

COURT FILE NUMBER

Clerk's stamp

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

MATTER

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

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF 420 INVESTMENTS LTD., 420 PREMIUM MARKETS LTD., GREEN ROCK CANNABIS (EC 1) LIMITED and 420 DISPENSARIES LTD.

APPLICANTS

420 INVESTMENTS LTD., 420 PREMIUM MARKETS LTD., GREEN ROCK CANNABIS (EC 1) LIMITED, and 420 DISPENSARIES LTD.

DOCUMENT

APPLICATION (AMENDED AND RESTATED CCAA INITIAL ORDER)

ADDRESS FOR SERVICE
AND CONTACT
INFORMATION OF
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DOCUMENT

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File No.: 155857.1002

NOTICE TO THE RESPONDENT(S)

This application is made against you. You are a respondent.

You have the right to state your side of this matter before the Court.

To do so, you must be in Court when the application is heard as shown below:

Date: September 19, 2024

Time: 2:00pm

Where: Calgary Law Courts – By Webex

Link to be provided

Before: The Honourable Justice Jones in Commercial Chambers

Go to the end of this document to see what you can do and when you must do it.

Remedy claimed or sought:

1. 420 Investments Ltd. ("**420 Parent**"), 420 Premium Markets Ltd. ("**420 Premium**"), Green Rock Cannabis (EC 1) Ltd. ("**GRC**") and 420 Dispensaries Ltd. ("**420 Dispensaries**") (collectively, "**FOUR20**" or the "**Applicants**") bring this application for an amended and restated initial order (the "**ARIO**") for the following relief:
 - (a) abridging the time for serving and deeming service of this Originating Application and supporting materials good and sufficient;
 - (b) declaring that each of the Applicants are companies to which the CCAA applies;
 - (c) declaring the proposal proceedings of 420 Parent, 420 Premium and GRC (collectively, the "**420 NOI Entities**") commenced under Division I of Part III of the *Bankruptcy and Insolvency Act* (the "**BIA**", and such proceedings the "**NOI Proceeding**") are taken up and continued under the CCAA pursuant to section 11.6(a) thereof, declaring that Division I of Part III of the BIA has no further application to the 420 NOI Entities, and terminating the NOI Proceedings, provided that, notwithstanding the termination of the NOI Proceedings, the First Stay Extension Order (as defined below) be taken up and continued to apply in these CCAA proceedings;
 - (d) appointing KSV Restructuring Inc. ("**KSV**") as Monitor of the Applicants;
 - (e) extending the stay of proceedings up to and including December 2024 or such further or other date as this Court may consider appropriate;
 - (f) authorizing the Applicants to carry on business in a manner consistent with the preservation of its business and property;
 - (g) authorizing the Applicants to pay the reasonable expenses incurred by it in carrying out its business in the ordinary course, including certain expenses incurred prior to the date of an initial order under the CCAA;
 - (h) authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its counsel, and Applicants' professional advisors;
 - (i) confirming the grant pursuant to the First Stay Extension Order in the NOI Proceedings of the following charges, continuing and taking up under the CCAA such charges and the amounts secured thereunder, confirming such charges attach to all of the assets and property of the Applicants and continue to rank in priority to all other charges, mortgages,

liens, security interests and other encumbrances therein, and in the following order priority amongst themselves:

- i. first – a charge in favour of the Monitor, its legal counsel, and the Applicants’ legal counsel in respect of their fees and disbursements, to a maximum amount of \$300,000 (the “**Administrative Charge**”);
 - ii. second – a charge in favour of the directors and officers of the Applicants, to a maximum amount of \$433,000 (the “**D&O Charge**”);
 - iii. third – a charge in favour of certain key employees of the Applicants, to a maximum amount of \$373,928.17 (the “**KERP Charge**”) less amounts already paid to employees
2. The Applicants also seek an Order substantially in the form attached as **Schedule “B”** for the following additional relief (the “**SISP Approval Order**”):
 - (a) approving the sales and investment solicitation process (“**SISP**”) attached as **Appendix “A”** to the SISP Approval Order to be undertaken by the Applicants, the Monitor and the Sales Agent, and authorizing and directing them to implement the SISP in accordance with the terms thereof;
3. The Applicants also seek an Order substantially in the form attached as **Schedule “C”** for the following additional relief (the “**Claims Procedure Order**”):
 - (a) establishing a claims process in the form application to the Claims Process Order.
4. Such further and other relief as this Honourable Court deems just.

Grounds for making this application:

Background

5. The Applicants are private corporations existing under the laws of the Province of Alberta. 420 Parent is the ultimate parent company of the FOUR20 group of companies. The FOUR20 business is focused on cannabis retail sales in western Canada. 420 Premium, 420 Dispensaries and GRC are directly or indirectly owned by 420 Parent.
6. On May 29, 2024, the NOI Entities each filed Notices of Intention to Make a Proposal with the Office of the Superintendent of Bankruptcy Canada pursuant to Section 50.4(1) of the BIA (the

“NOI Proceedings”). KSV Restructuring Inc. (the **“Proposal Trustee”**) is the Proposal Trustee in the NOI Proceedings.

7. On June 27, 2024, the NOI Entities brought an application (the **“First Stay Extension Application”**) to the Alberta Court of King’s Bench (the **“Court”**) for an Order: (i) extending the time for the NOI Entities to file a proposal to August 12, 2024, (ii) administratively consolidating the NOI Entities’ estates, and (iii) granting an Administration Charge, a D&O Charge and KERP Charge; and (iv) approving a KERP. The Court granted the NOI Entities First Stay Extension Application in full (the **“First Stay Extension Order”**).
8. On November 8, 2023, the NOI Entities brought an application (the **“Second Stay Extension Application”**) to the Court for an Order: (i) extending the time for the Applicants to file a proposal to September 26, 2024 (the **“Stay Period”**), and (ii) scheduling an appeal of a judgment granted by Applications Judge J.R. Farrington in Alberta Court of King’s Bench Action No. 2001-02873. The Second Stay Extension Application was granted in full.

Continuation into the CCAA Proceedings

9. The Stay Period in respect of the NOI Entities is presently scheduled to expire on September 26, 2024, and the 6-month limitation period for the finalization of the NOI Proceedings will expire on November 29, 2024.
10. The NOI Entities require that the NOI Proceedings continue on as a CCAA proceeding so that they can work towards a successful sale of assets for the benefit of their stakeholders, including its secured and unsecured creditors. The NOI Entities will be unable to make a proposal to their creditors within the statutory time periods provided for under Division I of Part III of the BIA as the SISF will extend past those statutory time periods. Converting from the NOI Proceedings to the CCAA proceedings presents the best chance for preserving any remaining value of the Applicants’ property in the circumstances.
11. The continuation of the proceeding under the CCAA is appropriate for, *inter alia*, the following reasons:
 - (a) the Applicants have acted and continue to act in good faith and with due diligence; and
 - (b) no creditor will be materially prejudiced by the requested continuation.
12. The Applicants have sufficient cash flow to continue their restructuring efforts under the CCAA.

13. No proposal within the meaning of the BIA has been filed by the NOI Entities under Division I of Part III of the BIA therefore the taking up and conversion of the Proposal Proceedings under the CCAA is not precluded under section 11.6 of the CCAA.
14. The Applicants are companies to which the CCAA applies; the Applicants are affiliate companies which have claims against them in excess of \$5,000,000 and are insolvent.
15. KSV as the Proposal Trustee and proposed Monitor supports the continuation of the Applicants restructuring efforts under the CCAA.

Approval of Sale and Investment Solicitation Process

16. The Applicants and the Monitor, with the assistance of the Sales Agent, have prepared the SISF whereby interested parties will have the opportunity to submit an offer to: (i) purchase shares or assets of the Applicants (or any one of them), or (ii) make an investment in the Applicants’ business by way of a refinancing, reorganization, recapitalization, restructuring or other business transaction involving the Applicants, or any one of them. The goal of the SISF is for the Applicants to complete one or more transactions as soon as practical (subject to Court approval).
17. The SISF contemplates the following key deadlines:

Milestone	Day
Commencement Date (prepare data room and associates documents)	On or before September 27, 2024
Marketing Stage: Publication of Notice and Sending Teaser to Know Potential Buyers	On or before October 4, 2017
Completion of “Phase I” – interested parties to submit a non-binding letter of intent	November 15, 2024
Completion of “Phase II” – interested parties to submit a binding offer that meets at least the requirements set forth in the SISF	November 30, 2024
Selection of the highest or otherwise best bid(s) (the “Successful Bid(s)”)	December 6, 2024
Seek a Court order approving the Successful Bid(s)	As soon as practical
Close the transaction contemplated in the Successful Bid(s)	As soon as practical

18. The Applicants have been working in good faith and with due diligence in these proceedings and have developed the SISP to canvass the market for a value maximizing transaction involving the assets or shares of the Applicants or a refinancing of the Applicants. In developing the SISP, the Applicants have consulted with the Monitor and the Sales Agent and circulated the draft SISP to their key stakeholders for review and input.
19. The SISP is fair and reasonable and will be conducted and overseen by the Monitor. The SISP will allow the Applicants, Monitor and Sales Agent to broadly canvass the market for an executable and value maximizing transaction for the benefit of all stakeholders.
20. The Monitor supports the Applicants' request for approval of the SISP.

Approval of KSV as Sales Advisor

21. The Applicants request that the engagement of the Sales Agent be approved. The assistance of the Sales Agent to locate, negotiate and finalize a transaction to right size the Applicants' current capital structure and refinance their debt obligations will be critical to the Applicants' ongoing efforts to finalize a proposal for consideration by their creditors. The Sales Advisor is qualified and capable of performing the required tasks, and the terms of such engagement are fair and reasonable in the circumstances.

Preservation of Court-Ordered Charges

22. The First Stay Extension Order granted, among other things, certain Court-Ordered Charges as follows:
 - (a) first – the Administrative Charge in favour of the Monitor, its legal counsel, and the Applicants' legal counsel in respect of their fees and disbursements, to a maximum amount of \$300,000;
 - (b) second – the D&O Charge in favour of the directors and officers of the Applicants, to a maximum amount of \$433,000; and
 - (c) third – a KERP Charge in favour of certain key employees of the Applicants, to a maximum amount of \$373,928.17 as reduced for amounts already paid to employees.
23. The Applicants seek to continue the Court-Ordered Charges in the CCAA Proceedings to secure the continued involvement of professionals, the directors and officers of the Applicants and certain key employees in relation to the KERP.

24. The Applicants also seek to extend the Administration Charge to secure the professional fees of KSV in its capacity as Monitor, along with the legal fees of the Monitor's legal counsel. In addition, the Administration Charge would be continued to cover any unpaid fees and disbursements of the Proposal Trustee, the Proposal Trustee's counsel, the Applicants' legal counsel incurred during the NOI Proceedings.
25. The Court Ordered Charges are reasonable and appropriate in the circumstances and is critical to the success of the Applicants' insolvency proceedings. The proposed Court-Ordered Charges sought are in the same quantum as in the NOI Proceedings.

Affidavit or other evidence to be used in support of this application:

26. The Affidavit of Scott Morrow sworn September 10, 2024, filed;
27. Bench Brief, to be filed;
28. The third report and pre-filing report of KSV Restructuring Inc. as Proposal Trustee and proposed Monitor;
29. The Consent to Act as Monitor, filed by KSV Restructuring Inc.; and
30. Such further and other material as counsel may advise and this Honourable Court may permit

Applicable Acts and regulations:

31. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;
32. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended;
33. *Business Corporations Act*, R.S.A. 2000 c. B-9;
34. Rules 1.2, 1.3, 3.2(2)(d), 3.8, 6.3(1), 6.9, 11.27 and 13.5 of the *Alberta Rules of Court*, Alta Reg 124/2010;
35. The equitable jurisdiction of this Honourable Court;
36. Such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

37. None.

How the application is proposed to be heard or considered:

38. Before the presiding Justice in Commercial Chambers via Webex.

WARNING

You are named as a respondent because you have made or are expected to make an adverse claim in respect of this originating application. If you do not come to Court either in person or by your lawyer, the Court may make an order declaring you and all persons claiming under you to be barred from taking any further proceedings against the applicant(s) and against all persons claiming under the applicant(s). You will be bound by any order the Court makes, or another order might be given or other proceedings taken which the applicant(s) is/are entitled to make without any further notice to you. If you want to take part in the application, you or your lawyer must attend in Court on the date and at the time shown at the beginning of this form. If you intend to give evidence in response to the application, you must reply by filing an affidavit or other evidence with the Court and serving a copy of that affidavit or other evidence on the applicant(s) a reasonable time before the application is to be heard or considered.