Court File No.: CV-22-00688966-00C

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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

MOTION RECORD

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Lawyers for the Applicants

Court File No.: CV-22-00688966-00C

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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

INDEX

TAB 1

Court File No. CV-22-00688966-00CL

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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC.

NOTICE OF MOTION
(RE: APPROVAL OF STALKING HORSE AND BREAK FEE)

The Flowr Corporation, The Flowr Canada Holdings ULC (the "**Vendor**"), The Flowr Group (Okanagan) Inc. (the "**Company**") and Terrace Global Inc. (collectively, the "**Applicants**" or the "**Flowr Group**") will make a motion to Mr. Justice Cavanagh on Thursday, November 3, 2022 at 9:30 a.m. or as soon after that time as the motion can be heard via Zoom videoconference.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

1. **THE MOTION IS FOR** an Order, substantially in the form at Tab 3 of the Motion Record:

   (a) authorizing and empowering the Vendor and the Company to enter into the stalking horse purchase agreement dated October 31, 2022 (the "**Stalking Horse Purchase Agreement**") between the Vendor, the Company and 1000343100 Ontario Inc. (in such capacity, the "**Stalking Horse Bidder**") and attached as Exhibit "A" to the Affidavit of Darren Karasiuk sworn October 30, 2022 (the "**Second Karasiuk Affidavit**"), *nunc pro tunc*, and such minor amendments as may be acceptable to each of the parties thereto, with the approval of the Monitor; provided that the approval of any sale and vesting of any Property in and to the Stalking Horse Bidder shall be considered by this Court on a subsequent motion made to this Court if the Stalking Horse Purchase Agreement is the Successful Bid pursuant to the sale and investment solicitation process (the "**SISP**") approved by the Court under the SISP Order dated October 28, 2022 (the "**SISP Order**");

(b) approving the Break Fee (as defined in the Stalking Horse Purchase Agreement), and, in the event the Stalking Horse Bidder is not the Successful Party under the SISP Order, authorizing and directing the Applicants to pay the Break Fee to the Staling Horse Bidder in the manner and circumstances described in the Stalking Horse Purchase Agreement;

(c) confirming that the Stalking Horse Purchase Agreement represents the "Stalking Horse Bid" as defined in and for purposes of the SISP; and

(d) and such further and other relief as counsel may advise and this Court may permit.

GROUNDS FOR THE MOTION ARE:

2. Capitalized terms not otherwise defined herein have the meanings prescribed to them in the Amended and Restated Initial Order dated October 20, 2022 (the "**ARIO**"), the SISP Order or the Stalking Horse Purchase Agreement;

Background to the Applicants

3. The Flowr Group is a licenced producer and distributor of cannabis with its head office being located in Toronto, Ontario and its operations being located in Kelowna, British Columbia;

4. The Flowr Group, through the Company, is licensed by Health Canada to sell cannabis products;

5. The Flowr Group focuses on producing premium cannabis products for recreational consumers throughout Canada, utilizing its purpose-built twenty indoor grow room cultivation and processing facilities located at the property known municipally as 9590 McCarthy Road, Kelowna, British Columbia, in the Okanagan Valley;

6. Despite certain of its restructuring efforts, the Applicants' ordinary course monthly cash expenditures exceeded its cash receipts, and the Applicants were facing a liquidity issue and were insolvent;

7. Accordingly, the Applicants brought an application returnable on October 20, 2022 before the Ontario Superior Court of Justice (Commercial List) for the Initial Order and creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c, C-36, as amended (the "**CCAA**");

Initial Order and CCAA Proceedings

8. On October 20, 2022, Mr. Justice Cavanagh granted the Initial Order in favour of the Applicants under the CCAA;

9. Pursuant to the Initial Order, among other things;

(a) The Applicants are companies to which the CCAA applies;

(b) Ernst & Young Inc. was appointed as Monitor of the Applicants in these proceedings;

(c) A stay of proceedings was granted for an initial Stay Period up to October 30, 2022;

(d) The Applicants were authorized to obtain and borrow under a credit facility from the DIP Lender, provided that borrowings under such credit facility did not exceed $500,000;

(e) The following charges against the Property were granted, in the following priority rankings (the "**Priority Charges**"):

(i) First – Administration Charge (to the maximum amount of $350,000);

(ii) Second – DIP Lender's Charge; and

(iii) Third – Directors' Charge (to the maximum amount of $600,000);

Amended and Restated Initial Order

10. On October 28, 2022, Mr. Justice Cavanagh granted the Amended and Restated Initial Order in favour of the Applicants under the CCAA;

11. Pursuant to the Amended and Restated Initial Order, among other things:

(a) The Stay Period was extended to January 13, 2023;

(b) The authorized amount of borrowings under the DIP Commitment Letter was increased to $2,000,000 to reflect the financing requirements of the Applicants during the Stay Period;

(c) The Administration Charge was increased from $350,000 to $500,000 to reflect the additional work to be undertaken during these CCAA Proceedings and more accurately reflect projected monthly professional fees;

(d) The Directors' Charge was increased from $600,000 to $800,000 to reflect the potential monthly director liabilities as sized with the assistance of the Monitor; and

(e) A key employee retention plan (the "**KERP**") was approved and a charge over the Property of the Applicants in favour of the proposed KERP beneficiaries (the "**KERP Charge**"), in the aggregate amount of $800,000, ranking behind the Directors' Charge;

SISP Order

12. On October 28, 2022, Mr. Justice Cavanagh granted the SISP Order, which provides, among other things:

(i) A November 7, 2022 deadline to publish notice of the SISP and circulate teasers and non-disclosure agreements;

(ii) A Bid Deadline of November 25, 2022 to receive binding offers from Potential Bidders participating in the SISP;

(iii) An Auction date of December 1, 2022; and

(iv) Hearing of the Sale Approval Motion by no later than December 16, 2022, subject to the availability of the Court;

13. The SISP was developed in consultation with the Monitor, taking into account the financial circumstances of the Applicants and the amount of DIP Financing available;

14. The SISP will be administered by the Monitor in consultation with the Applicants. In addition, the Monitor will have certain consent rights in connection with material decisions related to the SISP (for example, extending timelines, dispensing with Bid requirements, and terminating the SISP);

15. The DIP Term Sheet granted an exclusivity period to the DIP Lender to negotiate a stalking horse agreement and the SISP Order contemplated the potential for a stalking horse agreement to be brought forward for Court approval and incorporated into the SISP. If approved by the Court, the Stalking Horse Purchase Agreement would be deemed a Qualified Bid under the SISP;

16. At the hearing for the SISP Order, the Applicants' counsel advised the Court that it expected to finalize a Stalking Horse Purchase Agreement and that if the Applicants did so, then the Applicants would seek an Order for approval of the same from the Court;

Stalking Horse Purchase Agreement

17. Since attending the motion for the SISP Order on October 28, 2022, the Applicants have negotiated and executed the Stalking Horse Purchase Agreement

18. The Applicants are seeking approval of the Stalking Horse Purchase Agreement, which will serve as the baseline for any Bids received in the SISP to be measured;

19. The Stalking Horse Purchase Agreement provides stability to the Business as it signals to the Applicants' customers, employees and other stakeholders that the Business will continue as a going concern after these CCAA Proceedings. The Stalking Horse Purchase Agreement further contemplates that, in the event that the Applicants have cash requirements in excess of those available to them under the DIP Facility once fully drawn, the Stalking Horse Bidder shall advance, as a debtor-in-possession loan facility pursuant to the DIP Term Sheet (the "**Closing DIP Loan**"), such further funding to the Applicants as is reasonably necessary to, among other things, close the transactions contemplated by the Stalking Horse Purchase Agreement;

20. The Stalking Horse Purchase Agreement is structured as a purchase of the shares of the Company and it is expected that the Stalking Horse Bidder if the Successful Party under the SISP will maintain the employment of substantially all employees of the Company;

21. The purchase price under the Stalking Horse Purchase Agreement is $3,888,888.88 plus the Closing DIP Loan and the Assumed Liabilities, subject to adjustment as provided in the agreement;

22. The Stalking Horse Bidder shall pay the Purchase Price to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in accordance with the following:

(a) Credit Bid - an amount equivalent to all amounts owing to the Stalking Horse Bidder under the DIP Term Sheet as of the Closing Time including any accrued and unpaid interest, expenses, fees and other amounts, (the "**Credit Bid Amount**") shall be treated as credited against (in satisfaction of that amount of) the Purchase Price;

(b) Balance of Purchase Price - an amount equal to the Purchase Price less the Credit Bid Amount in immediately available funds (the "**Cash Purchase Price**"); and

(c) Assumed Liabilities - an amount equal to the amount of the Assumed Liabilities which the Company shall retain on the Closing Date and which shall be satisfied by the Company performing the Assumed Liabilities.

23. In consideration for the Stalking Horse Bidder expending time and money negotiating the Stalking Horse Purchase Agreement and undertaking the necessary due diligence to do so and for it agreeing to act as a stalking horse bidder under the SISP, the Stalking Horse Purchase Agreement contemplates that, subject to approval of the Court, the Stalking Horse Bidder shall be entitled to a break fee in the amount of $185,000 (inclusive of HST, if any) (the "**Break Fee**"). The Break Fee shall be payable to the Stalking Horse Bidder in the event that the Stalking Horse Bid is not the Successful Bid under the SISP, following closing of the transaction contemplated by such other Successful Bid;

24. The Applicants and the Monitor are of the view that the amount of the Break Fee is reasonable given the size and complexity of the transaction;

25. Closing of the transaction contemplated by the Stalking Horse Purchase Agreement is subject to conditions that are customary for a transaction of this nature, including and most notably that the parties shall have obtained the approval of Health Canada in connection with the change of control contemplated by the Transaction.

General

26. The provisions of the CCAA and the statutory, inherent and equitable jurisdiction of this Court;

27. Rules 1.04, 2.03, 3.02, 16, 37 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and section 106 and 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and;

28. such further and other grounds as counsel may advise and this Court may permit.

29. **THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of the motion:

(a) the Affidavit of Darren Karasiuk sworn October 20, 2022;

(b) the Pre-Filing Report of the Proposed Monitor dated October 20, 2022;

(c) the First Report of the Monitor dated October 27, 2022;

(d) the Affidavit of Darren Karasiuk sworn October 31, 2022;

(e) the Second Report of the Monitor, to be filed; and

(f) such further and other material as counsel may submit and this Court may permit.

Date: October 31, 2022

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Lawyers for the Applicants

TO: THE SERVICE LIST ATTACHED HERETO AS SCHEDULE "A"

SCHEDULE "A"

SERVICE LIST

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AND TO:	**COMPUTERSHARE TRUST COMPANY** 100 University Ave Toronto, ON M5J 2Y1 **Neil Scott** neil.scott@computershare.com **Josette Koffyberg** josette.koffyberg@computershare.com The Indenture Trustee
AND TO:	**MINISTRY OF FINANCE** Ministry of the Attorney General (Ontario) Collections Branch – Bankruptcy and Insolvency Unit 6-33 King St West Oshawa, Ontario, L1H 8H5 insolvency.unit@ontario.ca Tel.: 1 866 668-8297
AND TO:	**MINISTER OF FINANCE (BC)** PO Box 9048 Stn Prov Govt Victoria BC V8W 9E2 fin.minister@gov.bc.ca
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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36 AS AMENDED

Court File No. CV-22-00688966-00CL

THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (the "Applicants")

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at TORONTO

NOTICE OF MOTION
(Re Stalking Horse Purchase Agreement)
(Returnable on November 3, 2022)

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Lawyers for the Applicants

TAB 2

Court File No. CV-22-00688966-00CL

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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

AFFIDAVIT OF DARREN KARASIUK
(sworn October 31, 2022)

October 31, 2022

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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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

AFFIDAVIT OF DARREN KARASIUK
(sworn October 31, 2022)

I, Darren Karasiuk, of the City of Mississauga, in the Province of Ontario, **MAKE OATH AND SAY AS FOLLOWS**:

1. I am the Chief Executive Officer and a Director of The Flowr Corporation ("**Flowr**") and am a Director of The Flowr Canada Holdings ULC ("**Flowr Holdings**" or the "**Vendor**"), and The Flowr Group (Okanagan) Inc. ("**Flowr Okanagan**" or the "**Company**", and collectively with Flowr, Flowr Holdings, and Terrace Global Inc. ("**Terrace**"), the "**Applicants**" or the "**Flowr Group**"). I have held these positions since my appointment on or about August 10, 2022.

2. As CEO of Flowr, my primary responsibilities include managing the Flowr Group's overall operations and resources, making strategic corporate decision and acting as the main point of contact between Flowr's board of directors and the senior management team.

3. As such, I have personal knowledge of the matters to which I herein depose. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true. All references to currency in this Affidavit are references to Canadian dollars, unless otherwise indicated.

I. RELIEF SOUGHT

4. I swear this affidavit in support of a motion by the Applicants seeking an order (the "**Order**") substantially in the form attached at Tab 3 of the Motion Record herein:

(a) authorizing and empowering the Vendor and the Company to enter into the stalking horse purchase agreement dated October 31, 2022 (the "**Stalking Horse Purchase Agreement**") between the Vendor, the Company and 1000343100 Ontario Inc. (in such capacity, the "**Stalking Horse Bidder**") and attached hereto as **Exhibit "A"**, *nunc pro tunc*, and such minor amendments as may be acceptable to each of the parties thereto, with the approval of the Monitor; provided that the approval of any sale and vesting of any Property in and to the Stalking Horse Bidder shall be considered by this Court on a subsequent motion made to this Court if the Stalking Horse Purchase Agreement is the Successful Bid pursuant to the sale and investment solicitation process (the "**SISP**") approved by the Court under the SISP Order dated October 28, 2022 (the "**SISP Order**");

(b) approving the Break Fee (as defined in the Stalking Horse Purchase Agreement), and, in the event the Stalking Horse Bidder is not the Successful Party under the

SISP Order, authorizing and directing the Applicants to pay the Break Fee to the Staling Horse Bidder in the manner and circumstances described in the Stalking Horse Purchase Agreement; and

(c) confirming that the Stalking Horse Purchase Agreement represents the "Stalking Horse Bid" as defined in and for purposes of the SISP.

5. Capitalized terms used herein and not defined shall have the meanings ascribed to them under the SISP Order or the Stalking Horse Purchase Agreement.

II. BACKGROUND OF THE APPLICANTS AND THESE CCAA PROCEEDINGS

6. The Flowr Group is a licenced producer and distributor of cannabis with its head office being located in Toronto, Ontario and its operations being located in Kelowna, British Columbia. The Flowr Group, through Flowr Okanagan, is licensed by Health Canada to sell cannabis products.

7. The background of the Applicants and the circumstances leading to the commencement of the CCAA Proceedings by the Applicants are set out in my Affidavit sworn on October 20, 2022 in respect of the Initial CCAA Application, which is located on Caselines at Master: A25.

A. Initial Order

8. On October 20, 2022, Mr. Justice Cavanagh granted the Initial Order in favour of the Applicants under the CCAA.

9. Pursuant to the Initial Order, among other things:

(a) The Applicants are companies to which the CCAA applies;

(b) Ernst & Young Inc. was appointed as Monitor of the Applicants in these proceedings;

(c) A stay of proceedings was granted to October 30, 2022 (the "**Stay Period**");

(d) A DIP Commitment Letter (as defined below) between the Applicants and 1000343100 Ontario Inc. (the "**DIP Lender**") was approved and the Court authorized borrowings thereunder in an amount up to $500,000 (plus interest, fees and expenses), and granted a charge in favour of the DIP Lender (the "**DIP Lender's Charge**");

(e) The following charges against the Property were granted, in the following priority rankings (the "**Priority Charges**"):

(1) First – Administration Charge (to the maximum amount of $350,000);

(2) Second – DIP Lender's Charge; and

(3) Third – Directors' Charge (to the maximum amount of $600,000);

10. The DIP Commitment Letter approved by the Court under the Initial Order granted an exclusivity period to the DIP Lender to negotiate a stalking horse agreement and contemplated the Applicants seeking the SISP Order.

11. Following the granting of the Initial Order, the Applicants brought a motion for an Amended and Restated Initial Order and the SISP Order.

B. Amended and Restated Initial Order

12. On October 28, 2022, Mr. Justice Cavanagh granted the Amended and Restated Initial Order in favour of the Applicants under the CCAA.

13. Pursuant to the Amended and Restated Initial Order, among other things;

(a) The Stay Period was extended to January 13, 2023;

(b) The authorized amount of borrowings under the DIP Commitment Letter was increased to $2,000,000 to reflect the financing requirements of the Applicants during the Stay Period;

(c) The Administration Charge was increased from $350,000 to $500,000 to reflect the additional work to be undertaken during these CCAA Proceedings and more accurately reflect projected monthly professional fees;

(d) The Directors' Charge was increased from $600,000 to $800,000 to reflect the potential monthly director liabilities as sized with the assistance of the Monitor; and

(e) A key employee retention plan (the "**KERP**") was approved and a charge over the Property of the Applicants in favour of the proposed KERP beneficiaries (the

“**KERP Charge**”), in the aggregate amount of $800,000, ranking behind the Directors’ Charge.

C. SISP Order

14. On October 28, 2022, Mr. Justice Cavanagh also granted the SISP Order, which provides, among other things:

(a) A November 7, 2022 deadline to publish notice of the SISP and circulate teasers and non-disclosure agreements;

(b) A Bid Deadline of November 25, 2022 to receive binding offers from Potential Bidders participating in the SISP;

(c) An Auction date of December 1, 2022; and

(d) Hearing of the Sale Approval Motion by no later than December 16, 2022, subject to the availability of the Court;

15. The SISP was developed in consultation with the Monitor, taking into account the financial circumstances of the Applicants and the amount of DIP financing available.

16. The SISP will be administered by the Monitor in consultation with the Applicants. In addition, the Monitor will have certain consent rights in connection with material decisions related to the SISP (for example, extending timelines, dispensing with Bid requirements, and terminating the SISP).

17. Given the financial resources available to the Applicants under the DIP Commitment Letter, the SISP contemplates, among other things, that a Bid would include confirmation that, if the Bid is the Successful Bid and the Flowr Group has cash requirements in excess of the amounts available to them under the DIP Facility to get to a closing of the transaction, then the Bidder will advance funds to the Flowr Group to allow them to fund their cash requirements by way of non-revolving facility in a manner that does not impair the priority of the DIP Facility or otherwise is satisfactory to the DIP Lender.

18. The SISP Order contemplates the potential for a stalking horse agreement being approved by the Court. In particular, if approved by the Court, a stalking horse agreement would be deemed a Qualified Bid (as defined in the SISP) under the SISP.

19. I understand from the Applicants' counsel, Kyla Mahar of Miller Thomson LLP, and do believe, that at the hearing of the motion seeking the SISP Order, she advised the Court that the Applicants were actively negotiating with the DIP Lender with a view to settling a stalking horse agreement and anticipated being in a position to bring a motion returnable on November 3, 2022 seeking approval of such a stalking horse agreement.

III. THE STALKING HORSE PURCHASE AGREEMENT

20. On October 31, 2022, the Vendor, the Company and the Stalking Horse Bidder finalized negotiations and entered into the Stalking Horse Purchase Agreement, a copy of which is attached hereto as **Exhibit "A"**.

21. The Applicants are seeking the Court’s approval of the Stalking Horse Purchase Agreement, which will serve as the baseline for any Bids received under the SISP to be measured against.

22. It will also provide certainty in the market place that the Business will emerge from these CCAA Proceedings as a going concern entity, which I believe is important to the stability of the Business.

23. The Stalking Horse Purchase Agreement is structured as a purchase of the shares of the Company and it is expected it will maintain the employment of substantially all employees of the Company.

24. The purchase price under the Stalking Horse Purchase Agreement is $3,888,888.88 plus the Closing DIP Loan (as defined below) and the Assumed Liabilities, subject to adjustment as provided in the agreement.

25. The Stalking Horse Bidder shall pay the Purchase Price to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in accordance with the following:

(a) <u>Credit Bid</u> - an amount equivalent to all amounts owing to the Stalking Horse Bidder under the DIP Term Sheet (including the Closing DIP Loan) as of the Closing Time including any accrued and unpaid interest, expenses, fees and other amounts, (the “**Credit Bid Amount**”) shall be treated as credited against (in satisfaction of that amount of) the Purchase Price;

(b) Balance of Purchase Price – subject to the below, an amount equal to the Purchase Price less the Credit Bid Amount in immediately available funds (the "**Cash Purchase Price**"); and

(c) Assumed Liabilities - an amount equal to the amount of the Assumed Liabilities which the Company shall retain on the Closing Date and which shall be satisfied by the Company performing the Assumed Liabilities.

26. The Stalking Horse Purchase Agreement contemplates that, in the event that the Applicants have cash requirements in excess of those available to them under the DIP Facility once fully drawn, the Stalking Horse Bidder shall advance, as a debtor-in-possession loan facility pursuant to the DIP Term Sheet (the "**Closing DIP Loan**"), such further funding to the Applicants as is reasonably necessary to, among other things, close the transactions contemplated by the Stalking Horse Purchase Agreement. For greater certainty, it is contemplated that the Closing DIP Loan will form part of the DIP Facility and be included as a portion of the Credit Bid.

27. Closing of the transaction contemplated by the Stalking Horse Purchase Agreement is subject to conditions that are customary for a transaction of this nature, including and most notably that the parties shall have obtained the approval of Health Canada in connection with the change of control contemplated by the Transaction.

28. Given the inability to predict when approval from Health Canada may be obtained, in my view it is critical that the Stalking Horse Purchase Agreement contain the mechanism for

the Closing DIP Loan to ensure that the Applicants' cash needs can be funded until the conclusion of a transaction.

29. Additionally, the Stalking Horse Purchase Agreement acknowledges that a portion of the Purchase Price is intended to fund KERP Entitlements. Accordingly, a portion of the Purchase Price shall be satisfied, and the Cash Purchase Price shall be reduced, on a dollar for dollar basis, to account for: (a) any non-cash consideration which Employees (in each of their sole discretion) may elect, prior to Closing, to accept in lieu of their KERP Entitlement (provided that such adjustment to the Cash Purchase Price shall be equal to the amount of the Employee's KERP Entitlement that is no longer payable in cash); and (b) the Terminated Employee KERP Payments, if any.

30. The Stalking Horse Purchase Agreement further provides that there will be no other adjustments or reductions to the Cash Purchase Price and, for certainty, any amount of the Closing DIP Loan (if any) that is not utilized for Terminated Employee KERP Payments shall increase the Purchase Price and the Credit Bid Amount in each case by that amount such that the Cash Purchase Price is not reduced. This provision is not intended to change the overall Purchase Price but instead only has a potential impact on the cash portion of the Purchase Price in the aforementioned circumstances.

A. Break Fee

31. In consideration for the Stalking Horse Bidder expending time and money negotiating the Stalking Horse Purchase Agreement, undertaking the necessary due diligence to do so and for it agreeing to act as a stalking horse bidder under the SISP, the Stalking Horse Purchase

Agreement contemplates that, subject to approval of the Court, the Stalking Horse Bidder shall be entitled to a break fee in the amount of $185,000 (inclusive of HST, if any) (the "**Break Fee**").

32. The Break Fee shall be payable to the Stalking Horse Bidder in the event that the Stalking Horse Bid is not the Successful Bid under the SISP, following closing of the transaction contemplated by such other Successful Bid.

33. The Applicants' are of the view that the Break Fee is reasonable in the circumstances. In addition, I have reviewed the amount of the Break Fee with the Applicants' counsel and with the Monitor and understand that it is within the range of what is considered a reasonable break fee for transactions of this nature.

34. I understand the Monitor supports the approval of the Stalking Horse Purchase Agreement and the Break Fee.

IV. CONCLUSION

35. I believe that the approval of the Stalking Horse Purchase Agreement will provide stability to the Business and give confidence to the Applicants' customers, employees, suppliers and other stakeholders that the Business will continue after the conclusion of these CCAA Proceedings.

36. I swear this affidavit in support of the Applicants' motion for an Order approving the Stalking Horse Purchase Agreement in the form contained at Tab 3 of the Motion Record, and for no other or improper purpose.

SWORN before me at the City of Toronto, in the Province of Ontario, this 31st day of October, 2022 in accordance with O. Reg. 431/20 Administering Oath or Declaration Remotely	
Commissioner for Taking Affidavits ALINA STOICA	**DARREN KARASIUK**

This is Exhibit "A" referred to in the affidavit

of DARREN KARASIUK, SWORN BEFORE ME
this 31st day of October 2022

A COMMISSIONER FOR TAKING AFFIDAVITS

STALKING HORSE PURCHASE AGREEMENT

This Agreement is made as of the 31st day of October, 2022 (the "**Effective Date**"), among:

THE FLOWR CANADA HOLDINGS ULC
(the "**Vendor**")

– and –

THE FLOWR GROUP (OKANAGAN) INC.
(the "**Company**")

– and –

1000343100 ONTARIO INC.
(the "**Purchaser**")

WHEREAS pursuant to the Order of the Honourable Justice Cavanagh of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") issued October 20, 2022 (as may be further amended or amended and restated from time to time, the "**Initial Order**"), the Vendor, the Company, The Flowr Corporation and Terrace Global Inc. (collectively, the "**Flowr Group**") were granted, among other things, creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c.C-36, as amended (the "**CCAA**") and Ernst & Young Inc. was appointed as the CCAA monitor of the Flowr Group (in such capacity, the "**Monitor**");

AND WHEREAS in connection with the proceedings initiated by the Initial Order (the "**CCAA Proceedings**"), the Flowr Group intends to seek the approval of the Court to run a SISP (as defined below) pursuant to which this Agreement will serve as the Stalking Horse Bid (as defined below) for the Purchased Shares (as defined below);

AND WHEREAS in the event that this Agreement is selected as the Successful Bid (as defined below) in the SISP, the Vendor has agreed to sell and transfer to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, all of the Vendor's right, title and interest in and to the Purchased Shares, subject to and in accordance with the terms and conditions set forth in this Agreement,

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby irrevocably acknowledged, the parties hereto (collectively, the "**Parties**", and each, a "**Party**") hereby acknowledge and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

Unless something in the subject matter or context is inconsistent therewith, the terms defined herein shall have the following meanings:

"**Affiliate**" has the meaning given to the term "affiliate" in the *Business Corporations Act* (Ontario).

"**Agreement**" means this purchase agreement, as may be amended and restated from time to time in accordance with the terms hereof, with the consent of the Monitor, and "**Article**" and "**Section**" mean and refer to the specified article, section and subsection of this Agreement.

"**Applicable Law**" means, in respect of any Person, property, transaction or event, any (i) domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, (ii) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings, instruments or awards of any Governmental Authority, and (iii) policies, practices, standards, guidelines and protocols having the force of law, that applies in whole or in part to such Person, property, transaction or event.

"**Approval and Vesting Order**" means an order by the Court, in form and substance satisfactory to the Purchaser, acting reasonably, among other things, approving and authorizing the Transaction and vesting in the Purchaser (or as it may direct) all the right, title and interest of the Vendor in and to the Purchased Shares, free and clear from any Encumbrances.

"**Assumed Contracts**" means the Contracts listed in Schedule "**I**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof (and including as such Assumed Contracts may be amended, restated, supplemented or otherwise modified from time to time).

"**Assumed Liabilities**" means (a) Liabilities specifically and expressly designated by the Purchaser as assumed Liabilities in Schedule "**H**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof; and (b) all Liabilities which relate to (i) the Business under any Assumed Contracts, (ii) any Permits and Licenses forming part of the Retained Assets; in each case solely in respect of the period from and after the Closing Time and not relating to any default existing prior to or as a consequence of Closing.

"**Auction**" has the meaning set out in Section 5.1(e).

"**Authorization**" means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Authority having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person's property or business and affairs (including any zoning approval or building permit) or from any Person in connection with any easements, contractual rights or other matters.

"**Bid Deadline**" has the meaning set out in Schedule "**G**".

“**Books and Records**” means (i) all of the Company’s files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records, and (ii) all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including Tax and accounting books and records used or intended for use by, or in the possession of the Vendor, the Company, or any other member of the Flowr Group or any of their respective Affiliates including information, documents and records relating to the Assumed Contracts, customer lists, customer information and account records, sales records, computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, cost and pricing information, production reports and records, equipment logs, operating guides and manuals, credit records, records relating to present and former suppliers and contractors, plans and projections and all other records, data and information stored electronically, digitally or on computer-related media.

“**Break Fee**” has the meaning set out in Section 5.1(b).

“**Business**” means the business conducted by the Company, being a licensed producer and distributor of cannabis, with operations located in Kelowna, British Columbia and its head office located in Toronto, Ontario, engaged in the cultivation, processing and sale of cannabis and cannabis products for medicinal and recreational use.

“**Business Day**” means a day on which banks are open for business in Toronto, Ontario and Kelowna, British Columbia, but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario or the Province of British Columbia.

“**Cannabis Licenses**” means all Authorizations related to cannabis and issued by a Governmental Authority to the Company, including Authorizations to plant, grow, cultivate, extract, produce, process, package, store, destroy, market, promote, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law, including without limitation those listed in Schedule “**F**” hereto.

“**Cash Purchase Price**” has the meaning set out in Section 3.2(b).

“**CCAA**” has the meaning set out in the recitals hereto.

“**CCAA Proceedings**” has the meaning set out in the recitals hereto.

“**Claims**” means any civil, criminal, administrative, regulatory, arbitral or investigative inquiry, action, suit, investigation or proceeding and any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, audit, chose in or cause of action, suit, default, assessment, litigation, prosecution, third party action, arbitral proceeding or proceeding, complaint or allegation, by or before any Person.

“**Closing**” means the closing and consummation of the Transaction.

“**Closing Date**” means the date that is ten (10) Business Days, or such shorter period as the Purchaser may determine by notice in writing to the Vendor, after the date upon which the conditions set forth in Article 9 have been satisfied or waived, other than any conditions set forth in Article 9 that by their terms are to be satisfied or waived at the Closing (or such other earlier or later date as may be agreed by the Vendor and the Purchaser in writing).

“**Closing DIP Loan**” has the meaning set out in Section 5.2.

“**Closing Time**” means 12:01 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“**Contracts**” means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which the Company is a party or by which the Company is bound or in which the Company has, or will at Closing have, any rights or by which any of its property or assets are or may be affected, including any Contracts in respect of Employees.

“**Company**” means The Flowr Group (Okanagan) Inc.

“**Court**” has the meaning set out in the recitals hereto.

“**DIP Loan**” means the borrowings under the DIP Facility (as defined in the DIP Term Sheet).

“**DIP Term Sheet**” means the debtor-in-possession term sheet dated as of October 20, 2022 among the Purchaser, as lender, and the members of the Flowr Group, as borrowers, as the same may be amended, restated, supplemented and/or modified from time to time.

“**Discharge**” means, in relation to any Encumbrance against any Person or upon any asset, undertaking or property, the full, final, irrevocable, complete and permanent waiver, release, discharge, cancellation, termination and extinguishment of such Encumbrance against such Person or upon such asset, undertaking or property and all proceeds thereof.

“**Effective Date**” has the meaning set out in the preamble hereto.

“**Employee**” means any individual who is employed by the Company as of the Closing Date, whether on a full-time or a part-time basis and includes an employee on short term or long term disability leave, but for certainty excludes any employee whose employment will be terminated pursuant to Section 9.2(f).

“**Encumbrance**” means any security interest, lien, Claim, charge, right of retention, deemed trust, judgement, writ of seizure, write of execution, notice of seizure, notice of execution, notice of sale, hypothec, reservation of ownership, pledge, encumbrance, mortgage or right of a third party (including any contractual rights such as purchase options, rights of first refusal, rights of first offer or any other pre-emptive contractual right) or encumbrance of any nature or kind whatsoever and any agreement, option or privilege (whether by law, contract or otherwise) capable of becoming any of the foregoing, (including any conditional sale or title retention agreement, or any capital or financing lease).

“***Excise Act***” means the *Excise Act, 2001*, S.C. 2002, c.22.

“***Excise Tax Act***” means the *Excise Tax Act*, R.S.C, 1985, c. E-15.

“**Excise License**” means cannabis license 85070 2630 RD0001 obtained by the Company under the *Excise Act*.

“**Excluded Assets**” means the properties, rights, assets and undertakings of the Company (or where, applicable, the other members of the Flowr Group) listed as “Excluded Assets” on Schedule “**A**”, as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

“**Excluded Asset Bill of Sale**” has the meaning set out in Section 4.1.

“**Excluded Asset Promissory Note**” has the meaning set out in Section 4.1.

"**Excluded Contracts**" means those contracts and other agreements of the Company that are not Assumed Contracts and for greater certainty, includes those contracts and agreements which are listed on Schedule "**B**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof.

"**Excluded Liabilities**" has the meaning set out in Section 2.2(a).

"**Excluded Liabilities Promissory Note**" has the meaning set out in Section 4.2.

"**Excluded Liabilities Assumption Agreement**" has the meaning set out in Section 4.2.

"**Filing Date**" means October 20, 2022.

"**Governmental Authority**" means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation.

"**GST/HST**" means all goods and services tax and harmonized sales tax imposed under Part IX of the *Excise Tax Act*.

"**Health Canada Approval**" means the approval issued by Health Canada in connection with the change of control contemplated by the Transaction.

"***Income Tax Act***" means the *Income Tax Act*, R.S.C., 1985, c. 1 (5th Supp.).

"**Initial Order**" has the meaning set out in the recitals hereto.

"**Interim Period**" means the period from the Effective Date to the Closing Time.

"**KERP**" means the Key Employee Retention Plan developed by the Flowr Group, with input from the Monitor, and approved by the Court pursuant to the Initial Order.

"**KERP Entitlement**" means the dollar amount of the retention bonus payable to applicable Employees in accordance with the terms and conditions of the KERP.

"**Liability**" means, with respect to any Person, any liability or obligation of such Person of any kind, character or description, whether known or unknown, absolute or contingent, accrued or unaccrued, disputed or undisputed, liquidated or unliquidated, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise, and whether or not the same is required to be accrued on the financial statements of such Person.

"**Monitor**" has the meaning set out in the recitals hereto.

"**Monitor's Certificate**" has the meaning set out in Section 9.2(k).

"**Organizational Documents**" means any trust document, charter, certificate or articles of incorporation or amalgamation, articles of amendment, articles of association, articles of organization, articles of continuance, bylaws, as amended, partnership agreement or similar formation or governing documents of a Person (excluding individuals).

"**Outside Date**" means 11:59 pm (Toronto time) on March 31, 2023 or such later date and time as the Company and the Purchaser may agree to in writing; provided that the Purchaser may by notice to the Vendor extend the "Outside Date" by 30-days at any time prior to the Outside Date provided any application for the approvals contemplated by Section 9.2(a) or any appeal therefrom remains outstanding.

"**Other Flowr Contracts**" means all pending and executory contracts, agreements, leases, understandings and arrangements (whether oral or written) to which any Other Flowr Entity is a party or by which any Other Flowr Entity is bound or in which any such Other Flowr Entity has, or will at Closing have, any rights or by which any of its property or assets are or may be affected.

"**Other Flowr Entity**" means any of the Vendor, The Flowr Corporation, Terrace Global Inc., Holigen Holdings Limited, GreyCan Pty Ltd. and RPK Biopharma Unipessoal, LDA.

"**Parties**" has the meaning set out in the recitals hereto.

"**Party**" has the meaning set out in the recitals hereto.

"**Permits and Licenses**" means the orders, permits, licenses, Authorizations, approvals, registrations, consent, waiver or other evidence of authority issued to, granted to, conferred upon, or otherwise created for, the Company by any Governmental Authority, including: (i) those related to the Business, the Retained Assets, Transferred Assets and Assumed Contracts; (ii) the Excise License; and (iii) the Cannabis Licenses.

"**Permitted Encumbrances**" means those Encumbrances related to the Retained Assets and/or Transferred Assets set forth in Schedule "**E**" , as the same may be modified by the Purchaser prior to the granting of the Approval and Vesting Order in accordance with the terms hereof.

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted.

"**Pre-Closing Reorganization**" means the transactions, acts or events described in Exhibit "**A**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof and the Approval and Vesting Order, which unless otherwise expressly provided therein are to occur immediately prior to the Closing Time.

"**Purchase Price**" has the meaning set out in Section 3.1.

"**Purchased Shares**" means all of the issued and outstanding shares of the Company.

"**ResidualCo**" means a corporation to be incorporated as a wholly-owned subsidiary of the Vendor to which the Excluded Assets and Excluded Liabilities will be transferred as part of the Pre-Closing Reorganization.

"**Retained Assets**" has the meaning set out in Section 4.1.

"**Retained Employee**" means any Employee that is not a Terminated Employee.

"**SISP**" means the sale and investment solicitation process, to be conducted pursuant to the sale and bidding procedures substantially in the form set out in Schedule "**G**" hereto.

"**SISP Order**" means an order of the Court, in form and substance acceptable to the Purchaser, approving the SISP.

"**Stalking Horse Approval Order**" means an order of the Court, in form and substance acceptable to the Purchaser, approving: (i) this Agreement as the Stalking Horse Bid in the SISP; and (ii) the Break Fee.

"**Stalking Horse Bid**" has the meaning set out in Section 5.1(a).

"**Successful Bid**" has the meaning set out in Section 5.1(e).

"**Successful Bidder**" has the meaning set out in Section 5.1(e).

"**Taxes**" means, with respect to any Person, all national, federal, provincial, local or other taxes, including income taxes, capital gains taxes, value added taxes, severance taxes, ad valorem taxes, property taxes, capital taxes, net worth taxes, production taxes, sales taxes, use taxes, license taxes, excise taxes, environmental taxes, transfer taxes, withholding or similar taxes, payroll taxes, employment taxes, employer health taxes, pension plan premiums and contributions, workers' compensation premiums, employment insurance or compensation premiums, stamp taxes, occupation taxes, premium taxes, alternative or add-on minimum taxes, GST/HST, customs duties or other taxes of any kind whatsoever imposed or charged by any Governmental Authority, together with any interest, penalties, or additions with respect thereto and any interest in respect of such additions or penalties and any Liability for the payment of any amounts of the type described in this paragraph as a result any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Person.

"**Terminated Employee**" means those Employees whose employment will be terminated prior to Closing pursuant to Section 9.2(f), as determined by the Purchaser by written notice to the Company at least ten (10) Business Days prior to the Closing Date.

"**Terminated Employee KERP Payments**" has the meaning set out in Section 5.2.

"**Transaction**" means all of the transactions contemplated by this Agreement, including the purchase and sale transaction whereby the Purchaser will acquire the Purchased Shares.

"**Transferred Assets**" means those assets listed on Schedule "**D**", as the same may be modified by the Purchaser prior to the Closing Time in accordance with the terms hereof, which are owned by Other Flowr Entities, but will be transferred to the Company prior to Closing as part of the Pre-Closing Reorganization and will constitute Retained Assets.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 General Construction

The terms "this Agreement", "hereof", "herein" and "hereunder" and similar expressions refer to this Agreement and not to any particular section hereof. The expression "Section" or reference to another subdivision followed by a number mean and refer to the specified Section or other subdivision of this Agreement. The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

1.4 Extended Meanings

Words importing the singular include the plural and vice versa and words importing gender include all genders. The term "including" means "including, without limitation," and such terms as "includes" have similar meanings and the term "third party" means any other Person other than the Vendor, the Company or the Purchaser, or any Affiliates thereof.

1.5 Currency

All references in this Agreement to dollars, monetary amounts, or to $, are expressed in Canadian currency unless otherwise specifically indicated.

1.6 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.

1.7 Schedules & Amendments to Schedules

The following exhibits and schedules are attached hereto and incorporated in and form part of this Agreement:

EXHIBITS

Exhibit A	-	Pre-Closing Reorganization

SCHEDULES

Schedule A	-	Excluded Assets
Schedule B	-	Excluded Contracts
Schedule C	-	Excluded Liabilities
Schedule D	-	Transferred Assets
Schedule E	-	Permitted Encumbrances
Schedule F	-	Permits and Licenses
Schedule G	-	SISP and Bidding Procedures
Schedule H	-	Assumed Liabilities
Schedule I	-	Assumed Contracts

The Parties acknowledge that as of the Effective Date, the Schedules (other than Schedules F and G) are not complete. Such Schedules are for the benefit of the Purchaser and may be amended or completed by the Purchaser, in its sole and absolute discretion, on or before the dates set out in such Schedules and on notice to the Vendor.

Unless the context otherwise requires, words and expressions defined in this Agreement will have the same meanings in the Exhibits and Schedules and the interpretation provisions set out in this Agreement will apply to the Exhibits and Schedules. Unless the context otherwise requires, or a contrary intention appears, references in the Exhibits and Schedules to a designated Article, Section, or other subdivision refer to the Article, Section, or other subdivision, respectively, of this Agreement.

ARTICLE 2
PURCHASE OF SHARES AND ASSUMPTION OF LIABILITIES

2.1 Purchase and Sale of the Purchased Shares

Subject to the terms and conditions of this Agreement, effective as of the Closing Time, the Vendor shall sell and transfer the Purchased Shares to the Purchaser, and the Purchaser shall purchase the Purchased Shares from the Vendor, free and clear of all Encumbrances.

2.2 Excluded Liabilities of the Company

(a) Pursuant to the Approval and Vesting Order, save and except for the Assumed Liabilities, all debts, obligations, Liabilities, Encumbrances, indebtedness, Excluded Contracts, leases, agreements, undertakings, Claims, rights and entitlements of any kind or nature whatsoever (whether direct or indirect, known or unknown, absolute or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured or due or not yet due, in law or in equity and whether based in statute or otherwise) of or against the Company or the Purchased Shares or against, relating to or affecting any of the Retained Assets, or any Excluded Assets or Excluded Contracts, including, *inter alia*, the non-exhaustive list of Liabilities set forth in Schedule "**C**", (collectively, the "**Excluded Liabilities**") shall be excluded and will no longer be binding on the Company or the Purchased Shares or Transferred Assets, Retained Assets, Employees, Permits and Licenses, or Books and Records following the Closing Time.

(b) Subject to the Pre-Closing Reorganization and pursuant to the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed in full by ResidualCo in accordance with and as further described in Article 4 and the Approval and Vesting Order, and the Company, the Purchased Shares, the Retained Assets, the Transferred Assets, and the Company's undertakings, Business and properties shall be Discharged of such Excluded Liabilities. All Claims attaching to the Excluded Liabilities, if any, shall continue to exist against ResidualCo and the Purchase Price and the Excluded Assets, if any, shall be available to satisfy such Claims.

ARTICLE 3
PURCHASE PRICE

3.1 Purchase Price

The purchase price payable by the Purchaser for the Purchased Shares shall be THREE MILLION EIGHT HUNDRED AND EIGHTY-EIGHT THOUSAND EIGHT HUNDRED AND EIGHTY EIGHT CANADIAN DOLLARS AND EIGHTY-EIGHT CENTS (CDN $3,888,888.88) plus the Closing DIP Loan (if any) and Assumed Liabilities, subject to adjustment as provided in this Agreement (the "**Purchase Price**"). The Purchase Price shall be paid to the Monitor as consideration for the Purchased Shares.

3.2 Satisfaction of Purchase Price

The Purchaser shall pay the Purchase Price to the Monitor, for the benefit of the Vendor and ResidualCo, at the Closing Time, in accordance with the following:

(a) Credit Bid. an amount equivalent to all amounts owing to the Purchaser under the DIP Term Sheet as of the Closing Time including any accrued and unpaid interest, expenses, fees and other amounts, (the "**Credit Bid Amount**") shall be treated as credited against (in satisfaction of that amount of) the Purchase Price and which the Purchaser shall cause the release thereof at Closing in favour of the Vendor and other borrowers under the DIP Term Sheet;

(b) Balance of Purchase Price. an amount equal to the Purchase Price less the Credit Bid Amount in immediately available funds (the "**Cash Purchase Price**"); and

(c) Assumed Liabilities. an amount equal to the amount of the Assumed Liabilities which the Company shall retain on the Closing Date, in accordance with the Pre-Closing Reorganization, and which shall be satisfied by the Company performing the Assumed Liabilities.

3.3 Monitor to hold Purchase Price

The Purchase Price shall be held by the Monitor for the benefit of the Vendor and ResidualCo, and any Claim against the Company or the Purchased Shares shall continue to exist solely as against ResidualCo from and after Closing.

3.4 Adjustments to Purchase Price.

The Parties acknowledge and agree that a portion of the Purchase Price is intended to fund KERP Entitlements. Accordingly, a portion of the Purchase Price shall be satisfied, and the Cash Purchase Price shall be reduced, on a dollar for dollar basis, to account for: (a) any non-cash consideration which Employees (in each of their sole discretion) may elect, prior to Closing, to accept in lieu of their KERP Entitlement (provided that such adjustment to the Cash Purchase Price shall be equal to the amount of the Employee's KERP Entitlement that is no longer payable in cash); and (b) the Terminated Employee KERP Payments, if any. There shall be no other adjustments or reductions to the Cash Purchase Price and, for certainty, any amount of the Closing DIP Loan (if any) that is not utilized for Terminated Employee KERP Payments shall increase the Purchase Price and the Credit Bid Amount in each case by that amount such that the Cash Purchase Price is not reduced.

ARTICLE 4
TRANSFER OF EXCLUDED ASSETS AND EXCLUDED LIABILITIES

4.1 Transfer of Excluded Assets to ResidualCo

At Closing, the Company shall retain all of the assets owned by it on the Effective Date of this Agreement and any assets acquired by it up to and including Closing, including the Transferred Assets, the Company's equipment, its Assumed Contracts, Permits and Licences, Books and Records, Business and undertakings (the "**Retained Assets**"), excluding inventory sold or consumed in the ordinary course of Business in the Interim Period and amounts paid in the Interim Period in accordance with the Initial Order, the DIP Term Sheet and the approval of the Monitor. The Retained Assets shall not include: (i) the Excluded Assets; or (ii) the Excluded Contracts, which the Company shall transfer to ResidualCo, in accordance with the Pre-Closing Reorganization, and same shall be vested in ResidualCo pursuant to the Approval and Vesting Order as evidenced by a bill of sale and assignment of contracts (the "**Excluded Assets Bill of Sale**"), all in consideration of an interest-free promissory note (the "**Excluded Assets Promissory Note**") issued by the Company to ResidualCo in an amount equal to the portion of the Cash Purchase Price that exceeds the Excluded Liabilities Promissory Note (as defined below), which Excluded Asset Promissory Note will be cancelled at Closing in accordance with the Approval and Vesting Order.

4.2 Transfer of Excluded Liabilities to ResidualCo

On the Closing Date, the Excluded Liabilities shall be assumed by ResidualCo and the Company shall issue to ResidualCo an interest free promissory note (the "**Excluded Liabilities Promissory Note**") in an amount equal to a portion, to be agreed upon between the Parties, of the Cash Purchase Price in consideration for ResidualCo assuming the Excluded Liabilities, which Excluded Liabilities Promissory Note will be cancelled at Closing in accordance with the Approval and Vesting Order. In accordance with the Pre-Closing Reorganization and the Approval and Vesting Order, the Excluded Liabilities shall be transferred to, vested in and assumed by ResidualCo and evidenced by an assignment and assumption agreement in form and substance acceptable to the Purchaser and the Vendor (the "**Excluded Liabilities Assumption Agreement**"). Notwithstanding any other provision of this Agreement, neither the Purchaser nor the Company shall assume or have any Liability for any of the Excluded Liabilities and all Excluded Liabilities shall be Discharged from the Purchased Shares, the Company and the Retained Assets as of and from and after the Closing Time.

4.3 Tax Matters

Pursuant to the Approval and Vesting Order, at the Closing Time, all Taxes owed or owing or accrued due by the Company shall be transferred to, vested in and assumed by ResidualCo. Any audits or reassessments with respect to any Taxes that relate to a time period occurring, or facts arising, prior to the Closing Date, regardless upon when such audit was commenced or completed, and any and all such obligations with respect to such audits or reassessments shall be transferred to and vest in ResidualCo.

ARTICLE 5
SISP, BIDDING PROCEDURES

5.1 SISP

(a) The Vendor shall bring a motion for the SISP Order to be heard on or before November 1, 2022 and a motion for the Stalking Horse Approval Order to be heard on before November 4, 2022. The Stalking Horse Approval Order shall recognize the within offer by the Purchaser and the Purchase Price: (i) as a baseline or "stalking horse bid" in respect of the Purchased Shares (the "**Stalking Horse Bid**"); and (ii) as a deemed "Qualified Bid", with an attendant right on the part of the Purchaser to participate as a bidder in any Auction (as defined below). The Purchaser acknowledges and agrees that the aforementioned process is in contemplation of determining whether a superior bid can be obtained for the Purchased Shares with the Company having the Retained Assets, and that the within Stalking Horse Bid may be the Successful Bid for the Purchased Shares with the Company having the Retained Assets.

(b) In consideration for the Purchaser's expenditure of time and money and agreement to act as the initial bidder through the Stalking Horse Bid, and the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, and subject to Court approval, the Purchaser shall be entitled to a break fee in the amount of $185,000 (inclusive of HST, if any) (the "**Break Fee**"), which Break Fee shall be payable to the Purchaser in the event that the Stalking Horse Bid is not the Successful Bid.

(c) The payment of the Break Fee shall be approved in the Stalking Horse Approval Order and shall, if payable pursuant to Section 5.1(b), be payable to the Purchaser, on behalf of the Vendor, within two (2) Business Days of the closing of the transaction contemplated by the Successful Bid.

(d) The Parties acknowledge and agree that the aggregate foregoing Break Fee amount represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of preparing and entering into, and not completing the Transactions contemplated by this Agreement, and is not intended to be punitive in nature nor to discourage competitive bidding for the Purchased Shares and/or Retained Assets. For certainty, the Break Fee does not form part of the Purchase Price.

(e) In the event that one or more Persons submits a Qualified Bid (as defined in the SISP) on or before the Bid Deadline, the Vendor, in consultation with the Monitor, shall conduct an auction (the "**Auction**") for the determination and selection of a winning bid (the "**Successful Bid**" and the Person submitting such bid being the "**Successful Bidder**").

(f) Upon the selection of a Successful Bidder, there shall be a binding agreement of purchase and sale between the Successful Bidder and the Vendor. The Vendor shall forthwith bring a motion following the selection of the Successful Bidder for an order approving the agreement reached with the Successful Bidder and to vest the Purchased Shares in the Successful Bidder and, if granted, shall proceed with closing the transaction forthwith.

(g) Notwithstanding anything contained herein to the contrary, in the event that the Purchaser is not the Successful Bidder under the SISP, then upon selection of the other Successful Bid: (i) this Agreement shall be terminated (subject to Section 10.2 and the Purchaser's entitlement to the Break Fee); (ii) the Purchaser shall be entitled to the Break Fee; and (iii) neither Party hereto shall have any further Liability or obligation hereunder, except as expressly provided for in this Agreement.

(h) If no Qualified Bids are received by the Bid Deadline (other than the Stalking Horse Bid), the Vendor shall forthwith bring a motion to the Court to obtain the Approval and Vesting Order and, if granted, shall proceed with completing the Transaction contemplated hereby forthwith.

5.2 Further Funding

In the event that the Flowr Group has cash requirements in excess of the amounts available to them under the DIP Facility once fully drawn, then provided that: (a) the Stalking Horse Bidder is the Successful Bidder or no Qualified Bids (other than the Stalking Horse Bid) are received by the Bid Deadline; and (b) the Company and/or Vendor are not then in default under the DIP Facility or their obligations under this Agreement, then the Purchaser shall advance, by way of a non-revolving debtor-in-possession loan facility (the "**Closing DIP Loan**") pursuant to the DIP Term Sheet, such further funding to the Flowr Group as is reasonably necessary to close the Transaction in accordance with the cash flow projections approved by the Monitor and the Purchaser, and fund such other costs and expenses of the Flowr Group as may be agreed to by the Purchaser, in writing. It shall be a condition of the Purchaser that the Closing DIP Loan be secured by the DIP Lender's Charge (as defined in the Initial Order). Without limiting the foregoing, the Parties acknowledge and agree that the Closing DIP Loan shall be used, as necessary, to fund the KERP Entitlements of Terminated Employees whose employment is terminated prior to Closing ("**Terminated Employee KERP Payments**").

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Vendor

The Vendor hereby represents and warrants as of the date hereof and as of the Closing Time as follows, and acknowledges that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Vendor is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and, subject to obtaining of the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Vendor of this Agreement has been authorized by all necessary corporate action on the part of the Vendor.

(c) No Conflict. The execution, delivery and performance by the Vendor of this Agreement does not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Vendor, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the Flowr Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Vendor and constitutes a legal, valid and binding obligation of the Vendor, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending against the Vendor or, to the knowledge of the Vendor, threatened, with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Vendor from fulfilling any of its obligations set forth in this Agreement, and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.

(f) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Health Canada Approval, the Vendor does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

(g) Residency. The Vendor is not a non-resident of Canada for purposes of the *Income Tax Act* or the *Excise Tax Act*, as applicable.

(h) Title to Purchased Shares. The Vendor is the sole registered and beneficial owner of the Purchased Shares, with good and valid title thereto, and the Vendor will transfer good and valid title to the Purchased Shares to the Purchaser, free and clear of all Encumbrances, pursuant to and in accordance with the Approval and Vesting Order. There are no issued and outstanding shares or other securities of the Company other than the Purchased Shares, nor are there any securities convertible into or options, equity-based awards or other rights, agreements or commitments that are held by any Person and which are convertible into or exchangeable for shares or any other securities of the Company.

(i) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Vendor or the Company of any of the Purchased Shares or the Retained Assets.

6.2 Representations and Warranties in respect of the Company

The Vendor and the Company hereby represent and warrant to and in favour of the Purchaser as of the date hereof and as of the Closing Time, and acknowledge that the Purchaser is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Company is a corporation incorporated and existing under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and, subject to obtaining the Approval and Vesting Order in respect of the matters to be approved therein, performance by the Company of this Agreement has been authorized by all necessary corporate action on the part of the Company.

(c) No Conflict. The execution, delivery and performance by the Company of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Company, any agreement binding on the Vendor or any Applicable Law applicable to the Vendor, the Flowr Group or any of its affiliates, the Retained Assets or the Purchased Shares, or result in the creation or require the creation of any Encumbrance upon or against the Purchased Shares or the Retained Assets.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject only to obtaining the Approval and Vesting Order.

(e) Authorized and Issued Capital. The authorized capital of the Company consists of an unlimited number of Class A Voting Participating Common Shares, Class B Voting Participating Common Shares and Class C Voting Participating Common Shares, of which 550,000 Class A Voting Participating Shares, 250,000 Class B Voting Participating Shares and 200,000 Class C Voting Participating Shares are issued and outstanding. The Purchased Shares: (i) constitute all of the issued and outstanding securities in the capital of the Company; (ii) have all been duly authorized and validly issued as fully paid and non-assessable; (iii) have been issued by the Company in compliance with all Applicable Laws; and (iv) are registered in the name of, and are legally and beneficially owned by, the Vendor. None of the Purchased Shares have been issued in violation of any pre-emptive, right of first offer or refusal or similar rights. The Company is a private issuer (as such term is defined in Section 2.4 of National Instrument 45-106).

(f) No Other Agreements to Purchase. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition from the Company of any of the Purchased Shares, any Retained Assets or for the purchase, subscription, allotment or issuance of any of the unissued shares or other securities of the Company. The Company has good and valid title to the Retained Assets free and clear of all Encumbrances (other than Permitted Encumbrances).

(g) Proceedings. There are no proceedings pending against the Company or, to the knowledge of the Company, threatened with respect to, or in any manner affecting, title to the Purchased Shares or the Retained Assets, which would reasonably be expected to enjoin, delay, restrict or prohibit the transfer of all or any part of the Purchased Shares or the Retained Assets as contemplated by this Agreement or which would reasonably be expected to delay, restrict or prevent the Company from fulfilling any of its obligations set forth in this Agreement and no event has occurred or circumstance exists which would reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding.

(h) No Consents or Authorizations. Subject only to obtaining the Approval and Vesting Order and the Health Canada Approval, the Company does not require any consent, approval, waiver or other Authorization from any Governmental Authority or any other Person, as a condition to the lawful completion of the Transaction.

(i) Cannabis Licenses. The Cannabis Licenses and the Excise License are in full force and effect. Except for the Purchaser's rights under this Agreement, no Person has any contractual right, option or privilege for the purchase or acquisition of any interest in, or the creation of any Encumbrance in respect of, the Cannabis Licenses or the Excise License. In addition, subject to obtaining the Health Canada Approval, there are no terms, conditions, or other restrictions imposed on the Cannabis Licenses or the Excise License that would delay, restrict, or prevent the Company or the Vendor from fulfilling any of their obligations set forth in this Agreement.

(j) Compliance with Laws. The Company is conducting and has conducted the Business in compliance with all Applicable Laws in all material respects.

(k) Assumed Contracts. The list and copies of Contracts and Other Flowr Contracts provided by the Company and Vendor pursuant to Section 7.4(b), are correct and complete in all material respects, inclusive of all amendments, modifications and supplements thereto.

6.3 Representations and Warranties of the Purchaser

The Purchaser hereby represents and warrants to and in favour of the Vendor as of the date hereof and as of the Closing Time, and acknowledges that, the Vendor is relying on such representations and warranties in connection with entering into this Agreement and performing its obligations hereunder:

(a) Incorporation and Status. The Purchaser is a corporation incorporated and existing under the *Business Corporations Act* (Ontario) as of the date hereof and may, as of the Closing Time be continued under the *Business Corporations Act* (British Columbia), is in good standing under such act and has the power and authority to enter into, deliver and perform its obligations under this Agreement.

(b) Corporate Authorization. The execution, delivery and performance by the Purchaser of this Agreement has been authorized by all necessary corporate action on the part of the Purchaser.

(c) No Conflict. The execution, delivery and performance by the Purchaser of this Agreement do not (or would not with the giving of notice, the lapse of time, or both, or the happening of any other event or condition) result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any terms or provisions of the Organizational Documents of the Purchaser.

(d) Execution and Binding Obligation. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms subject only to the Approval and Vesting Order.

(e) Proceedings. There are no proceedings pending, or to the knowledge of the Purchaser, threatened, against the Purchaser before any Governmental Authority, which prohibit or seek to enjoin delay, restrict or prohibit the Closing of the Transaction, as contemplated by this Agreement, or which would reasonably be expected to delay, restrict or prevent the Purchaser from fulfilling any of its obligations set forth in this Agreement.

6.4 As is, Where is

The representations and warranties of the Company shall survive the Closing Time on the Closing Date provided, however, that the Purchaser's recourse for any breach or inaccuracy of such representations and warranties shall be against ResidualCo. The Purchaser acknowledges, agrees and confirms that, at the Closing Time, the Purchased Shares (for clarity, together with the Retained Assets) shall be sold and delivered to the Purchaser on an "*as is, where is*" basis, subject only to the representations and warranties contained herein. Other than those representations and warranties contained herein, no representation, warranty or condition is expressed or can be implied as to title, encumbrances, description, fitness for purpose, merchantability, condition or quality or in respect of any other matter or thing whatsoever.

ARTICLE 7
COVENANTS

7.1 Closing Date

(a) The Parties shall cooperate with each other and shall use their commercially reasonable efforts to effect the Closing on or before the Outside Date.

(b) Without limiting the foregoing, the Parties shall assist with submissions, share information and make any other efforts required to obtain any approval (including the Health Canada Approval) or Permits and Licences from any Governmental Authority necessary to effect the Closing.

(c) Each of the Parties shall, as promptly as possible, make, or cause to be made, all filings and submissions (including with respect to the Cannabis Licences), as applicable, required under any Applicable Law to effect the Closing.

(d) The Vendor and the Company shall cause such individuals as the Purchaser may determine in its sole discretion to be appointed or assigned to be as of the Closing Time: (i) a director or officer of the Company; (ii) another individual who exercises direct control over the Company; (iii) directors or officers of any corporation that exercises direct control over the Company; or (iv) the responsible person, the head of security, or the master grower, and their alternates, as those terms are defined in the *Cannabis Regulations* (Canada).

7.2 Motion for Approval and Vesting Order

As soon as practicable after the selection of this Agreement as the Successful Bid in the SISP and in any event by no later than December 9, 2022, the Vendor shall serve and file with the Court a motion for the issuance of the Approval and Vesting Order, seeking relief that will, *inter alia*, approve this Agreement and the Transaction, and release the officers and directors of the Company, its advisors, the Monitor and the Monitor's counsel. The Vendor shall use its best efforts to seek the issuance and entry of the Approval and Vesting Order and the Purchaser shall cooperate with the Vendor in its efforts to obtain the issuance and entry of the Approval and Vesting Order.

7.3 Interim Period

During the Interim Period, except as otherwise expressly contemplated or permitted by this Agreement (including the Approval and Vesting Order and the Pre-Closing Reorganization), the Vendor and Company shall, unless consented to by the Purchaser under the DIP Term Sheet, comply with the DIP Term Sheet and continue to maintain the Business, operations of the Company and Retained Assets and cause the Other Flowr Entities to maintain the Transferred Assets in substantially the same manner as conducted on the Effective Date and in material compliance with all Applicable Laws, Permits and Licences.

7.4 Access During Interim Period

(a) During the Interim Period, the Vendor and the Company shall give, or cause to be given, to the Purchaser, and its representatives, reasonable access during normal business hours to the Retained Assets, including the Books and Records, to conduct such investigations, inspections, surveys or tests thereof and of the financial and legal condition of the Business and the Retained Assets as the Purchaser reasonably deems necessary or desirable to further familiarize themselves with the Business and the Retained Assets. Without limiting the generality of the foregoing: (a) the Purchaser and its representatives shall be permitted reasonable access during normal business hours to all documents relating to information scheduled or required to be disclosed under this Agreement and to the Employees; and (b) the Purchaser and its Representatives shall be permitted to contact and discuss the Transactions contemplated herein with Governmental Authorities and the Vendor's and Company's customers and contractual counterparties. Such investigations, inspections, surveys and tests shall be carried out at the Purchaser's sole and exclusive risk and cost, during normal business hours, and without undue interference with the Company's operations and the Vendor and the Company shall co-operate reasonably in facilitating such investigations, inspections, surveys and tests and shall furnish copies of all such documents and materials relating to such matters as may be reasonably requested by or on behalf of the Purchaser.

(b) in order to consider, analyze and complete or modify Schedules "**D**" (Transferred Assets) and "**I**" (Assumed Contracts) in accordance with the terms of this Agreement, the Company and Vendor undertake to provide to the Purchaser, promptly and in any event within 20 days of the date hereof, true and complete copies of: (a) all Contracts and Other Flowr Contracts; (b) a list of inventory, property, plant & equipment and any other material assets owned by all Other Flowr Entities; (c) a list of all employees employed by the Company and Other Flowr Entities; and (d) a list of any outstanding legal proceeding against the Company and Other Flowr Entities.

7.5 Insurance Matters

Until Closing, the Vendor and the Company shall keep in full force and effect all existing insurance policies and give any notice or present any claim under any such insurance policies consistent with past practice of the Vendor and the Company in the ordinary course of business.

ARTICLE 8
CLOSING ARRANGEMENTS

8.1 Closing

Closing shall take place on the Closing Date effective as of the Closing Time electronically (or as otherwise determined by mutual agreement of the Parties in writing), by the exchange of deliverables (in counterparts or otherwise) by electronic transmission in PDF format.

8.2 Pre-Closing Reorganization

(a) Subject to the other terms of this Agreement, the Company shall effect the Pre-Closing Reorganization on the terms and using the steps set out at Exhibit "**A**"; *provided that* the Purchaser and Company shall cooperate to ensure that the Pre-Closing Reorganization is completed in a tax efficient manner, including by revising the steps thereof as required by the Purchaser; and *provided further* that the Purchaser shall be entitled to require, as a part of the Pre-Closing Reorganization, that the Transferred Assets be transferred to and vested in the Company free and clear of all Encumbrances (other than Permitted Encumbrances) pursuant to the Approval and Vesting Order provided that such Transferred Assets have been identified by the Purchaser at least 8 days prior to the hearing for such Approval and Vesting Order.

(b) The Purchaser and the Vendor shall work cooperatively and use commercially reasonable efforts to prepare, before the Closing Date, all documentation necessary and do such other acts and things as are necessary to give effect to the Pre-Closing Reorganization.

8.3 Vendor Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Purchaser the following:

(a) a true copy of the Approval and Vesting Order, as issued and entered by the Court;

(b) share certificates representing the Purchased Shares duly endorsed in blank for transfer, or accompanied by irrevocable stock transfer powers duly executed in blank, in either case, by the Vendor;

(c) confirmation, in form and substance satisfactory to the Purchaser, that all applicable Governmental Authorities have approved the change of control contemplated by the Transaction such that the Permits and Licenses, including the Cannabis Licenses, will be valid and in good standing immediately following the Closing;

(d) a certificate of an officer of the Vendor dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor and the Company have performed in all material respects the covenants to be performed by them prior to the Closing Time;

(e) the Organizational Documents of the Company and the corporate Books and Records;

(f) a side letter addressed to the Purchaser and further to which any applicable Other Flowr Entities making the representations and warranties contemplated by Section 9.2(l); and

(g) such other agreements, documents and instruments as may be reasonably required by the Purchaser to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

8.4 Company Closing Deliveries

At or before the Closing Time, the Vendor shall deliver or cause to be delivered to the Monitor the following:

(a) the Excluded Asset Promissory Note;

(b) the Excluded Liability Assumption Agreement, signed by the Company and ResidualCo;

(c) the Excluded Asset Bill of Sale, signed by the Company and ResidualCo; and

(d) the Excluded Liabilities Promissory Note.

8.5 Purchaser's Closing Deliveries

At or before the Closing, the Purchaser shall deliver or cause to be delivered to the Vendor and the Company (or to the Monitor, as applicable), the following:

(a) the Cash Purchase Price;

(b) a certificate of an officer of the Purchaser dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all material respects the covenants to be performed by it prior to the Closing Time; and

(c) such other agreements, documents and instruments as may be reasonably required by the Vendor and the Company to complete the Transaction, all of which shall be in form and substance satisfactory to the Parties, acting reasonably.

ARTICLE 9
CONDITIONS OF CLOSING

9.1 Conditions Precedent in favour of the Parties

The obligation of the Parties to complete the Transaction is subject to the following joint conditions being satisfied, fulfilled or performed on or prior to the Closing Date:

(a) <u>Approval and Vesting Order.</u> The Court shall have issued and entered the Approval and Vesting Order, which Approval and Vesting Order shall not have been stayed, set aside, or vacated and no application, motion or other proceeding shall have been commenced seeking the same, in each case which has not been fully dismissed, withdrawn or otherwise resolved in a manner satisfactory to the Parties, each acting reasonably.

(b) <u>No Order.</u> No Applicable Law and no judgment, injunction, order or decree shall have been issued by a Governmental Authority or otherwise in effect that restrains or prohibits the completion of the Transaction; and

(c) <u>No Restraint.</u> No motion, action or proceedings shall be pending by or before a Governmental Authority to restrain or prohibit the completion of the Transaction contemplated by this Agreement.

The foregoing conditions are for the mutual benefit of the Parties. If any condition set out in Section 9.1 is not satisfied, performed or mutually waived on or prior to the Outside Date, any Party may elect on written notice to the other Parties to terminate this Agreement.

9.2 Conditions Precedent in favour of the Purchaser

The obligation of the Purchaser to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Regulatory Approval. The Purchaser shall have obtained the Health Canada Approval, in a form satisfactory to the Purchaser, acting reasonably.

(b) Pre-Closing Reorganization. The Pre-Closing Reorganization shall have been completed in the order and in the timeframes contemplated hereunder.

(c) Company's Deliverables. The Vendor and the Company shall have executed and delivered or caused to have been executed and delivered to the Purchaser at the Closing all the documents contemplated in Section 8.3.

(d) No Breach of Representations and Warranties. Except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement, each of the representations and warranties contained in Section 6.1 and Section 6.2 shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

(e) No Breach of Covenants. The Company and the Vendor shall have performed, in all material respects, all covenants, obligations and agreements contained in this Agreement required to be performed by the Company and the Vendor on or before the Closing Date.

(f) Company Employees. The Company shall have terminated the employment of any employees identified by the Purchaser in its sole discretion to be Terminated Employees and all Liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law, shall be Excluded Liabilities or shall be Discharged pursuant to the Approval and Vesting Order. Notwithstanding the foregoing, Terminated Employees that are subject to the KERP shall be entitled to receive their KERP Entitlements, and nothing in this Agreement shall limit or terminate such entitlement, which will be funded, as necessary, in accordance with Section 5.2.

(g) ResidualCo. Pursuant to the Approval and Vesting Order: (i) all Excluded Assets and Excluded Liabilities shall have been transferred to ResidualCo or Discharged; (ii) the Excluded Liabilities shall have attached to the Excluded Assets and the proceeds from the Purchase Price; and (iii) the Company, its Business and property shall have been released and forever Discharged of all Claims and Encumbrances (other than Assumed Liabilities, if any) such that, from and after Closing the Business and property of the Company shall exclude the Excluded Assets and shall not be subject to any Excluded Liabilities.

(h) Partial Termination of CCAA Proceeding. Upon Closing, the CCAA Proceeding shall have been terminated in respect of the Company, its Business and property, as set out in the Approval and Vesting Order, but, for greater certainty, shall continue in respect of ResidualCo, the Vendor and the rest of the Flowr Group.

(i) Disclaimer of Excluded Contracts. The Company shall have sent notices of disclaimer for all known Excluded Contracts and other agreements, and such known Excluded Contracts shall form part of the Excluded Assets.

(j) Permits and Licenses. The Permits and Licenses, including the Cannabis Licenses and Excise License, shall be in good standing at the Closing Time and no material default shall have occurred under any such Permits and Licenses that remains unremedied and such Permits and Licenses shall remain in good standing immediately following and notwithstanding Closing and no Governmental Authority whose consent is not required to the Transaction shall have objected to the completion of the Transaction or indicated that such Permits and Licenses will not remain in full force and effect following completion of the Transaction.

(k) Monitor's Certificate. The Monitor shall have provided an executed certificate of the Monitor substantially in the form attached to the Approval and Vesting Order (the "**Monitor's Certificate**") confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

(l) Representations as to Transferred Assets/by Other Flowr Entities. To the extent any assets, properties or undertakings of an Other Flowr Entity have been designated as a Transferred Asset hereunder, such Other Flowr Entity shall have provided to the Purchaser those representations and warranties set out in Sections 6.1(a) through (i) as modified for such Other Flowr Entit(ies) and Transferred Asset(s) *mutatis mutandis,* which representations and warranties (except as such representations and warranties may be affected by the occurrence of events or transactions specifically contemplated by this Agreement) shall be true and correct in all material respects: (i) as of the Closing Date as if made on and as of such date; or (ii) if made as of a date specified therein, as of such date.

The foregoing conditions are for the exclusive benefit of the Purchaser. Any condition in this Section 9.2 may be waived by the Purchaser in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver shall be binding on the Purchaser only if made in writing. If any condition set out in Section 9.2 is not satisfied or performed on or prior to the Outside Date, the Purchaser may elect on written notice to the Vendor to terminate this Agreement.

9.3 Conditions Precedent in favour of the Vendor and the Company

The obligation of the Vendor to complete the Transaction is subject to the following conditions being satisfied, fulfilled, or performed on or prior to the Closing Date:

(a) Purchaser's Deliverables. The Purchaser shall have executed and delivered or caused to have been executed and delivered to the Company at the Closing all the documents and payments contemplated in Section 8.4.

(b) No Breach of Representations and Warranties. Each of the representations and warranties contained in Section 6.3 shall be true and correct in all material respects (i) as of the Closing Date as if made on and as of such date, or (ii) if made as of a date specified therein, as of such date.

(c) No Breach of Covenants. The Purchaser shall have performed in all material respects all covenants, obligations and agreements contained in this Agreement required to be performed by the Purchaser on or before the Closing.

(d) Monitor's Certificate. The Monitor shall have provided an executed copy of the Monitor's Certificate confirming that all other conditions to Closing have either been satisfied or waived by both the Purchaser and the Vendor.

The foregoing conditions are for the exclusive benefit of the Vendor. Any condition in this Section 9.3 may be waived by the Vendor in whole or in part, without prejudice to any of its rights of termination in the event of non-fulfilment of any other condition in whole or in part. Any such waiver shall be binding on the Vendor only if made in writing. If any condition set forth in this Section 9.3 is not satisfied or performed on or prior to the Outside Date, the Vendor may elect on written notice to the Purchaser to terminate the Agreement.

ARTICLE 10
TERMINATION

10.1 Grounds for Termination

This Agreement may be terminated on or prior to the Closing Date:

(a) by the mutual written agreement of the Vendor (with the consent of the Monitor) and the Purchaser; or

(b) by the Vendor (with the consent of the Monitor) or the Purchaser upon written notice to the other Parties if: (i) the Closing has not occurred on or prior to the Outside Date; or (ii) the Approval and Vesting Order is not obtained on or before December 16, 2022 (subject to availability of the Court); provided in each case that the failure to close or obtain such order, as applicable, by such deadline is not caused by a breach of this Agreement by the Party proposing to terminate the Agreement.

10.2 Effect of Termination.

If this Agreement is terminated pursuant to Section 10.1 or 5.1(g), all further obligations of the Parties under this Agreement will terminate and no Party will have any Liability or further obligations hereunder; except for the provisions of: (a) Section 10.2; and (b) Section **Error! Reference source not found.** with respect to the Purchaser's entitlement to the Break Free.

ARTICLE 11
GENERAL

11.1 Access to Books and Records

For a period of two years from the Closing Date or for such longer period as may be reasonably required for the Vendor (or any trustee in bankruptcy of the estate of the Vendor) to comply with Applicable Law, the Purchaser will retain all original Books and Records that are transferred to the Purchaser under this Agreement, but the Purchaser is not responsible or liable for any accidental loss or destruction of, or damage to, any such Books and Records. So long as any such Books and Records are retained by the Purchaser pursuant to this Agreement, the Vendor (and any representative, agent, former director or officer or trustee in bankruptcy of the estate of the Vendor, including the Monitor) has the right to inspect and to make copies (at its own expense) of them at any time upon reasonable request during normal business hours and upon reasonable notice for any proper purpose and without undue interference to the business operations of the Purchaser.

11.2 Notice

Any notice or other communication under this Agreement shall be in writing and may be delivered by read-receipted email, addressed:

(a) in the case of the Purchaser, as follows:

1000343100 ONTARIO INC.

Attention: Stephen Arbib & Norton Singhavon
Email: sarbib@menain.com; ns@avantbrands.ca

with a copy to:

Norton Rose Fulbright Canada LLP
222 Bay Street, Suite 3000, P.O. Box 53
Toronto, Ontario M5K 1E7

Attention: Eric Reither & Jennifer Stam
Email: eric.reither@nortonrosefulbright.com;
jennifer.stam@nortonrosefulbright.com

and to:

Cassels, Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON, M5H 3C2

Attention: Jane Dietrich & Jeremy Bornstein
Email: jdietrich@cassels.com; jbornstein@cassels.com

(b) in the case of the Vendor or the Company, as follows:

The Flowr Canada Holdings ULC
60 Adelaide Street East
Toronto, Ontario M5C 3E4

Attention: Darren Karasiuk
Email: dkarasiuk@flowr.ca

with a copy to:

Miller Thomson LLP
40 King Street West, Suite 5800
Toronto, ON M5H 4A9

Attention: Kyla Mahar
Email: kmahar@millerthomson.com

(c) in each case, with a further copy to the Monitor as follows:

Ernst & Young Inc.
P.O. Box 1, 100 Adelaide Street West
Toronto, Ontario M5H 0B3

Attention: Alex Morrison
Email: alex.f.morrison@parthenon.ey.com

with a copy to:

Thornton Grout Finnigan LLP
Suite 3200, 100 Wellington Street West
P.O. Box 329, Toronto-Dominion Centre
Toronto, ON M5K 1K7

Attention: Rebecca Kennedy & Rachel Nicholson
Email: rkennedy@tgf.ca; rnicholson@tgf.ca

Any such notice or other communication, if transmitted by email before 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on such Business Day, and if transmitted by email after 5:00 p.m. (Toronto time) on a Business Day, will be deemed to have been given on the Business Day after the date of the transmission. In the case of a communication by email or other electronic means, if an autoreply is received indicating that the email is no longer monitored or in use, delivery must be followed by the dispatch of a copy of such communication pursuant to one of the other methods described above; provided however that any communication originally delivered by electronic means shall be deemed to have been given on the date stipulated above for electronic delivery.

Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

11.3 Public Announcements

The Vendor shall be entitled to disclose this Agreement to the Court and parties in interest in the CCAA Proceedings, other than any information which the Purchaser advises the Vendor in writing as being confidential, and this Agreement may be posted on the Monitor's website maintained in connection with the CCAA Proceedings. Other than as provided in the preceding sentence or statements made in Court (or in pleadings filed therein) or where required to meet timely disclosure obligations of the Vendor or any of its Affiliates under Applicable Laws or stock exchange rules, the Vendor shall not issue (prior to or after the Closing) any press release or make any public statement or public communication with respect to this Agreement or the Transactions contemplated hereby without the prior consent of the other Parties, which shall not be unreasonably withheld or delayed.

11.4 Time

Time shall, in all respects, be of the essence hereof, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the Parties.

11.5 Survival

The representations and warranties of the Parties contained in this Agreement shall not merge on Closing and the representations, warranties and covenants of the Parties contained herein to be performed after the Closing shall survive Closing and remain in full force and effect.

11.6 Benefit of Agreement

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns, including for greater certainty, ResidualCo, provided that no consent, waiver or agreement of ResidualCo shall be required for any amendment of this Agreement.

11.7 Entire Agreement

This Agreement and the attached Schedules hereto constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior negotiations, understandings and agreements; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term Sheet. This Agreement may not be amended or modified in any respect except by written instrument executed by the Vendor and the Purchaser.

11.8 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency; provided that nothing in this Agreement affects the rights and obligations of the Parties under the DIP Term Sheet.

11.9 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and each of the Parties irrevocably attorns to the exclusive jurisdiction of the Court, and any appellate courts of the Province of Ontario therefrom.

11.10 Assignment

(a) This Agreement may be assigned by the Purchaser prior to the issuance of the Approval and Vesting Order, in whole or in part, without the prior written consent of the Vendor, the Company, ResidualCo or the Monitor, provided that: (x) (i) such assignee is a related party or subsidiary of the Purchaser; (ii) the Purchaser provides prior notice of such assignment to the Vendor, the Company and the Monitor; and (iii) such assignee agrees to be bound by the terms of this Agreement to the extent of the assignment; provided, however, that any such assignment shall not relieve the Purchaser of its obligations hereunder; and (y) the Purchaser may assign the benefits of this Agreement to a lender or lenders as security for obligations owed to it or them, all without the consent of (but upon notice to) the Vendor, the Company and the Monitor.

(b) Except as specifically contemplated herein as it relates to ResidualCo, this Agreement may not be assigned by the Vendor or the Company without the Consent of the Purchaser.

11.11 Further Assurances

Each of the Parties shall, at the request and expense of the requesting Party, take or cause to be taken such action and execute and deliver or cause to be executed and delivered to the other such conveyances, transfers, documents and further assurances as may be reasonably necessary or desirable to give effect to this Agreement.

11.12 Counterparts

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

11.13 Severability

Notwithstanding any provision herein, if a condition to complete the Transaction, or a covenant or an agreement herein is prohibited or unenforceable pursuant to Applicable Law, then such condition, covenant or agreement shall be ineffective to the extent of such prohibition or unenforceability without invalidating the other provisions hereof.

11.14 Monitor's Certificate

The Parties acknowledge and agree that the Monitor shall be entitled to deliver to the Purchaser, and file with the Court, the executed Monitor's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Monitor shall have no Liability to the Parties in connection therewith. The Parties further acknowledge and agree that upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived, the Monitor may deliver the executed Monitor's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Monitor's written confirmation that all such funds have been received, the Monitor's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred.

11.15 Monitor's Capacity

In addition to all of the protections granted to the Monitor under the CCAA or any order of the Court in this CCAA Proceeding, the Vendor, the Company and the Purchaser acknowledge and agree that the Monitor, acting in its capacity as Monitor of the Company and not in its personal capacity, will have no Liability, in its personal capacity or otherwise, in connection with this Agreement or the Transaction contemplated herein whatsoever as Monitor.

[*Signature Page Follows*]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

1000343100 ONTARIO INC.

By: ______________________________

Name:

Title:

By: ______________________________

Name:

Title:

I/We have authority to bind the Corporation

THE FLOWR CANADA HOLDINGS ULC

By: ______________________________

Name:

Title:

I have authority to bind the Corporation.

THE FLOWR GROUP (OKANAGAN) INC.

By: ______________________________

Name:

Title:

I have authority to bind the Corporation.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

1000343100 ONTARIO INC.

By: ______________________________

Name:

Title:

By: ______________________________

Name: Stephen Arbib

Title:

I/We have authority to bind the Corporation

THE FLOWR CANADA HOLDINGS ULC

By: ______________________________

Name:

Title:

I have authority to bind the Corporation.

THE FLOWR GROUP (OKANAGAN) INC.

By: ______________________________

Name:

Title:

I have authority to bind the Corporation.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

1000343100 ONTARIO INC.

By: ______________________________

Name:

Title:

By: ______________________________

Name:

Title:

I/We have authority to bind the Corporation

THE FLOWR CANADA HOLDINGS ULC

By: ______________________________

Name: Darren Karasiuk

Title:

I have authority to bind the Corporation.

THE FLOWR GROUP (OKANAGAN) INC.

By: ______________________________

Name: Darren Karasiuk

Title:

I have authority to bind the Corporation.

EXHIBIT "A"
PRE-CLOSING REORGANIZATION

1. The Transferred Assets shall be transferred to the Company.

2. ResidualCo shall be incorporated by the Vendor with nominal consideration for common shares and shall be added to the CCAA Proceeding as an Applicant, but shall take no other steps or actions in respect thereof.

3. The Excluded Assets and Excluded Liabilities shall be transferred to, and vested in, ResidualCo pursuant to the Approval and Vesting Order.

SCHEDULE "A"
EXCLUDED ASSETS

1. Inventory sold in the ordinary course of Business in the Interim Period.

2. Excluded Contracts.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "B"
EXCLUDED CONTRACTS

The following is a non-exhaustive list of the Excluded Contracts:

1.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE "C"
EXCLUDED LIABILITIES

The following is a non-exhaustive list of Excluded Liabilities:

1. Any and all Liabilities relating to any change of control provision that may arise in connection with the change of control contemplated by the Transaction and to which the Company may be bound as at the Closing Time.

2. Any and all Liabilities pertaining to the administration of the CCAA Proceedings including, without limitation, under any court-ordered charge granted therein.

3. All Liabilities relating to or under the Excluded Contracts and Excluded Assets.

4. All Liabilities to Terminated Employees whose employment with the Company is terminated on or before Closing, including all amounts owing on account of statutory notice, termination payments, individual or group notice of termination (as applicable), severance, wages, overtime pay, vacation pay, benefits, bonuses or other compensation or entitlements, including any amounts deemed owing pursuant to statute or common law.

5. Any Liabilities for commissions, fees or other compensation payable to any finder, broker or similar intermediary in connection with the negotiation, execution or delivery of this Agreement or the consummation of the Transaction.

6. Any and all Liabilities that are not Assumed Liabilities.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE “D”
TRANSFERRED ASSETS

1. Intellectual property rights of the Vendor used by or currently being developed for use in the business of the Company, including any and all rights, trademarks, service marks, brand names, logos, design rights and similar designations relating to the “Flowr” brand.

[**Note: Balance of schedule to be completed prior to Closing.]**

SCHEDULE “E”
PERMITTED ENCUMBRANCES

Nil.

SCHEDULE "F"
CANNABIS LICENSES

Regulatory Authority	**Authorization Type**	**Details**	**Licensee**	**Issuance Date**	**Expiry Date**	**Licence No.**
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licences for Standard Cultivation, Standard Processing, Sale for Medical Purposes	Flowr Group (Okanagan) Inc.	08/10/2022	12/1/2023	LIC-DG4JA5DWP1-2020-16
Health Canada	Federal Cannabis Licence	Federally authorized licence holder with licence for Research	Flowr Group (Okanagan) Inc.	09/2/2022	06/30/2026	LIC-AQ4YORB346-2021-3

SCHEDULE "G"
SISP AND BIDDING PROCEDURES

(attached)

Sale and Investment Solicitation Process

Introduction

1. On October 20, 2022, The Flowr Corporation ("**Flowr**") and certain of its subsidiaries (collectively, the "**Applicants**") were granted an initial order (as amended or amended and restated from time to time, the "**Initial Order**") under the *Companies' Creditors Arrangement Act* (the "**CCAA**" and the "**CCAA Proceedings**") by the Ontario Superior Court of Justice (the "**Court**"). The Initial Order (which was amended and restated on **[October 28, 2022]**), among other things:

   (a) stayed all proceedings against the Applicants, their assets and their respective directors and officers;

   (b) appointed Ernst & Young Inc. as the monitor of the Applicants (in such capacity, the "**Monitor**");

   (c) authorized the Applicants to enter into a debtor-in-possession financing facility (the "**DIP Facility**") with 1000343100 Ontario Inc. ("**DIP Lender**") pursuant to a Commitment Letter dated October 20, 2022 (the "**DIP Commitment Letter**"), as well as the related charge in favour of the DIP Lender (the "**DIP Charge**") over all of the Applicants' present and future assets, property and undertakings of every nature and kind whatsoever, and wherever situate including all proceeds thereof to secure the amounts outstanding under or in connection with the DIP Facility; and

   (d) authorized the Applicants to pursue all avenues of sale or investment of their assets or business, in whole or in part, subject to prior approval of the Court before any material sale or refinancing.

2. Further to the Applicants' restructuring efforts and the terms of the DIP Facility, the Monitor will conduct the sale and investment solicitation process (the "**SISP**") described herein, with the assistance of the Applicants, and pursuant to a Court order dated **[October 28, 2022]** (the "**SISP Order**"). The SISP is intended to solicit interest in an acquisition or refinancing of the business or a sale of the assets and/or the business of the Applicants by way of merger, reorganization, recapitalization, primary equity issuance or other similar transaction. The Applicants intend to provide all qualified interested parties with an opportunity to participate in the SISP.

3. In accordance with the terms of the DIP Facility, the DIP Lender has the exclusive option to submit a Stalking Horse Agreement (when referring to the bid, the "**Stalking Horse Bid**" and in referring to the DIP Lender, as purchaser, the "**Stalking Horse Bidder**") in order to provide certainty in the marketplace for the Applicants. Where the Stalking Horse Bidder submits its Stalking Horse Bid, the Monitor or the Applicants shall bring a motion before the Court seeking the approval of the Stalking Horse Bid. In the event the Stalking Horse Bid is approved by the Court, the Stalking Horse Bid shall automatically be considered as a Qualified Bid (as defined herein) for the purposes of the Auction (as defined herein).

Opportunity

4. The SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of the Applicants' assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of the Applicants as a going concern or a sale of all, substantially all or one or more components of the Applicants' assets (the "**Property**") and business operations (the "**Business**") as a going concern or otherwise.

5. Except to the extent otherwise set forth in a definitive sale or investment agreement with a successful bidder, any sale of the Property or investment in the Business will be on an "as is, where is" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Applicants, or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Applicants in and to the Property to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, to the extent that the Court deems it appropriate to grant such relief and except as otherwise provided in such Court orders.

Timeline

6. The following table sets out the key milestones under the SISP:

Milestone	Deadline
Deadline to publish notice of SISP and deliver Teaser Letter and NDA to Known Potential Bidders	November 7, 2022
Bid Deadline	November 25, 2022
Auction Date	December 1, 2022
Hearing of the Sale Approval Motion (as defined below)	No later than December 16, 2022, subject to the availability of the Court

7. Subject to any order of the Court, the dates set out in the SISP may be extended by the Monitor with the consent and approval of the Applicants and after consultation with the DIP Lender.

Solicitation of Interest: Notice of the SISP

8. As soon as reasonably practicable, but in any event by no later than November 7, 2022:

   (a) the Monitor, in consultation with the Applicants, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity, and (ii) local and international strategic and financial parties who the Applicants, in consultation with the Monitor, believe may be interested in purchasing all or part of the Business and Property or investing in the Applicants pursuant to the SISP, in each case whether or not such party has submitted a letter of intent or similar document (collectively, "**Known Potential Bidders**");

(b) the Monitor will arrange for a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Applicants, considers appropriate) (the "**Notice**") to be published in The Globe and Mail (National Edition), and any other newspaper or journal as the Applicants, in consultation with the Monitor, consider appropriate, if any;

(c) the Monitor will issue a press release with Canada Newswire or comparable newswire entity setting out the information contained in the Notice and such other relevant information which the Monitor, in consultation with the Applicants, consider appropriate, designating dissemination in Canada; and

(d) the Monitor, in consultation with the Applicants, will prepare: (i) a process summary (the "**Teaser Letter**") describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Applicants and the Monitor, and their respective counsel, and substantially in the form of the NDA executed by the DIP Lender (an "**NDA**").

9. The Monitor will send the Teaser Letter and NDA to each Known Potential Bidder by no later than November 7, 2022 and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Applicants or the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Potential Bidders and Due Diligence Materials

10. Any party who wishes to participate in the SISP (a "**Potential Bidder**"), other than the Stalking Horse Bidder, must provide to the Applicants and the Monitor an NDA executed by it, and which shall inure to the benefit of any purchaser of the Business or Property, or any portion thereof, and a letter setting forth the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.

11. The Monitor, in consultation with the Applicants, shall in their reasonable business judgment and subject to competitive and other business considerations, afford each Potential Bidder who has signed and delivered a NDA to the Monitor and provided information as to their financial wherewithal to close a transaction such access to due diligence material and information relating to the Property and Business as the Applicants or the Monitor deem appropriate. Due diligence shall include access to an electronic data room containing information about the Applicants and the Business, and may also include management presentations, on-site inspections, and other matters which a Potential Bidder may reasonably request and as to which the Applicants, in their reasonable business judgment and after consulting with the Monitor, may agree. The Monitor will designate a

representative to coordinate all reasonable requests for additional information and due diligence access from Potential Bidders and the manner in which such requests must be communicated. Neither the Applicants nor the Monitor will be obligated to furnish any information relating to the Property or Business to any person other than to Potential Bidders. Furthermore and for the avoidance of doubt, selected due diligence materials may be withheld from certain Potential Bidders if the Applicants, in consultation with and with the approval of the Monitor, determine such information to represent proprietary or sensitive competitive information. Neither the Applicants nor the Monitor is responsible for, and will bear no liability with respect to, any information obtained by any party in connection with the Sale of the Property and the Business.

12. Potential Bidders must rely solely on their own independent review, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with the Applicants.

Formal Binding Offers

13. Potential Bidders that wish to make a formal offer to purchase or make an investment in the Applicants or their Property or Business (a "**Bidder**") shall submit a binding offer (a "**Bid**") that complies with all of the following requirements to the Monitor at the address specified in Schedule "1" hereto (including by e-mail), so as to be received by them not later than **5:00 PM (Eastern Time) on November 25, 2022** or as may be modified in the Bid process letter that may be circulate by the Monitor to Potential Bidders, with the approval of the Applicants and in consultation with the DIP Lender (the "**Bid Deadline**"):

(a) the Bid must be either a binding offer to:

(i) acquire all, substantially all or a portion of the Property (a "**Sale Proposal**"); and/or

(ii) make an investment in, restructure, reorganize or refinance the Business or the Applicants (an "**Investment Proposal**");

(b) the Bid (either individually or in combination with other bids that make up one bid) is an offer to purchase or make an investment in some or all of the Applicants or their Property or Business and is consistent with any necessary terms and conditions established by the Applicants and the Monitor and communicated to Bidders;

(c) the Bid includes a letter stating that the Bidder's offer is irrevocable until the selection of the Successful Bidder (as defined below), provided that if such Bidder is selected as the Successful Bidder, its offer shall remain irrevocable until the closing of the transaction with the Successful Bidder;

(d) the Bid includes duly authorized and executed transaction agreements, including the purchase price, investment amount and any other key economic terms expressed in Canadian dollars (the "**Purchase Price**"), together with all exhibits and schedules thereto;

(e) the Bid includes written evidence of a firm, irrevocable commitment for financing or other evidence of ability to consummate the proposed transaction, that will allow the Applicants and the Monitor to make a determination as to the Bidder's financial and other capabilities to consummate the proposed transaction;

(f) the Bid is not conditioned on (i) the outcome of unperformed due diligence by the Bidder, or (ii) obtaining financing, but may be conditioned upon the Applicants receiving the required approvals or amendments relating to the licences required to operate the business, if necessary;

(g) the Bid fully discloses the identity of each entity that will be entering into the transaction or the financing, or that is otherwise participating or benefiting from such bid;

(h) for a Sale Proposal, the Bid includes:

  (i) the purchase price in Canadian dollars and a description of any non-cash consideration, including details of any liabilities to be assumed by the Bidder and key assumptions supporting the valuation;

  (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;

  (iii) a specific indication of the financial capability of the Bidder and the expected structure and financing of the transaction;

  (iv) a description of the conditions and approvals required to complete the closing of the transaction;

  (v) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;

  (vi) any other terms or conditions of the Sale Proposal that the Bidder believes are material to the transaction; and

  (vii) a commitment by the Bidder to provide a non-refundable deposit in the amount of not less than 10% of the Purchase Price offered upon the Bidder being selected as the Successful Bidder;

(i) for an Investment Proposal, the Bid includes:

  (i) a description of how the Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;

  (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;

  (iii) the underlying assumptions regarding the pro forma capital structure;

  (iv) a specific indication of the sources of capital for the Bidder and the structure and financing of the transaction;

  (v) a description of the conditions and approvals required for to complete the closing of the transaction;

(vi) a description of those liabilities and obligations (including operating liabilities) which the Bidder intends to assume and which such liabilities and obligations it does not intend to assume;

(vii) any other terms or conditions of the Investment Proposal; and

(viii) a commitment by the Bidder to provide a non-refundable deposit in the amount of not less than 10% of the total new investment contemplated in the bid upon the Bidder being selected as the Successful Bidder;

(j) the Bid includes acknowledgements and representations of the Bidder that the Bidder:

(i) has had an opportunity to conduct any and all due diligence regarding the Property, the Business and the Applicants prior to making its offer;

(ii) it has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property in making its bid; and

(iii) it did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Business, the Property, or the Applicants or the completeness of any information provided in connection therewith, except as expressly stated in the definitive transaction agreement(s) signed by the Applicants;

(k) the Bid is received by the Bid Deadline;

(l) the Bid includes confirmation that, if the Bid is the Successful Bid and the Flowr Group has cash requirements in excess of the amounts available to them under the DIP Facility to get to a closing of the transaction then the Bidder will advance funds to the Flowr Group to allow them to fund their cash requirements by way of non-revolving facility in a manner that does not impair the priority of the DIP Facility or otherwise is satisfactory to the DIP Lender; and

(m) the Bid contemplates closing the transaction set out therein on or before January 31, 2023.

14. Following the Bid Deadline, the Applicants and the Monitor will assess the Bids received. The Monitor, in consultation with the Applicants, and with the approval of the Applicants, will designate the most competitive bids that comply with the foregoing requirements to be "**Qualified Bids**". No Bids received shall be deemed not to be Qualified Bids without the approval of the Monitor. Only Bidders whose bids have been designed as Qualified Bids are eligible to become the Successful Bidder(s).

15. In the event that a Stalking Horse Agreement is approved by the Court, the Monitor may only designate a Bid as a Qualified Bid where the proposed purchase price is equal to or greater than that contained in any Stalking Horse Bid, and includes a cash purchase price in an amount equal to or greater than the Stalking Horse Bid, *plus* the amount of any break fee *plus* $50,000.

16. The Monitor, in consultation with the Applicants and with the approval of the Applicants, may waive strict compliance with any one or more of the requirements specified above and deem such non-compliant Bids to be a Qualified Bid; provided, however, that the Monitor shall not waive compliance with paragraph 14 above without the consent of the DIP Lender.

17. The Monitor shall notify each Bidder in writing as to whether its Bid constituted a Qualified Bid within two (2) business days of the Bid Deadline, or at such later time as the Monitor deems appropriate.

18. In the event that there is not a Stalking Horse Bid, if the Monitor, in consultation with the Applicants, are not satisfied with the number or terms of the Qualified Bids, the Monitor may, in consultation with the Applicants and with the approval of the Applicants, extend the Bid Deadline, or the Monitor may seek Court approval of an amendment to the SISP, in each case after consultation with the DIP Lender.

19. The Monitor may, in consultation with the Applicants and with the approval of the Applicants, aggregate separate Bids from unaffiliated Bidders to create one Qualified Bid.

Evaluation of Competing Bids

20. A Qualified Bid will be evaluated based upon several factors including, without limitation: (i) the Purchase Price and the net value provided by such bid, (ii) the identity, circumstances and ability of the Bidder to successfully complete such transactions, (iii) the proposed transaction documents, (iv) factors affecting the speed, certainty and value of the transaction, (v) the assets included or excluded from the bid, (vi) any related restructuring costs, and (vii) the likelihood and timing of consummating such transaction, each as determined by the Applicants and the Monitor.

Auction

21. If the Monitor receives at least one additional Qualified Bid where there is a court approved Stalking Horse Bid, or two Qualified Bids where there is no court approved Stalking Horse Bid, the Monitor will conduct and administer an Auction in accordance with the terms of this SISP (the "**Auction**"). Instructions to participate in the Auction, which will take place via video conferencing, will be provided to Qualified Parties (as defined below) not less than 24 hours prior to the Auction.

22. Only parties that provided a Qualified Bid by the Bid Deadline, as confirmed by the Monitor, including the Stalking Horse Bid, if any (collectively, the "**Qualified Parties**"), shall be eligible to participate in the Auction. No later than 5:00 p.m. Eastern Daylight Time on the day prior to the Auction, each Qualified Party must inform the Monitor whether it intends to participate in the Auction. The Monitor will promptly thereafter inform in writing each Qualified Party who has expressed its intent to participate in the Auction of the identity of all other Qualified Parties that have indicated their intent to participate in the Auction. If no Qualified Party provides such expression of intent, the Stalking Horse Bidder, if any, shall be the Successful Bid (as defined below).

Auction Procedure

23. The Auction shall be governed by the following procedures:

(a) **Participation at the Auction.** Only the Applicants, the Qualified Parties, the Monitor and each of their respective advisors will be entitled to attend the Auction, and only the Qualified Parties will be entitled to make any subsequent Overbids (as defined below) at the Auction. The Monitor shall provide all Qualified Bidders with the details of the lead bid by 5:00 PM (Eastern Time) two (2) Business Days after the Bid Deadline;

(b) **No Collusion.** Each Qualified Party participating at the Auction shall be required to confirm on the record at the Auction that: (i) it has not engaged in any collusion with respect to the Auction and the bid process; and (ii) its bid is a good-faith *bona fide* offer and it intends to consummate the proposed transaction if selected as the Successful Bid;

(c) **Minimum Overbid.** The Auction shall begin with the Qualified Bid that represents the highest or otherwise best Qualified Bid as determined by the Monitor, in consultation with the Applicants (the "**Initial Bid**"), and any bid made at the Auction by a Qualified Party subsequent to the Monitors announcement of the Initial Bid (each, an "**Overbid**"), must proceed in minimum additional cash increments of $100,000;

(d) **Bidding Disclosure.** The Auction shall be conducted such that all bids will be made and received in one group video-conference, on an open basis, and all Qualified Parties will be entitled to be present for all bidding with the understanding that the true identity of each Qualified Party will be fully disclosed to all other Qualified Parties and that all material terms of each subsequent bid will be fully disclosed to all other Qualified Parties throughout the entire Auction; provided, however, that the Monitor, in its discretion, may establish separate video conference rooms to permit interim discussions between the Monitor and individual Qualified Parties with the understanding that all formal bids will be delivered in one group video conference, on an open basis;

(e) **Bidding Conclusion.** The Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit one or more additional bids with full knowledge and written confirmation of the then-existing highest bid(s); and

(f) **No Post-Auction Bids.** No bids will be considered for any purpose after the Auction has concluded.

(g) **Auction Procedures.** The Monitor shall be at liberty to set additional procedural rules as the Auction as it sees fit.

Selection of Successful Bid

24. Before the conclusion of the Auction, the Monitor, in consultation with the Applicants, will:

(a) review each Qualified Bid, considering the factors set out in paragraph 13 and, among others things:

   (i) the amount of consideration being offered, and, if applicable, the proposed form, composition and allocation of same;

   (ii) the value of any assumption of liabilities or waiver of liabilities not otherwise accounted for in paragraph 26(a)(i);

   (iii) the likelihood of the Qualified Party's ability to close a transaction by January 31, 2023, after completion of the Auction and timing thereof (including factors such as the transaction structure and execution risk, including conditions to, timing of, and certainty of closing; termination provisions; availability of financing and financial wherewithal to meet all commitments and required governmental or other approvals); the likelihood of the Court's approval of the Successful Bid; the net benefit to the Applicants; and

   (iv) any other factors the Applicants may, consistent with its fiduciary duties, reasonably deem relevant; and

(b) identify the highest or otherwise best bid received at the Auction (the "**Successful Bid**" and the Qualified Party making such bid, the "**Successful Party**").

25. The Successful Party shall complete and execute all agreements, contracts, instruments or other documents evidencing and containing the terms and conditions upon which the Successful Bid was made within one business day of the Successful Bid being selected as such, unless extended by the Monitor, in consultation with and Approval from the Applicants, subject to the milestones set forth in paragraph 6.

Sale Approval Motion Hearing

26. At the hearing of the motion to approve any transaction with a Successful Party (the "**Sale Approval Motion**"), the Monitor or the Applicants shall seek, among other things, approval from the Court to consummate any Successful Bid. All the Qualified Bids other than the Successful Bid, if any, shall be deemed to be rejected by the Monitor and the Applicants on and as of the date of approval of the Successful Bid by the Court.

Confidentiality and Access to Information

27. All discussions regarding a Sale Proposal, Investment Proposal, or Bid should be directed through the Monitor. Under no circumstances should the management of the Applicants be contacted directly without the prior consent of the Monitor. Any such unauthorized contact or communication could result in exclusion of the interested party from the SISP process.

28. Participants and prospective participants in the SISP shall not be permitted to receive any information that is not made generally available to all participants relating to the number or identity of Potential Bidders, Bidders, Qualified Bids, the details of any bids submitted or the details of any confidential discussions or correspondence between the Applicants, the Monitor and such other bidders or Potential Bidders in connection with the SISP, except

to the extent the Applicants, with the approval of the Monitor and consent of the applicable participants, are seeking to combine separate bids from Potential Bidders or Bidders.

Supervision of the SISP

29. The Monitor shall oversee and conduct the SISP, in all respects, and, without limitation to that supervisory role, the Monitor will participate in the SISP in the manner set out in this SISP Procedure, the SISP Order, the Initial Order and any other orders of the Court, and is entitled to receive all information in relation to the SISP.

30. This SISP does not, and will not be interpreted to create any contractual or other legal relationship between the Applicants or the Monitor and any Potential Bidder, any Bidder or any other party, other than as specifically set forth in a definitive agreement that may be entered into with the Applicants.

31. Without limiting the preceding paragraph, the Monitor shall not have any liability whatsoever to any person or party, including without limitation any Potential Bidder, Bidder, the Successful Bidder, the Applicants, the DIP Lender or any other creditor or other stakeholder of the Applicants, for any act or omission related to the process contemplated by this SISP Procedure, except to the extent such act or omission is the result from gross negligence or wilful misconduct of the Monitor. By submitting a bid, each Bidder, or Successful Bidder shall be deemed to have agreed that it has no claim against the Monitor for any reason whatsoever, except to the extent that such claim is the result of gross negligence or wilful misconduct of the Monitor.

32. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Bid, due diligence activities, the Auction and any further negotiations or other actions whether or not they lead to the consummation of a transaction.

33. Without limiting in any way the intent and effect of the applicable provisions of the DIP Facility in respect of the SISP, the Applicants and the Monitor shall have the right to modify the SISP (including, without limitation, pursuant to the Bid process letter) with the prior written approval of the Applicants and consultation with the DIP Lender if, in their reasonable business judgment, such modification will enhance the process or better achieve the objectives of the SISP; provided that the Service List in these CCAA proceedings shall be advised of any substantive modification to the procedures set forth herein.

Schedule “1”

Address of Monitor

To the Monitor:

Ernst and Young Inc.
EY Tower, 100 Adelaide Street West
PO Box 1
Toronto, ON M5H 0B3

Attention: Alex Morrison, Karen Fung and Allen Yao

Email: alex.f.morrison@parthenon.ey.com
karen.k.fung@parthenon.ey.com
allen.yao@parthenon.ey.com

SCHEDULE "H"
ASSUMED LIABILITIES

[Note: Balance of schedule to be completed on or before November 25, 2022.]

SCHEDULE "I"

ASSUMED CONTRACTS

The following is a comprehensive list of Assumed Contracts:

1. The lease dated December 1, 2016 among the Company, as tenant, and 0954717 B.C. Ltd., as landlord, in respect of the premises known municipally as 9590 McCarthy Road, Kelowna, British Columbia.

[**Note: Balance of schedule to be completed prior to Closing.]**

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 OF THE FLOWR CORPORATION *et al*.

Court File No. CV-22-00688966-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF DARREN KARASIUK
(Sworn October 31, 2022)

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Lawyers for the Applicants

TAB 3

Court File No. CV-22-00688966-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	THURSDAY, THE 3RD
	)	
JUSTICE CAVANAGH	)	DAY OF NOVEMBER, 2022

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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

ORDER
(Re: Approval of Stalking Horse Agreement)

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, and c. C-36, as amended (the "**CCAA**") was heard this day by Zoom video conference.

ON READING the Notice of Motion dated October 31, 2022, the Affidavit of Darren Karasiuk sworn on October 20, 2022 and the Exhibits thereto (the "**Initial Karasiuk Affidavit**"), the Affidavit of Darren Karasiuk sworn on October 31, 2022 and the Exhibits thereto (the "**Second Karasiuk Affidavit**"), the pre-filing report of Ernst & Young Inc., in its capacity as proposed monitor of the Applicants (the "**Monitor**"), dated October 20, 2022 (the "**Pre-Filing Report**"), the First Report of the Monitor dated October 27, 2022 (the "**First Report**"), and the Second Report of the Monitor dated November ●, 2022 (the "**Second Report**"), and on hearing the submissions of counsel for Applicants, counsel for the Monitor and counsel for the DIP Lender, no one appearing for any other party although duly served as appears from the affidavit of Alina Stoica sworn November ●, 2022, filed,

SERVICE AND DEFINED TERMS

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meaning ascribed to them under the SISP Order dated October 28, 2022.

THE STALKING HORSE PURCHASE AGREEMENT

3. **THIS COURT ORDERS** that The Flowr Canada Holdings ULC (the "**Vendor**") and The Flowr Group (Okanagan) Inc. (the "**Company**") are hereby authorized and empowered to enter into the stalking horse purchase agreement dated October 31, 2022 (the "**Stalking Horse Purchase Agreement**") between the Vendor, the Company and 1000343100 Ontario Inc. (in such capacity, the "**Stalking Horse Bidder**") and attached as Exhibit "A" to the Second Karasiuk Affidavit, *nunc pro tunc*, and such minor amendments as may be acceptable to each of the parties thereto, with the approval of the Monitor; provided that nothing herein approves the sale and vesting of any Property to the Stalking Horse Bidder pursuant to the Stalking Horse Purchase Agreement and that the approval of any sale and vesting of any such Property shall be considered by this Court on a subsequent motion made to this Court if the Stalking Horse Purchase Agreement is the Successful Bid pursuant to the SISP.

4. **THIS COURT ORDERS** that the Break Fee, as defined in the Stalking Horse Purchase Agreement, is hereby approved and, in the event the Stalking Horse Bidder is not the Successful Party under the SISP, the Applicants are hereby authorized and directed to pay the Break Fee to the Stalking Horse Bidder in the manner and circumstances described in the Stalking Horse Purchase Agreement.

5. **THIS COURT ORDERS** that the Stalking Horse Agreement be and is hereby approved and accepted for the purposes of being the Stalking Horse Bid under the SISP.

GENERAL

6. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States or elsewhere, to give effect to this Order and to assist the Applicants, 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 Applicants 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 Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

7. **THIS COURT ORDERS** that each of the Applicants 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.

8. **THIS COURT ORDERS** that this Order is effective from the date that it is made and is enforceable without any need for entry and filing.

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 OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

Court File No.: CV-22-00688966-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER DATED NOVEMBER 3, 2022
(RE: STALKING HORSE AGREEMENT)

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Lawyers for the Applicants

THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF THE FLOWR CORPORATION, THE FLOWR CANADA HOLDINGS ULC, THE FLOWR GROUP (OKANAGAN) INC., AND TERRACE GLOBAL INC. (collectively, the "**Applicants**")

Court File No.: CV-22-00688966-00C

ONTARIO
SUPERIOR COURT OF JUSTICE - COMMERCIAL LIST

Proceeding commenced at Toronto

MOTION RECORD

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