



COURT FILE NUMBER	25-3002847 B301-002847
COURT	COURT OF KING’S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PROCEEDING	IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF INFARM INDOOR URBAN FARMING CANADA INC.
DOCUMENT	FOURTH REPORT OF THE PROPOSAL TRUSTEE MARCH 18, 2024
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	<p><u>PROPOSAL TRUSTEE</u> KSV Restructuring Inc. 324-8th Avenue SW, Suite 1165 Calgary, AB T2P 2Z2</p> <p>Attention: David Sieradzki/Andrew Basi Telephone: (416) 932-6030/ (587) 287-2670 Facsimile: (416) 932-6266 Email: dsieradzki@ksvadvisory.com/abasi@ksvadvisory.com</p> <p><u>PROPOSAL TRUSTEE’S COUNSEL</u> Fasken Martineau DuMoulin LLP 3400 First Canadian Center, 350 7 Ave SW Calgary, AB T2P 3N9</p> <p>Attention: Robyn Gurofsky/Anthony Mersich Telephone: (403) 261-9469/(587)233 4124 Facsimile: (403) 261-5351 E-Mail: rgurofsky@fasken.com / amersich@fasken.com</p>

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Mar 21, 2024
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Contents	Page
1.0 Introduction	1
2.0 The Transaction	4
3.0 Activities of the Company and Proposal Trustee	11
4.0 Cash Flow	12
5.0 Conclusion and Recommendation	14

Appendix	Tab
Third Extension Order, pronounced February 22, 2024	A
Comparison of Projected to Actual Cash Flow for the Third Reporting Period	B
Confidential Appendix – RSM Sales Process Updates	C
Confidential Appendix – Appraisal and summary of Previously Acquired Assets	D

1.0 Introduction

1. This fourth report (the **"Fourth Report"**) is filed by KSV Restructuring Inc. (**"KSV"**) in its capacity as proposal trustee (in such capacity, the **"Proposal Trustee"**) in connection with a Notice of Intention to Make a Proposal (**"NOI"**) filed on October 26, 2023 (the **"Filing Date"**) by Infarm Indoor Urban Farming Canada Inc. (the **"Company"** or **"Infarm"**) pursuant to Section 50.4(1) of the *Bankruptcy and Insolvency Act*, R.S.C 1985, c. B-3, as amended (the **"BIA"**) (the **"Proposal Proceedings"**).
2. On November 2, 2023, Infarm filed an application, returnable on November 10, 2023, seeking various relief supported by the affidavit of Amit Matthew Shoresch sworn on November 2, 2023 (the **"Shoresch Affidavit"**). In conjunction with the Company's application, the Proposal Trustee filed its First Report to the Court of King's Bench of Alberta (Commercial List) (the **"Court"**) dated November 8, 2023 (the **"First Report"**).
3. On November 10, 2023, the Court granted an order, among other relief, extending the time for the Company to file a proposal to January 9, 2024.
4. On December 22, 2023, Infarm filed an application, returnable on January 8, 2024, seeking various relief supported by the affidavit of Erez Galonska sworn on December 21, 2023 (the **"Galonska First Affidavit"**). In conjunction with the Company's application, the Proposal Trustee filed its Second Report to the Court dated December 22, 2023 (the **"Second Report"**).
5. On January 8, 2024, the Court granted an order (the **"Second Extension Order"**), among other relief, extending the time for the Company to file a proposal to February 23, 2024.
6. On February 15, 2024, Infarm filed an application, returnable on February 22, 2024, seeking various relief supported by the affidavit of Erez Galonska sworn on February 13, 2024 (the **"Galonska Second Affidavit"**). In conjunction with the Company's application, the Proposal Trustee filed its Third Report to the Court dated February 20, 2024 (the **"Third Report"**).
7. On February 22, 2024, the Court granted an order (the **"Third Extension Order"**), among other relief, extending the time for the Company to file a proposal to April 8, 2024. A copy of the Third Extension Order is attached as Appendix "A".

8. This Fourth Report is submitted by the Proposal Trustee in conjunction with the Company's application scheduled for March 21, 2024 (the "**Sale Approval Application**") for an order (the "**Approval and Vesting Order**") to approve the Transaction (as defined herein).

1.1 Purposes of this Fourth Report

1. The purposes of this Fourth Report are to provide the Court with further information related to the relief sought by the Company and information on the Proposal Proceedings. The Fourth Report specifically provides information regarding:
 - a) the Company's activities since the Third Report;
 - b) the Proposal Trustee's activities since the Third Report;
 - c) the Company's actual performance to date versus the Third Cash Flow Statement from February 12, 2024 to March 10, 2024 filed in the Proposal Proceedings pursuant to section 50.4(2)(a) of the BIA;
 - d) a summary of the sale agreement dated March 11, 2024 (the "**Sale Agreement**") between the Company and Infarm Technologies Limited ("**ITL**" or the "**Purchaser**") for the sale of certain assets of Infarm (the "**Transaction**");
 - e) the Company's application for the Approval and Vesting Order;
 - f) the Proposal Trustee's rationale for recommending that the Court issue the Approval and Vesting Order:
 - i. approving the Transaction in accordance with the Sale Agreement;
 - ii. authorizing the Proposal Trustee, as appropriate, to execute the Proposal Trustee's Closing Certificate and any other documents necessary to give effect to the Transaction;
 - iii. vesting absolutely all right, title and interest in and to the Purchased Assets (as defined in the Sale Agreement) in the Purchaser, free and clear of and from any and all claims, liabilities, liens and encumbrances other than permitted encumbrances;

- iv. authorizing the assignment of certain assigned contracts, defined as “Assumed Contracts” in the Sale Agreement; and
- v. sealing the confidential appendices attached to this Fourth Report, until completion of the Transaction or further order of the Court.

1.2 Scope and Terms of Reference

1. In preparing this Fourth Report, the Proposal Trustee has relied upon the Company’s unaudited financial information, books and records, information available in the public domain and discussions with the Company’s management and legal counsel.
2. The Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Fourth Report in a manner that complies with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own due diligence.
3. An examination of the Third Cash Flow Statement as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Fourth Report is based upon the Company’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Proposal Trustee expresses no opinion or other form of assurance on whether the Third Cash Flow Statement will be achieved.
4. This Fourth Report should be read in conjunction with the Proposal Trustee’s previous reports and materials filed by the Company, including the Shores Affidavit, the Galonska First Affidavit, the Galonska Second Affidavit, the affidavit filed by Erez Galonska sworn March 11, 2024 (the “**Galonska Third Affidavit**”) and the supplemental affidavit filed by Erez Galonska, sworn March 14, 2024 (the “**Galonska Supplemental Affidavit**”) (collectively the “**Management Affidavits**”) filed in support of the Sale Approval Application. Capitalized terms not defined in this Fourth Report have the meanings ascribed to them in the Management Affidavits and the Proposal Trustee’s previous reports.

1.3 Currency

1. Unless otherwise noted, all currency references in this Fourth Report are in Canadian dollars.

1.4 Court Materials

1. Court materials filed in these Proceedings are available on the Proposal Trustee's website at: www.ksvadvisory.com/experience/case/infarm (the "**Case Website**").

2.0 The Transaction

2.1 Sales Process leading up to the Transaction

1. As discussed in the Prior Reports, Infarm GmbH is subject to an Administration Order (the "**UK Proceedings**") that was made on September 4, 2023 and Gordon Thomson and Damian Webb of RSM UK Restructuring Advisory LLP ("**UK Administrator**") were appointed as administrators in the UK Proceedings.
2. The UK Administrator completed a sale transaction on December 29, 2023, between ITL¹ and Infarm GmbH (the "**European Transaction**"). The European Transaction included the sale of the right, title and interest in the assets of Infarm GmbH, including the intellectual property used by the Company, for a purchase price of €40,799,343. The purchase price included debt consideration of €40,299,343 through a new TPC facility, and the remaining amount was paid in cash (€500,000). The outstanding amount of approximately €7.5 million owed by Infarm GmbH to TPC remains outstanding. As a result of the secured Guarantee provided by the Company to TPC, a liability of approximately €7.5 million remains owing by Infarm to TPC.
3. The Proposal Trustee conducted a review of the pre-filing sales process (the "**RSM Sales Process**"), led by RSM UK Corporate Finance LLP ("**RSM**"), which included:
 - a) Discussions with the UK Administrator to gain a further understanding of the RSM Sales Process and potential purchasers for Infarm's assets;

¹ The European Transaction purchaser was May Acquisitions Limited which, pursuant to a special resolution, changed its name to Infarm Technologies Limited.

- b) Obtaining access to the UK Administrator's virtual data room to review and assess the information available with respect to Infarm's assets and operations; and
 - c) Reviewing the UK Administrator's sales documents and summarizing the RSM Sales Process.
4. The Proposal Trustee's understanding of the key aspects of the RSM Sales Process are as follows:
- a) the RSM Sales Process identified 131 potential buyers. The targeted buyers were contacted regarding the opportunity;
 - b) A teaser and information overview was prepared as part of the RSM Sales Process which the Proposal Trustee has reviewed;
 - c) A virtual data room (the "**VDR**") was established to facilitate the RSM Sales Process. The Proposal Trustee was provided access to the VDR to review the contents;
 - d) The timeline for the RSM Sales Process was as follows:
 - i. June 20, 2023 – teaser distributed to interested parties;
 - ii. July 10, 2023 – virtual data room available for selected parties;
 - iii. July 19, 2023 – indicative offers to be received; and
 - iv. July 26, 2023 – indicative offers deadline extended.
5. In summary, of the 131 parties targeted, 17 signed the non-disclosure agreement and gained access to the VDR. There were no offers received as of the deadline dates. A summary of the RSM Sales Process Updates provided by the UK Administrator is attached as Confidential Appendix "C".
6. As a result of no offers being received in the RSM Sales Process, the UK Administrator completed the European Transaction.

7. The Proposal Trustee's comments on the RSM Sales Process, including its application to (i) the Company's business and assets and (ii) the Company's request to approve the Transaction are as follows:
- a) RSM is a reputable financial advisory firm which is regularly engaged in the marketing and sale of distressed assets in the UK and around the world;
 - b) the RSM Sales Process appears to have adequately exposed Infarm's assets to targeted buyers utilizing the expertise and experience of RSM, management of GmbH and other stakeholders;
 - c) the RSM Sales Process appears to have provided relevant information to interested parties, that would allow them to conduct a review of Infarm's assets and operations;
 - d) the RSM Sales Process was flexible in that it permitted an array of reasonable transaction structures involving *en bloc* or discrete asset transactions for any parties interested in acquiring Infarm's assets or business;
 - e) notwithstanding this, the UK Administrator advised that no party expressed interest in Infarm's assets or operations;
 - f) the Proposal Trustee reviewed the VDR and other relevant sales documents and notes the following:
 - i. the Information Overview includes details on Infarm's GmbH Canadian operations (through Infarm GmbH and the Company) and revenue forecasts and activation plans. It further includes a breakdown of assets by geographic location, indicating that the Canadian assets were the only continuing operations; and
 - ii. the virtual data room contained specific financial information by geography to solicit interested buyers who were interested in specific assets of GmbH.
2. The Proposal Trustee's review of the RSM Sales Process provided sufficient evidence to reasonably conclude that the information provided by the UK Administrator allowed interested parties to conduct, at minimum, a basic review of the Canadian operations and assets. This includes details on the only active operations of Infarm GmbH, being the Canadian operations. Details on the Canadian operations included the book values of

assets located in Canada and forecasted financial information for the Canadian operations. Exhibit "C" of the Galonska Third Affidavit provides a copy of the information overview provided to interested parties. The Galonska Supplemental Affidavit provides further comments on the information overview contained in Exhibit "C" to the Galonska Third Affidavit.

2.2 Summary of the Sale Agreement

1. The key terms of the Sale Agreement are provided below:

- a) Purchaser: Infarm Technologies Limited.
- b) Purchased Assets: All of Infarm's right, title and interest in the Company's assets, including without limitation all assets set forth in Schedule A of the Sale Agreement but excluding the Excluded Assets. The Excluded Assets are listed in Schedule C to the Sale Agreement and list all moveable property, leasehold improvements and equipment, furniture, fixtures and other fixed assets located in or in the vicinity of the Vendor's Other Premises.
- c) Purchase Price: The purchase price is the sum of (i) the Monetary Consideration which is estimated to be \$250,000, (ii) a Debt Consideration of €7 million, and (iii) the Assumed Obligations. The Debt Consideration will be paid and satisfied through the steps set out in the Payment Direction Letter. The Payment Direction Letter is attached as Exhibit "B" to the Galonska Third Affidavit.
- d) Possession of Assets: Upon closing, the Purchaser gains possession of the assets specified in the agreement, where situated at closing. The transfer is subject to the conditions outlined in the proposed Approval and Vesting Order. Infarm retains the risk for the assets until closing, and in case of significant damage exceeding \$100,000 before closing, Infarm must promptly inform the Purchaser.
- e) Conditions: Other than customary closing conditions, a condition to complete the Transaction is obtaining the Approval and Vesting Order that is not stayed, varied or vacated or any such appeal shall have been dismissed.
- f) Closing Date: The closing date is three business days after the date the Approval and Vesting Order is obtained, or such earlier or later date as may be agreed by the Parties.

2. A copy of the Sale Agreement is attached as Exhibit “A” of the Galonska Third Affidavit

2.3 Transaction Value vs Liquidation Value

1. As discussed above, the Purchase Price after conversion to Canadian dollars is approximately \$10,550,000 plus assumed liabilities.
2. The Proposal Trustee conducted a review of Infarm’s assets located at its Ontario premises, as these are the only assets subject to the Sale Agreement. Infarm’s assets located at its former operating locations were abandoned pre-filing and were not included in the Proposal Trustee’s review and do not form part of the Purchased Assets. As part of its review, the Proposal Trustee commissioned an appraisal of Infarm’s assets (“**Appraised Assets**”) located at the Premises (Hamilton, Ontario facility). The appraisal conducted by Infinity Asset Solutions (the “**Appraisal**”) is attached as Confidential Appendix “D” to this Fourth Report. The Appraisal included all assets located at the Premises, even though management has advised the Proposal Trustee that approximately 80% of the Appraised Assets were previously owned by Infarm GmbH and are now owned by ITL (“**ITL Assets**”) pursuant to the European Transaction. These assets are identified as the Previously Acquired Assets in the Sale Agreement.
3. Notwithstanding that management has advised that approximately 80% of the Appraised Assets are now owned by ITL, the total value of the Appraised Assets, inclusive of both the Company’s interests and the ITL Assets, is significantly less than the Purchase Price in the Sale Agreement. After deducting the value of the Previously Acquired Assets, the difference between the Purchase Consideration in the Sale Agreement and the remaining Infarm assets included in the Appraisal is significantly greater. Based on discussions with management, Appendix “D” provides a summary of the Previously Acquired Assets and the assets owned by Infarm.
4. The Proposal Trustee understands that all of the intellectual property registrations applicable to Infarm’s assets and operations are now owned by ITL. The Proposal Trustee’s legal counsel conducted a review of publicly available patent databases administered by local patent offices and confirmed that the registered owner of the patents prior to the European Transaction was Infarm GmbH. The Proposal Trustee is unaware of any patent registrations in the Company’s name. According to the Management Affidavits, a buyer of

the Purchased Assets could not operate Infarm's business without the intellectual property owned by ITL.

5. Also taken into account by the Proposal Trustee in its analysis were the remaining accounts receivable in the Company. In a liquidation scenario, such accounts receivable constitute an asset available to creditors. Based on the Company's books and records, the accounts receivable balance is approximately US\$523,000 as of March 12, 2024. There is also an outstanding letter of credit provided to the landlord of the Premises that is secured by cash collateral of approximately \$367,000, however it is uncertain if this could be realized upon in a liquidation.
6. The Proposal Trustee is not aware of any other significant assets available for realization. The Proposal Trustee has also not accounted for liquidation costs and professional fees associated with a liquidating process. However, even without deducting liquidation costs and professional fees from any realizations, and assuming one hundred percent of these accounts receivable were collected and available for realization in a liquidation, the Transaction still provides greater value than the combined values of assets contained in the Appraisal, the accounts receivable and cash collateral in support of the letter of credit.
7. Lastly, the Proposal Trustee notes that the Company does not have sufficient resources to conduct another sales process, based on the cash flow forecast. In any event, the Appraisal strongly suggests that even if a further sales process was conducted, it is unlikely to yield a better result.
8. Based on the foregoing, the Proposal Trustee's view is that completion of the Transaction will provide a significantly greater benefit to stakeholders than a liquidation of the Company in a bankruptcy.

2.4 Sealing of the Confidential Appendices

1. The Company seeks to seal the Confidential Appendices attached to this Fourth Report. As discussed above, the Confidential Appendices contain commercially sensitive information the release of which could harm the interests of stakeholders. They include: (i) the Appraisal and a summary of the value of the Previously Acquired Assets; and (ii) RSM Sales Updates which includes information on prospective purchasers and comments on discussions with the prospective purchasers. The disclosure of this information prior to closing could prejudice the Company's ability to maximize value for its stakeholders by impairing their

ability to pursue alternate transactions should the Transaction not close. The Proposal Trustee's view is that sealing the Confidential Appendices is appropriate to both ensure that the Appraisal and the RSM Sales Updates are not publicly available until the closing of the Transaction or further order of this Court.

2.5 Recommendation

1. The Proposal Trustee supports the Company's request for the Approval and Vesting Order approving the Transaction contemplated in the Sale Agreement for the following reasons:
 - a) the Transaction provides a mechanism for Infarm's business to continue as a going concern for the potential benefit of its stakeholders, including its vendors, customers and employees;
 - b) the Transaction provides a significantly greater recovery to Infarm's stakeholders than could be obtained in a liquidation or bankruptcy;
 - c) sufficient effort to sell the Company's assets and/or business by way of inclusion in the RSM Sales Process has been undertaken by the Company and the Proposal Trustee is not aware of any party acting improvidently;
 - d) the RSM Sales Process appears to have been conducted efficiently, with integrity, provided sufficient exposure of the Company's assets and business to the marketplace, and it is unlikely that further marketing efforts would achieve a better result than the Transaction;
 - e) the only substantive condition of the Sale Agreement is Court approval;
 - f) the first ranking lender, TPC, is supportive of the Transaction. TPC is projected to incur a substantial loss on the secured Guarantee should the Transaction not be completed or if Infarm's assets are realized upon in any other manner. The Proposal Trustee obtained a legal opinion from its legal counsel, Fasken, on the validity and enforceability of TPC's security against the Company's assets. Subject to customary assumptions and qualifications contained therein, TPC's security is valid and enforceable; and

- g) the Company has relied on interim financing to continue operations during the Proposal Proceedings. The Proposal Trustee is not aware of any commitments made by ITL to continue funding the business if the Transaction is not approved. Without continued support from ITL, it is uncertain whether the Company could continue as a going concern.

3.0 Activities of the Company and Proposal Trustee

3.1 Activities of the Company

1. Since the issuance of the Third Report, the Company's activities have included, among other things:
 - a. continuing to manage operations during the Proposal Proceedings as forecasted in the Third Cash Flow Statement, subject to funding constraints as discussed further in this Fourth Report;
 - b. communicating with various stakeholders and creditors regarding the Proposal Proceedings, in consultation with the Proposal Trustee;
 - c. attending weekly meetings with the Proposal Trustee to discuss the Company's weekly receipts and disbursements and operational status and to provide updates on the Transaction;
 - d. engaging in discussions with key customers to address outstanding receivables;
 - e. negotiating and finalizing the Sale Agreement; and
 - f. working with McMillian LLP ("**McMillan**"), the Company's legal counsel, and the Proposal Trustee to prepare materials for the Sale Approval Application.

3.2 Activities of the Proposal Trustee

1. Since its appointment, the Proposal Trustee has performed the following key activities:
 - a. filing a copy of the Third Extension Order with the Official Receiver;
 - b. continuing to review and evaluate the state of the Company's business and financial affairs in accordance with section 50.4(7)(b)(ii) of the BIA;

- c. holding ongoing meetings with management to discuss the restructuring process and duties of the Company;
- d. corresponding and holding numerous discussions with Company management, McMillan and counsel for the Purchaser with respect to the Transaction;
- e. corresponding and holding numerous discussions with various stakeholders, and/or respective legal counsel to stakeholders, including creditors, suppliers, customers and others;
- f. responding to creditors claiming an interest in collateral located at the Company's former operating locations. As these locations have been abandoned and the associated assets are not included in the Transaction, the Proposal Trustee has not reviewed these claims in detail.
- g. identifying the Company-owned assets through discussions with management and analyzing the Appraisal (as defined herein);
- h. analyzing the Transaction and surrounding circumstances for the purposes of this Application;
- i. maintaining the Case Website for these Proceedings; and
- j. preparing this Fourth Report.

4.0 Cash Flow

4.1 Performance Against the Third Cash Flow Statement

1. In accordance with section 50.4(7)(b)(ii) of the BIA, the Proposal Trustee has continued to monitor the Company's business and financial affairs since the Filing Date.
2. The Company has attempted to manage cash flows in accordance with the Third Cash Flow Statement however, as a result of lower cash receipts than forecasted and lower than anticipated interim financing advances, the Company has incurred post-filing obligations that remain outstanding. As at the date of this Fourth Report, the Proposal Trustee understands that post-filing supplier obligations of approximately \$27,000 remain unpaid and approximately \$94,000 is unpaid for March 2024 pursuant to the lease agreement (the

“Lease”) for the Premises. The Proposal Trustee understands that the Company is in discussions with its landlord regarding the timing of its rent payment for March. The Proposal Trustee understands that ITL will be funding interim financing advances, and the Company anticipates receiving funds shortly to pay these arrears. Furthermore, in the Sales Agreement the Lease is an Assigned Contract and applicable Cure Costs will be required to be paid in order to assign the Lease. In addition, professional costs incurred for the Proposal Proceedings are being accrued with the expectation these costs will be paid on closing of the Transaction.

3. A review process has been established with the Company to review weekly cash variances. A comparison of Infarm’s receipts and disbursements to the Third Cash Flow Statement for the period from February 12, 2024, to March 10, 2024 (the “**Third Reporting Period**”) is attached hereto as Appendix “B”. A summary of the comparison is as follows:

Third Reporting Period	Actual	Third Cash Flow Statement	Favourable / (Unfavourable) Variance
Opening Cash	70,562	70,562	-
Receipts	71,112	156,000	(84,888)
Operating Disbursements	201,881	313,130	111,249
Net Cashflow from Operations	(130,769)	(157,130)	26,361
Non-Operating Disbursements	-	-	-
Net Cashflow	(130,769)	(157,130)	26,361
Interim Financing Advances	110,000	167,000	57,000
Ending Cash Balance	49,793	80,432	(30,639)

Proposal Trustee’s Comments

4. For the Third Reporting Period, total cash receipts were \$84,888 less than forecasted in the Third Cash Flow Statement. Based on discussions with management, the variance was predominantly attributed to collection issues from a major customer. As indicated in the Third Report, the Company has reached an agreement with its major customer on payment terms. The Trustee understands that approximately US\$533,640 is currently owed by this customer.

5. For the Third Reporting Period, operating disbursements were \$111,249 less than forecasted in the Third Cash Flow Statement and non-operating disbursements were as forecasted in the Third Cash Flow Statement. The Proposal Trustee has reviewed the variances with the Company and the variances are largely attributable to management's effort to control costs related to wages and operating costs and the delay in paying post-filing obligations as noted above.
6. Interim Financing payments were \$57,000 less than forecasted. Since the closing of the European Transaction (as defined below), ITL has been providing interim financing to Infarm. The Proposal Trustee understands that ITL obtains funds from outside investors and receipt of these funds to ITL has been delayed. This funding is anticipated to be received in the near term and will be used to pay post-filing obligations and operating costs through to closing of the Transaction, subject to Court approval.

5.0 Conclusion and Recommendation

1. Based on the foregoing, the Proposal Trustee respectfully recommends that this Honourable Court grant the relief sought by the Company.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

KSV RESTRUCTURING INC.,
in its capacity as trustee in the proposal of
Infarm Indoor Urban Farming Canada Inc.
and not in its personal capacity

Appendix “A”

B301-002847

COURT FILE NO. 25-3002847

ESTATE NO. 25-3002847

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY



MB

IN THE MATTER OF THE NOTICE OF THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C.
1985, c B-3, AS AMENDED

AND IN THE MATTER OF THE NOTICE OF INTENTION
TO MAKE A PROPOSAL OF INFARM INDOOR URBAN
FARMING CANADA INC.

APPLICANT INFARM INDOOR URBAN FARMING CANADA INC.

DOCUMENT ORDER (NOI EXTENSION)

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

McMILLAN LLP
1700, 421 – 7th Avenue SW
Calgary, AB T2P 4K9

Attention: Adam Maerov/Preet Saini
Telephone: 403.215.2752 / 403.531.4716
Facsimile: 403-531-4720
Email: adam.maerov@mcmillan.ca
preet.saini@mcmillan.ca
File Number: 300427

DATE ON WHICH ORDER WAS PRONOUNCED: February 22, 2024
LOCATION WHERE ORDER WAS PRONOUNCED: Calgary Courts Centre
NAME OF JUSTICE WHO MADE THIS ORDER: The Honourable Justice Gill

UPON THE APPLICATION of Infarm Indoor Urban Farming Canada Inc. (“**Infarm Canada**”) for an order extending the time for Infarm Canada to file a proposal, and the corresponding stay of proceedings, until April 8, 2024; AND UPON noting that a certificate of filing of a notice of intention to make a proposal under subsection 50.4(1) of the *Bankruptcy and Insolvency Act* RSC 1985, c B-3 was issued on October 26, 2023; AND UPON reviewing the order granted by the Honourable Justice Dunlop on November 10, 2023 which extended the time for Infarm Canada to file a proposal and the corresponding stay of proceedings, until January 9, 2024; AND UPON reviewing the order granted by the Honourable Justice Jones on January 8, 2024 which further extended the time for Infarm Canada to file a proposal and the corresponding stay of proceedings, until February 23, 2024; AND UPON hearing submissions by counsel for Infarm Canada, counsel for KSV Restructuring Inc. in its capacity as proposal trustee of Infarm Canada (“**Proposal Trustee**”) and any other counsel or other interested parties present; AND UPON reviewing the Affidavit of Erez Galonska sworn on February 13, 2024, and the Third Report of the Proposal Trustee;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE

1. Service of notice of this application and supporting materials is hereby declared to be good and sufficient, no other person is required to have been served with notice of this application and time for service of this application is abridged to that actually given.

STAY EXTENSION

2. Pursuant to section 50.4(9) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c B-3, as amended (the “**BIA**”), the time for Infarm Canada to file a proposal, and the corresponding stay of proceedings provided for in section 69 of the BIA, be and is extended until and including April 8, 2024.

MISCELLANEOUS MATTERS

3. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in any of its provinces or territories or in any foreign jurisdiction, to act in aid of and to be complimentary to this Court in carrying out the terms of this Order, to give effect to this Order, and to assist Infarm Canada or the Proposal Trustee and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such order and to provide such assistance to Infarm Canada and the Proposal Trustee, as an officer of the Court, as may be necessary or desirable to give effect to this Order or to assist Infarm Canada or the Proposal Trustee and their respective agents in carrying out the terms of this Order.
4. Infarm Canada or the Proposal Trustee shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

SERVICE OF ORDER

5. Service of this Order shall be deemed good and sufficient:
 - (a) by serving same on the persons who were served with notice of this Application and any other parties attending or represented at the hearing of the Application; and
 - (b) by posting a copy of this Order on the Proposal Trustee's website at <https://www.ksvadvisory.com/experience/case/infarm-urban-farming>.
6. Service of this Order on any other person is hereby dispensed with.
7. Service of this Order may be effected by facsimile, electronic mail, personal delivery or courier. Service is deemed to be effected the next business day following transmission or delivery of this Order.


Justice of the Court of King's Bench of Alberta

Appendix “B”

Comparison of Projected to Actual Cash Flow for the Third Reporting Period

Third Reporting Period CAD	In	Actual	Cash Flow Statement	Favourable / (Unfavourable) Variance	Notes
Opening Cash		\$ 70,562	\$ 70,562	\$ -	
Receipts					
Collection of Outstanding Receivables		-	-	-	1
Collection of New Revenue		71,112	156,000	(84,888)	1
Total Receipts		71,112	156,000	(84,888)	
Operating Disbursements					
Wages, Salaries, and Benefits		110,219	122,000	11,781	2
Utilities		906	-	(906)	
Other Operating Expenses		90,756	96,300	5,544	2
Rent		-	94,830	94,830	2
Total Operating Disbursements		201,881	313,130	111,249	
Net Cashflow From Operations		(130,769)	(157,130)	26,361	
Non-Operating Disbursements					
Other Disbursements		-	-	-	
Anticipated Capital Expenditure		-	-	-	
Legal Counsel Fees		-	-	-	
Trustee Fees		-	-	-	
Trustee's Legal Counsel Fees		-	-	-	
Total Non-Operating Disbursements		-	-	-	
Total Disbursements		201,881	313,130	111,249	
Net Cash Flow		(130,769)	(157,130)	26,361	
Interim Financing					
Interim Financing Advances		110,000	167,000	57,000	
Ending Cash Balance		\$ 49,793	\$ 80,432	\$ (30,639)	

Notes:

1) Collection delays with main customer.

2) Postponed supplier payments and rent for March 2024 due to lack of funds available.