

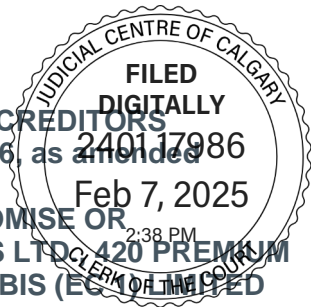


COURT FILE NUMBER           **2401-17986**

COURT                               **COURT OF KING’S BENCH OF ALBERTA**

JUDICIAL CENTRE               **CALGARY**

PROCEEDING                   **IN THE MATTER OF THE COMPANIES’ CREDITORS’ ARRANGEMENT ACT, RSC 1985, c. C-36, as amended**



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

DOCUMENT                       **SECOND REPORT OF THE MONITOR**

**FEBRUARY 7, 2025**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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## 1.0 Introduction

1. On May 29, 2024 (the “**Filing Date**”), 420 Investments Ltd., 420 Premium Markets Ltd., and Green Rock Cannabis (EC 1) Limited (collectively, the “**NOI Entities**”) each filed a Notice of Intention to Make a Proposal (“**NOI**”), pursuant to Section 50.4(1) of the Bankruptcy and Insolvency Act, R.S.C. 1985, c. B-3, as amended (the “**BIA**”) (the “**NOI Proceedings**”). KSV Restructuring Inc. (“**KSV**”) consented to act as proposal trustee (the “**Proposal Trustee**”) in the NOI Proceeding.
2. On September 19, 2024, the NOI Entities and 420 Dispensaries Ltd. (together with the NOI Entities, the “**Applicants**” or “**FOUR20**”) sought and obtained an initial order (the “**Initial Order**”) from the Court of Kings’ Bench of Alberta (the “**Court**”) granting, among other things, a continuation of the NOI Proceedings under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c C-36, as amended (the “**CCAA**”) (the “**CCAA Proceeding**”). This report (the “**Second Report**”) is filed by KSV in its capacity as monitor (the “**Monitor**”) in the CCAA Proceeding.

### 1.1 NOI Proceedings Background

1. On June 27, 2024, the NOI Entities were granted an Order by the Court which included, amongst other matters, relief for the following:
  - a) extending the period in which the NOI Entities can make proposals to their creditors in the NOI Proceedings and the stay of proceedings up to and including August 12, 2024;
  - b) consolidating the NOI Proceedings for procedural purposes;
  - c) granting the following charges against the NOI Entities’ current and future assets, undertakings and properties of every nature and kind whatsoever (including all real and personal property), and wherever situated, including all proceeds thereof (collectively the “**Property**”) in the following relative priorities:
    - i. First – a charge to not exceed \$300,000 as security for the fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, Bennett Jones LLP, and the NOI Entities’ counsel, Stikeman Elliott LLP (“**Stikeman**”) (the “**Administration Charge**”);

- ii. Second – a charge in favour of the NOI Entities’ directors and officers to a maximum amount of \$433,000 (the “**D&O Charge**”); and
  - iii. Third – a charge in favour of the Key Employee Retention Plan for amounts payable to certain key employees up to a maximum amount of \$373,928.17 (the “**KERP Charge**”, and together with the Administration Charge and the D&O Charge, the “**Charges**”).
2. On August 12, 2024, the Court granted two orders, which, amongst other matters:
  - i. extended the period in which the NOI Entities can make a proposal to its creditors and the stay of proceedings from August 12, 2024 up to and including September 26, 2024; and
  - ii. provided direction to the Commercial Coordinator to schedule a half-day application for the appeal of the order for summary judgment granted by Applications Judge J.R. Farrington to be heard by the Honourable Justice Feasby on October 8, 2024.

## 1.2 CCAA Proceedings Background

1. The Initial Order granted, among other things, the following relief within the CCAA Proceeding:
  - a) declaring the NOI Proceedings of the NOI Entities is taken up and continued under the CCAA, pursuant to section 11.6(a) of the CCAA;
  - b) terminating the NOI Proceedings;
  - c) granting a stay of all proceedings, rights, and remedies against or in respect of the Applicants not exceeding 10 days following this Application (the “**Stay Period**”); and
  - d) confirming the grant and priority of the Charges pursuant to the First Stay Extension Order in the NOI Proceeding and taking up such Charges and amounts under the CCAA Proceeding except for the KERP Charge, which shall be reduced based on the amounts paid out to date to eligible recipients.

2. On September 19, 2024, the Court granted the Applicants' application for an amended and restated initial order ("**Amended and Restated Initial Order**"), which, amongst other matters, extended the Stay Period to, and including, December 16, 2024.
3. Further, on September 19, 2024, the Court granted the Applicants' application for an order (the "**Claims Procedure Order**") approving the solicitation, determination and resolution of claims against the Applicants (the "**Claims Procedure**").
4. On October 2, 2024, the Court granted the Applicants' application for an order (the "**SISP Order**") which approved, amongst other matters, a sale and investment solicitation process ("**SISP**").
5. On December 5, 2024, the Court granted the Applicants' application for an Order to extend the Stay Period from December 16, 2024 to February 25, 2025 and sealing certain confidential appendices to the Monitor's first report (the "**First Report**"), dated November 29, 2024.

### 1.3 Purposes of this Second Report

1. This Second Report is intended to provide the Court with further information related to the relief sought in the Applicants' application scheduled for February 12, 2025 and to provide a brief overview regarding the Applicants' proposed plan of arrangement (the "**Proposed Plan**"). This Second Report specifically provides information regarding:
  - a) the Monitor's activities since the First Report;
  - b) the Applicants' activities since the First Report;
  - c) an update on the SISP;
  - d) an update on the Claims Procedure;
  - e) the Monitor's comments and report on the Applicants' cash flow statement for the period commencing on November 25, 2024 and ending March 2, 2025 (the "**Fifth Cash Flow Statement**");

- f) the Applicants' actual performance to date versus the Fifth Cash Flow Statement;
- g) the Monitor's comments and report on the Applicants' cash flow statement for the period commencing on February 3, 2025 and ending March 31, 2025 (the "**Sixth Cash Flow Statement**");
- h) the Applicants' Application for an order, which among other things:
  - i. declares that the Landlord Claims (as defined below) are valued pursuant to subsection 65.2(4) of the BIA; and
  - ii. extends the Stay Period to, and including, March 31, 2025;
- i) the Monitor's application for an order, which among other things:
  - i. declares that any Late Claims (as defined below) are not barred under Section 12 of the Claims Procedure Order; and
  - ii. sealing the Phase 1 and Phase 2 Bid Summary (as defined below), until the termination of these CCAA Proceedings or further order of the Court.

#### **1.4 Scope and Terms of Reference**

1. In preparing this Second Report, the Monitor has relied upon the Applicants' unaudited financial information, books and records, information available in the public domain and discussions with the Applicants' management and legal counsel.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Second Report in a manner that complies with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own due diligence.

3. An examination of the Sixth Cash Flow Statement as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future-oriented financial information relied upon in this Second Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information, and these variations may be material. The Monitor does not express any opinion or other form of assurance on whether the Sixth Cash Flow Statement will be achieved.
4. This Second Report should be read in conjunction with the materials filed by the Applicants, including the First Affidavit of Scott Morrow, the Chief Executive Officer of the Applicants, sworn June 19, 2024, the Second Affidavit of Scott Morrow, sworn August 6, 2024, the Third Affidavit of Scott Morrow, sworn September 10, 2024, the Fourth Affidavit of Scott Morrow, sworn November 25, 2024, the Fifth Affidavit of Scott Morrow, sworn February 3, 2025 and any supplemental affidavit filed by the Applicants in advance of the February 12, 2025 application (collectively, the "**Morrow Affidavits**"). Capitalized terms not defined in this Second Report have the meanings ascribed to them in the Morrow Affidavits.

## 1.5 Currency

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

## 1.6 Court Materials

1. Court materials filed in these proceedings are made available by KSV on its case website at [www.ksvadvisory.com/experience/case/420](http://www.ksvadvisory.com/experience/case/420) (the "**Case Website**").

## 2.0 Sale and Investment Solicitation Process (SISP) <sup>1</sup>

### 2.1 Phase 2

1. The Monitor, together with the Applicants, carried out the SISP in accordance with the SISP Order. A summary of the key SISP activities completed in the first phase of the SISP is included in the Monitor's First Report.
2. As discussed in the Monitor's First Report, the Applicants received letters of intent

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<sup>1</sup> Capitalized terms in this section have the meaning provided to them in the SISP, unless otherwise defined herein.

from several Interested Parties by the Phase 1 Bid Deadline and, with assistance from the Monitor, invited certain Interested Parties to the second phase of the SISP (“**Phase 2**”). A summary of the Phase 1 bids received is attached hereto as **Confidential Appendix “1”** (the “**Phase 1 Bid Summary**”).

3. Phase 2 of the SISP involved the Applicants seeking binding bids in accordance with the criteria set out in the SISP by the Phase 2 Bid Deadline. Prior to the initial Phase 2 Bid Deadline, several Interested Parties requested that the Phase 2 Bid Deadline for submitting a bid be extended to allow for more time to conduct due diligence and prepare definitive transaction documents. The Monitor, in consultation with the Applicants and their counsel, determined it was in the best interest of the SISP and all stakeholders to extend the Phase 2 Deadline. Accordingly, the Monitor extended the Phase 2 Deadline to 12:00 p.m. (Calgary time) December 20, 2024 (the “**Extended Phase 2 Bid Deadline**”), and the deadline for selecting the Successful Bid to January 6, 2025. The Monitor communicated this extension to all parties participating in Phase 2.

## **2.2 SISP Results**

1. Prior to the Extended Phase 2 Bid Deadline, a total of five Interested Parties submitted eight binding offers or proposals (the “**Phase 2 Bidders**”). A summary of the Phase 2 binding bids (the “**Phase 2 Bid Summary**”) is attached hereto as **Confidential Appendix “2”**. The Monitor observed that the Company was giving strong consideration to certain Phase 1 Bids that ultimately were revised and less favorable in Phase 2.
2. Following the Extended Phase 2 Bid Deadline, the Applicants, in consultation with the Monitor, reviewed the Phase 2 binding bids. In completing their review of the Phase 2 binding bids and an evaluation of the Applicants’ options, the Applicants determined a viable plan of arrangement could be made to its creditors which the Applicants viewed would provide an equal or greater return to the Applicants’ creditor group than any Phase 2 binding bid.



3. As a result, the Applicants exercised their discretion pursuant to paragraph 33 of Appendix “A” to the SISP to not select a Successful Bid. As a result, the Monitor subsequently informed all Phase 2 Bidders that no bid received in Phase 2 was to be selected as the successful bid and the SISP was to be terminated to allow the Applicants the opportunity to file a plan of arrangement and to allow the return of purchase deposits on an expedited basis. A copy of this communication is attached hereto as **Appendix “D”**. As of the date of this report, all SISP Deposits have been returned to the relevant bidder.
4. The Monitor has been in subsequent conversations with certain bidders to address questions regarding the Applicants’ decision to not select a Successful Bid. The Monitor and/or the Applicants have heard from multiple bidders that they remain ready and willing to progress their bid.

### **2.3 Plan of Arrangement**

1. As at the date of this Second Report, the Applicants have significantly advanced the terms of the Proposed Plan and have identified a source of funding for the same. A summary of the Monitor’s current understanding of the terms of the Proposed Plan and the funding arrangement is below. The Monitor will provide a more fulsome summary, analysis and recommendations to creditors on the Proposed Plan in advance of the plan approval application.
2. The Monitor’s current understanding of the Proposed Plan is that the Applicants intend to advance one or more plans including the following terms:
  - a) a payment, which will be used to satisfy in full the secured and unsecured creditors of 420 Premium Markets Ltd. and Green Rock Cannabis (EC 1) Limited (subject to the determination of and valuation of the Landlord Claims by this Court and a final determination of the Creditor Claims pursuant to the Claims Procedure Order);
  - b) the secured creditors of 420 Investments Ltd. will be unaffected;
  - c) the litigation, the circumstances for which are more fully documented in the Morrow Affidavits, will be preserved; and
  - d) the continuation of the Applicants as a going concern.

3. Should the Proposed Plan be approved by a requisite majority of creditors and sanctioned by this Court, the Monitor understands that the Applicants then intend to immediately exit these CCAA Proceedings.
4. On January 9, 2025, the Applicants executed a term sheet (the “**Term Sheet**”) pursuant to which they intend to execute a definitive loan agreement allowing them to obtain funding to implement the Proposed Plan (if approved and sanctioned). A brief summary of the terms of the Term Sheet is below:
  - a) Borrower: 420 Premium Markets Ltd.;
  - b) Availability: One advance under Facility #1 shall be made in the sum of up to \$2,200,000;
  - c) Term: 24 months from date of the Facility #1 advance, with demand payment provisions;
  - d) Repayment: Interest-only payments monthly on the outstanding balance, in arrears;
  - e) Interest Rate: Prime + 2.5% (minimum 8.25%);
  - f) Commitment fee: A setup fee in the sum of \$200,000 to be advanced at the time of the drawdown;
  - g) Security: Registered 1<sup>st</sup> ranking GSA security in all present and after acquired personal property of the Borrower and guarantees provided by 420 Dispensaries Ltd. and Green Rock Cannabis (EC 1) Ltd.; and
  - h) Prepayment: When not in default, Borrowers can repay at any time after 3 months from initial advance (or negotiated between the Lender and Borrower) without notice, interest or penalty.
5. The Company and the Monitor have been in contact with Nomos Capital I-A LP (“Nomos”), the first secured creditor of 420 Investments Ltd. The Monitor understands that Nomos is currently contingently supportive of the Proposed Plan, subject to review of the final documentation and responses to the Proposed Plan from other creditors.

- The Monitor understands that High Park Shops Inc. is aware of the intention of the Proposed Plan and has indicated that they are reserving their rights to speak in opposition to the plan pending a review of the definitive documentation and the Monitor's next report in advance of the March 14, 2025 application.

### 3.0 Claims Procedure

- Following the pronouncement of the Claims Procedure Order, the Monitor has worked diligently to conduct the Claims Procedure in accordance with the timelines set out therein, and more particularly described in the Monitor's pre-filing report and third report of the Proposal Trustee dated September 13, 2024, and the Monitor's First Report. Since the Monitor's First Report, the Monitor has continued to review and document the claims received and extensively corresponded with several of the Claimants.
- A summary of the claims in the Claims Procedure as of the date of this Second Report is as follows:

<b>420 Investment Ltd.</b>	<b>#</b>	<b>(\$)</b>
Secured claims	2	11,457,077
Ordinary claims – pre-filing	7	877,880
Ordinary claims – restructuring	2	1,272,704 <sup>2</sup>
<b>420 Premium Markets Ltd.</b>		
Secured claims	1	300,497
Ordinary claims – pre-filing	12	32,909,025 <sup>3</sup>
Ordinary claims – restructuring	5	1,546,523
<b>Green Rock Cannabis (EC1) Limited</b>		
Ordinary claims – pre-filing	2	2,189,960 <sup>4</sup>
<b>420 Dispensaries Ltd.</b>		
Ordinary claims – pre-filing	1	1,798,940 <sup>5</sup>
Ordinary claims – restructuring	1	189,651 <sup>6</sup>

<sup>2</sup> Amount is comprised of claims made by landlords of 420 Premium Markets Ltd. for indemnities provided by 420 Investments Ltd.

<sup>3</sup> Of this balance, \$31,707,218 is comprised of an inter-company claim submitted by certain of the other Applicants.

<sup>4</sup> Of this balance, \$2,189,639 is comprised of an inter-company claim submitted by certain of the other Applicants.

<sup>5</sup> Comprised of an inter-company claim submitted by certain of the other Applicants.

<sup>6</sup> Amount is comprised of a restructuring claim made by a landlord on 420 Premium Markets Ltd. and 420 Dispensaries Ltd. are included in the balance of restructuring claims of 420 Premium Markets Ltd.

3. 420 Dispensaries Ltd. and Green Rock Cannabis (EC1) Limited - only creditors are amounts due for inter-company claims and a landlord claim related to 420 Premium Markets Ltd. and one immaterial third-party claim.

### 3.1 Late Claims

1. As discussed in the First Report, 14 claims were received after the Claims Bar Date (the “**Late Claims**”). The Monitor has since worked to review each claim and write to certain creditors to obtain further information regarding their claims prior to admission or disallowance of the claim. The Monitor believes that despite the Late Claims being submitted after the Claims Bar Date, the Late Claims should not be barred under Section 12 of the Claims Procedure Order as there is no prejudice to the Applicants’ other creditors.
2. The Monitor is authorized to waive strict compliance with the deadlines for implementation under the Claims Procedure Order and seeks a declaration from this Court confirming the Late Claims are not barred under Section 12 of the Claims Procedure Order. The Monitor is not aware of any opposition to this relief.

### 4.0 Landlord Claims

1. As more fully described in the Morrow Affidavits, the NOI Entities disclaimed 16 uneconomic leases during the NOI Proceedings, pursuant to section 65.2 of the BIA (the “**Lease Disclaimers**”). As a result, several landlords submitted a claim for amounts owed under the disclaimed leases in the Claims Procedure (the “**Landlord Claims**”).
2. As the leases were disclaimed pursuant to section 65.2 of the BIA, the Applicants are of the view the value of the Landlord Claims should be determined based on the formula detailed in section 65.2(4) of the BIA (the “**BIA Formula**”). The Monitor notes that the Claims Procedure Order did not include a mechanism for the calculation of Landlord Claims.

3. Accordingly, the Applicants seek a declaration from this Court that the provable claims of the Landlord Claims are calculated pursuant to the BIA Formula enumerated under section 65.2(4) of the BIA. The Monitor has summarized the Landlord Claims as submitted in the Claims Procedure and as valued pursuant to section 65.2(4) of the BIA:

<b>420 Premium Ltd.</b>	<b>Total Restructuring Claim in the Claims Procedure</b>	<b>Claim Value Pursuant to 65.2(4)<sup>7</sup></b>
Strathcona Building Inc. c/o Skyslimit Inc.	189,651.70	56,615.17
The Meadowlands Development Corporation	83,907.15	228,176.30
Palisades Edmonton Holdings Ltd., et al.	807,651.74	237,186.59
RioCan Management Inc.	465,052.13	255,550.38
<b>Total Landlord Claims</b>	<b>1,546,262.72</b>	<b>777,528.44</b>

4. The Monitor is supportive of declaring the determination of the Landlord Claims pursuant to the BIA Formula enumerated under section 65.2(4) of the BIA as:
- a) despite these proceedings having since transitioned to a proceeding under the CCAA, the Lease Disclaimers occurred during the NOI Proceeding and were conducted pursuant to section 65.2 of the BIA;
  - b) the mechanism provided for under section 65.2(4) of the BIA provides for a fair and logical approach to calculating a landlords claim in the context of a restructuring; and
  - c) the mechanism provided for under section 65.2(4) of the BIA will not affect any claims made by landlords for unpaid rent in arrears as of the Filing Date and the Monitor understands that pre-filing claims for unpaid rent in arrears will remain subject to determination in the Claims Process.

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<sup>7</sup> Net of rental deposits held by the landlords according to the Applicants' books and records.

## 5.0 Activities of the Applicants and Monitor

### 5.1 Activities of the Monitor

1. Since its First Report, the Monitor has performed the following key activities:
  - a) attending ongoing meetings with management to discuss the proposal process, the SISP, and the Claims Procedure;
  - b) assisting the Applicants with their communications to both internal and external stakeholders;
  - c) reviewing the Applicants' Proposed Plan and providing comments;
  - d) monitoring the affairs of the Applicants' business including reviewing financial information with management;
  - e) assisting in preparing the Sixth Cash Flow Statement;
  - f) corresponding and holding numerous discussions with various stakeholders, and/or respective legal counsel to stakeholders;
  - g) conducting the activities outlined and directed under the SISP and responding to due diligence questions raised in connection with same;
  - h) reviewing various bids submitted by interested parties at the conclusion of the second phase of the SISP;
  - i) corresponding and attending calls with interested parties and their counsel regarding bids in the SISP;
  - j) conducting the activities as outlined and directed under the Claims Procedure and responding to creditor inquiries in connection with same;
  - k) reviewing claims received in accordance with the Claims Procedure including requesting and reviewing information with respect to the intercompany amounts claimed;
  - l) responding to calls and emails from creditors, suppliers, landowners, and other stakeholders;

- m) maintaining the Case Website; and
- n) preparing this Second Report.

## **5.2 Activities of the Applicants**

1. The Monitor has observed certain key activities of the Applicants since the First Report, such as:
  - a) continuing their efforts to improve the operations of the business and managing day-to-day operations;
  - b) communicating with various stakeholders and creditors regarding the CCAA Proceedings, in consultation with the Monitor;
  - c) with the assistance of the Monitor, responding to various questions by vendors;
  - d) corresponding with the Applicants' legal counsel, Stikeman, and the Monitor and its counsel, and assisting in conducting the SISF and the Claims Procedure;
  - e) Negotiating the Term Sheet and drafting the Proposed Plan, in consultation with the Applicants' legal counsel, Stikeman;
  - f) communicating on an ongoing basis with certain creditors and/or their advisors;
  - g) reporting to the Monitor on a weekly basis in respect of the Applicants' receipts and disbursements;
  - h) working with the Monitor in preparing the Sixth Cash Flow Statement and providing variance reporting against the Fifth Cash Flow Statement; and
  - i) working with its legal counsel and the Monitor to prepare materials in support of the Applicants' application on February 12, 2025.

## **6.0 Cash Flow Statement**

### **6.1 Performance Against the Fifth Cash Flow Statement**

1. In accordance with the CCAA, the Monitor has continued to review and evaluate the state of the Applicants' business and financial affairs during the CCAA Proceeding.

2. Pursuant to the CCAA, the Applicants prepared the Fifth Cash Flow Statement for the extended Stay Period. The Fifth Cash Flow Statement for the period ending March 2, 2025, together with management’s Report on the Cash-Flow Statement as required pursuant to Section 10(2)(b) of the CCAA are attached hereto as **Appendix “A”**.
3. The Applicants have remained current in respect of their obligations that have arisen since the First Report except for the rental payments owing relating to the Lease Disclaimers. Further details on the disclaimed leases are documented in the first report of the Proposal Trustee dated June 24, 2024.
4. A review process was established with the Applicants to review weekly cash variances. A comparison of the Applicants’ receipts and disbursements to the Fifth Cash Flow Statement for the period from the First Report to February 2, 2025 (the **“Reporting Period”**) is as follows:

Post Filing Reporting Period (\$CAD)	Actual	Fourth Cash Flow Statement	Favourable / (Unfavourable) Variance
Opening Cash balance	328	328	(0)
Receipts	5,858	5,501	357
Operating Disbursements	(5,461)	(5,352)	(108)
Net Cash Flow from Operations	397	149	248
Non-operating disbursements	(237)	(220)	(17)
Net Cash Flow	160	(71)	
Closing cash balance	488	257	

#### Monitor’s Comments

1. During the Reporting Period, the Applicants continued to experience higher business activity, resulting in more receipts than anticipated and contributing to a favourable ending cash balance.
2. Operating disbursements were approximately \$108,000 higher than projected primarily as a result of the continued higher business activity driving the need for increased inventory purchases. Non-operating disbursements remained relatively consistent with projections during the Reporting Period.



3. The Monitor has reviewed the variances with the Applicants and concluded the variances are mainly attributed to favourable business activity.

## 6.2 The Sixth Cash Flow Statement

1. The Applicants prepared the Sixth Cash Flow Statement for the purposes of the extended Stay Period. The Sixth Cash Flow Statement assumptions are largely consistent with the Fifth Cash Flow Statement assumptions except for the time period covered.
2. The Sixth Cash Flow Statement and the Applicants' statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as **Appendix "B"**.
3. The Sixth Cash Flow Statement reflects that the Applicants have sufficient liquidity for the duration of the Stay Period.
4. Based on the Monitor's review of the Sixth Cash Flow Statement, the assumptions appear reasonable. The Monitor's statutory report on the Sixth Cash Flow Statement is attached hereto as **Appendix "C"**.

## 7.0 Applicants' Request for an Extension

1. The Applicants are seeking an extension of the stay of proceedings from February 25, 2025 to March 30, 2025. The Monitor supports the extension request for the following reasons:
  - a) the Applicants are acting in good faith and with due diligence;
  - b) to allow the necessary time for the Applicants to execute definitive loan documentation, to finalize the intricacies and terms of the Proposed Plan and seek Court approval to hold a meeting of creditors to vote on the plan; and
  - c) the extension should not adversely affect or prejudice any group of creditors as the Applicants are projected to have sufficient liquidity for the extended Stay Period as contemplated by the Sixth Cash Flow Statement.

## 8.0 Sealing

1. The Monitor set out reasons for the sealing of the Phase 1 Bid Summary in the First Report. In addition to the sealing of the Phase 1 Bid Summary, the Monitor is seeking the Sealing Order to seal **Confidential Appendix “1”** and **Confidential Appendix “2”** until the earlier of: (i) termination of the CCAA Proceedings; or (ii) further order of this Court, as **Confidential Appendix “1”** and **Confidential Appendix “2”** contain confidential information, including a summary of Phase 1 Bids and Phase 2 Bids. Making this information publicly available prior to the termination of the CCAA Proceedings could have a detrimental impact on the outcome of the CCAA Proceedings. Sealing **Confidential Appendix “1”** and **Confidential Appendix “2”** is necessary due to the risk that the public disclosure of the information contained in the same could cause irreparable prejudice to creditors and other stakeholders.
2. The salutary effects of sealing such information from the public record greatly outweigh the deleterious effects of doing so under the circumstances. The Monitor is not aware of any party that will be prejudiced if the information in **Confidential Appendix “1”** and **Confidential Appendix “2”** is sealed or any public interest that will be served, if such details are disclosed in full. The Monitor is of the view that the sealing of **Confidential Appendix “1”** and **Confidential Appendix “2”** is consistent with the decision in *Sherman Estate v. Donovan*, 2021 SCC 25. Accordingly, the Monitor believes the proposed sealing of **Confidential Appendix “1”** and **Confidential Appendix “2”** is appropriate in the circumstances.

## 9.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Applicants.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.,  
in its capacity as Monitor of the Applicants,  
and not in its personal capacity**

## **Appendix “A”**

420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd.  
Cash Flow Forecast  
November 25, 2024 to March 2, 2025  
(Unaudited; C\$000s)

	Note	Period ending														Total
		01-Dec-24	08-Dec-24	15-Dec-24	22-Dec-24	29-Dec-24	05-Jan-25	12-Jan-25	19-Jan-25	26-Jan-25	02-Feb-25	09-Feb-25	16-Feb-25	23-Feb-25	02-Mar-25	
Receipts	1															
Collection of Accounts Receivable	2	536	536	557	579	633	522	533	533	533	541	541	541	541	543	7,667
Total Receipts		536	536	557	579	633	522	533	533	533	541	541	541	541	543	7,667
Disbursements																
Inventory purchases	3	333	363	407	442	345	353	346	346	346	360	360	360	360	361	5,079
Payroll and KERP	4	197	-	197	-	197	-	205	-	205	-	205	-	205	-	1,410
Rent	5	-	180	-	-	-	180	-	-	-	-	180	-	-	-	539
Other operating expenses	6	26	56	34	29	46	36	26	32	42	27	36	27	47	32	494
Total Operating disbursements		555	599	638	470	588	569	577	378	593	386	780	386	612	392	7,523
Net Cash Flow before the Undernoted		(20)	(63)	(81)	109	45	(46)	(45)	155	(60)	154	(239)	154	(71)	151	144
Professional Fees	7	-	-	110	-	-	-	-	110	-	-	-	-	-	100	320
Net Cash Flow		(20)	(63)	(191)	109	45	(46)	(45)	45	(60)	154	(239)	154	(71)	51	(176)
Opening Cash balance	8	328	308	245	54	164	208	162	117	162	102	257	18	172	101	328
Net Cash Flow		(20)	(63)	(191)	109	45	(46)	(45)	45	(60)	154	(239)	154	(71)	51	(176)
Closing cash balance		308	245	54	164	208	162	117	162	102	257	18	172	101	151	151

The above financial projections are based on management's assumptions detailed in Appendix "1-1".  
The note references correspond to the assumption numbers shown in Appendix "1-1".

**Purpose and General Assumptions**

1. The purpose of the projection is to present a forecast of the consolidated cash flow of 420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd. (the "Applicants") for the period

**Hypothetical**

2. Cash collections include funds received from sales of cannabis-related products at various retail store locations and data program revenues.

**Most Probable**

3. Represents inventory stock purchases for retail locations.
4. Reflects payroll costs of employees.
5. Represents occupancy costs for the various retail locations.
6. Other expenses include marketing costs for each retail location and general administrative expenses.
7. Includes the estimated payments to the Applicant's legal counsel, the Monitor, and the Monitor's legal counsel.
8. Opening cash reflected as of November 25, 2024.

IN THE COURT OF KING'S BENCH OF ALBERTA

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

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

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT  
(paragraph 23(1)(b) of the CCAA)

The management of 420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd. (the "**Applicants**") have developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 27th day of November, 2024 for the period November 25, 2024 to March 2, 2025 ("**Fifth Cash Flow Statement**"). All such assumptions are disclosed in the notes to the Fifth Cash Flow Statement.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Fifth Cash Flow Statement as described in Note 1 to the Fifth Cash Flow Statement, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Fifth Cash Flow Statement.

Since the Fifth Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Fifth Cash Flow Statement has been prepared solely for the purpose outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Fifth Cash Flow Statement may not be appropriate for other purposes.

Dated at Calgary, AB this 27th day of November, 2024.

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

*Ryan Pernal*

Per: Ryan Pernal, CFO

## **Appendix “B”**

420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd.

Cash Flow Forecast

February 3, 2025 to March 31, 2025

(Unaudited; C\$000s)

	Note	Period ending								Total
		09-Feb-25	16-Feb-25	23-Feb-25	02-Mar-25	09-Mar-25	16-Mar-25	23-Mar-25	31-Mar-25	
Receipts	1									
Collection of Accounts Receivable	2	562	562	562	565	565	565	565	565	4,511
Total Receipts	3	562	562	562	565	565	565	565	565	4,511
Disbursements										
Inventory purchases	4	353	353	353	361	361	366	366	366	2,876
Payroll	5	205	-	205	-	205	-	205	-	820
Rent	6	180	-	-	-	182	-	-	-	362
Other operating expenses	7	36	64	25	25	52	32	26	26	287
Total Operating disbursements		774	417	583	386	800	398	596	391	4,344
Net Cash Flow before the Undernoted		(211)	146	(20)	179	(235)	167	(31)	174	167
Professional Fees	8	40	128	-	-	-	128	-	-	296
Net Cash Flow		(251)	18	(20)	179	(235)	39	(31)	174	(129)
Opening Cash balance	9	488	236	254	233	412	178	217	185	488
Net Cash Flow		(251)	18	(20)	179	(235)	39	(31)	174	(129)
Closing cash balance		236	254	233	412	178	217	185	359	359

The above financial projections are based on management's assumptions detailed in Appendix "1-1".

The note references correspond to the assumption numbers shown in Appendix "1-1".



420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd.

Notes to Projected Statement of Cash Flows

February 3, 2025 to March 31, 2025

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**Purpose and General Assumptions**

1. The purpose of the projection is to present a forecast of the consolidated cash flow of 420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd. (the "Applicants") for the period

**Hypothetical**

2. Cash collections include funds received from sales of cannabis-related products at various retail store locations and data program revenues.
3. Total receipts do not include funds raised to facilitate a potential plan of arrangement.

**Most Probable**

4. Represents inventory stock purchases for retail locations.
5. Reflects payroll costs of employees.
6. Represents occupancy costs for the various retail locations.
7. Other expenses include marketing costs for each retail location and general administrative expenses.
8. Includes the estimated payments to the Applicant's legal counsel, the Monitor, and the Monitor's legal counsel.
9. Opening cash reflected as of February 3, 2025.

IN THE COURT OF KING'S BENCH OF ALBERTA

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

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

MANAGEMENT'S REPORT ON THE CASH FLOW STATEMENT  
(paragraph 23(1)(b) of the CCAA)

The management of 420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd. (the "**Applicants**") have developed the assumptions and prepared the attached consolidated statement of projected cash flow as of the 5th day of February, 2025 for the period February 3, 2025 to March 31, 2025 ("**Sixth Cash Flow Statement**"). All such assumptions are disclosed in the notes to the Sixth Cash Flow Statement.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Sixth Cash Flow Statement as described in Note 1 to the Sixth Cash Flow Statement, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Sixth Cash Flow Statement.

Since the Sixth Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Sixth Cash Flow Statement has been prepared solely for the purpose outlined in Note 1 using a set of probable assumptions set out therein. Consequently, readers are cautioned that the Sixth Cash Flow Statement may not be appropriate for other purposes.

Dated at Calgary, AB this 5th day of February, 2025.

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

*Ryan Pernal*

Per: Ryan Pernal, CFO

## **Appendix “C”**

**IN THE COURT OF THE KING'S BENCH OF ALBERTA**

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

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

**MONITOR'S REPORT ON THE CASH FLOW STATEMENT**  
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash flow of 420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd. (the "**Applicants**") as of the 5th day February, 2025, consisting of a weekly projected cash flow statement for the period February 3, 2025 to March 31, 2025 (the "**Sixth Cash Flow Statement**") has been prepared by the management of the Applicants for the purpose described in Note 1, using probable and hypothetical assumptions set out in the notes to the Sixth Cash Flow Statement.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management of the Applicants. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Sixth Cash Flow Statement.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Sixth Cash Flow Statement;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Sixth Cash Flow Statement, given the hypothetical assumptions; or
- c) the Sixth Cash Flow Statement does not reflect the probable and hypothetical assumptions.

Since the Sixth Cash Flow Statement is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Sixth Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Sixth Cash Flow Statement has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Calgary, AB this 5th day of February, 2025.

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.,**  
solely in its capacity as the proposed monitor of  
420 Investments Ltd., 420 Premium Markets Ltd.,  
Green Rock Cannabis (Ec 1) Limited and 420 Dispensaries Ltd.

## **Appendix “D”**



**KSV Advisory inc.**  
1165, 324 – 8<sup>th</sup> Avenue SW  
Calgary, Alberta, T2P 2Z2  
T +1 416 932 6262  
F +1 416 932 6266

info@ksvadvisory.com

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January 7, 2025

**DELIVERED BY EMAIL**

**To: Phase 2 Qualified Bidders<sup>1</sup>**

**From: KSV Restructuring Inc., in its capacity as Monitor of the Applicants (defined below), and not in its personal capacity**

**Re: Evaluation of the Phase 2 Bids of the SISP for 420 Investments Ltd., 420 Premium Markets Ltd., Green Rock Cannabis (EC 1) Limited and 420 Dispensaries Ltd. (“FOUR20” or the “Applicants”)**

We are writing in our capacity as Court appointed monitor (the “**Monitor**”) of the Applicants.

Thank you for submitting your Phase 2 Bid pursuant to the SISP.

We confirm that your offer submitted on December 20, 2024, was deemed as a Phase 2 Qualified Bid.

After thorough consideration and a comprehensive review and evaluation of all Phase 2 Qualified Bids received, the Monitor has consulted with the Applicants and the Applicants have advised that no Phase 2 Qualified Bids will be selected as a Successful Bid and the Applicants will not be seeking Court approval to enter into a definitive agreement with any Phase 2 Qualified Bidder through the SISP.

The Applicants have elected to seek Court Approval to advance one or more Plans of Arrangement that are intended to provide realizations to creditors that are excess of any potential realizations creditors may receive by advancing a Phase 2 Qualified Bid and will allow the Applicants to continue their business as a going concern. The Plan of Arrangement is being developed and details regarding this plan will be communicated to stakeholders in due course.

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<sup>1</sup> Capitalized terms in this letter have the meaning provided to them in the Sale and Investment Solicitation Process (“**SISP**”) Order, dated September 19, 2024 (the “**SISP Order**”), unless otherwise defined herein. A copy of the SISP Order can be found here: [\*\*SISP Order\*\*](#).

The Monitor will also be contacting you to obtain wire instructions for return of your deposit. The Monitor and the Applicants sincerely appreciate your participation in the SISP and your interest in this opportunity.

\* \* \*

Yours very truly,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS MONITOR OF THE APPLICANTS,  
AND NOT IN ITS PERSONAL CAPACITY**

