to the Plan (the "**Private Note Distribution**");
 - 5.7.4 Cana Nevada will forgo any distribution under the Plan in respect of an estimated \$8 million of Intercompany Claims and an estimated \$1.5 million in Intercompany Advances expected to be made to the Petitioners to fund the CCAA proceedings;
 - 5.7.5 The Plan Sponsor, who is owed \$6 million by the Petitioners (noted as Short Term Financing at 4.5 above) will forgo any distribution under the Plan; and,

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- 5.7.6 Cana Nevada will acquire all of its outstanding shares held by FO Corp for cancellation for a purchase price of \$1.

The Plan

- 5.8 The key elements of the Plan are:

- 5.8.1 In return for the discharge of all the Claims held by Affected Creditors:

5.8.1.1 The Petitioners will use the funds received from Cana Nevada to make the Cash Distribution which amounts to \$0.10 on the dollar of the Proven Claims held by General Unsecured Creditors and the Public Noteholder Claimants; and,

5.8.1.2 Cana Nevada will make the Private Note Distribution which amounts to \$0.10 on the dollar of the Proven Claims held by the Private Noteholders.

- 5.8.2 Once all of the Cash Distributions and Private Note Distributions have been made and the Plan has otherwise been fully implemented, any funds that continue to be held by the Petitioners (less the costs of bankrupting the Petitioners) will be remitted to Cana Nevada and applied towards the outstanding Intercompany Advance Charge.

- 5.8.3 Following implementation of the Plan, the obligations owing by the Petitioners to the Plan Sponsor, the Intercompany Claims and the Intercompany Advances will be discharged.

- 5.8.4 Following the implementation of the Plan, the Petitioners are to make an assignment into bankruptcy.

- 5.9 In summary, the forgoing results in:

5.9.1 The effective removal of the Petitioners from the Flower One Group corporate structure;

5.9.2 The Plan Sponsor becoming the sole shareholder of Cana Nevada which will continue the business of the Operating Subsidiaries in Nevada; and,

5.9.3 The interest-bearing debt of the Flower One Group, which has previously been supported by the Operating Subsidiaries will be reduced by \$67.8 million, from \$125.4 million to \$57.6 million, as follows:

5.9.3.1 The discharge of the Public Debentures (\$14.9 million);

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- 5.9.3.2 The discharge of the Private Debentures (\$17.1 million);
 - 5.9.3.3 The elimination of the existing and go-forward liabilities associated with the Neeham Facility Lease liability (\$20.9 million);
 - 5.9.3.4 The exchange of certain debts owing to the Plan Sponsor (\$16.5 million); and,
 - 5.9.3.5 The issuance of the Private Debenture Notes by Cana Nevada (an increase of \$1.7 million).
- 5.10 Management believes that as a result of the substantial reduction in debt service costs arising from the debt compromises combined with the operation restructuring to overhaul the Bruce St. Facility, Cana Nevada will be in a position to capitalize on the anticipated growth in the Nevada Cannabis market and generate sufficient EBITDA to service its restructured debt obligations.

6. PLAN OF COMPROMISE AND ARRANGEMENT

Overview

- 6.1 The Purpose of the Plan is to implement the financial restructuring described above. Completion of the US Restructuring Agreement and the Canadian Restructuring Agreement are conditions precedent for the implementation of the Plan. A copy of the Plan is attached as Appendix B to this report.
- 6.2 The Flower One Group is reliant on additional critical funding being provided by the Plan Sponsor during the period of the Filing Date to December 31, 2022 to fund the working capital, as well as the costs of these CCAA Proceedings. Without additional funding by the Plan Sponsor, the Flower One Group will not have sufficient liquidity to continue operations and the Petitioners will not be able to fund these CCAA Proceedings. In addition, there are material tax planning benefits gained by completing the Plan prior to December 31, 2022.
- 6.3 Should the Plan be approved by Required Majority and ultimately sanctioned by the Court, the Petitioners intend to implement the Plan by December 31, 2022 (such plan implementation date being, the "**Effective Date**"). The Cash Distributions and the Private Note Distributions will be made to Affected Creditors within 14 days of the Effective Date.
- 6.4 The Plan provides for certain necessary releases which are set out in greater detail below.

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Creditors affected by the Plan

- 6.5 The Plan affects all General Unsecured Creditors, Public Noteholder Claimants, and Private Noteholder Claimants as one class (the "**Affected Creditors**").
- 6.6 The Plan does not affect creditors holding the following types of claims ("**Unaffected Claims**"):
- 6.6.1 Any claim of an employee of any Petitioner for wages, including accrued vacation liabilities, but excluding severance or termination pay;
 - 6.6.2 Any claim secured by any of the CCAA Charges;
 - 6.6.3 Any claim that cannot be compromised due to the provisions of sections 5.1(2) and 19(2) of the CCAA;
 - 6.6.4 Any claim in respect of any payments referred to in sections 6(3) ("**Crown Priority Claims**"), 6(5) ("**Employee Priority Claims**") and 6(6) ("**Pension Priority Claims**") of the CCAA; and,
 - 6.6.5 Any obligations that the Petitioners have incurred during these CCAA Proceedings ("**Post Filing Claims**").
- 6.7 Creditors with Unaffected Claims will be entitled to payment of their claims pursuant to their terms and in the ordinary course of business with the exception of the Crown Priority Claims, Employee Priority Claims and Pension Priority Claims which will be paid in accordance with the requirements of the CCAA.

Distributions under the Plan

- 6.8 The Plan provides for the following distributions to creditors:
- 6.8.1 The Cash Distribution in the amount of \$0.10 on the dollar of the Proven Claims held by General Unsecured Creditors and Public Noteholder Claimants, which shall be made within 14 days of the Effective Date;
 - 6.8.2 The Private Note Distribution in the amount of \$0.10 on the dollar of the Proven Claims held by the Private Noteholders, which shall be made within 14 days of the Effective Date; and,
 - 6.8.3 Distributions to creditors with Unresolved Claims shall be made in respect of an amount which is ultimately determined to be a Proven Claim.

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- 6.9 The Private Note Distribution consists of Private Debenture Notes to be issued by Cana Nevada with a principal value denominated in US dollars calculated to be 10% of each Private Noteholder Claim converted into US dollars at the exchange rate in effect on Filing Date. Interest is payable at maturity and calculated at 5% compounded annually. The Private Debenture Notes are to be unsecured and mature on June 30, 2024, at which time, the principal and accrued interest is due for repayment.
- 6.10 The Cash Distribution is also to be made in US denominated currency and based on the Proven Claims of the General Unsecured Creditors and Public Noteholder Claimants, converted into US dollars at the exchange rate in effect on the Filing Date.
- 6.11 In the event that a distribution is returned as undeliverable, the applicable Affected Creditor which has not received a distribution must notify the Petitioners and Monitor in writing of its current address for delivery within 60 days of Effective Date. Upon receipt of this notice a distribution will be made in accordance with the address provided. However, should notice not be provided within 60 days of Effective Date, the Affected Creditors claim to a distribution shall be discharged.
- 6.12 Existing Flower One Securities-holders (persons holding shares, options, warrants and other equity rights in Flower One) will not receive any distribution under the Plan on account of their equity interests in Flower One.

Plan Approval and Implementation

- 6.13 The Petitioners have applied for an order (the “**Meeting Order**”) authorizing a meeting of the Affected Creditors (the “**Creditors Meeting**”) to be held at 2:00 pm (PST) on December 19, 2022 to consider and vote on the Plan. The Plan outlines the eligibility of Affected Creditors to vote as follows:
- 6.13.1 General Unsecured Creditors, Public Noteholder Claimants and Private Noteholder Claimants are entitled to vote on the approval of the Plan.
- 6.13.2 Creditors with Unresolved Claims are also entitled to vote on approval of the Plan; however, their votes will be recorded separately, and the Monitor will determine and report on whether inclusion of these votes would impact whether the Plan is approved or rejected. If necessary, the Petitioners will seek direction from the Court.
- 6.14 As noted above, there is only one class of creditors that must approve the Plan. The Plan will be approved by the Affected Creditors if 50% in number of the Affected Creditors voting representing at least 2/3 in value of the Affected Creditor Claims voting (the “**Required Majority**”) approve the Plan.

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- 6.15 Should the Affected Creditors approve the Plan, the Petitioners intend to seek the Court's approval of the Plan and the Canadian Restructuring Agreement on December 21, 2022 to facilitate implementation of the Plan no later than December 31, 2022.
- 6.16 The conditions precedent to implementation of the Plan are as follows:
- 6.16.1 The US Restructuring Agreement and the Canadian Restructuring Agreement shall have closed, providing the Petitioners with sufficient funds to make the Cash Distribution and giving rise to an obligation of Cana Nevada to issue the Private Debenture Notes in connection with the Private Note Distribution;
- 6.16.2 The Petitioners shall have provided the Monitor with the Administrative Reserve, being sufficient funds for professional costs to complete the administration of the CCAA Proceedings following Plan implementation and the bankruptcy of the Petitioners. The Monitor shall deposit these monies in an Administrative Reserve Account;
- 6.16.3 The Petitioners shall have provided the Monitor with sufficient funds to pay the Cash Distribution. The Monitor shall deposit these monies in the Unsecured Creditor Cash Pool Account; and
- 6.16.4 The Petitioners shall have sufficient funds to satisfy all Crown Priority Claims and Unaffected Claims.
- 6.17 Upon the conditions precedent being satisfied, the Plan shall be implemented, with the following having occurred as at the Effective Date:
- 6.17.1 The existing Cana Nevada shares held by FO Corp. will have been cancelled;
- 6.17.2 The Public Debentures and the Private Debentures will have been cancelled;
- 6.17.3 All Claims will have been forever discharged and released; and,
- 6.17.4 The releases contained within the Plan will have become effective.
- 6.18 The Monitor will provide the Monitor's Plan Implementation Certificate to the Petitioners and the Plan Sponsor and file it with the Court as soon as possible following the Effective Date.
- 6.19 Within 14 days of the Effective Date, the Cash Distribution and the Private Note Distribution shall be made. The Monitor shall provide the cash distribution for the Public Noteholders to the Public Debenture Trustee and mail a cheque to all of the General Unsecured Creditors. The Private Note Distribution shall be made by Cana Nevada who shall send the Private Debenture Notes to each of the Private Noteholders.

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- 6.20 The Monitor shall work with the Petitioners to complete the administration of the CCAA Proceedings following Plan implementation and ultimately seek its discharge from the Court. The remaining steps are expected to include:
- 6.20.1 Receiving all remaining funds of the Petitioners following the satisfaction of the Crown Priority Claims and Unaffected Claims and depositing them in the Administrative Reserve Account. This may include the receipt of the GST refund from the CRA, in the event that it is not received prior to the Effective Date;
 - 6.20.2 Assigning the Petitioners into bankruptcy; and,
 - 6.20.3 Returning any excess funds in the Unsecured Creditor Cash Pool Account (arising from Undeliverable Distributions or the Unresolved Claims not being Proven as filed) along with any excess funds in the Administrative Reserve Account to Cana Nevada.
- 6.21 A summary of the anticipated timeline/steps for approval and implementation of the Plan are outlined in the table below:

Event	Date
Creditors Meeting	December 19, 2022
Sanction and Vesting Order Hearing	December 21, 2022 <i>(Subject to Court Availability)</i>
Closing of the US Restructuring Agreement	December 30, 2022
Closing of the Canadian Restructuring Agreement	December 30, 2022
Plan Implementation/Effective Date	December 30, 2022
Cash Distribution and Private Note Distribution	Within 14 days of the Effective Date
Deadline for notifying the Petitioners and the Monitor of a delivery address for Undeliverable Distributions	60 days from the Effective Date
Outside date by which the Plan must be implemented	January 31, 2022 or such later date as the Petitioners and the Plan Sponsor may agree

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Releases contemplated in the plan

- 6.22 Article 7.2 of the Plan details the releases that are included in the Plan (the “**Releases**”).
- 6.23 The parties benefiting from the Releases (the “**Released Parties**”) are the Petitioners, legal counsel to the Petitioners, the Directors and Officers of the Petitioners as of the Filing Date, Cana Nevada, the Plan Sponsor, the Monitor, and the Monitor's legal counsel.
- 6.24 From and after the Effective Date, the Released Parties are released from all claims relating to or out of any Claims, including those related to (i) the restructuring, disclaimer, resiliation, beach or termination of any contract, lease, agreement or other arrangement, whether written or oral, entered into by Petitioners; (ii) the Plan and any other transaction referenced in and relating to the Plan; (iii) the Canadian Restructuring Agreement; and (iv) the CCAA Proceedings.
- 6.25 The Released Parties are not released from Unaffected Claims, obligations to Affected Creditors under the Plan, any claim where the Released Party is found to have committed fraud or willful misconduct and in addition, in the case of the Directors, in respect of any claim referred to in section 5.1(2) of the CCAA.

7. MONITOR'S COMMENTS AND RECOMENDATION ON THE PLAN

Overview

- 7.1 The Monitor has reviewed the Plan and concluded that it is fair and reasonable. As such, the Monitor supports the Petitioners' application to file the Plan and present it to the Unsecured Creditors for consideration.
- 7.2 The Monitor further recommends that the Affected Creditors approve the Plan. The Flower One Group is currently reliant on the funding provided by the Plan Sponsor to fund its operations and its restructuring. Approval of the Plan is a condition of further support from the Plan Sponsor pursuant to the Canadian Restructuring Agreement and US Restructuring Agreement.

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- 7.3 Absent approval of the Plan, the Petitioners will become bankrupt. Further, the Operating Subsidiaries are in default of their loans to the senior lenders and the equipment lender and each would be expected to commence enforcement proceedings in Nevada.
- 7.4 The Monitor has completed a liquidation analysis to determine the potential recoveries in this alternate scenario. Based on this analysis, the Monitor estimates that there is no value to the Petitioners' assets and there will be nil recovery to the Petitioners' creditors in a bankruptcy scenario. On the other hand, the Plan provides a recovery of \$0.10 on the dollar of the Affected Creditors' Claims and supports the Flower One Group's objective of continuing its operations in Nevada.
- 7.5 The Monitor considered various elements of the Plan in reaching its conclusion on the fairness and reasonableness of the Plan, which are discussed in detail below.

Statutory requirements

- 7.6 The Monitor notes that the Plan contains provisions that require the payment of Crown Claims and Employee Priority Claims which are required by sections 6(3) and 6(5) of the CCAA. Further, the Plan provides for the payment of Pension Priority Claims as required by section 6(6) of the CCAA.
- 7.7 The Plan meets all of the statutory requirements under the CCAA.

Creditor recoveries are better than in a Bankruptcy

- 7.8 Pursuant to the Plan, the Affected Creditors will recover \$0.10 on the dollar of their Proven Claim either in the form of a Cash Distribution or a Private Debenture Note.
- 7.9 As noted above, absent approval of the Plan and the funding support of the Plan Sponsor, the Petitioners will become bankrupt and the Monitor estimates that there will be no recovery to the Affected Creditors.
- 7.10 The Petitioners' assets currently comprise the following:
- 7.10.1 Ownership of 100% of the shares of Cana Nevada which is the US parent company of the Operating Subsidiaries based in Nevada;
 - 7.10.2 Potential Litigation Claims; and,
 - 7.10.3 A GST refund.

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- 7.11 The Monitor has estimated the value of the Cana Nevada shares in a liquidation scenario and concluded the shares have nil value. The primary assets of the Operating Subsidiaries are the Bruce St. Facility and the associated equipment, each of which are fully encumbered.
- 7.12 The Monitor, with the assistance of its legal counsel, has reviewed the potential Litigation Claims and concluded that they likely also have nil value in a bankruptcy scenario based on the following:
- 7.12.1 The potential Litigation Claims are at an early stage of development and a lawsuit has not been commenced. In addition, the claims are complex in nature relating to alleged self-dealing by prior management, and given the preliminary stage, only broad estimates of damages have been developed.
 - 7.12.2 If such claims are advanced, there is substantial litigation risk and the prospects of success and ultimate recovery on any such claims are highly uncertain.
 - 7.12.3 The costs associated with funding the potential litigation will be significant. There is no known source of funding.
 - 7.12.4 Pursuit of the potential Litigation Claims will require access to Flower One Group's current management, which may not be available in a bankruptcy scenario.
- 7.13 The Petitioners recently filed numerous outstanding GST returns covering four years of operations which claim refunds of approximately CAD\$ 1.1 million. The quantum of the refund and the timing of its receipt is uncertain as this type of claim has a high probability of being audited by the CRA. Nevertheless, the Monitor considers the net recovery available to the Petitioners' creditors to be nil from this possible refund once the Petitioners' operating costs, costs of these CCAA proceedings and the administrative costs of a bankruptcy are deducted from the proceeds.

Forms of Distributions

- 7.14 The Monitor considered the impact of the two different types of consideration being offered in the Plan (cash and Private Debenture Notes).
- 7.15 The different forms of consideration being offered is the result of the Petitioners efforts to balance the following:
- 7.15.1 Taking the company private as the benefits of remaining a public company did not exceed the costs; and,

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- 7.15.2 Minimizing the cash outlay required to implement the restructuring as the funds available from the Plan Sponsor were not sufficient to fund working capital needs and make cash distributions to all of the Proven Claims.
- 7.16 Given that the liquidation value of the Petitioners is nil, the Petitioners could have offered equity to its creditors with the view that the creditors would realize a return commensurate with equity sometime in the future.
- 7.17 An equity offer to all of the creditors would not permit the business to “go private” as the securities regulations limit the number of securityholders to 50 before companies must meet public company reporting requirements. The Petitioners have 35 General Unsecured Creditors, 41 Private Noteholders and several hundred Public Noteholders. Therefore, in order to eliminate the public company reporting requirements, the Petitioners arranged for a Cash Distribution to the General Unsecured Creditors and the Public Noteholders.
- 7.18 Private Noteholders were initially going to be offered equity in the private company, but as the plan evolved, it was simpler to offer the Private Noteholders the Private Debenture Note. The Private Debenture Note was offered rather than equity with the view that the return would be more defined and provided within a fixed time frame, which was viewed as more desirable than equity.
- 7.19 The Petitioners have held discussions with numerous Public Noteholders and Private Noteholders prior to commencing these proceedings and since filing in order to garner support for its Plan. Public Noteholders and Private Noteholders representing 53% of the value of Proven Claims agreed to support a plan that contemplated consideration of \$0.10 on the dollar for both groups, with Private Noteholders receiving equity for their Claims. Of this group, Private Noteholders representing 70% of the value of the outstanding Private Debentures agreed to support a plan that offered them equity for their Claims. The Plan provides a note, rather than equity, which the Private Noteholders will likely find materially more attractive. In particular, unlike equity, a note provides a defined timeframe for repayment and is not subject to dilution. As Cana Nevada is expected to seek new capital, a dilution of an equity interest is likely.
- 7.20 In the Monitor's view, the different forms of consideration are reasonable in the circumstances given the objectives noted above, the cash constraints on the business (there is insufficient cash funding available to make a Cash Distribution to all creditors) and the recovery available to the creditors in a bankruptcy.

Consolidated Plan

- 7.21 The Monitor considered whether the Plan should, in effect, consolidate the treatment of recoveries amongst the Affected Creditors of each Petitioner.

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- 7.22 Based on the results of the Claims Process, there are no Claims against FO Labour and FO Corp. Further, given that FO Labour and FO Corp are wholly owned subsidiaries of Flower One, any assets of those subsidiaries would be attributed to Flower One through its ownership of them.
- 7.23 Based on the forgoing, the Monitor is satisfied that the treatment of the three Petitioners on a consolidated basis within the Plan is appropriate.

Releases

- 7.24 As set out above, the Plan contemplates certain Releases.
- 7.25 The Monitor has the following observations with respect to the Releases:
- 7.25.1 The Released Parties are necessary and essential to the restructuring;
 - 7.25.2 The released claims are related to the purpose of the Plan and the Releases are necessary as an indemnity from the Petitioners would have no value given their financial position and planned bankruptcies;
 - 7.25.3 All Creditors will have knowledge of the Releases as outlined in the Plan and this Second Report; and,
 - 7.25.4 The Releases are not overly broad. They do not exceed the CCAA and contain carveouts with respect to willful misconduct or fraud.

8. MEETING ORDER AND CREDITORS MEETING

Overview

- 8.1 The Petitioners are making an application to the court for approval of a Meeting Order to consider and vote on the Plan.
- 8.2 The Meeting Order contemplates that the Creditors Meeting will take place virtually at 2:00pm PST on December 19, 2022, to be chaired by a representative of the Monitor. The chair is authorized to adjourn, postpone or reschedule the Creditors Meeting or the vote without the need to first convene the Creditors Meeting.
- 8.3 If the Plan is approved by the Required Majority at the Creditors Meeting, the Petitioners intend to bring an application to the Court to seek an Order to approve the Plan and the Canadian Restructuring Agreement on December 21, 2022.

November 22, 2022

Notice of the Creditors Meeting

- 8.4 The Monitor will provide notice of the Creditors Meeting as follows:
- 8.4.1 Post a copy of the following on its website no later than November 26, 2022 (the "**Meeting Materials**"):
 - 8.4.1.1 The Meeting Order;
 - 8.4.1.2 The Monitor's Second Report;
 - 8.4.1.3 The Notice of Meeting;
 - 8.4.1.4 The Public Noteholder Voting Instruction Form;
 - 8.4.1.5 The Non-Public Noteholder Proxy; and,
 - 8.4.1.6 The Plan.
 - 8.4.2 Send Meeting Materials by email to all Affected Creditors other than Public Noteholders, and any other Creditor holding an Unresolved Claim, no later than November 26, 2022.
 - 8.4.3 Send the Meeting Materials to the Public Debenture Trustee by email no later than November 26, 2022. The Public Debenture Trustee will distribute the Meeting Materials to Public Noteholders using the Broadridge service no later than November 28, 2022.
- 8.5 Flower One will publish a press release on its website and on SEDAR no later than November 26, 2022 that sets out that the Meeting Order has been granted and includes a link to the Notice of Meeting on the Monitor's Website.
- 8.6 The Monitor will host a teleconference call for all Affected Creditors on December 13, 2022 at 11:00 am PST together with the Petitioners and respective counsel to address any matters relating to the Plan that the Affected Creditors wish to discuss. Affected Creditors will be required to register their attendance to receive dial in information no later than 9:00 am PST on December 13, 2022.
- 8.7 In the Monitor's view, the foregoing provides for sufficient notice of the Plan and the Creditors Meeting to Affected Creditors and other interested parties.

November 22, 2022

Affected Creditor voting process

- 8.8 The vote on the Plan will be conducted at the Creditors Meeting by proxy or those attending virtually. All proxies must be submitted electronically to the Monitor by 2:00 pm PST on December 19, 2022.
- 8.9 The Monitor notes that the Public Debenture Trustee has commenced a Broadridge Search with a record date of November 16, 2022 (the "**Record Date**") to confirm the identity of the Public Noteholders (or their brokers if they have chosen not to disclose their holdings). Public Noteholders wishing to vote on the Plan must return the Public Noteholder Voting Instruction Form to the Public Debenture Trustee by 9:00 am PST on December 19, 2022.
- 8.10 The Public Debenture Trustee will coordinate and collate the votes from the Public Noteholders, and subsequently submit a proxy vote to the Monitor or attend the Creditors Meeting to vote on behalf of the Public Noteholders.
- 8.11 All other Affected Creditors may vote by submitting a proxy to the Monitor prior to the Creditors Meeting or they may attend the Creditors Meeting.

Application for Sanction and Vesting Order

- 8.12 If the Plan is approved by the Required Majority at the Creditors Meeting, the Petitioners intend to seek the Court's approval of the Plan and Canadian Restructuring Agreement at a hearing at 10:00 am PST on December 21, 2022, or as soon thereafter as the matter can be heard.
- 8.13 A copy of the Petitioners' Notice of Application seeking the Sanction Order will be posted to the Monitor's Website as soon as possible following the Creditors Meeting.
- 8.14 As soon as possible following the Creditors Meeting, the Monitor will report to the Court on the results of the vote of the Affected Creditors, and any other matter the Monitor considers relevant to the Petitioners' application for the Sanction and Vesting Order.
- 8.15 Any party who wishes to oppose the Sanction and Vesting Order application is required to serve on counsel for the Petitioners, counsel for the Monitor and all parties on the Service List, by no later than 4:00 pm PST on December 20, 2022 the relevant materials for its opposition.

November 22, 2022

Creditors Meeting Timetable

8.16 A summary of the timeline and deadlines surround the Creditors Meeting is shown below:

Event	Date	Time (PST)
Delivery of Meeting Materials to Affected Creditors	November 26, 2022	n/a
Public Debenture Trustee to cause all Meeting Materials to be delivered to the Public Noteholder Claimants (or their applicable brokers)	November 28, 2022	n/a
Deadline for Affected Creditors to request teleconference call details	December 13, 2022	9:00am
Monitor hosting a teleconference call for all Affected Creditors	December 13, 2022	11:00am
Deadline for Public Debenture holders to register vote with Public Debenture Trustee	December 19, 2022	9:00am
Proxy Deadline of all Affected Creditors (<i>excluding Public Noteholders</i>) and the Public Debenture Trustee	December 19, 2022	1:59pm
Creditors Meeting	December 19, 2022	2:00pm

9. RECOMMENDATIONS

9.1 For the reasons set out in this Second Report the Monitor recommends that the Court grant the Meeting Order, thereby:

9.1.1 Approving the Petitioners' application to file the Plan and authorize the Petitioners to present the Plan to the Affected Creditors at the Creditors Meeting; and,

9.1.2 Authorizing the Petitioners to convene and conduct the Creditors Meeting.

9.2 Further, the Monitor recommends that Affected Creditors vote in favour of the Plan, as it considers the Plan to be fair and reasonable and it provides Affected Creditors with a recovery greater than the recovery from bankruptcy proceedings.

Monitor's Second Report to Court

November 22, 2022

This report is respectfully submitted this 22 day of November, 2022.

**PricewaterhouseCoopers Inc.,
Court Appointed Monitor of the Petitioners**



**Neil Bunker CPA, CA, CIRP, LIT
Senior Vice President**



**Jack Else, ACA
Senior Manager**



APPENDIX A

Glossary of Defined Terms



Term	Definition
Administration Charge	The charge provided for at paragraph 30 of the ARIO, securing the fees and disbursements of the Monitor, counsel to the Monitor and counsel to the Petitioners
Administrative Reserve	The cash reserve held by the Monitor and approved by the Court pursuant to the Sanction and Vesting Order, in the amount of US \$300 thousand to be deposited by the Petitioners into the Administrative Reserve Account for the purpose of paying the Administrative Reserve Costs
Administrative Reserve Account	A segregated account established by Monitor to hold the Administrative Reserve
Affected Creditors	Collectively, all General Unsecured Creditors, Public Noteholder Claimants and Private Noteholder Claimants
Affidavit	First affidavit of Mr. Kellen O’Keefe affirmed October 16, 2022
ARIO	The Amended and Restated Initial Order granted by the Court in the CCAA Proceedings on October 25, 2022
Bankruptcy	The bankruptcy procedure as set out under the BIA
BIA	Bankruptcy & Insolvency Act
Broadridge Search	The search conducted by Broadridge Financial Solutions Inc. of the CDS, which shall identify: (a) all Public Noteholders (or their applicable brokers) that hold Public Debentures through the CDS; and (b) the value of each such Public Noteholder’s Claim
Bruce St. Facility	The facility comprised of the NLV Greenhouse and NLV Production Facility
CAD	Canadian dollar
Cana Nevada	Cana Nevada Corp., a corporation in the Flower One Group under the laws of the State of Nevada
Canadian Restructuring Agreement	The agreement among each of the Petitioners, the Plan Sponsor and Cana Nevada as set out in the Plan
Cash Distribution	US denominated cash distribution, as set out in section 4.4 of the Plan, to General Unsecured Creditors and Public Noteholder Claimants in an amount equal to \$0.10 cents on the dollar of their respective Proven Claims, converted to USD as at the Filing Date
CCAA	Companies Creditors Arrangement Act
CCAA Charges	Administration Charge, D&O Charge and Intercompany Advance Charge
CCAA Proceedings	The Petitioners’ proceedings pursuant to the CCAA
CDS	Clearing and Depository Service Inc.

Claim	Means (i) any Pre-Filing Claim, (ii) any Director/Officer Claim, (iii) any Restructuring Claim, or (iv) any Intercompany Claim, but does not include an Unaffected Claim.
Claims Bar Date	November 14, 2022, as defined in the CPO
Claims Notices	The notice sent out to known Creditors of each of the Petitioners setting out the amount, secured status and priority of such Creditor's Claim against each of the Petitioners according to the books and records of the Petitioners
Claims Package	The document package including documents set out in the Claims Process Instruction Letter
Claims Process	The process established by the Claims Process Order for determining the validity and quantum of Claims, including for voting and distribution purposes under the Plan
Claims Process Order (CPO)	The Order made on October 25, 2022 establishing the Claims Process
CN Landco	CN Landco LLC
Come Back Hearing	The Court hearing that took place on October 25, 2022
Court	Supreme Court of British Columbia
Court Ordered Charges	The Administration Charge, the D&O Charge and the proposed Intercompany Advance Charge
CRA	Canada Revenue Agency
Creditors Meeting	Meeting of the Affected Creditors to be held on December 19, 2022
Crown Priority Claims	Any claim in respect of any payment referred to in Section 6(3) of the CCAA
D&O	Directors and Officers of each of the Petitioners as at the Filing Date
D&O Charge	The charge in favour of the Directors and Officers provided for at paragraph 20 of the ARI0
D&O Insurance	Directors and Officer's Insurance
Dennis Group	The Dennis Group, Inc.
Disputed Claim	A Claim that has not been finally determined in accordance with the Claims Process Order or any other applicable Order, for voting and distribution purposes under the Plan
EBITDA	A financial measure of profitability, calculated as earnings (net income) before interest, tax, depreciation, and amortization
Effective Date	The date on which the conditions as described in the Plan are satisfied, and the Plan shall be implemented; December 30, 2022

Employee Priority Claims	Any claim in respect of any payment referred to in Section 6(5) of the CCAA
Existing Flower One Securities	All of the shares of Flower One, together with all legal, equitable, contractual or other rights (whether actual, vested, contingent, exercisable, exchangeable or convertible and whether or not granted to or previously asserted by any person) to acquire shares of Flower One, including, without limitation, any options, warrants, ungranted equity compensation securities or other similar instruments or rights to acquire shares of Flower One.
Existing Flower One Securities-holders	Means those persons holding a legal or beneficial interest in any Existing Flower One Securities.
Filing Date	October 17, 2022
First Report	Monitor's First Report to Court, dated October 21, 2022
Flower One	Flower One Holdings Inc.
Flower One Group	All entities collectively (the Petitioners and the Operating Subsidiaries as per Appendix B of the First Report)
FO Corp	Flower One Corp.
FO Labour	FO Labour Management Ltd
Forecast Period	The 13 weeks ending January 15, 2023
General Unsecured Creditors	All persons holding a Proven Claim, other than the Public Noteholder Claimants and the Private Noteholder Claimants
GST	Goods and service tax payable on most goods and services sold or provided in Canada
IFRS	International Financial Reporting Standards
Initial Cash Flow Projections	The cash flow forecast that was appended as Exhibit B to the Affidavit
Initial Order	The order granted by the Court in the CCAA Proceedings on October 17, 2022
Intercompany Advance Charge	The charge provided for at paragraph 31 of the ARIO, securing the obligations of the Petitioners to the Operating Subsidiaries in respect of any Intercompany Advances made after the Filing Date, as set forth in the ARIO
Intercompany Advances	Any funds advanced by any of the Operating Subsidiaries to any of the Petitioners or payments made by the Operating Subsidiaries on behalf of any of the Petitioners
Intercompany Claims	Amounts relating to Intercompany Advances prior to the Filing Date
Litigations Claims	Collectively, all claims, actions, causes of action, counterclaims, suits, damages of whatever nature that any of the Petitioners may be entitled to assert against any Person, including any and all claims in respect of statutory or other liabilities of directors and officers, whether known or

	unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising. As defined in the Plan
Meeting Materials	The documents as set out in paragraph 12 of the Meeting Order; the Meeting Order, Monitor's Second Report, the Notice of Meeting, the Public Noteholder Voting Instruction Form, the Non-Public Noteholder Proxy, and the Plan
Meeting Order	The Order granted, establishing the Class for the purposes of the Plan and for voting purposes, and directing the calling and holding of the Meeting, as such Order may be amended and supplemented from time to time
Monitor	PricewaterhouseCoopers Inc. in its capacity as Court appointed Monitor of these CCAA proceedings
Monitor's Plan Implementation Certificate	Means a certificate to be filed by the Monitor in the CCAA Proceedings confirming that the Canadian Restructuring has been completed and that the Plan has been implemented in accordance with its terms
Monitor's Website	www.pwc.com/ca/FONE
Neeham Facility	A leased indoor cultivation facility with a fully licensed commercial kitchen
Neeham Facility Lease	Lease liability of the Operating Subsidiaries guaranteed by Flower One, relating to the Neeham Facility (as set out in section 2.11 of the Monitor's First Report)
NLV Greenhouse	A fully canopied greenhouse at the Bruce St. Facility
NLV Production Facility	An onsite production facility at the Bruce St. Facility
NOD	Notice of Dispute, as set out in the CPO
NORD	Notice of Revision or Disallowance, as set out in the CPO
Odyssey Trust	Odyssey Trust Company
Operating Subsidiaries	The nine wholly-owned subsidiaries based in the U.S., with Cana Nevada as the parent entity
Pension Priority Claim	Any claim in respect of any payment referred to in Section 6(6) of the CCAA
Petitioners	Flower One Holdings Inc., FO Labour Management Ltd., Flower One Corp.
Plan of Compromise and Arrangement (the Plan)	The Plan of Compromise, Arrangement and Reorganization filed by the Petitioners pursuant to the CCAA, as may be further amended, varied or supplemented hereafter in accordance with the terms hereof
Plan Sponsor	Mr. Harry Ayvazian
Post Filing Claims	Any obligations that the Petitioners have incurred during these CCAA proceedings
PPE	Property, plant & equipment

Private Debenture Notes	Means an unsecured promissory note to be issued by Cana Nevada to each Private Noteholder, as set out in section 2.5 of the Plan. The promissory note shall i) be in US denominated currency ii) accrue interest at a rate of 5% per annum iii) mature on June 30, 2024
Private Note Distribution	The distribution of Private Debenture Notes to Private Noteholder Claimants in an amount equal to \$0.10 cents on the dollar of their respective Proven Claims
Private Noteholder	Person that holds an unsecured convertible note issued by Flower One in three tranches through January 2021 and March 2021, as set out in section 2.11.5 of the Monitor's First Report
Private Noteholder Claimant	Any and all Private Noteholders that are Private Noteholders as at the Meeting Date or distribution date (as applicable)
Proven Claim	A claim, as finally determined in accordance with the Claims Process Order and any other applicable Order, for voting and distribution purposes under the Plan
Public Debenture Trustee	Odyssey Trust Company, in its capacity as trustee of the Public Noteholders pursuant to the Public Indenture
Public Indenture	Debenture Indenture providing for the Issue of Unsecured Convertible Debentures of Flower One, dated March 28, 2019
Public Noteholder	Holders of the publicly traded unsecured convertible debentures, per the Public Indenture, as set out in section 2.11.4 of the Monitor's First Report
Public Noteholder Claimant	Any and all Public Noteholders that are Public Noteholders as at the Broadridge Search Date, as set out in the Broadridge Search
PwC	PricewaterhouseCoopers Inc.
Record Date	The date on which the Broadridge Search was initiated, November 16, 2022
Releases	As set out in section 7.2 of the Plan
Released Parties	The parties benefitting from releases as set out in section 7.2 of the Plan; the Petitioners, its Directors and Officers as of the Filing Date, legal counsel to the Petitioners, the Monitor, and the Monitor's legal counsel
Required Majority	That number of voting Affected Creditors representing a majority in number of the voting Affected Creditors, and whose Proven Claims represent at least two-thirds in value of the voting Claims validly voting in favour of the Resolution in accordance with the Meeting Order
Restructuring Agreements	Collectively, the Canadian Restructuring Agreement and the US Restructuring Agreement
Sanction and Vesting Order	An Order, in form and substance satisfactory to the Petitioners and the Monitor, to be sought by the Petitioners from the Court as contemplated under the Plan which, <i>inter alia</i> , approves and sanctions the Plan and the transactions contemplated thereunder, including the Canadian

	Restructuring Agreement and includes such provisions that may be necessary or appropriate to give effect to the Plan
Second Report	The Monitor's Second Report to Court
SEDAR	System for Electronic Document Analysis and Retrieval
Short Term Financing	The obligation of Flower One to a Plan Sponsor under the loan facility originally dated March 4, 2020 and maturing on December 31, 2022
Short Term Lender	The temporary current lender who will provide limited funding during the CCAA Proceedings
Stay of Proceedings	The stay granted under the Initial Order, and extended under the ARIO January 16, 2022
Unaffected Claims	A creditor holding any of the following types of claims (as set out in section 6.5 of the Second Report) i) employee claim of the Petitioners excluding severance or termination pay ii) claim secured by CCAA Charges iii) Crown Priority Claims, Employee Priority Claims, Pension Priority Claims iv) post filing claims
Unresolved Claim	Any claim in respect of which a Proof of Claim has been filed prior to the Claims Bar Date (November 14, 2022) in accordance with the CPO which has not been finally determined.
Unsecured Creditors	Collectively, the publicly held debentures, the privately held debentures and the trade creditors
US GAAP	US Generally Accepted Accounting Principles
US Restructuring Agreement	The agreement among the Plan Sponsor and Cana Nevada as set out in the Plan
USD	US dollar

APPENDIX B

The Plan

No. S-228344
Vancouver Registry

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

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*,
S.B.C. 2002, C. 57, AS AMENDED AND THE *BUSINESS*
CORPORATIONS ACT, R.S.O. 1990, C. B.16, AS AMENDED

AND

IN THE MATTER OF A PLAN OF COMPROMISE AND ARRANGEMENT OF FLOWER
ONE HOLDINGS INC., FO LABOUR MANAGEMENT LTD. AND FLOWER ONE CORP.

PETITIONERS

PLAN OF COMPROMISE, ARRANGEMENT AND REORGANIZATION

NOVEMBER 22, 2022

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PLAN OF COMPROMISE, ARRANGEMENT AND REORGANIZATION

This is the plan of compromise, arrangement and reorganization of the Petitioners, made pursuant to the *Companies' Creditors Arrangement Act*.

ARTICLE 1 INTERPRETATION

1.1 Definitions

In the Plan, unless otherwise stated or the context otherwise requires:

“Administration Charge” means the charge provided for at paragraph 30 of the ARIO, securing the fees and disbursements of the Monitor, counsel to the Monitor and counsel to the Petitioners.

“Administrative Reserve” means a Cash reserve held by the Monitor and approved by the Court pursuant to the Sanction and Vesting Order, in the amount of US \$300 thousand to be deposited by the Petitioners into the Administrative Reserve Account for the purpose of paying the Administrative Reserve Costs.

“Administrative Reserve Account” means a segregated interest-bearing account established by Monitor to hold the Administrative Reserve.

“Administrative Reserve Costs” means all costs and other amounts related to, incurred and payable in connection with (i) implementing the Plan, including, for greater certainty, any amounts payable in respect of Unaffected Claims; (ii) Crown Priority Claims; (iii) winding-down the CCAA Proceedings; (iv) any dissolution or bankruptcy of any one or more of the Petitioners, including retainers to any proposed trustee in bankruptcy; and (v) professional fees and disbursements of the Monitor and counsel to the Monitor (which shall be subject to Court approval in accordance with the ARIO) and professional fees and disbursements of counsel to the Petitioners.

“Affected Creditors” means, collectively, all General Unsecured Creditors, Public Noteholder Claimants and Private Noteholder Claimants.

“ARIO” means the Amended and Restated Initial Order granted by the Court in the CCAA Proceedings on October 25, 2022.

“Available Funds” means all Cash of the Petitioners as at the Effective Date, including all Cash that is received by the Petitioners in connection with the closing of the Canadian Restructuring Transaction.

“Broadridge Search” means the search conducted by Broadridge Financial Solutions Inc. of the CDS, which shall identify: (a) all Public Noteholders (or their applicable brokers) that hold Public Debentures through the CDS; and (b) the value of each such Public Noteholder's Claim.

“Broadridge Search Date” means November 16, 2022.

“**Business**” means the ordinary and going concern business of the Petitioners and the Operating Subsidiaries.

“**Business Day**” means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Vancouver, British Columbia.

“**Canadian Restructuring Agreement**” means an agreement among each of the Petitioners, the Plan Sponsor and CN Corp that is in form and substance satisfactory to the parties thereto and pursuant to which, among other things: (i) CN Corp acquires the Litigation Claims of each of the Petitioners in exchange for (a) CN Corp agreeing to subordinate all Intercompany Advance Claims and all other Intercompany Claims in favour of the Proven Claims of all Affected Creditors, (b) CN Corp making a payment to the Petitioners in an amount that is sufficient to fully fund the Unsecured Creditor Cash Pool, which amount is estimated to be approximately US \$2 million, (c) CN Corp agreeing to issue the Private Debenture Notes to the Private Noteholder Claimants, and (d) the Plan Sponsor agreeing to subordinate the entirety of its Plan Sponsor Term Loan Claim in favour of the Proven Claims of all Affected Creditors; and (ii) CN Corp acquires the CN Corp Shares from FO Corp, for cancellation, for an aggregate total purchase price of US \$1.

“**Canadian Restructuring Transaction**” means, collectively, the transactions contemplated by the Canadian Restructuring Agreement.

“**Cash**” means cash, certificates of deposit, bank deposits, commercial paper, treasury bills and other cash equivalents.

“**Cash Distribution**” has the meaning set forth in article 4.4 hereof.

“**CCAA**” means the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

“**CCAA Charges**” means, collectively, the Administration Charge, the D&O Charge and the Intercompany Advance Charge.

“**CCAA Proceedings**” means the proceedings commenced by the Petitioners under the CCAA on the Filing Date in the Supreme Court of British Columbia, with Action No. S-228344, Vancouver Registry.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**Claim**” means: (i) any Pre-Filing Claim, (ii) any Director/Officer Claim, (iii) any Restructuring Claim, or (iv) any Intercompany Claim, but does not include an Unaffected Claim.

“**Claims Process**” means the process established by the Claims Process Order for determining the validity and quantum of Claims, including for voting and distribution purposes under the Plan.

“**Claims Process Order**” means the Order made on October 25, 2022 establishing the Claims Process, as such Order may be amended and supplemented from time to time.

“**Class**” means, collectively, the General Unsecured Creditors, Public Noteholder Claimants and Private Noteholder Claimants, which shall comprise a single class for the purposes of consideration and voting upon the Resolution.

“**CN Corp**” means Cana Nevada Corp., a corporation existing under the laws of the State of Nevada.

“**CN Corp Shares**” means any and all shares in the capital of the CN Corp issued and outstanding which are held by FO Corp, including all classes thereof.

“**Conditions Precedent**” means those conditions precedent to the implementation of the Plan as set forth in article 5.3 hereof.

“**Court**” means the Supreme Court of British Columbia.

“**Crown Priority Claims**” means those amounts as described in article 4.10 hereof.

“**D&O Charge**” means the charge in favour of the Directors and Officers provided for at paragraph 20 of the ARIO.

“**Director/Officer Claim**” means any right or claim of any Person against one or more of the Directors or Officers that relates to a Pre-Filing Claim or a Restructuring Claim, howsoever arising, for which any of the Directors or Officers are by statute or otherwise by law liable to pay in their capacity as Directors or Officers or in any other capacity.

“**Directors**” means, collectively, all of the directors of each of the Petitioners as at the Filing Date.

“**Effective Date**” means the Business Day on which all of the Conditions Precedent to the implementation of the Plan have been fulfilled and the Plan has become effective, as evidenced by the Monitor’s Plan Implementation Certificate to be filed with the Court.

“**Effective Time**” means 5:00 p.m. (Vancouver time) on the Effective Date.

“**Existing Flower One Securities**” all of the shares of Flower One, together with all legal, equitable, contractual or other rights (whether actual, vested, contingent, exercisable, exchangeable or convertible and whether or not granted to or previously asserted by any person) to acquire shares of Flower One, including, without limitation, any options, warrants, ungranted equity compensation securities or other similar instruments or rights to acquire shares of Flower One.

“**Existing Flower One Securities-holders**” means those Persons holding a legal or beneficial interest in any Existing Flower One Securities.

“**Filing Date**” means October 17, 2022.

“**Final Distribution Date**” means such date following Initial Distribution Date and the final determination of all Unresolved Claims, that is determined by the Monitor, in consultation with the Petitioners or as otherwise ordered by the Court.

“**Flower One**” means Flower One Holdings Inc., a corporation existing under the British Columbia *Business Corporations Act*.

“**Flower One Entities**” means, collectively, the Petitioners and the Operating Subsidiaries.

“FO Corp” means Flower One Corp., a corporation existing under the under the Ontario *Business Corporations Act*.

“General Unsecured Creditors” means all Persons holding a Proven Claim, other than the Public Noteholder Claimants and the Private Noteholder Claimants.

“Initial Distribution Date” means a date agreed to by Petitioners and the Monitor which shall be as soon as reasonably practicable following the Effective Date and in no event later than fourteen (14) calendar days following the Effective Date.

“Intercompany Advance” means any funds advanced by any of the Operating Subsidiaries to any of the Petitioners or payments made by the Operating Subsidiaries on behalf of any of the Petitioners, in each case in order to finance the continuation of their business, the preservation of their property and/or the administration of the CCAA Proceedings.

“Intercompany Advance Charge” means the charge provided for at paragraph 31 of the ARIO, securing the obligations of the Petitioners to the Operating Subsidiaries in respect of any Intercompany Advances, as set forth in the ARIO.

“Intercompany Advance Claim” means any claim of any one of the Operating Subsidiaries arising in respect of an Intercompany Advance.

“Intercompany Claim” means any right or claim of any Operating Subsidiary against any of the Petitioners.

“Litigation Claims” means, collectively, all claims, actions, causes of action, counterclaims, suits, damages of whatever nature that any of the Petitioners may be entitled to assert against any Person, including any and all claims in respect of statutory or other liabilities of directors and officers, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising.

“March 2019 Indenture” means the indenture dated as of March 28, 2019 among the Petitioner, Flower One and the Public Debenture Trustee as amended by a supplemental indenture dated as of April 19, 2021 among the Petitioner, Flower One and the Public Debenture Trustee.

“Meeting” means the meeting of Affected Creditors that will occur pursuant to the Meeting Order.

“Meeting Date” means the date of the Meeting as set out in the Meeting Order.

“Meeting Order” means the Order, establishing the Class for the purposes of the Plan and for voting purposes, and directing the calling and holding of the Meeting, as such Order may be amended and supplemented from time to time.

“Monitor” means PricewaterhouseCoopers Inc., in its capacity as the Court-appointed monitor of the Petitioners.

“Monitor’s Plan Implementation Certificate” means a certificate to be filed by the Monitor in the CCAA Proceedings confirming that the Canadian Restructuring Transaction has been completed and that the Plan has been implemented in accordance with its terms.

“New CN Corp Shares” has the meaning set forth in article 2.1(i) hereof.

“Notice of Transfer or Assignment” means a written notice of transfer or assignment of a Claim, together with satisfactory evidence of such transfer or assignment.

“November 2019 Indenture” means the indenture dated as of November 15, 2019 among the Petitioner, Flower One and the Public Debenture Trustee as amended by a supplemental indenture dated as of April 19, 2021 among the Petitioner, Flower One and the Public Debenture Trustee.

“Officers” means, collectively, all of the officers of each of the Petitioners as at the Filing Date.

“Operating Subsidiaries” means, collectively: CN Corp, CN Labor Management Inc., CN Licenseco I, Inc., CN Licenseco III, Inc., CN Landco LLC, CN Landco II LLC, CN Landco III LLC, North Las Vegas Equipment Co., Inc., North Las Vegas Equipment Co. III, Inc. and North Las Vegas Services, Inc.

“Order” means an order of the Court made in the CCAA Proceedings.

“Person” means any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate (including a limited liability company and an unlimited liability company), corporation, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status.

“Petitioners” means, collectively, Flower One, FO Corp and FO Labour Management Ltd.

“Plan” means this plan of compromise and arrangement filed by the Petitioners pursuant to the CCAA, as may be further amended, varied or supplemented hereafter in accordance with the terms hereof.

“Plan Sponsor” means Mr. Harry Ayvazian.

“Plan Sponsor Term Loan Claim” means the claim of the Plan Sponsor as against Flower One pursuant to the loan agreement dated as of March 4, 2020, as amended from time to time and for greater certainty, does not include any claims that the Plan Sponsor may have against the Operating Subsidiaries.

“Plan Transactions” means those transaction to be implemented and completed as described in article 6.2 hereof.

“Post-Filing Claim” mean any indebtedness, liability or obligation of any Petitioner of any kind that arises after the Filing Date, provided that Post-Filing Claims shall not (i) include any Restructuring Claims, or (ii) the accrual of interest on any unsecured indebtedness, liability or obligation of such Petitioner.

“Pre-Filing Claim” means any right or claim of any Person that may be asserted or made in whole or in part against any Petitioner whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, in existence on, or which is based on an event, fact, act or omission

which occurred in whole or in part prior to the Filing Date, at law or in equity, including by reason of the commission of a tort (intentional or unintentional), any breach of contract or other agreement (oral or written), any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty), any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise) or for any reason whatsoever against any Petitioner or its property or assets, and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future, together with any other rights or claims not referred to above that are or would be claims provable in bankruptcy had any Petitioner become bankrupt on the Filing Date, and for greater certainty, includes Tax Claims; provided, however, that “Pre-Filing Claim” shall not include an Unaffected Claim.

“**Private Debenture**” means each unsecured convertible debenture issued by Flower One pursuant to a debenture certificate following a private placement financing.

“**Private Debenture Note**” means an unsecured promissory note to be issued by CN Corp to each Private Noteholder pursuant to article 4.5 hereof, which promissory note shall: (i) be in US denominated currency, (ii) in a principal amount equal to ten percent (10%) of such Private Noteholder’s Private Noteholder Claim, converted to US denominated currency as of the Filing Date, (iii) accrue interest at a rate of five percent (5%) per annum, and (iv) mature on June 30, 2024.

“**Private Note Distribution**” has the meaning set forth in article 4.5 hereof.

“**Private Noteholder**” means a Person that holds a Private Debenture.

“**Private Noteholder Claim**” means a Proven Claim of a Private Noteholder Claimant.

“**Private Noteholder Claimant**” means any and all Private Noteholders that are Private Noteholders as at the Meeting Date or distribution date (as applicable).

“**Proven Claim**” means a Claim, as finally determined in accordance with the Claims Process Order and any other applicable Order, for voting and distribution purposes under the Plan.

“**Public Debenture**” means each debenture issued pursuant to the Public Indentures.

“**Public Debenture Trustee**” means Odyssey Trust Company, in its capacity as trustee of the Public Noteholders pursuant to the Public Indentures.

“**Public Indentures**” means, collectively, the March 2019 Indenture and the November 2019 Indenture.

“**Public Noteholder**” means a Person that holds a Public Debenture.

“**Public Noteholder Claim**” means a Proven Claim of a Public Noteholder Claimant.

“Public Noteholder Claimant” means any and all Public Noteholders that are Public Noteholders as at the Broadridge Search Date, as set out in the Broadridge Search.

“Public Noteholder Claimant Vote” means the process through which the Public Noteholder Claimants may vote on the Resolution, as set forth in the Meeting Order.

“Released Matters” has the meaning set forth in article 7.2 hereof.

“Released Parties” means, collectively, and in their capacities as such: (i) the Petitioners; (ii) the Directors and Officers; (iii) legal counsel to the Petitioners; (iv) the Monitor and its legal counsel; (v) the Plan Sponsor; and (vi) CN Corp.

“Required Majority” means that number of voting Affected Creditors representing a majority in number of the voting Affected Creditors, and whose Proven Claims represent at least two-thirds in value of the voting Claims validly voting in favour of the Resolution in accordance with the Meeting Order.

“Resolution” means the resolution to approve the Plan and the transactions contemplated thereby, which will be voted on by the Class pursuant to the Meeting Order.

“Restructuring Claim” means any right or claim of any Person against any Petitioner in connection with any indebtedness, liability or obligation of any kind whatsoever owed by any Petitioner to such Person arising out of the disclaimer, rescission or termination on or after the Filing Date of any contract including any employment agreement, lease or other agreement or arrangement, whether written or oral, and whether such disclaimer, rescission or termination took place or takes place before or after the date of the Claims Process Order, and includes for greater certainty any right or claim of an employee of any Petitioner arising from a termination of its employment after the Filing Date; provided, however, that “Restructuring Claim” shall not include an Unaffected Claim.

“Sanction and Vesting Order” means an Order, in form and substance satisfactory to the Petitioners and the Monitor, to be sought by the Petitioners from the Court as contemplated under the Plan which, *inter alia*, approves and sanctions the Plan and the transactions contemplated thereunder, including the Canadian Restructuring Transaction and includes such provisions that may be necessary or appropriate to give effect to the Plan, including provisions in substance similar to those set out in article 5.2.

“Stay Period” has the meaning set out at paragraph 12 of the ARIQ, as amended from time to time by subsequent Orders.

“Tax” or **“Taxes”** means any and all amounts subject to a withholding or remitting obligation and any and all taxes, duties, fees, and other governmental charges, duties, impositions and liabilities of any kind whatsoever whether or not assessed by the Taxing Authorities (including any Claims by any of the Taxing Authorities), including all interest, penalties, fines, fees, other charges and additions with respect to such amount.

“Tax Claim” means any Claim against any Petitioner for any taxes in respect of any taxation year or period ending on or prior to the Filing Date, and in any case where a taxation year or period

commences on or prior to the Filing Date, for any taxes in respect of or attributable to the portion of the taxation period commencing prior to the Filing Date and up to and including the Filing Date. For greater certainty, a Tax Claim shall include, without limitation, any and all Claims of any Taxing Authority in respect of transfer pricing adjustments and any Canadian or non-resident tax related thereto.

“Taxing Authorities” means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, the Canada Revenue Agency and any similar revenue or taxing authority of any state, province, territory or other political subdivision in any other jurisdiction outside of Canada.

“Unaffected Claim” means, collectively:

- (i) any claim of an employee of any Petitioner for wages, including accrued vacation liabilities, but excluding severance or termination pay;
- (ii) any claim secured by any of the CCAA Charges (except the Intercompany Advance Charge pursuant to articles 2.7 and 5.2(xv));
- (iii) any claim that cannot be compromised due to the provisions of Sections 5.1(2) and 19(2) of the CCAA;
- (iv) any claim in respect of any payments referred to in Sections 6(3), 6(5) and 6(6) of the CCAA; and
- (v) any Post-Filing Claims.

“Undelivered Distribution” has the meaning set forth in article 4.6 hereof.

“Undelivered Distribution Notification” has the meaning set forth in article 4.6 hereof.

“Undelivered Distribution Notification Deadline” means the date that is sixty (60) calendar days following the Effective Date, or such later date that may be ordered by the Court.

“Unresolved Claim” means any Claim (or the portion thereof) in respect of which a Proof of Claim (as defined in the Claims Process Order) has been filed in a proper and timely manner or a Claims Notice (as defined in the Claims Process Order) has been delivered by any Petitioner or the Monitor, in each case prior to the applicable Claims Bar Date in accordance with the Claims Process Order, but which Claim has not been finally determined in accordance with the Claims Process Order. For greater certainty, Unresolved Claims shall not include any Claims that have been revised or disallowed in the Claims Process, which revision or disallowance constitutes a final determination of the Claim.

“Unsecured Creditor Cash Pool” means the Cash pool to be created in accordance with article 4.2 and held by the Monitor, in an amount that is sufficient (i) to satisfy the Cash Distribution, and (ii) to pay each holder of an Unresolved Claim the amount such holder would be entitled to receive under the Plan if such Unresolved Claim (or certain portions thereof) is determined to be a Proven Claim in accordance with the Claims Process Order.

“Unsecured Creditor Cash Pool Account” means a segregated interest-bearing account established by the Monitor to hold the Unsecured Creditor Cash Pool.

“US Restructuring Agreement” means an agreement among, *inter alios*, the Plan Sponsor and CN Corp, pursuant to which the Plan Sponsor will acquire the New CN Corp Shares for total consideration of approximately US \$20.1 million, comprised of: (i) an exchange of approximately US \$16.1 million of indebtedness owing by the Operating Subsidiaries to the Plan Sponsor, and (ii) a cash equity investment in CN Corp of approximately US \$4 million.

“US Restructuring Transaction” means, collectively, the transactions contemplated by the US Restructuring Agreement.

“Valid Transferee” means the transferee or assignee of a Claim that has provided the Petitioners and the Monitor with a Notice of Transfer or Assignment by no later than seven (7) calendar days prior to the Initial Distribution Date and has had such Claim transferred or assigned to it in accordance with the Claims Process Order.

“Voting Public Noteholder Claimant” means any Public Noteholder Claimant that validly votes on the Resolution by way of the Public Noteholder Claimant Vote.

“Website” means the website at the following URL: www.pwc.com/ca/FONE.

1.2 Construction

In the Plan, unless otherwise stated or the context otherwise requires:

- (i) the division of the Plan into articles and sections and the use of headings are for convenience of reference only and do not affect the construction or interpretation of the Plan;
- (ii) the words “hereunder”, “hereof”, and similar expressions, refer to the Plan and not to any particular article, section or schedule and references to articles, sections and schedules are to articles and sections of, and schedules to the Plan;
- (iii) words importing the singular include the plural and vice versa and words importing any gender include all genders;
- (iv) the words “includes” and “including”, and similar terms of inclusion shall not, unless expressly modified by the words only or solely, be construed as terms of limitation, but rather shall mean “includes without limitation”, or “including without limitation”, as applicable, so that references to included matters shall be regarded as illustrative without being either characterizing or exhaustive;
- (v) a reference to any statute is to that statute as now enacted or as the statute may from time to time be amended, re-enacted or replaced, and includes any regulation made thereunder;
- (vi) a reference to any agreement, indenture or other document is to that document as amended, supplemented, restated or replaced from time to time;

- (vii) unless otherwise specified, all references to dollar amounts or to the symbol \$ are references to Canadian dollars; and
- (viii) unless otherwise specified, all references to time herein and in any document issued pursuant hereto mean local time in Vancouver, British Columbia, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day.

ARTICLE 2 PURPOSE, EFFECT OF PLAN AND OPERATIONS

2.1 Purpose of Plan

The purpose of the Plan is to:

- (i) facilitate a restructuring transaction whereby, pursuant to the Plan and the Canadian Restructuring Agreement and the US Restructuring Agreement, (a) the existing shares of CN Corp held by FO Corp will be acquired by CN Corp for cancellation and CN Corp will issue new shares to the Plan Sponsor (the “**New CN Corp Shares**”), and (b) CN Corp will acquire all Litigation Claims of the Petitioners;
- (ii) effect a compromise and arrangement of all Claims;
- (iii) effect a release and discharge of all Claims; and
- (iv) ensure the continuation of the Operating Subsidiaries and their business,

all with the expectation that Affected Creditors derive a greater benefit from the implementation of the Plan than they would from a bankruptcy or liquidation of the Flower One Entities.

2.2 Overview of Plan

The Plan is to be implemented concurrently with the closing of the Canadian Restructuring Transaction and the US Restructuring Transaction. Implementation of the Plan will begin on the Effective Date, and distributions of (i) the Private Debenture Notes to the Private Noteholder Claimants (as discussed below), and (ii) the Cash Distributions to the Public Noteholder Claimants and General Unsecured Creditors, will begin on the Initial Distribution Date.

Pursuant to the US Restructuring Transaction, CN Corp will issue New CN Corp Shares to the Plan Sponsor for total consideration of approximately US \$20.1 million, comprised of: (i) the Plan Sponsor exchanging approximately US \$16.1 million of indebtedness owing by the Operating Subsidiaries to the Plan Sponsor, and (ii) the Plan Sponsor making a cash equity investment in CN Corp of approximately US \$4 million.

Pursuant to the Canadian Restructuring Transaction: (i) the Plan Sponsor will subordinate the entirety of its Plan Sponsor Term Loan Claim in favour of the Proven Claims of all Affected Creditors, and (ii) CN Corp will (a) subordinate the entirety of the Intercompany Advance Claims and any other Intercompany Claims in favour of the Proven Claims of all Affected Creditors, (b) advance an amount of Cash to the Unsecured Creditor Cash Pool Account necessary to establish

the Unsecured Creditor Cash Pool, (c) issue the Private Debenture Notes to the Private Noteholder Claimants, (d) acquire all Litigation Claims of the Petitioners, and (e) acquire all issued and outstanding shares of CN Corp held by FO Corp, for cancellation.

Upon implementation of the Plan, (i) all Claims will be deemed to have been compromised, discharged and released, and (ii) the Public Debentures and Private Debentures will be deemed to have been cancelled.

As further detailed herein, following implementation of the Plan (i) Public Noteholder Claimants will receive a US denominated cash distribution equal to ten percent (10%) of the amount of their Public Noteholder Claims, converted to US denominated currency as of the Filing Date, (ii) General Unsecured Creditors will receive a US denominated cash distribution equal to ten percent (10%) of the amount of their Proven Claims, converted to US denominated currency as of the Filing Date, and (iii) Private Noteholder Claimants will receive the Private Debenture Notes, with a US denominated principal amount equal to ten percent (10%) of the amount of their proven Private Noteholder Claims, converted to US denominated currency as of the Filing Date.

The implementation of the Plan and the completion of the Canadian Restructuring Transaction and the US Restructuring Transaction will ensure the preservation and uninterrupted continuation of the Business under the ultimate ownership of the Plan Sponsor.

2.3 Persons Affected by the Plan

The Plan provides for a settlement of the Claims and a restructuring of the Flower One Entities and will become effective on the Effective Date in accordance with the steps set out in article 6.2 hereof.

As at the Effective Time, the Claims will be fully and finally compromised, released, settled and discharged to the extent provided for under the Plan. The Plan shall be binding on and shall enure to the benefit of the Petitioners, the Affected Creditors, the Released Parties and all other Persons directly or indirectly named or referred to in or subject to the Plan and each of their respective heirs, executors, administrators, legal representatives, successors, and assigns in accordance with the terms hereof.

2.4 Persons not Affected by the Plan

The Plan does not affect Unaffected Claims. Persons with Unaffected Claims will not be entitled to vote on or receive any distributions under the Plan in respect of such Unaffected Claims. Nothing in the Plan shall affect any of the Petitioners' rights and defences, both legal and equitable, with respect to any Unaffected Claim, including all rights with respect to legal and equitable defences or entitlements to set-offs and recoupments against such Unaffected Claims.

The Petitioners' obligation to Persons with Unaffected Claims (if any) will be: (a) in the case of Claims in respect of any payments referred to in section 6(3) of the CCAA, paid in full within six months of the Effective Date; (b) paid in the ordinary course; or (c) otherwise satisfied pursuant to arrangements negotiated among the relevant parties with the approval of the Monitor.

2.5 Existing Flower One Securities-holders

All Existing Flower One Securities-holders shall not be entitled to receive any distributions under the Plan or otherwise receive any other compensation in respect of their Existing Flower One Securities.

2.6 Subordination of Plan Sponsor Claim

Notwithstanding anything to the contrary in the Plan, on the Effective Date, the Plan Sponsor shall (i) be deemed to have subordinated the entirety of the Plan Sponsor Term Loan Claim in favour of the Proven Claims of all Affected Creditors, and (ii) not be entitled to any distributions under the Plan in respect of the Plan Sponsor Term Loan Claim. For greater certainty and except as may otherwise be set out in the US Restructuring Agreement, nothing in this Plan shall affect any rights or claims that the Plan Sponsor may have in respect of or against the Operating Subsidiaries.

2.7 Subordination of Intercompany Claims

Notwithstanding anything to the contrary in the Plan, on the Effective Date, (i) each of CN Corp and the other Operating Subsidiaries shall (a) be deemed to have subordinated the entirety of any Intercompany Advance Claim or other Intercompany Claim in favour of the Proven Claims of all Affected Creditors, and (b) not be entitled to any distributions under the Plan in respect of any Intercompany Advance Claim or other Intercompany Claim, except in the case of CN Corp on account of its Intercompany Advance Claim pursuant to article 4.7(vi); and (ii) the Intercompany Advance Charge shall be released.

2.8 Unresolved Claims

No holder of an Unresolved Claim shall be entitled to receive any payment or distribution hereunder with respect to an Unresolved Claim or any portion thereof unless and until, and then only to the extent that, such Unresolved Claim is finally determined pursuant to the Claims Process Order or any other Order and becomes a Proven Claim.

To the extent that any Unresolved Claim has become a Proven Claim, the holder of such Unresolved Claim shall be entitled to receive a distribution in respect of such Proven Claim in accordance with article 4.7(iii).

2.9 Interest, fees and expenses

Interest shall not accrue or be paid on Claims after the Filing Date, and no holder of a Claim shall be entitled to interest accruing nor to fees and expenses incurred in respect of a Claim on or after the Filing Date and any Claims in respect of interest accruing or fees and expenses incurred on or after the Filing Date shall be deemed to be forever extinguished and released.

ARTICLE 3
CLASSIFICATION OF CREDITORS, VOTING CLAIMS AND RELATED MATTERS

3.1 Claims Process

The Claims Process shall be governed by the Claims Process Order and any other applicable Order. Where there is any inconsistency between the terms of the Plan and any Order relating to the Claims Process, the terms of the Claims Process Order will govern, except that the Plan will govern with respect to the definition of "Unaffected Claims".

Nothing in the Plan extends or shall be interpreted as extending or amending the Claims Bar Date (as defined in the Claims Process Order), or gives or shall be interpreted as giving any rights to any Person in respect of Claims that have been barred or extinguished pursuant to the Claims Process Order.

3.2 Classes of Creditors

For purposes of voting on the Plan, there will be only one Class of creditors composed of all Affected Creditors.

3.3 Meeting

The Meeting shall be convened on the Meeting Date, as set out in the Meeting Order, and held in accordance with the CCAA, the Meeting Order and the Plan.

The only Persons entitled to attend the Meeting are: (a) the Affected Creditors and their legal counsel, (b) the Public Debenture Trustee and its legal counsel; (c) the Petitioners and their legal counsel and advisors; (d) the Directors and Officers and their legal counsel and advisors; (e) the Monitor and its legal counsel; and (f) the Plan Sponsor and its legal counsel and advisors. Any other Person may be admitted only on invitation of the chair of the Meeting.

3.4 Public Noteholder Claimant Vote

By way of the Public Noteholder Claimant Vote, the Public Noteholder Claimants may vote on whether to approve the Resolution. Each Public Noteholder Claimant shall be entitled to one vote, which vote shall have a value equal to the dollar value of its Public Noteholder Claim. At the Meeting, the Public Debenture Trustee, as agent for all Public Noteholders, shall, whether in person or by proxy, vote on the Resolution in accordance with the Public Noteholder Claimant Vote.

3.5 Parties Not Entitled to Vote

Persons having Unaffected Claims or Existing Flower One Securities-holders are not entitled to vote on the Plan in respect of their Unaffected Claims or their Existing Flower One Securities.

3.6 Approval by Required Majority

In order to be approved, the Resolution must receive an affirmative vote by the Required Majority of the Class.

The Public Debenture Trustee shall record and tabulate all votes cast by the Voting Public Noteholder Claimants by way of the Public Noteholder Claimant Vote.

3.7 Assignment of Public Noteholder Claims

A Public Noteholder Claimant may not transfer or assign its Public Noteholder Claim, in whole or in part, between the Broadridge Search Date and the Meeting Date.

ARTICLE 4 ADMINISTRATIVE RESERVE, DISTRIBUTIONS AND PAYMENTS

4.1 Administrative Reserve

On the Effective Date, the Petitioners shall transfer the amount of Cash necessary to establish the Administrative Reserve from the Available Funds to the Administrative Reserve Account.

The Monitor shall hold the Administrative Reserve in the Administrative Reserve Account for the purpose of paying the Administrative Reserve Costs in accordance with the Plan and shall distribute the remaining balance in the Administrative Reserve Account in accordance with article 4.7 of the Plan.

4.2 Creation of the Unsecured Creditor Cash Pool

On the Effective Date, the Petitioners shall transfer the amount of Cash necessary to establish the Unsecured Creditor Cash Pool from Available Funds to the Unsecured Creditor Cash Pool Account.

The Monitor shall hold the Unsecured Creditor Cash Pool in the Unsecured Creditor Cash Pool Account and shall distribute such monies in accordance with articles 4.4 and 4.7 of the Plan

All distributions and disbursements to be effected pursuant to the Plan shall be made pursuant to this article 4 and shall occur in the manner set out below by the Monitor, for and on behalf of the Petitioners.

4.3 Payment of Administrative Reserve Costs

On or after the Effective Date, the Monitor, for and on behalf of the Petitioners, shall, from time to time, pay the Administrative Reserve Costs from the Administrative Reserve Account.

4.4 Distributions to General Unsecured Creditors and Public Noteholder Claimants

On the Initial Distribution Date, the Monitor, for and on behalf of each of the Petitioners, shall make a US denominated cash distribution to General Unsecured Creditors and Public Noteholder

Claimants in an amount equal to ten percent (10%) of their respective Proven Claims, converted to US denominated currency as of the Filing Date (the “**Cash Distribution**”), from the Unsecured Creditor Cash Pool, by cheque sent by pre-paid ordinary mail: (i) in the case of General Unsecured Creditors, to the last known municipal address recorded in the Petitioners’ books and records or such other address that has been provided to the Petitioners prior to the Initial Distribution Date, (ii) in the case of a General Unsecured Creditor that is a Valid Transferee, to the address set out in such Valid Transferee’s Notice of Transfer or Assignment, and (iii) in the case of Public Noteholder Claimants, to the Public Debenture Trustee or as may be directed by the Public Debenture Trustee, such that each Public Noteholder Claimant will receive its Cash Distribution.

4.5 Distributions to Private Noteholder Claimants

On the Initial Distribution Date, CN Corp shall deliver Private Debenture Notes to each of the Private Noteholder Claimants in a US denominated principal amount equal to ten percent (10%) of their respective Proven Claims, converted to US denominated currency as of the Filing Date (the “**Private Note Distribution**”), by pre-paid ordinary mail or e-mail to the last known municipal address or e-mail address recorded in the Petitioners’ books and records or such other address provided to the Petitioners, CN Corp and the Monitor prior to the Initial Distribution Date, including, for greater certainty, pursuant to any Notice of Transfer or Assignment.

4.6 Undeliverable Distributions

If any Affected Creditor’s distribution in respect of its Claim is returned as undeliverable or is not cashed (an “**Undelivered Distribution**”), no further distributions to such Affected Creditor shall be made unless and until the Petitioners and the Monitor are notified in writing by such Affected Creditor of its current address (the “**Undelivered Distribution Notification**”) and such Undelivered Distribution Notification is provided to the Petitioners and the Monitor prior to the Undelivered Distribution Notification Deadline. Any claim for an Undelivered Distribution must be made before the Undelivered Distribution Notification Deadline and as at such date, the Claim of such Affected Creditor with respect to the Undelivered Distribution shall be forever discharged and forever barred, without any compensation therefor, at which time: (i) in the case of any Undelivered Distribution that is a Cash Distribution, such Undelivered Distribution shall be transferred to the Administrative Reserve Account; and (ii) in the case of any Undelivered Distribution that is a Private Note Distribution, such related Private Debenture Note shall be cancelled by CN Corp. Nothing in the Plan or Sanction and Vesting Order shall require the Monitor, the Petitioners or CN Corp to attempt to locate any Affected Creditor whose distribution is returned as undeliverable.

4.7 Final Distribution

On or before the Final Distribution Date:

- (i) in the case of any Undelivered Distribution that is a Cash Distribution and in respect of which an Affected Creditor has, pursuant to article 4.6, provided the Petitioners and the Monitor with an Undelivered Distribution Notification prior to the Undelivered Distribution Notification Deadline, the Monitor shall, for and on behalf of each applicable Petitioner, pay such Affected Creditor an amount equal to such Affected Creditor’s Undelivered Distribution, without interest, and such

payment shall be made by way of cheque to the address set out in such Affected Creditor's Undelivered Distribution Notification;

- (ii) in the case of any Undelivered Distribution that is a Private Note Distribution and in respect of which an Affected Creditor has, pursuant to article 4.6, provided the Petitioners and the Monitor with an Undelivered Distribution Notification prior to the Undelivered Distribution Notification Deadline, CN Corp shall deliver to such Affected Creditor a Private Debenture Note in a principal amount equal to such Affected Creditor's Undelivered Distribution, without any accrued interest for the period prior to delivery of such Private Debenture Note, and such Private Debenture Note shall be delivered to the municipal or e-mail address set out in such Affected Creditor's Undelivered Distribution Notification;
- (iii) to the extent that any Unresolved Claim has become a Proven Claim, the Monitor, on behalf of each applicable Petitioner shall, for and on behalf of each applicable Petitioner, pay such Affected Creditor the amount that such Affected Creditor would have been entitled to receive in respect of its Proven Claim on the Initial Distribution Date had such Unresolved Claim been a Proven Claim on the Initial Distribution Date;
- (iv) each of the Petitioners shall transfer all of their remaining Cash (if any) to the Administrative Reserve Account;
- (v) the Monitor, on behalf of each of the Petitioners, shall pay any final Administrative Reserve Costs; and
- (vi) thereafter, the Monitor shall transfer any balance remaining in the Administrative Reserve Account and the Unsecured Creditor Cash Pool Account, less a retainer in the amount of \$50,000 to fund the costs and expenses associated with any bankruptcy of the Petitioners, to CN Corp as payment towards its Intercompany Advance Claim.

4.8 Assignment of Claims Subsequent to the Meeting

After the Meeting Date, an Affected Creditor may transfer or assign the whole, but not part, of its Claim by delivering to the Petitioners and the Monitor a Notice of Transfer or Assignment. The Monitor shall not be obligated to make distributions to any transferee or assignee of a Claim or otherwise deal with such transferee or assignee unless and until the Monitor and each of the Petitioners have received a Notice of Transfer or Assignment prior to 5:00 p.m. on that day that is at least seven (7) calendar days prior to the Initial Distribution Date. Upon transfer or assignment of a Claim in accordance herewith, each applicable Valid Transferee shall, for all purposes constitute an Affected Creditor and shall be bound by notices given and steps taken in respect of such Claim. For greater certainty, the Petitioners shall not recognize partial transfers or assignments of Claims. A Valid Transferee shall not be entitled to set-off, apply, merge,

consolidate, or combine any such Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such transferee or assignee to any of the Petitioners.

4.9 Taxes

In connection with the Plan and all distributions hereunder, the Petitioners shall, to the extent applicable, comply with all Tax withholding and reporting requirements imposed by any law of a federal, state, provincial, local, or foreign taxing authority, and all distributions hereunder shall be subject to, and made net of, any such withholding and reporting requirements. Notwithstanding any other provision of the Plan, each Person that is to receive a distribution pursuant to the Plan shall have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed by any governmental entity, including income, withholding and other Tax obligations, on account of such distribution, and shall indemnify the Monitor and the Petitioners for any losses resulting from such Person's failure to satisfy and pay such Tax obligations.

4.10 Crown Priority Claims

As soon as practicable after the Effective Date, and within six months after the date of the Sanction and Vesting Order, each Petitioner shall pay in full to His Majesty in Right of Canada or of a province all amounts that were outstanding at the Filing Date and are of a kind that could be subject to a demand under:

- (i) subsection 224(1.2) of the *Income Tax Act*;
- (ii) any provision of the *Canada Pension Plan* or of the *Employment Insurance Act* that refers to subsection 224(1.2) of the *Income Tax Act* and provides for the collection of a contribution, as defined in the *Canada Pension Plan*, or an employee's premium, or employer's premium, as defined in the *Employment Insurance Act*, or a premium under Part VII.1 of that Act, and of any related interest, penalties or other amounts; or
- (iii) any provision of provincial legislation that has a similar purpose to subsection 224(1.2) of the *Income Tax Act*, or that refers to that subsection, to the extent that it provides for the collection of a sum, and of any related interest, penalties or other amounts, where the sum:
 - (i) has been withheld or deducted by a person from a payment to another person and is in respect of a tax similar in nature to the income tax imposed on individuals under the *Income Tax Act*; or
 - (ii) is of the same nature as a contribution under the *Canada Pension Plan* if the province is a "province providing a comprehensive pension plan" as defined in subsection 3(1) of the *Canada Pension Plan* and the provincial legislation establishes a "provincial pension plan" as defined in that subsection.

ARTICLE 5
SANCTION AND VESTING ORDER AND CONDITIONS TO PLAN
IMPLEMENTATION

5.1 Application for Sanction and Vesting Order

The Petitioners shall use commercially reasonable efforts to obtain the Sanction and Vesting Order on or before December 21, 2022. Subject to the Sanction and Vesting Order being granted and the satisfaction of the Conditions Precedent, the Plan will be implemented as provided in article 6.2 hereof.

5.2 Effect of the Sanction and Vesting Order

In addition to sanctioning the Plan, the Sanction and Vesting Order to be sought by the Petitioners shall, without limitation to any other terms that it may contain:

- (i) confirm that the Meeting was duly called and held in accordance with the Meeting Order;
- (ii) declare that: (i) the Plan has been approved by the Required Majority of the Class in conformity with the CCAA; (ii) the Petitioners have complied with the provisions of the CCAA and all Orders in all respects; (iii) the Court is satisfied that the Petitioners have not done or purported to do anything that is not authorized by the CCAA; and (iv) the Plan and the transactions contemplated therein and effected thereby are procedurally and substantively fair and reasonable to all Persons affected by the Plan;
- (iii) declare that, as at the Effective Time, the Plan and all associated steps, compromises, transactions, arrangements, assignments, releases and the restructuring effected thereby are approved, binding and effective as herein set out upon the Petitioners, the Affected Creditors, the Existing Flower One Securities-holders and all other Persons affected by the Plan;
- (iv) declare that the compromises, arrangements, discharges and the releases referred to in the Plan are approved and shall become binding and effective in accordance with the Plan;
- (v) compromise, discharge and release the Petitioners from any and all Claims and declare that the ability of any Person to proceed against the Petitioners in respect of or relating to any such Claims shall be forever discharged, extinguished, released and restrained, and all proceedings with respect to, in connection with or relating to such Claims shall be permanently stayed against the Petitioners, subject only to the right of Affected Creditors to receive distributions pursuant to the Plan in respect of their Proven Claims, and declare that all other releases provided for by the Plan shall be effective from and after the Effective Time;

- (vi) declare that, on the Effective Date, the Plan Transactions shall be deemed to occur, including that the Public Debentures, Private Debentures and all CN Corp Shares shall be cancelled and shall be of no further force or effect;
- (vii) authorize and direct the Petitioners to complete the Plan Transactions and the Canadian Restructuring Transaction, all without the need for any further approvals or actions on the part of the Directors and Officers or any other Persons;
- (viii) authorize all Persons named in the Plan to perform their functions and fulfil their obligations under the Plan to facilitate the implementation of the Plan;
- (ix) declare that all distributions to the Affected under the Plan are for the account of the Petitioners and the fulfillment of the Petitioners' obligations under the Plan;
- (x) direct the Monitor to file the Monitor's Plan Implementation Certificate in the CCAA Proceedings upon being advised by the Petitioners and the Plan Sponsor that the Plan Transactions and the Canadian Restructuring Transaction have been completed and any other remaining Conditions Precedent to implementation of the Plan have been satisfied;
- (xi) deem the remaining Directors and Officers of the Petitioners to have resigned without replacement on the Final Distribution Date, unless such Persons affirmatively elect to remain as a Director or Officer in order to facilitate any Plan Transaction steps in connection with the wind-down of any of the Petitioners;
- (xii) authorize each of the Petitioners and/or the Monitor, for and on behalf of each of the Petitioners, to take such steps as may be necessary for the Petitioners to make an assignment into bankruptcy;
- (xiii) direct CN Corp to maintain the books and records of the Petitioners for purposes of assisting the Monitor or any trustee in bankruptcy in the orderly wind-down of the Petitioners;
- (xiv) declare that the Stay Period continues until the discharge of the Monitor; and
- (xv) release the Intercompany Advance Charge as at the Effective Date;
- (xvi) provide for the continuation of the Administration Charge and the D&O Charge over the Administrative Reserve, which shall survive the Effective Date; and
- (xvii) authorize the Monitor to apply to the Court for its discharge.

5.3 Conditions Precedent to Plan Implementation

The implementation of the Plan is subject to the satisfaction of the following Conditions Precedent on or prior to the Effective Date:

- (i) the US Restructuring Agreement shall have been duly executed by the parties thereto and the transactions contemplated thereby shall have closed;

- (ii) the Canadian Restructuring Agreement shall have been duly executed by the parties thereto and the transactions contemplated thereby shall have closed and CN Corp shall thereupon be obligated to issue and deliver the Private Debenture Notes to the Private Noteholder Claimants;
- (iii) the Monitor shall be holding sufficient funds in the Administrative Reserve Account to satisfy any obligations to professionals assisting with and giving effect to the Plan Transaction up to the Final Distribution Date;
- (iv) the Monitor shall be holding sufficient funds in the Unsecured Creditor Cash Pool Account to fund all of the Cash Distributions;
- (v) the Petitioners shall have sufficient funds to satisfy all Crown Priority Claims and Unaffected Claims;
- (vi) the Plan shall have been approved by the Required Majority of the Class;
- (vii) the Plan shall have been approved and sanctioned by the Court and the Sanction and Vesting Order shall have been granted by the Court and shall not have been vacated, set aside or stayed;

5.4 Failure to Satisfy Conditions Precedent

If the Conditions Precedent are not satisfied in accordance with article 5.3 hereof on or before January 31, 2022, or such later date as may be agreed to by the Petitioners and the Plan Sponsor, the Plan shall not be implemented and shall cease to have any further force or effect.

5.5 Monitor's Plan Implementation Certificate

Following the implementation of the Plan in accordance with its terms and no later than the Initial Distribution Date, the Monitor shall deliver the Monitor's Plan Implementation Certificate to the Petitioners and Plan Sponsor and, as soon as reasonably practicable thereafter, file a copy with the Court and post a copy of same on the Website.

ARTICLE 6 RESTRUCTURING AND PLAN IMPLEMENTATION

6.1 Corporate and Other Authorizations

The adoption, execution, delivery, implementation and consummation of all matters contemplated under the Plan involving corporate or other actions of the Petitioners shall occur and be effective as of the Effective Time and shall be authorized and approved under the Plan and by the Court, where appropriate, as part of the Sanction and Vesting Order, in all respects and for all purposes without any requirement of further action by any of the Directors and Officers or Existing Flower One Securities-holders. All necessary approvals to take actions, if required, shall be deemed to have been obtained from the board of directors of each of the Petitioners, as applicable.

6.2 Plan Transactions

On or prior to the Effective Date, all Conditions Precedent must be satisfied in accordance with the Plan and the Sanction and Vesting Order, and all actions, documents, agreements and funding necessary to implement all of the following transactions must be in place and be final and irrevocable prior to the Effective Date and shall then be held in escrow and shall be released without any further act or formality, and no other act or formality shall be required.

On the Effective Date:

- (i) the CN Corp Shares shall be cancelled;
- (ii) all Public Debentures and Private Debentures shall be cancelled and shall be of no further force or effect, and the obligations of Flower One thereunder or in any way related therewith shall be satisfied and discharged, without any return of capital and with no compensation or participation being provided or payable therefor, or in connection therewith (except as expressly provided in the Plan), and all certificates or documents formerly representing the Public Debentures and Private Debentures shall be deemed to be cancelled and shall be null and void;
- (iii) subject to article 4.7(vi), the Plan Sponsor Term Loan Claim and Intercompany Advance Claims shall be and shall be deemed to be subordinated as against all Affected Creditors, in accordance with articles 2.6 and 2.7 hereof;
- (iv) all Claims (including Unresolved Claims) shall be and shall be deemed to be forever discharged and released, excepting only the obligations to make distributions in respect of such Claims in the manner and to the extent provided for in the Plan; and
- (i) all definitive legal documentation contemplated by the Plan and the Sanction and Vesting Order, and necessary to complete the Plan Transactions, shall have been finalized, executed and will be released from escrow.

Notwithstanding anything to the contrary herein, after the Effective Date, each Petitioner shall take such steps as are necessary to record, document and give effect to the Plan Transactions.

ARTICLE 7 EFFECT OF PLAN

7.1 Binding Effect of the Plan

The Plan (including, without limitation, the releases and injunctions contained herein), upon being sanctioned and approved by the Court pursuant to the Sanction and Vesting Order, shall be binding as of the Effective Time on all Persons irrespective of the jurisdiction in which the Persons reside or in which the Claims arose, and shall constitute:

- (i) full, final and absolute settlement of all rights of any Affected Creditors; and
- (ii) an absolute release, extinguishment and discharge of all indebtedness, liabilities and obligations of or in respect of any Claims (including Unresolved Claims).

7.2 Released Parties

From and after the Effective Time, each of the Released Parties shall be released and discharged from any and all demands, claims, actions, causes of action, counterclaims, suits, debts, sums of money, accounts, covenants, damages, judgments, expenses, executions, liens and other recoveries on account of any indebtedness, liability, obligation, demand or cause of action of whatever nature that any Person (including any Person who may claim contribution or indemnification against or from the Released Parties) may be entitled to assert, including any and all Claims in respect of statutory liabilities of directors and officers, whether known or unknown, matured or unmatured, direct, indirect or derivative, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Effective Time relating to, arising out of or in connection with any Claim, including any Claim arising out of (a) the restructuring, disclaimer, resiliation, breach or termination of any contract, lease, agreement or other arrangement, whether written or oral, entered into by the Petitioners; (b) the Plan and any other transaction referenced in and relating to the Plan;; (c) the Canadian Restructuring Transaction; and (d) the CCAA Proceedings (collectively, the “**Released Matters**”).

From and after the Effective Time, all Persons, along with their respective affiliates, present and former officers, directors, employees, associated individuals, auditors, financial advisors, legal counsel, other professionals, sureties, insurers, indemnities, agents, dependants, heirs, representatives and assigns, as applicable, are permanently and forever barred, estopped, stayed and enjoined, on and after the Effective Time, with respect to claims against the Released Parties in respect of the Released Matters, from:

- (i) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits, demands or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any of the Released Parties;
- (ii) enforcing, levying, attaching, collecting or otherwise recovering or enforcing by any manner or means, directly or indirectly, any judgment, award, decree or order against any of the Released Parties or their property;
- (iii) commencing, conducting or continuing in any manner, directly or indirectly, any action, suits or demands, including without limitation by way of contribution or indemnity or other relief, in common law, or in equity, breach of trust or breach of fiduciary duty or under the provisions of any statute or regulation, or other proceedings of any nature or kind whatsoever (including, without limitation, any proceeding in a judicial, arbitral, administrative or other forum) against any Person who, as a result, makes or might reasonably be expected to make a claim, in any manner or forum, against any of the Released Parties;
- (iv) creating, perfecting, asserting or otherwise enforcing, directly or indirectly, any lien or encumbrance of any kind; or
- (v) taking any actions to interfere with the implementation or consummation of the Plan or the transactions contemplated therein.

7.3 Claims Not Released

For clarity, nothing in articles 7.1 or 7.2 shall release or discharge:

- (i) the Petitioners from or in respect of any Unaffected Claim or their obligations to Affected Creditors under the Plan or under any Order; and
- (ii) a Released Party if the Released Party is adjudged by the express terms of a judgment rendered on a final determination on the merits to have committed fraud or wilful misconduct or in the case of the Directors, in respect of any claim referred to in section 5.1(2) of the CCAA.

7.4 General

On the Effective Date, or as otherwise provided in the Plan:

- (i) the Plan will become effective at the Effective Time and the Plan Transaction steps will be implemented;
- (ii) the treatment of Claims under the Plan shall be final and binding for all purposes and enure to the benefit of the Petitioners, all Affected Creditors, the Released Parties and all other Persons and parties named or referred to in, or subject to, the Plan and their respective heirs, executors, trustees in bankruptcy, administrators and other legal representatives, successors and assigns;
- (iii) all Claims (including Unresolved Claims) shall be and shall be deemed to be forever discharged and released;
- (iv) each Person named or referred to in, or subject to, the Plan shall be deemed to have consented and agreed to all of the provisions of the Plan, in its entirety;
- (v) each Person named or referred to in, or subject to, the Plan shall be deemed to have executed and delivered to the Petitioners all consents, releases, directions, assignments and waivers, statutory or otherwise, required to implement and carry out the Plan in its entirety; and
- (vi) each Person named or referred to in, or subject to, the Plan shall be deemed to have received from the Petitioners all statements, notices, declarations and notifications, statutory or otherwise, required to implement and carry out the Plan in its entirety.

ARTICLE 8 GENERAL

8.1 Amendments to the Plan

Before the Meeting, with the prior consent of the Plan Sponsor, the Petitioners may at any time and from time to time, amend the Plan by written instrument and the Monitor shall post such amendment on the Website.

After the Meeting, with the prior consent of the Plan Sponsor, the Petitioners may at any time and from time to time amend the Plan:

- (i) without an Order if, in the opinion of the Monitor, such amendment would not be materially prejudicial to the financial or economic interests of the Affected Creditors or is necessary to give effect to the full intent of the Plan or the Sanction and Vesting Order; or
- (ii) pursuant to an Order made on notice to all Persons potentially affected by such variation, amendment, modification or supplement.

8.2 Severability

If, prior to the Effective Time, any provision of the Plan is held by the Court to be invalid, void or unenforceable, the Court, at the request of the Petitioners having the prior consent of the Plan Sponsor, may alter and interpret such provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of such provision, and such provision will then be applicable as altered or interpreted and the remainder of the provisions of the Plan will remain in full force and effect and will in no way be invalidated by such alteration or interpretation.

8.3 Deeming Provisions

In the Plan, the deeming provisions are not rebuttable and are conclusive and irrevocable.

8.4 Paramountcy

From and after the Effective Time, any conflict between the Plan and the covenants, warranties, representations, terms, conditions, provisions or obligations, expressed or implied, of any contract, mortgage, security agreement, indenture, debenture, trust indenture, loan agreement, commitment letter, agreement for sale, bylaws of the Petitioners, lease or other agreement, written or oral and any and all amendments or supplements thereto existing between one or more of the Affected Creditors and any of the Petitioners as at the Effective Date will be deemed to be governed by the terms, conditions and provisions of the Plan and the Sanction and Vesting Order. Notwithstanding the foregoing, as between the Plan and the Sanction and Vesting Order, the terms of the Sanction and Vesting Order shall take precedence.

8.5 Set-Off

Subject to articles 2.4 and 4.8, the law of set-off applies to all Claims.

8.6 Responsibilities of the Monitor

The Monitor is acting in its capacity as monitor of the Petitioners in the CCAA Proceedings and not in its personal capacity and shall not be responsible or liable for any obligations of the Petitioners under the Plan, including with respect to the making of distributions or the receipt of any distribution by any Affected Creditors pursuant to the Plan. The Monitor will have the powers and protections granted to it by the Plan, the CCAA, the ARIO and any other Orders.

8.7 Different Capacities

Persons who are affected by the Plan may be affected in more than one capacity. Unless expressly provided herein to the contrary, a Person will be entitled to participate hereunder in each such capacity in accordance with the Meeting Order. Any action taken by a Person in one capacity will not affect such Person in any other capacity, unless otherwise provided in the Meeting Order, or unless expressly agreed by the Person in writing.

8.8 Further Assurances

At the request of the Monitor or the Petitioners, each of the Persons named or referred to in, or subject to, the Plan shall execute and deliver all such documents and instruments and do all such acts and things as may be necessary or desirable to carry out the full intent and meaning of the Plan and to give effect to the transactions contemplated herein, including the Plan Transactions, notwithstanding any provision of the Plan that deems any transaction or event to occur without further formality.

8.9 Governing Law

The Plan will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

8.10 Notices

Except as otherwise provided for in the Meeting Order, any other notice or other communication to be delivered or filed hereunder must be in writing and reference the Plan and may, subject as hereinafter provided, be made or given by email addressed to the respective parties as follows:

(i) **if to the Petitioners:**

4050 Losee Rd.
North Las Vegas, Nevada, 89030

Attention: Richard Ormond
Email: romond@flowerone.com

With a copy to:

Blake, Cassels & Graydon LLP
Suite 2600, 595 Burrard Street
Vancouver, British Columbia V7X 1L3
Attention: Peter Rubin and Aryo Shalviri
Email: peter.rubin@blakes.com; aryo.shalviri@blakes.com

(ii) **if to the Monitor:**

PricewaterhouseCoopers Inc.

Court-appointed Monitor of Flower One Holdings Inc. *et al.*

Suite 1400 – 250 Howe Street

Vancouver, British Columbia V6C 3S7

Attention: Neil Bunker and Jack Else

Email: neil.p.bunker@pwc.com; jack.else@pwc.com

With a copy to:

McCarthy Tetrault LLP

Suite 2400, 745 Thurlow St.

Vancouver, British Columbia V6E 0C5

Attention: Lance Williams and Ashley Bowron

Email: lwilliams@mccarthy.ca; abowron@mccarthy.ca

or to such other address as any party may from time to time notify the others in accordance with this article 8.10. All such communications that are sent by e-mail (scanned copy) will be deemed to be received on the day sent if sent before 5:00 p.m. on a Business Day and otherwise will be deemed to be received on the Business Day next following the day upon which such e-mail (scanned copy) was sent. The unintentional failure by the Petitioners to give a notice contemplated hereunder will not invalidate any action taken by any Person pursuant to the Plan. For clarity, any notice or communication in respect of a notice of dispute of claim filed with the Monitor must be delivered to the Monitor in accordance with the Claims Process Order.

DATED this 22nd day of November, 2022.

Flower One Holdings Inc.

Per: _____

Flower One Corp.

Per: _____

FO Labour Management Ltd.

Per: _____