



**First Report of  
KSV Restructuring Inc. as  
CCAA Monitor of MJardin Group,  
Inc., Growforce Holdings Inc.,  
8586985 Canada Corporation and  
Highgrade MMJ Corporation**

June 7, 2022

## Contents

## Page

1.0	Introduction.....	1
1.1	CCAA Proceedings .....	2
1.2	Discharge of the Receiver .....	3
1.3	Purposes of this Report.....	3
1.4	Restrictions .....	4
1.5	Currency .....	5
2.0	Update on Debtors' Activities .....	5
3.0	Monitor's Activities .....	5
4.0	Cash Flow Forecast.....	6
5.0	CRO Engagement .....	6
5.1	Sealing Request.....	10
6.0	Stay Extension.....	11
7.0	Court Ordered Charges .....	12
7.1	Administration Charge.....	12
7.2	DIP Charge .....	12
7.3	D&O Charge .....	13
7.4	Additional Consideration Charge .....	14
8.0	Conclusion and Recommendation .....	14

## Appendices

### Appendix

### Tab

Initial Order .....	A
KSV Report (without appendices) .....	B

COURT FILE NO.: CV-22-00682101-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT INVOLVING MJARDIN GROUP, INC.,  
GROWFORCE HOLDINGS INC., 8586985 CANADA  
CORPORATION AND HIGHGRADE MMJ CORPORATION

BETWEEN:

PRICEWATERHOUSECOOPERS INC., IN ITS CAPACITY AS  
COURT-APPOINTED RECEIVER AND MANAGER OF  
BRIDGING FINANCE INC. AND CERTAIN RELATED ENTITIES  
AND INVESTMENT FUNDS

APPLICANT

- and -

MJARDIN GROUP, INC., GROWFORCE HOLDINGS INC.,  
8586985 CANADA CORPORATION AND HIGHGRADE MMJ  
CORPORATION

RESPONDENTS

FIRST REPORT OF KSV RESTRUCTURING INC. AS MONITOR

JUNE 7, 2022

## 1.0 Introduction

1. By orders of the Ontario Superior Court of Justice (Commercial List) (the "Court") dated April 30, 2021, May 3, 2021, and May 14, 2021, PricewaterhouseCoopers Inc. was appointed receiver and manager (in such capacity, the "Bridging Receiver" or the "Applicant") of Bridging Finance Inc. ("BFI") and certain related entities and investment funds (collectively, "Bridging") pursuant to section 129 of the *Securities Act* (Ontario) upon application by the Ontario Securities Commission.

2. As described further below, Bridging has made various loans to certain subsidiaries of MJardin Group, Inc. ("MJar", and collectively with its subsidiaries, the "MJar Group").
3. On March 23, 2022, the Bridging Receiver sought and obtained an Order (the "Receivership Order") appointing KSV Restructuring Inc. ("KSV") as the receiver and manager (the "Receiver") of MJar, excluding certain assets and business as specified in the Receivership Order. The Bridging Receiver sought the Receivership Order to stabilize the MJar Group's business and, with the assistance of the Receiver, to review and consider available options to restructure and/or refinance the MJar Group. Following this review, the Receiver and the Bridging Receiver were of the view that formal restructuring proceedings were necessary to allow MJar and certain of its subsidiaries to pursue and implement an orderly operational and financial restructuring of their business as a going-concern.

## 1.1 CCAA Proceedings

1. On June 2, 2022, the Bridging Receiver sought and obtained an initial order (the "Initial Order") under the *Companies' Creditors Arrangement Act* (Canada) (the "CCAA"), pursuant to which MJar and three of its subsidiaries, Growforce Holdings Inc. ("Growforce"), 8586985 Canada Corporation ("858") and Highgrade MMJ Corporation ("Highgrade" and, together with MJar, Growforce and 858, the "Debtors"), were granted protection under the CCAA and KSV was appointed monitor (the "Monitor"). A copy of the Initial Order is attached as Appendix "A".
2. The Initial Order, *inter alia*:
  - a) granted a stay of proceedings until June 10, 2022;
  - b) approved the terms of a debtor-in-possession loan facility (the "DIP Facility") to be made available by Bridging, as DIP lender (the "DIP Lender"), in the initial maximum principal amount of \$250,000 pursuant to a debtor-in-possession financing term sheet dated June 1, 2022 (the "DIP Term Sheet");
  - c) granted a charge:
    - i. to the maximum amount of \$100,000 on all of the Debtors' current and future assets, property and undertaking (the "Property") to secure the fees and disbursements of the Monitor and its counsel, Goodmans LLP ("Goodmans") (the "Administration Charge");
    - ii. to the maximum amount of \$250,000 (plus accrued and unpaid interest, fees and expenses) on the Property in favour of the DIP Lender to secure advances to the Debtors made under the DIP Facility until June 10, 2022 (the "DIP Charge"); and
    - iii. to the maximum amount of \$355,000 on the Property in favour of the directors and officers of the Debtors (the "D&O Charge").

3. The Court has set June 9, 2022 as the date for the comeback motion in these proceedings (the “Comeback Motion”).
4. The principal purpose of the CCAA proceedings is to create a stabilized environment and allow Howards Capital Corp. (“HCC”), the proposed Chief Restructuring Officer (the “CRO”) of the Debtors, under the supervision of the Monitor, to implement an operational restructuring of the Debtors’ business and ultimately a restructuring transaction that will preserve and maximize value for the benefit of the Debtors’ stakeholders.

## **1.2 Discharge of the Receiver**

1. On June 2, 2022, the Court also issued an Order (the “Discharge Order”) providing for the discharge of the Receiver upon the issuance of a discharge certificate following the issuance of the Initial Order, which certificate was issued by the Receiver on June 3, 2022. The Discharge Order also provides that the Receiver’s Charge and the Receiver’s Borrowings Charge (each as defined in the Receivership Order) remain in full force and effect, with the priority set out in the Initial Order. At the hearing of the Receiver’s discharge motion, the Court was advised that the Receiver would be seeking a supplemental discharge order:
  - a) approving the Receiver’s First Report to the Court dated June 1, 2022, and the activities of the Receiver referred to therein;<sup>1</sup>
  - b) approving the fees and disbursements of the Receiver and its legal counsel; and
  - c) releasing the Receiver and its affiliates, partners, employees, agents, counsel and other advisors (collectively, the “Released Persons”) from any present and future liability that such Released Persons may have based on the acts or omissions of the Receiver while acting in its capacity as Receiver in the receivership proceedings;
2. The KSV Report provides further grounds for this relief. A copy of the KSV Report, without appendices, is attached as Appendix “B”.

## **1.3 Purposes of this Report**

1. The purposes of this report (“Report”) are to:
  - a) provide the Court with an update on the Debtors’ activities since the granting of the Initial Order;
  - b) provide the Court with an update on the Monitor’s activities since its appointment;

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<sup>1</sup> The Receiver’s First Report to Court was a joint report along with KSV’s report as proposed Monitor, and is referred to herein collectively as the “KSV Report”.

- c) discuss the terms of an agreement among Bridging, MJar and HCC dated June 1, 2022, to retain HCC as CRO of the Debtors (the “CRO Engagement Letter”);
- d) discuss the proposed:
  - i. extension of the stay of proceedings from June 10, 2022 to September 9, 2022;
  - ii. appointment of HCC as CRO of the Debtors;
  - iii. expansion in the scope of the Administration Charge and the increase in its size from \$100,000 to \$300,000;
  - iv. increase in the D&O Charge from \$355,000 to \$785,000;
  - v. increase in the DIP Facility and the DIP Charge from \$250,000 to \$2 million; and
  - vi. charge on certain of the Property (the “Additional Consideration Charge”) as security for the Additional Consideration (as defined in Section 5 below) payable by MJar to the CRO pursuant to the terms of the CRO Engagement Letter; and
- e) provide additional information in respect of the sealing of certain portions of the CRO Engagement Letter and recommend that this Court grant the sealing sought by the Applicant, including sealing the Confidential Appendices to the KSV Report.

#### **1.4 Restrictions**

1. In preparing this Report, the Monitor has relied upon the unaudited financial information of the Debtors, the books and records of the Debtors, discussions with the Debtors’ management (“Management”), discussions with the Bridging Receiver and its counsel and discussions with the proposed CRO.
2. The Monitor has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Debtors’ cash flow forecast for the period June 1, 2022 to September 9, 2022 (the “Cash Flow Forecast”) as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Debtors’ assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

## **1.5 Currency**

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

## **2.0 Update on Debtors' Activities**

1. The Debtors' activities since the granting of the Initial Order have included:
  - a) operating their business in the ordinary course;
  - b) communicating with suppliers to secure goods and services during these proceedings and to address payment terms;
  - c) considering cost-saving initiatives;
  - d) corresponding regularly with representatives of the Monitor regarding numerous issues in these proceedings;
  - e) reporting daily receipts and disbursements to the Monitor;
  - f) addressing employee-related matters;
  - g) meeting with the proposed CRO;
  - h) implementing communication plans to their employees and customers, which plans were developed with the assistance of the Monitor; and
  - i) corresponding with the Applicant.

## **3.0 Monitor's Activities**

1. The Monitor's activities since the granting of the Initial Order have included:
  - a) corresponding regularly with the Debtors regarding various matters in these proceedings;
  - b) corresponding with BFL CANADA Risk and Insurance Services Inc., the Debtors' insurance broker, with respect to the commencement of these proceedings and the Debtors' insurance policies;
  - c) assisting the Debtors in dealing with suppliers to procure goods and services;
  - d) working with the Debtors to prepare a stakeholder communication strategy, including frequently asked questions;
  - e) attending an all-hands meeting with the Debtors' employees regarding the commencement of these proceedings;
  - f) mailing a notice to the Debtors' creditors, as required pursuant to the CCAA;
  - g) making arrangements to have the CCAA notice published in the Globe and Mail pursuant to the CCAA and in accordance with the Initial Order;

- h) corresponding with certain of the Debtors' suppliers;
- i) monitoring the Debtors' receipts and disbursements;
- j) preparing this Report;
- k) reviewing and providing comments on the draft Court materials prepared in connection with the Comeback Motion;
- l) corresponding and communicating with the Bridging Receiver;
- m) corresponding with Goodmans and Thornton Grout Finnigan LLP, counsel to the Bridging Receiver, regarding various matters in these proceedings;
- n) corresponding with Paliare Roland Rosenberg Rothstein LLP, counsel to Edward Jonasson, Chief Financial Officer of MJar and director of Growforce, 858 and Highgrade, regarding various matters in these proceedings;
- o) corresponding with the Debtors regarding the engagement of the proposed CRO;
- p) corresponding with the proposed CRO regarding its mandate; and
- q) maintaining the CCAA service list.

## 4.0 Cash Flow Forecast

1. Pursuant to the terms of the Initial Order, a DIP Charge to a maximum initial amount of \$250,000 was granted to secure advances made under the DIP Facility from the date of the Initial Order to the Comeback Motion. As at the date of this Report, no advances have been made under the DIP Facility.
2. A copy of the Cash Flow Forecast was attached to the KSV Report. The Cash Flow Forecast reflects that the Debtors will have sufficient liquidity to operate their business until September 9, 2022 provided the authorized borrowings under the DIP Term Sheet and the DIP Charge are increased from \$250,000 to \$2 million. A description of the DIP Facility is provided in the KSV Report.

## 5.0 CRO Engagement<sup>2</sup>

1. During the receivership proceedings of MJar, the Receiver, in consultation with the Bridging Receiver, engaged HCC to provide the Receiver with a report (the "Business Assessment Report") on the business, operations, viability and financial condition of the core operating assets of the MJar Group.

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<sup>2</sup> Capitalized terms in this section not otherwise defined in this Report have the meaning provided to them in the CRO Engagement Letter.



2. The Business Assessment Report concluded that the estimated realizations from a going-concern sale of 858's and Highgrade's business, subject to a successful restructuring of their operations, would significantly exceed the estimated realizations from an orderly liquidation. The Business Assessment Report is described in greater detail in Section 4.1 of the KSV Report and is attached as Confidential Appendix "1" to the KSV Report.
3. On June 1, 2022, MJar, HCC and BFI, as agent, by the Bridging Receiver, executed the CRO Engagement Letter. Howard Steinberg will be leading HCC's mandate as CRO, if appointed, and will be supported by a group of HCC's consultants, as provided in the CRO Engagement Letter. Mr. Steinberg has experience with cannabis and distressed companies. By way of example, Mr. Steinberg, through another entity, was previously appointed as chief restructuring officer of James E. Wagner Cultivation Corp. ("JWC"), a Canadian cannabis producer, during its restructuring proceedings under the CCAA.<sup>3</sup> The JWC restructuring proceedings were successful and resulted in a going concern transaction.
4. As described in the Business Assessment Report and based on the Monitor's involvement with the Debtors since the commencement of these proceedings, it appears that the Debtors would benefit by augmenting management to add stability and restructuring/turnaround expertise to the business during the CCAA proceedings. In addition to Mr. Steinberg's previous engagement with JWC, he is formerly a senior executive of several financial institutions and has been involved in numerous restructurings in that capacity.
5. A summary of the key terms of the CRO Engagement Letter is provided below. The following is a summary only and reference should be made directly to the CRO Engagement Letter for a complete understanding of its terms.<sup>4</sup>
  - **Term:** Commences on the date the Court grants an order approving the CRO Engagement Letter, should it be approved, and continues until the earlier of: (a) the closing of a Third-Party Sale; and (b) termination of the CCAA Proceedings.
  - **Authority:** HCC's authority is limited to the Debtors and HCC does not have authority to act on behalf of any entity in the MJar Group that is not a Debtor.
  - **Duties:** HCC shall provide Services to the Debtors in connection with the implementation of the Operational Restructuring. The Services include, among other things:
    - acting as CRO of the Debtors;
    - overseeing management of the assets and facilities of the Debtors with a view to improving operations and profitability;

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<sup>3</sup> KSV acted as Court-appointed Monitor in JWC's CCAA proceedings.

<sup>4</sup> A redacted copy of the CRO Engagement Letter is attached as Exhibit "O" to the Affidavit of Graham Page, sworn June 1, 2022 in support of the CCAA application (the "Page Affidavit"). Capitalized terms used in this section of the Report and not otherwise defined herein are as defined in the CRO Engagement Letter.

- developing, for consideration by the Monitor and the Bridging Receiver, strategic alternatives for the MJar Debtors and implementing such strategic alternatives to the extent approved by the Monitor, the Bridging Receiver, and, as applicable, the Court;
- dealing with and communicating with the Bridging Receiver and other creditors and stakeholders regarding the Debtors and the CCAA Proceedings, as well as the Monitor;
- assisting with the preparation of all filings, applications or similar materials in connection with the CCAA Proceedings; and
- if so requested in writing by the Bridging Receiver, subject to HCC being satisfied in its sole discretion with the directors' and officers' insurance and/or indemnities in place at the time, Mr. Steinberg serving as a director of one or more of the MJar Debtors.
- **Reporting:** HCC shall report exclusively to the Monitor and the Bridging Receiver, on behalf of BFI and the DIP Lender.
- **Consultants:** In addition to Steinberg, HCC will retain other consultants and/or advisors as HCC may determine appropriate in consultation with the Monitor and the Bridging Receiver. The Consultants' mandate will focus exclusively on the Operational Restructuring.
- **Fees and Expenses:**
  - HCC will be paid a monthly fee of \$30,000 from the commencement of its engagement, plus reimbursement of Expenses and Consultant Expenses. The monthly fee payable for June 2022 will be pro-rated. The total monthly cost of HCC and the Consultants (excluding Expenses) is estimated to be approximately \$150,000.
  - In the event of a Third-Party Sale, HCC shall be entitled to a payment from MJar based on the amount of the Net Proceeds of the Third-Party Sale (the "Additional Consideration"), calculated pursuant to the terms of Section 3(b) of the CRO Engagement Letter. The Additional Consideration payable by MJar shall equal (i) 5% of the Net Proceeds of the Third-Party Sale if the Net Proceeds are equal to or below a certain prescribed threshold (the "Hurdle Rate"), or (ii) if the Net Proceeds of the Third Party Sale exceed the Hurdle Rate, 5% of the Net Proceeds received up to the Hurdle Rate plus 15% of the Net Proceeds received in excess of thereof. The Applicant is proposing to seal the Hurdle Rate, as further discussed in paragraph 5.1 below.
- **Administration Charge:** The Monthly Fees, Expenses and Consultant Expenses (but not the Additional Consideration) are to be covered under the Administration Charge, up to a maximum of \$160,000.

- **Additional Consideration Charge:** The Additional Consideration is to be secured under the proposed Additional Consideration Charge, which charge is supposed to be secured by the Property, but excluding any Property that is an equity interest in, or claim against, any entity in the MJar Group that is not a Debtor, and any Property that any Debtor may receive or have an interest in or entitlement to by reason of being the direct or indirect equity holder or a creditor of any MJar Group entity that is not a Debtor.
  - **Chief Executive Officer:** If there is no Third-Party Sale, upon Reorganized MJar emerging from the CCAA Proceedings, the Bridging Receiver shall cause Reorganized MJar to enter into an agreement to retain HCC as chief executive officer of Reorganized MJar on terms previously substantially agreed to by the Bridging Receiver and HCC.
  - **Termination:** Any of the parties may terminate the CRO Engagement Letter at any time upon at least 30 days prior written notice to the other parties. In addition to the foregoing, MJar and/or the Bridging Receiver may terminate the CRO Engagement Letter for any reason with immediate effect by providing written notice to HCC and payment to HCC of one Monthly Fee installment in lieu of proper notice. In either of the above-noted instances, such notice may not be sent until the day that is 60 days following the Effective Date. In the event of any such termination: (i) HCC shall be entitled to receive any prorated Monthly Fee and reimbursement of all Expenses and Consultant Expenses up to the effective termination date; and (ii) HCC shall cause Mr. Steinberg to promptly resign from any directorship or other office he may hold with the Debtors.
6. The Monitor recommends that the Court approve the CRO Engagement Letter for the following reasons:
- a) the Bridging Receiver, representing the most significant economic stakeholder of the Debtors, supports the retention of the CRO and the terms of its retention, including the amount of its compensation and the compensation structure;
  - b) the proposed scope of services has been determined in consultation with the Monitor and the Monitor is of the view that the Debtors would benefit from the stability and industry expertise provided by the CRO;
  - c) based on KSV's experience, the proposed remuneration for the CRO is fair and reasonable in the circumstances;
  - d) it is customary and appropriate for a chief restructuring officer to receive a priority charge for its fees and expenses insofar as they are providing value to the debtor(s) and the restructuring process;
  - e) KSV has experience working with Mr. Steinberg, including in the JWC proceedings, which resulted in a going concern transaction; and
  - f) Mr. Steinberg has the experience to perform the mandate on behalf of HCC.

## 5.1 Sealing Request

1. The version of the CRO Engagement Letter attached to the Page Affidavit redacted: (i) the monthly fee of HCC; (ii) the individual per month compensation of each expected Consultant; and (iii) the Hurdle Rate. As relates to items (i) and (ii), it was disclosed in the Page Affidavit that the aggregate anticipated monthly expense of these items to MJar was approximately \$150,000.
2. Following further discussions among the Bridging Receiver, the Monitor and HCC, the parties have also agreed to publicly disclose the monthly fee of HCC which, as noted above, is \$30,000. The Applicant maintains its sealing request for the unredacted CRO Engagement Letter (in effect, items (ii) and (iii) in the foregoing list), as well as the Business Assessment Report. The Monitor supports this request, including for the reasons set forth in paragraphs 4.1.6. and 4.1.7. of the KSV Report and as further detailed below as relates to the monthly compensation of the expected Consultants.
3. As relates to the proposed sealing of the individual per month compensation of each expected Consultant, the Monitor previously reported in the KSV Report that:

*“[...] the CRO engagement letter sets out the individual compensation details of certain consultants that will be engaged by HCC in connection with the performance of services thereunder, which details are personal and sensitive.”*

Based on discussions with the Bridging Receiver and HCC, including further discussions with respect to these matters following the granting of the Initial Order, as well as its own involvement in assisting with preparations for the CCAA proceedings, the Monitor understands that:

- a) it is anticipated that the Consultants will perform certain of the management functions of the Debtors;
- b) the individual per month compensation of each expected Consultant set forth in the CRO Engagement Letter is based on an anticipated “full time” contribution from such Consultant (i.e., although the Consultants are consultants to be engaged by HCC and will not be employees of the Debtors, the specified monthly compensation payable to them is akin to a monthly salary);
- c) the expected Consultants are not aware of what each other's proposed monthly compensation is, nor is such information publicly available;
- d) although HCC expects to engage most of the specified expected Consultants, HCC has not made formal offers to them as yet pending its appointment as CRO (should the Court approve of same). As such, it is possible some of the expected Consultants may be unavailable or may decline HCC's offer, in which case HCC may need to identify and engage alternative Consultants (which, for clarity, would be subject to the prior written consent of the Bridging Receiver and the Monitor). In addition, HCC advises it may not engage all of the expected Consultants immediately, and that it will continue to evaluate the need for specific Consultants and the best available Consultants for a role on an ongoing basis; and

- e) the Bridging Receiver and HCC are concerned that if the expected Consultants' monthly compensation was publicly disclosed, it could impact the ability of HCC to engage the Consultants (including potential alternative Consultants) and/or put upward pressure on the Consultant's remuneration and potentially other expenses of the Debtors, in each case negatively impacting the Debtors' restructuring efforts.
- 4. Although there is no written agreement to keep the expected Consultants' proposed monthly compensation confidential set forth in the CRO Engagement Letter, the parties discussed the proposed redactions to the CRO Engagement Letter in advance of serving materials and agreed to the proposed redactions and the sealing relief sought.
- 5. In a circumstance where the aggregate anticipated monthly expense to be incurred by MJar under the CRO Engagement Letter has been publicly disclosed to stakeholders, the Monitor does not believe there is any prejudice to stakeholders from the sealing of the individual monthly compensation amounts anticipated to be paid to the expected Consultants.
- 6. For all of the foregoing reasons, the Monitor supports the Applicant's request to seal the individual per month compensation of the expected Consultants.

## **6.0 Stay Extension**

- 1. The stay of proceedings currently expires on June 10, 2022. The Applicant is seeking an extension of the stay of proceedings until and including September 9, 2022.
- 2. The Monitor supports the request for an extension of the stay of proceedings for the following reasons:
  - a) the Applicant and the Debtors are acting in good faith and with due diligence;
  - b) the operational restructuring will take several months to implement. It is expected that, by the end of the stay period, the Monitor and Applicant will be able to assess the results of the operational restructuring and the resulting implications in terms of the restructuring options available to the Debtors in the circumstances;
  - c) no creditor will be prejudiced if the extension is granted;
  - d) as at the date of this Report, the Monitor is not aware of any party opposed to an extension; and
  - e) subject to the Court approving the proposed increase to the DIP Facility, the Debtors are projected to have sufficient liquidity to fund their operations and these proceedings until September 9, 2022, as reflected in the Cash Flow Forecast.

## **7.0 Court Ordered Charges**

1. The Applicant is seeking an increase in the quantum of the charges granted pursuant to the Initial Order, as well as the Additional Consideration Charge. Under the proposed Amended and Restated Initial Order, the ranking and quantum (as applicable) of the charges would be as follows:
  - a) First, the Receiver's Charge;
  - b) Second, the Administration Charge (to a maximum of \$300,000);
  - c) Third, the Receiver's Borrowings Charge (in the amount of \$2,548,266.24, plus accrued and unpaid interest, fees and expenses);
  - d) Fourth, the DIP Charge (to a maximum of \$2 million, plus accrued and unpaid interest, fees and expenses);
  - e) Fifth, the D&O Charge (to a maximum of \$785,000); and
  - f) Sixth, the Additional Consideration Charge.

### **7.1 Administration Charge**

1. The Initial Order granted a \$100,000 Administration Charge to secure the fees and expenses of the Monitor and its counsel from the date of the Initial Order to the Comeback Motion.
2. The Applicant is seeking to increase the Administration Charge to \$300,000 to secure the fees and expenses of the Monitor and its counsel, as well as the fees and expenses of the CRO (including the Expenses and the Consultant Expenses, each as defined in the CRO Engagement Letter), if appointed. As described in paragraph 5, above, the CRO Engagement Letter contemplates that the fees and expenses of the CRO would be secured under the Administration Charge, up to a maximum of \$160,000. The Administration Charge, however, will not secure the obligations of the Debtors to pay the Additional Consideration, which will instead be secured by the Additional Consideration Charge. In addition to addressing the fees and expenses of the CRO, the Monitor and its counsel are requesting a modest increase (\$40,000) to the Administration Charge.
3. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the Debtors' proceedings and the services to be provided by professionals involved in these proceedings, each of whom will contribute value to the restructuring of the Debtors.

### **7.2 DIP Charge**

1. The Applicant is seeking to increase the authorized borrowing under the DIP Facility from \$250,000 to \$2 million (in each case, plus accrued and unpaid interest, fees and expenses), which is the maximum amount available under the DIP Facility, together with a corresponding increase in the quantum of the DIP Charge.

2. The Monitor is of the view that the proposed increase is required as: (i) the Debtors are in immediate need of liquidity to fund the business, including payroll and other critical operating expenses; (ii) the increase in the DIP Facility is required to enable the Debtors, under the guidance of the CRO (if approved), to pursue an operational restructuring; (iii) the proposed increase is based on the Cash Flow Forecast, which was prepared by Management in consultation with the Monitor; (iv) the terms of the DIP Facility are reasonable for the reasons set out in the KSV Report; and (v) the Bridging Receiver is not prepared to provide ongoing financing without the benefit of the increased DIP Charge and related protections.

### 7.3 D&O Charge

1. The Initial Order approved a D&O Charge in the amount of \$355,000 to secure any liabilities that may accrue to the current and future directors and officers until the Comeback Motion. The Applicant is seeking to increase the D&O Charge to \$785,000 to account for additional exposure that may arise as a result of increased accrual periods beyond the initial 10 days of these CCAA proceedings.
2. As provided in the table below, the amount of the increased D&O Charge was estimated by the Monitor, in consultation with Management and the Bridging Receiver, taking into consideration the Debtors' current vacation pay liability, estimated payroll obligations, sales tax obligations and excise tax obligations and the relevant accrual periods going forward:

(unaudited)	Amount (\$)
Payroll, including source deductions	210,000
Vacation Pay	150,000
Sales tax	105,000
Excise tax	320,000
Total D&O Charge	785,000

3. The Monitor understands that the Debtors are current on their normal course payroll obligations (including withholding taxes) and that the Debtors' current vacation pay liability totals approximately \$150,000.
4. The Cash Flow Forecast contemplates payroll and sales taxes will continue to be paid in the ordinary course and the Debtors are projected to have sufficient liquidity to do so provided the DIP Charge is granted.
5. The current and future directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount as described above. The D&O Charge will only cover the current and future directors and officers for liabilities incurred after the commencement of the CCAA Proceedings to the extent they relate to the period on or after the date of the Initial Order.



6. The Monitor is of the view that the increased D&O Charge is required and reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Debtors and these proceedings. The directors and officers may potentially become personally liable under applicable law for certain of the above-referenced liabilities, and the directors' and officers' insurance policies maintained by the MJar Group may not provide coverage for such liabilities and/or existing coverage may be fully utilized. Further, the MJar Group's directors' and officers' insurance policies are financed, and could be subject to termination or exercise of other remedies if payments are not made as and when required.

#### **7.4 Additional Consideration Charge**

1. In the event of a Third-Party Sale, MJar is required to pay the CRO the Additional Consideration, subject to the terms and conditions of the CRO Engagement Letter. The Monitor understands that the Additional Consideration is a key incentive for HCC and Mr. Steinberg to devote the time and resources to the Debtors' restructuring efforts.
2. The Monitor is of the view that the Additional Consideration Charge is required and reasonable to provide security for the Additional Consideration that the CRO may earn pursuant to the terms of its engagement having regard to the expected role and contributions of the CRO to the Debtors' restructuring.

#### **8.0 Conclusion and Recommendation**

1. Based on the foregoing, the Monitor respectfully recommends that this Court grant the Amended and Restated Initial Order in the form sought.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR OF  
MJARDIN GROUP, INC., GROWFORCE HOLDINGS INC.,  
8586985 CANADA CORPORATION AND HIGHGRADE MMJ CORPORATION  
AND NOT IN ITS PERSONAL CAPACITY**



## **Appendix “A”**



Court File No. CV-22-00682101-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE CHIEF

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THURSDAY, THE 2<sup>ND</sup>

JUSTICE MORAWETZ

)

DAY OF JUNE, 2022

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT INVOLVING MJARDIN GROUP, INC.,  
GROWFORCE HOLDINGS INC., 8586985 CANADA  
CORPORATION AND HIGHGRADE MMJ  
CORPORATION**

**B E T W E E N:**

**PRICEWATERHOUSECOOPERS INC., IN ITS CAPACITY  
AS COURT-APPOINTED RECEIVER AND MANAGER OF  
BRIDGING FINANCE INC. AND CERTAIN RELATED  
ENTITIES AND INVESTMENT FUNDS**

Applicant

- and -

**MJARDIN GROUP, INC., GROWFORCE HOLDINGS INC.,  
8586985 CANADA CORPORATION AND HIGHGRADE  
MMJ CORPORATION**

Respondents

**INITIAL ORDER**

**THIS APPLICATION**, made by PricewaterhouseCoopers Inc. ("**PwC**"), in its capacity as court-appointed receiver and manager (in such capacity, the "**Bridging Receiver**") of Bridging Finance Inc. ("**BFI**") and certain related entities and investment funds (collectively, "**Bridging**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an Initial Order in respect of MJardin Group, Inc. ("**MJar**"),

Growforce Holdings Inc. (“**Growforce**”), 8586985 Canada Corporation (“**858**”) and Highgrade MMJ Corporation (“**Highgrade**” and, together with MJar, Growforce and 858, the “**Respondents**”) was heard this day via videoconference.

**ON READING** the affidavit of Graham Page sworn June 1, 2022 and the Exhibits thereto (the “**Page Affidavit**”), the First Report of KSV Restructuring Inc. (“**KSV**”) as receiver and manager of MJar and the Report of KSV as proposed Monitor dated June 1, 2022 (the “**KSV Report**”), and on hearing the submissions of counsel for the Bridging Receiver, counsel for the proposed monitor, KSV, and on reading the consent of KSV to act as the monitor of the Respondents (the “**Monitor**”).

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

## **CAPITALIZED TERMS**

2. **THIS COURT ORDERS** that unless otherwise indicated or defined herein, capitalized terms have the meaning given to them in the Page Affidavit.

## **APPLICATION**

3. **THIS COURT ORDERS AND DECLARES** that each Respondent is a company to which the CCAA applies.

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the Respondents shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Respondents shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The Respondents are authorized and empowered to continue to retain and employ the employees, consultants, contractors, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently



retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order, in each case in consultation with the Monitor and the Bridging Receiver.

5. **THIS COURT ORDERS** that the Respondents shall be entitled to continue to utilize the central cash management system currently in place as described in the Page Affidavit or replace it with another substantially similar central cash management system (the “**Cash Management System**”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Respondents of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Respondents, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System on or after the date of this Order.

6. **THIS COURT ORDERS** that the Respondents shall be entitled to continue to use the corporate credit cards (the “**Credit Cards**”) in place with Alterna Savings and Credit Union Ltd. (“**Alterna**”) and shall make full repayment of all amounts outstanding thereunder, including with respect to any pre-filing charges.

7. **THIS COURT ORDERS** that the Respondents shall be entitled but not required to pay the following expenses whether incurred prior to, on, or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;
- (b) the fees and disbursements of any Assistants retained or employed by the Respondents in respect of these proceedings at their standard rates and charges;

- (c) the fees and disbursements of the Receiver and its counsel at their standard rates and charges;
- (d) any taxes, duties or other payments required under the Controlled Substances Legislation (as defined below); and
- (e) with the consent of the Monitor and the Bridging Receiver, amounts owing for goods or services supplied to the Respondents prior to the Initial Order if, in the opinion of the Respondents, such payment is necessary or desirable to avoid disruption to the operations of the Business or the Respondents during the CCAA proceedings.

8. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, and subject to the DIP Credit Agreement and the other DIP Documents (each as defined below), the Respondents shall be entitled but not required to pay all reasonable expenses incurred by the Respondents in carrying on the Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business, including, without limitation, payments on account of insurance (including directors and officers insurance and financing payments in relation to directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Respondents following the date of this Order or payments to obtain the release of goods or delivery of services contracted for prior to the date of this Order.

9. **THIS COURT ORDERS** that the Respondents shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;



- (b) all goods, services, excise, or other applicable sales taxes (collectively, “**Sales Taxes**”) required to be remitted by the Respondents in connection with the sale of goods and services by the Respondents, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Respondents.

10. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Respondents shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be or has been negotiated between the Respondents and the landlord from time to time (“**Rent**”), for the period commencing from and including the date of this Order, monthly on the first day of each month, in advance (but not in arrears), or at such other time intervals and dates as may be agreed to between the Respondents, with the consent of the Monitor and the Bridging Receiver, and the applicable landlord. On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Respondents are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Respondents to any of their creditors as of this date, other than in respect of scheduled payments to Alterna in respect of the Credit Cards; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

## **RESTRUCTURING**

12. **THIS COURT ORDERS** that the Respondents shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Documents, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and
- (c) pursue all avenues of refinancing or restructuring their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing or restructuring,

all of the foregoing to permit the Respondents to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

## **NO PROCEEDINGS AGAINST THE RESPONDENTS OR THE PROPERTY**

13. **THIS COURT ORDERS** that until and including June 10, 2022, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Respondents or the Monitor, or affecting the Business or the Property, except with the written consent of the Respondents and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Respondents or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court or the written consent of the Respondents and the Monitor.

## **NO EXERCISE OF RIGHTS OR REMEDIES**

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Respondents or the Monitor, or affecting the Business or the Property, are hereby stayed and



suspended except with the written consent of the Respondents and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Respondents to carry on any business which the Respondents are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by any of the Respondents, except with the written consent of the applicable Respondent and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements or arrangements with any of the Respondents or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or any of the Respondents, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by any of the Respondents or exercising any other remedy provided under the agreements or arrangements, and that each of the Respondents shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the applicable Respondent in accordance with normal payment practices of the applicable Respondent or such other practices as may be agreed upon by the supplier or service provider and the applicable Respondent and the Monitor, or as may be ordered by this Court.



## **NON-DEROGATION OF RIGHTS**

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Respondents. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

## **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the current or future directors or officers of the Respondents with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Respondents whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a plan of compromise or arrangement in respect of the Respondents, if one is filed, is sanctioned by this Court or is refused by the creditors of the Respondents or this Court.

## **DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE**

19. **THIS COURT ORDERS** that the Respondents shall indemnify their current and future directors and officers against obligations and liabilities that they may incur as directors or officers of the Respondents after the commencement of the within proceedings to the extent such obligations and liabilities relate to the period on or after the date of this Order, except to the extent that, with respect to any director or officer, the obligation or liability was incurred as a result of such director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the current and future directors and officers of the Respondents shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$355,000, unless permitted by further Order of this Court, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 39 and 41 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Respondents' current and future directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

#### **APPOINTMENT OF MONITOR**

22. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Respondents with the powers and obligations set out in the CCAA or set forth herein and that the Respondents and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by any of the Respondents pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Respondents' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Respondents, to the extent required by the Respondents, in their dissemination to the Bridging Receiver and counsel, as applicable, of financial and other information as agreed to between the Respondents and the Bridging Receiver (including for greater certainty, in its capacity as receiver and manager of the DIP Lender (as defined below)) and consented to by the Monitor;



- (d) advise the Respondents in their preparation of the Respondents' cash flow statements and any other reporting required by the DIP Lender pursuant to the DIP Credit Agreement, which information shall be reviewed with the Monitor and delivered to the Bridging Receiver as receiver and manager of the DIP Lender and its financial advisors and/or counsel, as applicable, on a periodic basis pursuant to subparagraph 23(c) above;
- (e) advise the Respondents in their development of any plan of compromise or arrangement, or in respect of any other restructuring transaction that may be pursued by the Respondents;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Respondents, to the extent that is necessary to adequately assess the Respondents' business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order;
- (h) apply to this Court for any orders necessary or advisable in connection with these CCAA proceedings and the Respondents' restructuring efforts; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not occupy or take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of (or be deemed to take Possession of), or exercise (or be deemed to have exercised) any rights of control over any activities in respect of, the Property, or any assets, properties or undertakings of any of the Respondents' direct or indirect subsidiaries or affiliates, including any joint venture entities (collectively, the "**MJar Subsidiaries**"), for which a permit or license is issued or required pursuant to any federal, provincial or other law respecting, among other things, the cultivation, processing, sale and/or possession of cannabis or cannabis-related products in Canada or the United States, including, without limitation, under the *Cannabis Act*, S.C. 2018, c. 16, the

*Controlled Drugs and Substances Act*, S.C. 1996, c. 19, the *Excise Act*, 2001, S.C. 2002, c. 22, the *Cannabis Control Act*, 2017, S.O. 2017, c. 26, Sched. 1, the *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, the *Cannabis License Act*, 2018, S.O. 2018, c. 12, or other such applicable federal or provincial legislation (collectively, the “**Controlled Substances Legislation**”) and shall take no part whatsoever in the management or supervision of the management of the Business or any business of any of the MJar Subsidiaries, and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained Possession of the Business or Property, or any part thereof, within the meaning of any Controlled Substances Legislation, or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity, for any purpose whatsoever.

25. **THIS COURT ORDERS** that nothing herein contained shall require the DIP Lender or the Bridging Receiver to take Possession of any of the Property or the property of any MJar Subsidiaries that is or may be: (i) subject to any Controlled Substances Legislation; or (ii) environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any Environmental Legislation.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to take Possession of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor’s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.



27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Respondents and the Bridging Receiver (including as receiver and manager of the DIP Lender) with information provided by the Respondents in response to reasonable requests for information made in writing by such creditors addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Respondents is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Respondents may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor any its employees and representatives acting in such capacities shall incur any liability or obligation as a result of the appointment of the Monitor or the carrying out by it of the provisions of this Order, including under any Controlled Substances Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor and counsel to the Monitor shall be paid their reasonable fees and disbursements (including pre-filing fees and disbursements), in each case at their standard rates and charges, by the Respondents as part of the costs of these proceedings. The Respondents are hereby authorized and directed to pay the accounts of the Monitor and counsel for the Monitor in accordance with the payment terms agreed between the Respondents and such parties.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Monitor and counsel to the Monitor shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$100,000, unless permitted by further Order of this Court, as security for their professional fees and disbursements incurred both before and after the making of this Order at their standard rates and charges. The Administration Charge shall have the priority set out in paragraphs 39 and 41 hereof.

## **DIP FINANCING**

32. **THIS COURT ORDERS** that the Respondents are hereby authorized and empowered to obtain and borrow under a credit facility from BFI, as agent on behalf of an affiliate to be named (the “**DIP Lender**”), in order to finance the Respondents’ working capital requirements, the costs of these proceedings and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$250,000 (plus accrued and unpaid interest, fees and reimbursable expenses) unless permitted by further Order of this Court.

33. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the term sheet between the Respondents and the DIP Lender (the “**DIP Credit Agreement**”), attached as Exhibit “M” to the Page Affidavit.

34. **THIS COURT ORDERS** that the Respondents are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**DIP Documents**”), as are contemplated by the DIP Credit Agreement or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Respondents are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Credit Agreement and the DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, which DIP Lender’s Charge shall not exceed the aggregate amount owed to the DIP Lender under the DIP Credit Agreement and the other DIP Documents. The DIP Lender’s Charge shall have the priority set out in paragraphs 39 to 41 hereof.

36. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the DIP Documents;



- (b) upon the occurrence of an event of default under the DIP Credit Agreement, the other DIP Documents, or the DIP Lender's Charge, the DIP Lender, upon five days' written notice to the Respondents and the Monitor, may exercise any and all of its rights and remedies against the Respondents or the Property under or pursuant to the DIP Credit Agreement, the other DIP Documents, and the DIP Lender's Charge, including, without limitation, to cease making advances to the Respondents and set off and/or consolidate any amounts owing by the DIP Lender to the Respondents against the obligations of the Respondents to the DIP Lender under the DIP Credit Agreement, the other DIP Documents, and the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager, or interim receiver, or for a bankruptcy order against any of the Respondents and for the appointment of a trustee in bankruptcy of any of the Respondents; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Respondents or the Property.

37. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of compromise or arrangement filed in these CCAA proceedings in respect of the Respondents, or any proposal filed under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") in respect of the Respondents with respect to any advances made under the DIP Credit Agreement and the other DIP Documents.

38. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the DIP Lender under this Order, any other Order of the Court (whether made pursuant to these proceedings or otherwise), or at law, the DIP Lender shall incur no liability or obligation as a result of carrying out the provisions of this Order, including under any Controlled Substances Legislation, save and except for any gross negligence or willful misconduct on its part.

## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THE RECEIVERSHIP ORDER AND THIS ORDER**

39. **THIS COURT ORDERS** that the priorities of the Receiver's Charge (as defined in the Receivership Order), the Administration Charge, the Receiver's Borrowings Charge (as defined in the Receivership Order), the DIP Lender's Charge and the Directors' Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Receiver's Charge;

Second – Administration Charge (to the maximum amount of \$100,000);

Third – Receiver's Borrowings Charge (to the maximum amount of \$2,548,266.24, plus accrued and unpaid interest, fees and reimbursable expenses);

Fourth – DIP Lender's Charge (to the maximum amount of \$250,000, plus accrued and unpaid interest, fees and reimbursable expenses); and

Fifth – Directors' Charge (to the maximum amount of \$355,000).

40. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

41. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, deemed trusts, liens, charges and encumbrances and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, except for any secured creditor of the Respondents who did not receive notice of the application for this Order. The Respondents shall be entitled to seek priority of the Charges ahead of additional Encumbrances on a subsequent motion on notice to those Persons likely to be affected thereby.



42. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Respondents shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Respondents also obtain the prior written consent of the Monitor, the Bridging Receiver, and the beneficiaries of the applicable Charge(s), or further Order of this Court.

43. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy or receivership order(s) issued pursuant to the BIA or other applicable statutes, or any bankruptcy or receivership order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Respondents, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Credit Agreement or the DIP Documents shall create or be deemed to constitute a breach by the Respondents of any Agreement to which any of them are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Respondents entering into the DIP Credit Agreement, the creation of the Charges, or the execution, delivery or performance of the DIP Documents; and
- (c) the payments made by the Respondents pursuant to this Order, the DIP Credit Agreement or the DIP Documents and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

44. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Respondent's interest in such real property leases.

## **SERVICE AND NOTICE**

45. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in *The Globe and Mail* (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Respondents of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make the claims, names and addresses of individuals who are creditors publicly available unless otherwise ordered by the Court.

46. **THIS COURT ORDERS** that the E-Service Guide of the Commercial List (the "Guide") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Guide, service of documents in accordance with the Guide will be effective on transmission. This Court further orders that a Case Website shall be established by the Monitor in accordance with the Guide with the following URL: <https://www.ksvadvisory.com/experience/case/mjardin-group-inc.>

47. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Guide is not practicable, the Respondents and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Respondents' creditors or other interested parties at their respective addresses as last shown on the records of the Respondents



and that any such service, distribution or notice shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof, (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

48. **THIS COURT ORDERS** that the Respondents and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Respondents' creditors or other interested parties and their advisors, as applicable. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

49. **THIS COURT ORDERS** that, except with respect to any motion to be heard on the Comeback Date (as defined below), and subject to further Order of this Court in respect of urgent motions, any interested party wishing to object to the relief sought in a motion brought by the Respondents, the Monitor, or the Bridging Receiver in these proceedings shall, subject to further Order of this Court, provide the service list in these proceedings (the "**Service List**") with responding motion materials or a written notice (including by e-mail) stating its objection to the motion and the grounds for such objection by no later than 5:00 p.m. Eastern Standard/Daylight Time on the date that is two (2) days prior to the date such motion is returnable (the "**Objection Deadline**"). The Monitor shall have the ability to extend the Objection Deadline by notice in writing.

50. **THIS COURT ORDERS** that following the expiry of the Objection Deadline, counsel to the Monitor shall inform the Court, including by way of a 9:30 a.m. appointment, of the absence or the status of any objections to the motion and the judge having carriage of the motion may determine (a) whether a hearing in respect of the motion is necessary, (b) if a hearing is necessary, the date and time of the hearing, (c) whether such hearing will be in person, by telephone or videoconference, or by written submissions only, and (d) the parties from whom submissions are required. In the absence of any such determination, a hearing will be held in the ordinary course on the date specified in the notice of motion.

## GENERAL

51. **THIS COURT ORDERS** that any interested party that wishes to amend or vary this Order shall be entitled to appear or bring a motion before this Court on June 10, 2022, or such other date as may be set by this Court upon the granting of this Order (the “**Comeback Date**”), and any such interested party shall give not less than two (2) business days’ notice to the Service List and any other party or parties likely to be affected by the Order sought in advance of the Comeback Date; provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges and priorities set forth in paragraphs 39 and 41 hereof with respect to any fees, expenses and disbursements incurred, as applicable, until the date this Order may be amended, varied or stayed.

52. **THIS COURT ORDERS** that, notwithstanding paragraph 51 of this Order, the Respondents or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order, or for advice and directions in the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

53. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of any of the Respondents, the Business, the Property, the MJar Subsidiaries, or any of the business or property of the MJar Subsidiaries.

54. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Respondents, the Monitor 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 orders and to provide such assistance to the Respondents and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Respondents and the Monitor and their respective agents in carrying out the terms of this Order.

55. **THIS COURT ORDERS** that each of the Respondents and the Monitor be at liberty and is 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, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

56. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



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Chief Justice G.B. Morawetz

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

Court File No. CV-22-00682101-00CL

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT  
INVOLVING MJARDIN GROUP, INC., GROWFORCE HOLDINGS INC., 8586985  
CANADA CORPORATION AND HIGHGRADE MMJ CORPORATION**

Respondents

<b>ONTARIO</b> <b>SUPERIOR COURT OF JUSTICE-</b> <b>COMMERCIAL LIST</b>	
Proceeding commenced at Toronto	
<b>INITIAL ORDER</b>	
<b>Thornton Grout Finnigan LLP</b> TD West Tower, Toronto-Dominion Centre 100 Wellington Street West, Suite 3200 Toronto, ON M5K 1K7 Fax: (416) 304-1313  Rebecca L. Kennedy (LSO# 61146S) Email: rkennedy@tgf.ca Tel: (416) 304-0603  Adam Driedger (LSO #77296F) Email: adriedger@tgf.ca Tel.: (416) 304-1152  Lawyers for the PricewaterhouseCoopers Inc.	

## **Appendix “B”**



June 1, 2022

**First Report to Court of  
KSV Restructuring Inc. as  
Receiver and Manager of the  
assets, undertaking and property of  
MJardin Group, Inc.**

**and**

**Report of KSV Restructuring Inc. as  
Proposed CCAA Monitor of MJardin  
Group, Inc., Growforce Holdings  
Inc., 8586985 Canada Corporation  
and Highgrade MMJ Corporation**



<b>Contents</b>	<b>Page</b>
1.0 Introduction.....	2
1.1 Purposes of this Report.....	3
1.2 Restrictions .....	5
1.3 Currency .....	5
2.0 Background .....	5
3.0 Creditors.....	6
3.1 Secured Creditors .....	6
3.2 Unsecured Creditors and other claims .....	7
4.0 Receivership Update .....	7
4.1 Business Assessment Report.....	8
4.2 Health Canada .....	9
4.3 MJar Group's Other Activities .....	10
4.4 Receiver's Borrowings.....	11
5.0 Receiver's Activities.....	11
6.0 Professional Fees .....	12
7.0 Receiver's Discharge.....	13
8.0 CCAA Proceedings.....	14
8.1 KSV's Qualifications to Act as Monitor .....	14
8.2 Cash Flow Forecast .....	14
8.3 DIP Facility.....	15
8.4 Recommendation .....	17
8.5 Court Ordered Charges.....	18
8.5.1 Administration Charge.....	18
8.5.2 D&O Charge .....	18
8.5.3 Interim DIP Charge .....	19
8.5.4 Priority of Charges .....	19
8.6 Creditor Notification.....	20
9.0 Conclusion and Recommendation .....	20

## Appendices

<b>Appendix</b>	<b>Tab</b>
Receivership Order.....	A
Corporate Chart.....	B
Letter to Health Canada .....	C
Health Canada Email.....	D
Receivership R&D to May 31, 2022 .....	E
Press Release .....	F
Letter to Canadian Securities Exchange and Ontario Securities Commission .....	G
KSV Fee Affidavit .....	H
Goodmans Fee Affidavit.....	I
KSV's Consent to Act as Monitor .....	J
Cash Flow Forecast and Management's Report on Cash Flow Forecast.....	K

KSV's Report on Cash Flow Forecast.....	L
Comparative Summary of DIP Facilities.....	M

## Confidential Appendices

Appendix	Tab
Business Assessment Report.....	1
CRO Engagement Letter .....	2



COURT FILE NO.: CV-22-00678813-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

BETWEEN:

**PRICEWATERHOUSECOOPERS INC.**  
(solely in its capacity as court-appointed receiver and manager of  
Bridging Finance Inc. and certain related entities and investment funds)

**APPLICANT**

- AND -

**MJARDIN GROUP, INC.**

**RESPONDENT**

**FIRST REPORT OF KSV RESTRUCTURING INC.  
AS RECEIVER AND MANAGER OF  
MJARDIN GROUP, INC.**

**AND**

COURT FILE NO.: \_\_\_\_\_

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT INVOLVING MJARDIN GROUP, INC.,  
GROWFORCE HOLDINGS INC., 8586985 CANADA  
CORPORATION AND HIGHGRADE MMJ CORPORATION**

**BETWEEN:**

**PRICEWATERHOUSECOOPERS INC., IN ITS CAPACITY AS  
COURT-APPOINTED RECEIVER AND MANAGER OF  
BRIDGING FINANCE INC. AND CERTAIN RELATED ENTITIES  
AND INVESTMENT FUNDS**

**APPLICANT**

**- AND -**

**MJARDIN GROUP, INC., GROWFORCE HOLDINGS INC.,  
8586985 CANADA CORPORATION AND HIGHGRADE MMJ  
CORPORATION**

**RESPONDENTS**

**REPORT OF KSV RESTRUCTURING INC. AS PROPOSED MONITOR**

**JUNE 1, 2022**

## **1.0 Introduction**

1. By orders of the Ontario Superior Court of Justice (Commercial List) (the “Court”) dated April 30, 2021, May 3, 2021, and May 14, 2021, PricewaterhouseCoopers Inc. was appointed receiver and manager (in such capacity, the “Bridging Receiver” or the “Applicant”) of Bridging Finance Inc. and certain related entities and investment funds (collectively, “Bridging”) pursuant to section 129 of the *Securities Act* (Ontario) upon application by the Ontario Securities Commission.
2. As described further below, Bridging has made various loans to certain subsidiaries of MJardin Group, Inc. (“MJar”, and collectively with its subsidiaries, the “MJar Group”).
3. On March 23, 2022, the Bridging Receiver sought and obtained an Order (the “Receivership Order”) appointing KSV Restructuring Inc. (“KSV”) as the receiver and manager (the “Receiver”) of MJar, excluding the Excluded Assets and Excluded Business (each as defined in Section 4.2 below). A copy of the Receivership Order is attached as Appendix “A”. The Bridging Receiver sought the Receivership Order to stabilize MJar Group’s business and, with the assistance of the Receiver, to review and consider available options to restructure and/or refinance the MJar Group.

4. Following this review, the Receiver understands that the Bridging Receiver intends to make an application to the Court for an initial order (the “Initial Order”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (“CCAA”) (the “CCAA Proceedings”) to seek creditor protection for MJar and three of its subsidiaries, namely Growforce Holdings Inc. (“Growforce”), 8586985 Canada Corporation (“858”) and Highgrade MMJ Corporation (“Highgrade” and, together with MJar, Growforce and 858, the “Debtors”), whose business represents the Ontario cannabis cultivation and processing activities of the MJar Group.
5. The Applicant believes the proposed CCAA Proceedings provide the most appropriate forum to implement an operational restructuring of the Debtors’ business and ultimately a restructuring transaction that will preserve and maximize value for the benefit of the Debtors’ stakeholders.
6. If the Initial Order is granted, the Bridging Receiver intends to return to Court within ten days (the “Comeback Motion”) to seek the Court’s approval of an amended and restated Initial Order which, *inter alia*, would:
  - a) increase the amount of each of the Administration Charge, D&O Charge and Interim DIP Charge (each as defined below);
  - b) extend the stay of proceedings; and
  - c) approve the engagement of Howards Capital Corp. (“HCC”) as Chief Restructuring Officer of the Debtors (the “CRO”) and grant a charge in respect of certain proposed additional consideration payable to the CRO.
7. This report (“Report”) is filed by KSV in its capacity as the Receiver and as proposed monitor (“Monitor”) of the Debtors.
8. The Affidavit of Graham Page, sworn June 1, 2022 in support of the CCAA application (the “Page Affidavit”), provides, *inter alia*, further background information concerning the CCAA Proceedings.

## **1.1 Purposes of this Report**

1. The purposes of this Report are to:
  - a) update the Court on the status of the receivership proceedings of MJar and the activities of the Receiver since its appointment;
  - b) provide background information about the Debtors;
  - c) summarize the fees and disbursements of the Receiver and the Receiver’s counsel, Goodmans LLP (“Goodmans”), incurred from the commencement of the receivership proceedings to May 29, 2022;
  - d) provide KSV’s qualifications to act as Monitor;

- e) report on the Debtors' cash flow projection for the period June 1, 2022 to September 9, 2022 (the "Cash Flow Forecast");
- f) summarize the terms of a debtor-in-possession loan facility (the "DIP Facility") in the maximum principal amount of \$2 million to be made available to the Debtors by Bridging (in such capacity, the "DIP Lender") pursuant to a debtor-in-possession term sheet (the "DIP Term Sheet");
- g) discuss the rationale for including the following provisions in the Initial Order:
  - i. a charge in the amount of \$100,000 on all of the Debtors' current and future assets, property and undertaking (the "Property") to secure the fees and disbursements of the Monitor and its counsel, Goodmans (the "Administration Charge");
  - ii. a charge in the amount of \$355,000 on the Property in favour of the directors and officers of the Debtors (the "D&O Charge");
  - iii. a charge up to the maximum amount of \$250,000 (plus accrued and unpaid interest, fees and expenses) on the Property in favour of the Bridging Receiver to secure advances to the Debtors made under the DIP Facility prior to the Comeback Motion (the "Interim DIP Charge");
  - iv. the continuation of the Receiver's Charge and the Receiver's Borrowings Charge (each as defined in the Receivership Order);
  - v. the proposed priority in the Initial Order of the various charges;
  - vi. granting the Debtors a stay of proceedings up to and including the date of the Comeback Motion; and
- h) recommend that this Court issue Orders:
  - i. granting the relief sought by the Applicant in its CCAA application materials, including sealing the Confidential Appendices to this Report;
  - ii. discharging KSV as Receiver of MJar upon the issuance of a discharge certificate following the issuance of the Initial Order (the "Discharge Order");
  - iii. at a motion to be heard immediately following the Comeback Motion: (a) approving the fees and disbursements of the Receiver and Goodmans to May 29, 2022; (b) approving this Report and the Receiver's activities described herein; and (c) releasing the Receiver and its affiliates, partners, employees, agents, counsel and other advisors (collectively, the "Released Persons") from any and all liability that the Released Persons have or may thereafter have by reason of, or in any way arising out of, the acts or omissions of KSV while acting as Receiver, save and except for any gross negligence or willful misconduct on a Released Person's part.

## 1.2 Restrictions

1. In preparing this Report, KSV has relied upon the unaudited financial information of the Debtors, the books and records of the Debtors, discussions with the management (“Management”) of the Debtors, discussions with the Bridging Receiver and its counsel and discussions with the proposed CRO.
2. KSV has not audited, or otherwise attempted to verify, the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, KSV expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Debtors’ assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

## 1.3 Currency

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

## 2.0 Background

1. MJar is a corporation incorporated under the laws of the Province of Ontario. Prior to being delisted shortly following the granting of the Receivership Order and a cease trade order being issued by the Ontario Securities Commission on May 6, 2022, MJar’s shares were traded publicly since 2018 on the Canadian Securities Exchange under the ticker symbol “MJAR”.
2. The MJar Group is primarily a cannabis cultivation company. MJar is the ultimate parent company of the MJar Group, which consists of subsidiaries based out of Canada and the U.S. (the latter being referred to collectively as the “U.S. Subsidiaries”). The corporate chart for the MJar Group is provided in Appendix “B”.
3. In Canada, the MJar Group engages in the production and sale of cannabis through its wholly owned subsidiary Growforce, which owns 100% and 75.51% of the outstanding shares of 858 and Highgrade, respectively. Each of 858 and Highgrade are licensed producers of cannabis in accordance with the *Cannabis Act*, S.C. 2018, c. 16 and its associated regulations (“Cannabis Act”) and operate the core business of the MJar Group. The Receiver understands that Growforce and MJar are holding companies that have never conducted active business operations.
4. Highgrade owns and operates a cannabis production facility in Dunnville, Ontario (the “GRO Facility”). Cannabis is neither processed nor sold from the GRO Facility. 858 primarily operates out of a leased cannabis production facility located in Brampton, Ontario (the “WILL Facility”). The WILL Facility is used to process and sell cannabis produced at both the GRO Facility and the WILL Facility.

5. 858 currently holds a Cannabis Act license (the “858 License”) which permits it to cultivate, process and sell cannabis for the medical and recreational/adult-use markets and to sell cannabis plant seeds, cannabis plants, dried cannabis and fresh cannabis to provincially/territorially authorized distributors/retailers and directly to consumers with medical documents. Highgrade holds a Cannabis Act license (the “Highgrade License” and together with the 858 License, the “Licenses”) which permits it to cultivate cannabis plant seeds, cannabis plants, dried cannabis and fresh cannabis, but is limited in its ability to process and sell the cannabis.
6. The Debtors presently have approximately 75 employees. The employees are not unionized and the Debtors do not maintain a registered pension plan.

## **3.0 Creditors**

### **3.1 Secured Creditors**

1. Pursuant to a loan agreement dated April 23, 2018, as amended by amendments dated July 23, 2018, July 27, 2018, November 6, 2018, December 11, 2018, May 29, 2019 and April 29, 2020 (collectively the “Canadian Loan Agreement”), Bridging, as agent, and certain related entities and investment funds (collectively, the “Lenders”) are secured lenders to Growforce, as borrower, and each of MJar, Highgrade and 858, as guarantors. According to the books and records of Bridging as at March 22, 2022, being the date of the receivership application (the “Receivership Application”), the total amount owed under the Canadian Loan Agreement was approximately \$134.5 million (the “Canadian Indebtedness”).
2. Pursuant to a loan agreement dated December 29, 2017, as amended by amendments dated July 23, 2018, August 27, 2018, November 15, 2018, May 29, 2019, April 29, 2020, September 29, 2020 and April 29, 2021 (collectively, the “U.S. Loan Agreement”), the Lenders are secured lenders to MJar Holdings Corp. and certain U.S. Subsidiaries. According to the books and records of Bridging, at the time of the Receivership Application, the total amount owed under the U.S. Loan Agreement was approximately \$43.5 million (the “U.S. Indebtedness” and together with the Canadian Indebtedness, the “Indebtedness”).
3. At the time of the Receivership Application, the Indebtedness was approximately \$178 million. Interest and costs continue to accrue.
4. The obligations under the Canadian Loan Agreement are secured by substantially all of the Debtors’ property pursuant to various security documents, including general security agreements entered into by each of the Debtors (the “Canadian Security Documents”). Furthermore, each of the Debtors has guaranteed the indebtedness and obligations under the U.S. Loan Agreement (the “U.S. Security Documents” and together with the Canadian Security Documents, the “Security Documents”).
5. Goodmans is currently conducting a review of the Security Documents and will issue an opinion to the Monitor on the Lenders’ security in due course.
6. Aside from the Indebtedness and a loan from Dan Marazzato in the principal amount of \$165,000, plus accrued and unpaid interest, secured by a charge on the GRO Facility, KSV understands that the Debtors do not have any other material secured obligations.



### 3.2 Unsecured Creditors and other claims

1. Based on the Debtors' books and records, as of May 31, 2022, unsecured obligations totalled approximately \$19.6 million. The unsecured obligations primarily include:
  - a) \$820,000 owing to the Canada Revenue Agency ("CRA") in respect of excise taxes, of which \$681,000 is in arrears;<sup>1</sup>
  - b) \$5.6 million owing to various trade and other vendors in respect of goods and services provided to the Debtors;
  - c) \$10.6 million owing to Chief Peguis Investment Corporation in respect of two promissory notes; and
  - d) \$2.3 million in respect of other obligations.
2. Based on the Debtors' books and records, as of May 31, 2022, the Debtors owed approximately \$290,000 to the CRA in respect of GST/HST obligations.
3. Further information concerning the Debtors' liabilities is provided in the Page Affidavit.

### 4.0 Receivership Update

1. Since inception, the MJar Group has struggled to achieve profitability and has funded its losses primarily through financing from Bridging.
2. Prior to the receivership proceeding, the MJar Group's restructuring efforts consisted of pursuing a strategic sale and/or restructuring alternatives under the oversight of an advisory firm (the "Former CRO") as strategic advisors to the special committee of MJar's board of directors and chief restructuring officer of the MJar Group. The Receiver understands that these restructuring efforts were largely unsuccessful.
3. On the date of the Receivership Order, the Receiver issued a letter to each of the Former CRO and Anthony Dutton, interim CEO of MJar, advising both that their respective agreements were disclaimed effective immediately pursuant to paragraph 8(c) of the Receivership Order.
4. Since its appointment, the Receiver has worked closely with the Bridging Receiver and Management, including Edward Jonasson, Chief Financial Officer and sole director of MJar, to understand the current operations and funding requirements of the MJar Group.

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<sup>1</sup> The Receiver understands the Debtors negotiated a payment plan in respect of these arrears based on a monthly payment of \$60,000 per month. The Cash Flow Forecast (as defined below) contemplates these monthly payments will be made following the commencement of the CCAA Proceedings pursuant to the terms of the Initial Order. Failure to make excise tax payments, including arrears, may cause issues with keeping the Debtors' Licenses in good standing.

5. In addition to providing assistance to Management and the Bridging Receiver in reviewing the realization of non-operating assets of the MJar Group, the Receiver has taken steps to gather information about the core operating entities, 858 and Highgrade, to allow it to make an informed decision regarding the best path to restructure and maximize the value of the MJar Group's core business.

#### **4.1 Business Assessment Report**

1. Pursuant to a Services, Confidentiality, Non-Disclosure and Non-Solicitation Agreement dated April 7, 2022 (the "Services Agreement") between the Receiver and HCC, the Receiver, in consultation with the Bridging Receiver, engaged HCC to provide the Receiver with a report (the "Business Assessment Report") on the business, operations, viability and financial condition of the core operating assets of the MJar Group.
2. The principal of HCC, Howard Steinberg, is a senior executive and experienced restructuring professional in the cannabis space. Mr. Steinberg, through another entity, was previously appointed as chief restructuring officer of James E. Wagner Cultivation Corp. ("JWC"), a Canadian cannabis producer, during its restructuring proceedings under the CCAA.<sup>2</sup>
3. HCC's mandate under the Services Agreement included:
  - a) a review of various operational, financial and other information provided by Management;
  - b) in-person visits at the WILL Facility and GRO Facility;
  - c) meeting with Management and other key staff members at the WILL Facility and GRO Facility; and
  - d) meetings with the Receiver and the Bridging Receiver.
4. The Business Assessment Report concluded that the estimated realizations from a going-concern sale of 858's and Highgrade's business, subject to a successful restructuring of their operations, is significantly higher than the estimated realizations from an orderly liquidation. The Business Assessment Report made several key recommendations that would need to be implemented for a successful operational restructuring. The Business Assessment Report is attached as Confidential Appendix "1".

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<sup>2</sup> KSV acted as Court-appointed Monitor in JWC's CCAA proceedings.

5. Based on the Business Assessment Report, as well as its own direct review and assessment of the MJar Group's core business and assets, and in consultation with the Bridging Receiver, the Receiver is of the view that the proposed CCAA Proceedings, which would seek the appointment of HCC as CRO of the Debtors at the Comeback Motion, would give the Debtors an opportunity to implement an orderly operational and financial restructuring of their business as a going-concern. It is anticipated that the operational restructuring would be implemented by the CRO over the next three to four months, during which time the parties would also work to develop and agree on a definitive restructuring path or transaction.
6. The Business Assessment Report contains confidential and sensitive commercial information regarding the business and operations of the Debtors and their expected operational restructuring initiatives. The Receiver recommends that the Business Assessment Report be filed with the Court on a confidential basis and remain sealed pending further order of the Court as the public availability of the information contained therein may negatively impact the restructuring of the Debtors to the detriment of the Debtors and their stakeholders.
7. In addition, a copy of the engagement letter between the Bridging Receiver and HCC pursuant to which HCC would be appointed as CRO of the Debtors at the Comeback Motion is attached as Confidential Appendix "2". The engagement letter, a redacted version of which is attached to the Page Affidavit and which will be described in further detail in a subsequent report to be filed in advance of the Comeback Motion, sets out the commercial terms of HCC's engagement as CRO which are commercially sensitive to HCC and if publicly disclosed, may negatively impact HCC. In addition, the CRO engagement letter sets out the individual compensation details of certain consultants that will be engaged by HCC in connection with the performance of services thereunder, which details are personal and sensitive. Finally, the CRO engagement letter contains certain information relating to the potential value of the Debtors' assets, the public disclosure of which could adversely impact any future sale process. The sealing of the unredacted engagement letter should not materially prejudice any stakeholders.

## **4.2 Health Canada**

1. To protect the Receiver and preserve the value of the Licences, the Receivership Order provides that the Receiver will not take possession of (or be deemed to have taken possession of) or exercise (or be deemed to have exercised) any rights of control over any assets, properties, or undertakings (the "Excluded Assets") of MJar or any of its direct or indirect subsidiaries, including any joint venture entities (each, a "Subsidiary" and collectively, the "Subsidiaries") or take control of or manage (or be deemed to have taken control of or managed) any business of MJar or any of its Subsidiaries (the "Excluded Business") for which any permit or licence is issued or required in accordance with legislation in connection with the cultivation, processing, sale and/or possession of cannabis or cannabis-related products in Canada or the United States and any regulations issued in connection therewith.

2. At the outset of the receivership proceedings, Goodmans contacted Health Canada via letter dated March 23, 2022, to advise of the Receiver's appointment and the terms of the Receivership Order given it is critical to the MJar Group's ongoing business and restructuring efforts that the Licenses remain in good standing. On March 30, 2022, Management received an email from the Licensing and Security Division of Health Canada confirming that Health Canada is aware of the MJar receivership and that the receivership "will not affect the operations and corporate structure of 8586985 Canada Corp. d.b.a. WILL Cannabis Group." To the knowledge of the Receiver, Health Canada has not contacted MJar regarding the Highgrade License. Copies of the Goodmans letter to Health Canada (without appendices) and the Health Canada email to Management are attached as Appendices "C" and "D", respectively.

#### **4.3 MJar Group's Other Activities**

1. In addition to the Debtors' business, the MJar Group has several other assets:
  - a) unsecured promissory notes (the "Unsecured Notes") with a face value of approximately \$16.2 million held by Buddy Boy Brands, LLC ("BBBL"), a U.S. Subsidiary, representing amounts advanced to 3B Ventures LLC and TwoG Ventures LLC d/b/a Buddy Boy Brands ("BBB"). BBB is a cannabis producer which also operates seven retail cannabis stores in Colorado, USA. BBB is actively engaged in a sale process. Management is working cooperatively with BBB in respect of such sale efforts;
  - b) the MJar Group's interest in a 120,000 square-foot building in Winnipeg, Manitoba (the "Warman Facility"), held through 13295389 Canada Corporation ("1329"), a wholly-owned subsidiary of Growforce. The Receiver understands that 1329 and 6223291 Manitoba Ltd. ("6223"), an entity unrelated to the MJar Group but which also has a loan owing to Bridging, jointly owned the Warman Facility. 1329 and 6223 sold their interest in the Warman Facility pursuant to a transaction that closed on April 29, 2022. The Bridging Receiver is working with both 1329 and 6223 to determine the appropriate allocation of the sale proceeds;
  - c) the MJar Group's interest in OG DNA Genetics Inc. ("OG DNA"), a California-based private cannabis company with proprietary genetics. The Bridging Receiver and Management are considering next steps with respect to OG DNA; and
  - d) the MJar Group's interest in AtlantiCann Medical Inc. ("AMI"), an operator of a cannabis production facility in Halifax, Nova Scotia, held through Growforce's 39% shareholdings in Growforce AC Holdings Inc., which in turn holds 100% of the shares of AMI. The Bridging Receiver and Management are considering next steps with respect to AMI.



#### 4.4 Receiver's Borrowings

1. Pursuant to paragraph 29 of the Receivership Order, the Receiver was authorized to borrow up to \$3 million for the purpose of funding the exercise of powers and duties granted by the Receivership Order.
2. Since the date of the Receivership Order, the Receiver has borrowed approximately \$2.54 million from the Bridging Receiver. Of this amount, a total of \$320,000 was funded to the Receiver's accounts for professional fees and expenses, approximately \$1.25 million was advanced as security to discharge certain liens registered against the Warman Facility, which amounts are expected to be repaid upon receipt of proceeds from the sale of the Warman Facility, and the balance was used to fund the continuing operations and realization efforts of MJar and the Subsidiaries. An interim statement of receipts and disbursements for the period ended May 31, 2022 (the "Receivership R&D"), is provided as Appendix "E".
3. The Receivership R&D reflects that there is approximately \$60,153 in the Receiver's account as at May 31, 2022, before accrued costs. If the Court issues the Initial Order, the residual amount in the Receiver's account will be returned to the Debtors.

#### 5.0 Receiver's Activities

1. The Receiver's activities since the date of the Receivership Order have included, among other things, the following:
  - a) reviewing financial and other information regarding the MJar Group, including its most recent financial statements;
  - b) corresponding with Management regarding the business and affairs of the MJar Group and the receivership proceedings;
  - c) corresponding with the Bridging Receiver and its counsel regarding all aspects of this mandate;
  - d) corresponding with Goodmans regarding all aspects of this mandate;
  - e) preparing and filing the Receiver's notice pursuant to subsection 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (Canada) ("BIA");
  - f) in accordance with paragraph 35 of the Receivership Order, issuing a press release and providing written notice to the Canadian Securities Exchange and the Ontario Securities Commission advising of the commencement of the receivership and the granting of the Receivership Order, copies of which (without appendices) are provided at Appendices "F" and "G", respectively;
  - g) through Goodmans, providing written notice to Health Canada advising of the commencement of the receivership proceedings;

- h) coordinating with Epiq Systems Canada, ULC to arrange for the extraction and imaging of electronic records of the MJar Group;
- i) preparing a communications plan for the employees of the MJar Group in respect of the receivership;
- j) corresponding with Alterna Savings and Credit Union Ltd. regarding MJar's bank account;
- k) opening the receivership estate account and reviewing invoices and processing disbursements from the same;
- l) reviewing various financial and other information about the MJar Group provided by Management in a virtual data room;
- m) negotiating the Services Agreement with HCC and coordinating with HCC regarding its mandate and the Business Assessment Report;
- n) attending at the WILL facility;
- o) arranging for an appraisal of the assets located at the WILL Facility and GRO Facility;
- p) corresponding with Management and the Bridging Receiver regarding strategies for realizing on the non-operational assets of MJar Group;
- q) monitoring the cash flow needs of MJar and the Subsidiaries and discussing the same with Management;
- r) corresponding with Management and the Bridging Receiver in regard to the Receiver's funding requests and issuing Receiver's Certificates evidencing same;
- s) negotiating the terms of the proposed appointment of HCC as CRO of the Debtors;
- t) in consultation with the Bridging Receiver, Management and HCC, considering the restructuring options available to the MJar Group and assisting in preparations for the proposed CCAA Proceedings;
- u) preparing the Receivership R&D; and
- v) preparing this Report.

## 6.0 Professional Fees

1. The fees of the Receiver since the commencement of the receivership proceeding to May 29, 2022 total \$220,476.50, excluding disbursements and HST. Goodmans' fees for the same period total \$203,682.00, excluding disbursements and HST. Fee affidavits and accompanying invoices in respect of the fees and disbursements of the Receiver and Goodmans for these periods are attached as Appendices "H" and "I", respectively, to this Report. These fees have largely been funded from Receiver's Certificates issued to the Bridging Receiver, the interim lender.

2. The average hourly rate for the Receiver and Goodmans for the referenced billing period was \$518 and \$666, respectively.
3. The Receiver is of the view that:
  - a) Goodmans' accounts reflect billings for services performed by Goodmans consistent with the instructions given by the Receiver; and
  - b) Goodmans' hourly rates are consistent with the rates charged by other major law firms practicing in the area of insolvency in the Toronto market, and that its fees are reasonable and appropriate in the circumstances.

## 7.0 Receiver's Discharge<sup>3</sup>

1. As noted in Section 1 above, the principal purpose of the receivership proceedings was to stabilize MJar's business and to review and consider available options for the restructuring and/or refinancing of the MJar Group. As described in Section 4 above, the Receiver has completed its review and supports the commencement of the CCAA Proceedings, the appointment of HCC as the CRO and the pursuit of an operational restructuring and ultimately a definitive restructuring transaction as the best means of maximizing the value of the Debtors' business.
2. If the Court issues the Discharge Order and the Initial Order, the Receiver intends to file the Receiver's Discharge Certificate immediately as its duties and responsibilities under the Receivership Order will have been completed. The Discharge Order, provides, among other things, that:
  - a) the Receiver shall remain Receiver for the performance of such incidental matters as may be required to complete the administration of the receivership of MJar;
  - b) the Receiver's Borrowings Charge shall survive the discharge of the Receiver in order to continue to secure the Receiver's Borrowings, with the priority set out in the Initial Order;
  - c) the Receiver's Charge shall survive the discharge of the Receiver in order to continue to secure the fees and disbursements of the Receiver and its counsel until all fees and disbursements have been paid, with the priority set out in the Initial Order; and
  - d) the Receiver shall continue to have the benefit of the provisions of all Orders made in the receivership proceeding, including all approvals, protections and stays of proceedings in favour of KSV in its capacity as the Receiver of MJar.

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<sup>3</sup> Terms not otherwise defined in this Report have the meaning provided to them in the Discharge Order.



3. In addition, should the Initial Order be granted, immediately following the Comeback Motion (in order to ensure the giving of appropriate notice) the Receiver will seek a Supplemental Discharge and Fee Approval Order that seeks approval of its activities and the Receiver's and Goodmans' fees and expenses, as well as a release in favour of the Receiver and the other Released Persons.
4. Should the Initial Order not be granted for any reason, the Receiver would not proceed with its discharge motion.

## **8.0 CCAA Proceedings**

### **8.1 KSV's Qualifications to Act as Monitor**

1. KSV is a licensed trustee within the meaning of subsection 2(1) of the BIA. KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA on who may be appointed monitor, and the Receivership Order authorizes KSV to act as monitor in any CCAA proceedings that may be commenced in respect of MJar and the Subsidiaries.
2. KSV has consented to act as Monitor in the CCAA Proceedings should the Court grant the Initial Order. A copy of KSV's consent to act as Monitor is attached as Appendix "J".
3. KSV has experience acting as CCAA Monitor and other court officer capacities in formal insolvency proceedings in the cannabis industry. It also worked with the proposed CRO in JWC's CCAA proceedings. In addition, KSV has been involved with this situation since the date of the Receivership Order and during that time has obtained an understanding of the Debtors' financial and operational challenges and has developed a working relationship with Management. This knowledge and experience should assist KSV to fulfil its duties as Monitor.
4. The Initial Order, if granted, will empower KSV as the Monitor of the Debtors to, among other things, apply to the Court for any orders necessary or advisable in connection with the CCAA Proceedings and the Debtors' restructuring efforts. KSV believes that such express authority is appropriate in the circumstances given that all of the members of MJar's board of directors resigned after the issuance of the Receivership Order, and will assist in the efficient and orderly administration of the CCAA Proceedings.

### **8.2 Cash Flow Forecast**

1. The Debtors have prepared the Cash Flow Forecast for the period June 1, 2022, to September 9, 2022. The Cash Flow Forecast and the Debtors' statutory representations on the cash flow pursuant to Section 10(2)(b) of the CCAA are attached as Appendix "K".

2. The Cash Flow Forecast reflects that the Debtors require funding of approximately \$113,000 prior to the Comeback Motion, as reflected in the table below.

(unaudited; \$000s)	June 1 – June 10
Receipts	123
Disbursements	
Payroll <sup>4</sup>	154
Rent	23
Insurance	81
Other operating expenses	202
Excise taxes	60
DIP Loan Fee	50
Professional fees	-
	(570)
Net Cash Flow	(447)
Opening Cash Balance	334
Net Cash Flow	(447)
Required DIP	113

3. The timing of collecting the projected receipts presented in the table above is uncertain. Accordingly, the proposed interim DIP borrowings and related Interim DIP Charge (as described in greater detail in the following section) provides the Debtors with flexibility to obtain a reasonable level of financing in excess of the required minimum amount needed to fund their operations during the approximately ten-day period prior to the Comeback Motion.
4. Based on KSV's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "L".

### 8.3 DIP Facility<sup>5</sup>

1. The current balance in the Debtors' bank accounts is approximately \$334,000<sup>6</sup>. In order to ensure the Debtors have the liquidity required to fund their operations during the CCAA Proceedings, the Debtors are seeking the approval of the DIP Term Sheet, provided that until the Comeback Motion, the Debtors will be permitted to draw no more than \$250,000 to fund the expenditures noted in the table above.
2. The significant terms of the DIP Facility are summarized below. A copy of the DIP Term Sheet is attached to the Page Affidavit.
  - a) Borrowers: Debtors;
  - b) DIP Lender: Bridging;
  - c) Loan Amount: up to a maximum of \$2 million;

<sup>4</sup> Including benefit payments.

<sup>5</sup> Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

<sup>6</sup> Excludes the balance in the receivership bank account.

- d) Maturity date: the earlier of: (i) the occurrence of any Event of Default that has not been cured; (ii) the implementation of a plan of compromise or arrangement or any other restructuring, sale, liquidation, or exit transaction in respect of all or substantially all of the Debtors' business or assets within the CCAA Proceeding; (iii) the termination of the CCAA Proceeding; and (iv) the day that is 100 days following the date of the initial Advance, which may be extended for an additional three month period upon request by the Debtors in consultation with the Monitor and the prior written consent of the DIP Lender;
- e) Interest rate: 10% per annum;
- f) Loan Fee: an upfront fee equal to \$50,000, deducted from the first Advance;
- g) DIP Lender's Expenses: the Borrowers to pay all reasonable costs and expenses incurred by the DIP Lender in connection with the DIP Term Sheet and the DIP Facility, including reasonable legal fees, and any costs and expenses incurred in protecting and enforcing Bridging's rights and remedies under this DIP Term Sheet and/or the DIP Charge;
- h) DIP Charge: the obligations of the Debtors under the DIP Facility are to be secured by the DIP Charge;
- i) Reporting: reporting obligations include the provision of weekly "rolling" cash flow projections and such other information as the DIP Lender may reasonably request, from time-to-time, as more fully described in the DIP Term Sheet;
- j) Conditions: key conditions include:
  - i. the Court shall have issued the DIP Order in a form and substance satisfactory to Bridging;
  - ii. Bridging must have received and approved the DIP Budget and the Debtors must be in compliance in all material respects with the DIP Budget;
  - iii. Bridging must be satisfied that the Debtors are in compliance in all material respects with applicable law;
  - iv. the Debtors must provide satisfactory confirmation that they are current during the CCAA Proceedings on all of their: (i) potential priority tax remittances of any kind; (ii) obligations that are secured by a deemed trust in favour of Her Majesty the Queen in right of Canada or a province thereof, including any income tax, Canada Pension Plan or employment insurance source deductions; (iii) payments in respect of any pension plan; and (iv) property taxes;
  - v. no Event of Default shall have occurred and be continuing;

- k) Events of Default: the following is a summary of the material Events of Default:
- i. the failure of the Debtors to pay interest or principal payment under the DIP Facility when due;
  - ii. the Debtors fail to pay within three business days of when due all fees or costs payable to Bridging as set out in the DIP Term Sheet;
  - iii. the Debtors fail to perform or comply with any term, condition, or covenant set out in the DIP Term Sheet or any other DIP Documents; and
  - iv. a Material Adverse Change occurs.

#### 8.4 Recommendation

1. KSV considered the following factors when reviewing the reasonableness of the DIP Facility, as well as those set out in Section 11.2 of the CCAA:
  - a) the Debtors have a critical need for interim financing. Without access to the DIP Facility, the Debtors will be unable to maintain their operations and advance their restructuring process. The Interim DIP Charge will allow the Debtors to continue to operate, including funding payroll, which is next due on June 2, 2022;
  - b) the Applicant is seeking an Interim DIP Charge of \$250,000 (plus accrued and unpaid interest, fees and expenses) as the Debtors may require immediate access to interim financing in order to make critical payments until the Comeback Motion. The Applicant will be seeking to increase the Interim DIP Charge to the full amount of the DIP Facility (plus accrued and unpaid interest, fees and expenses) at the Comeback Motion.
  - c) KSV compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced between 2020 to 2022. The comparison is attached as Appendix "M". Based on KSV's analysis, the cost of the proposed DIP Facility is within the lower ranges of similar facilities approved by the Court and other Canadian courts in CCAA and other restructuring proceedings;
  - d) Given the significant secured obligations already owing by the Debtors to Bridging, it appears unlikely that any other potential provider of DIP financing would be prepared to provide DIP financing on terms that are more favourable to the Debtors than the proposed DIP Facility; and
  - e) KSV believes that approval of the DIP Facility is in the best interests of the Debtors' stakeholders and will advance the Debtors' restructuring process. KSV does not believe that creditors will be prejudiced as a result of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the Debtors' business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and a liquidation of the Debtors' assets.
2. Based on the foregoing, KSV believes that the terms of the DIP Facility are reasonable in the circumstances.



## **8.5 Court Ordered Charges**

### **8.5.1 Administration Charge**

1. The Applicant is seeking an Administration Charge pursuant to the proposed Initial Order in an amount not to exceed \$100,000 to secure the fees and expenses of the Monitor and its counsel pending the Comeback Motion.
2. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding - it is required by certain of the professionals engaged to assist a debtor company and to protect them in the event that the debtor is unable to pay professional fees and costs during the CCAA process.
3. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the Debtors' proceedings and the services to be provided by professionals involved in these proceedings.
4. KSV expects the Applicant to seek an increase in the Administration Charge to \$300,000 at the Comeback Motion.

### **8.5.2 D&O Charge**

1. KSV understands that the Debtors are current on their normal course payroll obligations (including withholding taxes). KSV also understands that the Debtors' current vacation pay liability totals approximately \$150,000.
2. The Cash Flow Forecast contemplates payroll and sales taxes will be paid in the ordinary course following the commencement of the CCAA Proceedings. The Debtors are projected to have sufficient liquidity to make such payments provided the DIP Term Sheet and Interim DIP Charge are approved in the Initial Order and the balance of the DIP Facility and the corresponding full DIP Charge are approved at the Comeback Motion.
3. The proposed indemnity in the Initial Order in favour of the current and future directors and officers of the Debtors and related D&O Charge provide protection for the current and future directors and officers should the Debtors fail to pay certain obligations following the commencement of the CCAA Proceedings which may give rise to liability for directors and officers, including vacation pay.
4. The directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount as described above. The D&O Charge will only cover the current and future directors and officers for liabilities incurred after the commencement of the CCAA Proceedings to the extent relating to the period on or after the date of the Initial Order.

5. As provided in the table below, the amount of the D&O Charge was estimated by the Monitor, taking into consideration the Debtors' current vacation pay liability and the estimated payroll obligation, sales tax obligations and excise tax obligations arising during the ten-day period prior to the Comeback Motion:

(unaudited)	Amount (\$)
Payroll, including source deductions	130,000
Vacation Pay	150,000
Sales tax	20,000
Excise tax	55,000
Total D&O Charge	355,000

6. KSV is of the view that the D&O Charge is required and reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Debtors and these proceedings. The Debtors' directors and officers may potentially become personally liable under applicable law for certain of the above-referenced liabilities, and the directors' and officers' insurance policies maintained by the MJar Group may not provide coverage for such liabilities and/or existing coverage may be fully utilized. KSV expects the Applicant to seek an increase in the D&O Charge to \$785,000 at the Comeback Motion.

### 8.5.3 Interim DIP Charge

1. The Applicant is seeking the Interim DIP Charge in favour of the DIP Lender to secure borrowings under the DIP Facility up to \$250,000 (plus accrued and unpaid interest, fees and expenses) until the Comeback Motion. KSV is of the view that the Interim DIP Charge is required as: (i) the Debtors may require immediate access to interim financing to fund payroll and other key obligations; (ii) the terms of the DIP Facility are reasonable for the reasons set out in Section 0 of this Report; and (iii) the Bridging Receiver is not prepared to provide ongoing financing without the benefit of the Interim DIP Charge and related protections.
2. KSV expects the Applicant to seek the DIP Charge in the full amount of the DIP Facility (plus accrued and unpaid interest, fees and expenses) at the Comeback Motion.

### 8.5.4 Priority of Charges

1. The Applicant proposes the Court-ordered charges sought pursuant to the proposed Initial Order, as well as the Receiver's Charge and Receiver's Borrowings Charge granted pursuant to the Receivership Order, have the following priority as among them:
  - a) First, the Receiver's Charge;
  - b) Second, the Administration Charge (to a maximum of \$100,000);
  - c) Third, the Receiver's Borrowings Charge (in the amount of \$2,548,266.24, plus accrued and unpaid interest, fees and expenses);
  - d) Fourth, the Interim DIP Charge (to a maximum of \$250,000, plus accrued and unpaid interest, fees and expenses); and
  - e) Fifth, the D&O Charge (to a maximum of \$355,000).

## 8.6 Creditor Notification

1. The proposed Initial Order requires the Monitor to:
  - a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and
  - b) within five days of the issuance of the Initial Order to:
    - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
    - ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Debtors of more than \$1,000 advising that the order is publicly available; and
    - iii. prepare a list, showing the names and addresses of those creditors (other than individual creditors), and the estimated amounts of those claims, and make it publicly available in the prescribed manner.
2. If appointed Monitor, KSV will also post the Initial Order and all motion materials on its website in accordance with the *E-Service Protocol*.

## 9.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Court make orders granting the relief detailed in Section 1.1(1)(h) of this Report.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS RECEIVER AND MANAGER  
OF MJARDIN GROUP, INC. AND PROPOSED MONITOR OF  
MJARDIN GROUP, INC., GROWFORCE HOLDINGS INC., 8586985 CANADA  
CORPORATION AND HIGHGRADE MMJ CORPORATION  
AND NOT IN ITS PERSONAL CAPACITY**