

COURT FILE NUMBER

Clerk's stamp

COURT

COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE

CALGARY

MATTER

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

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

APPLICANTS

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

DOCUMENT

ORIGINATING APPLICATION (CCAA INITIAL ORDER)

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

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File No.: 155857.1002

NOTICE TO THE RESPONDENT(S)

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

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

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

Date: September 19, 2024

Time: 2:00pm

Where: Calgary Law Courts – By Webex

Link to be provided

Before: The Honourable Justice Jones in Commercial Chambers

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

Remedy claimed or sought:

1. 420 Investments Ltd. ("**420 Parent**"), 420 Premium Markets Ltd. ("**420 Premium**"), Green Rock Cannabis (EC 1) Ltd. ("**GRC**") and 420 Dispensaries Ltd. ("**420 Dispensaries**") (collectively, "**FOUR20**" or the "**Applicants**") seek the following relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"):
 - (a) An Initial Order (the "**Initial Order**") for the following relief:
 - i. abridging the time for serving and deeming service of this Originating Application and supporting materials good and sufficient;
 - ii. declaring that each of the Applicants are companies to which the CCAA applies;
 - iii. declaring the proposal proceedings of 420 Parent, 420 Premium and GRC (collectively, the "**420 NOI Entities**") commenced under Division I of Part III of the *Bankruptcy and Insolvency Act* (the "**BIA**", and such proceedings the "**NOI Proceedings**") are taken up and continued under the CCAA pursuant to section 11.6(a) thereof, declaring that Division I of Part III of the BIA has no further application to the 420 NOI Entities, and terminating the NOI Proceedings, provided that, notwithstanding the termination of the NOI Proceedings, the charges granted under the First Stay Extension Order and Sealing Order (each as defined below) be taken up and continue to apply in these CCAA proceedings;
 - iv. appointing KSV Restructuring Inc. ("**KSV**") as Monitor of the Applicants;
 - v. stay, for an initial period of not more than 10 days, all proceedings and remedies taken or that might be taken in respect of the Applicants;
 - vi. authorizing the Applicants to carry on business in a manner consistent with the preservation of its business and property;
 - vii. authorizing the Applicants to pay the reasonable expenses incurred by it in carrying out its business in the ordinary course;
 - viii. authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its counsel, and Applicants' professional advisors;
 - ix. continuing and taking up under the CCAA such charges and the amounts secured under the First Stay Extension Order as defined below (except for the KERP Charge, which shall be reduced due to amounts already paid under the

KERP), and confirming such charges attach to all of the assets and property of the Applicants and continue to rank in priority to all other charges, mortgages, liens, security interests and other encumbrances therein, and in the following order priority amongst themselves:

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

Grounds for making this application:

Background

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

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

4. On June 27, 2024, the NOI Entities brought an application (the **“First Stay Extension Application”**) to the Alberta Court of King’s Bench (the **“Court”**) for an Order: (i) extending the time for the NOI Entities to file a proposal to August 12, 2024, (ii) administratively consolidating the NOI Entities’ estates, and (iii) granting an Administration Charge, a D&O Charge and KERP Charge; and (iv) approving a KERP. The Court granted the NOI Entities First Stay Extension Application in full (the **“First Stay Extension Order”**). The Court also granted a sealing order with respect to the confidential details of the KERP (the **“Sealing Order”**).
5. On August 6, 2024, the NOI Entities brought an application (the **“Second Stay Extension Application”**) to the Court for an Order: (i) extending the time for the Applicants to file a proposal to September 26, 2024 (the **“Stay Period”**), and (ii) scheduling an appeal of a judgment granted by Applications Judge J.R. Farrington in Alberta Court of King’s Bench Action No. 2001-02873. The Second Stay Extension Application was granted in full.

Continuation into the CCAA Proceedings

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

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

Preservation and Revision of Court-Ordered Charges

14. The First Stay Extension Order granted, among other things, certain court ordered charges (collectively, the “**Charges**”) as follows:
 - (a) first – the Administrative Charge in favour of the Monitor, its legal counsel, and the Applicants’ legal counsel in respect of their fees and disbursements, to a maximum amount of \$300,000;
 - (b) second – the D&O Charge in favour of the directors and officers of the Applicants, to a maximum amount of \$433,000; and
 - (c) third – a KERP Charge in favour of certain key employees of the Applicants, to a maximum amount of \$373,928.17 less any amounts already paid to employees.
15. The Applicants seek to continue the Charges in the CCAA Proceedings to secure the continued involvement of professionals, the directors and officers of the Applicants and certain key employees in relation to the KERP. Each of these parties are critical to the success of the Applicants’ restructuring efforts. As a partial amount of the KERP was already paid out during the NOI Proceedings, this charge can now be reduced to accordingly, which is consistent with the remaining value of the KERP approved by this Court and not yet paid to eligible recipients.
16. The Applicants also seek to continue the Administration Charge to secure the professional fees of KSV in its capacity as Monitor, along with the legal fees of the Monitor’s legal counsel. In addition, the Administration Charge would be continued to cover any unpaid fees and disbursements of the Proposal Trustee, the Proposal Trustee’s counsel, the Applicants’ legal counsel incurred during the NOI Proceedings.

17. The Charges are reasonable and appropriate in the circumstances and are critical to the success of the Applicants' insolvency proceedings. The proposed Charges sought are either in the same quantum as in the NOI Proceedings, or as a reduced quantum as reflected in the KERP Charge.

18. **Role of the Monitor**

19. The Monitor will assist with the implementation of the SISP to locate, negotiate and finalize a transaction that will be critical to the Applicants' ongoing efforts to finalize one or more proposals for consideration by their creditors. The Monitor is qualified and capable of performing the required tasks and its ongoing engagement to do so is fair and reasonable in the circumstances.

Approval of the Proposed SISP

20. The Applicants and the Monitor, have prepared the SISP whereby interested parties will have the opportunity to submit an offer to: (i) purchase shares or assets of the Applicants (or any one of them), or (ii) make an investment in the Applicants' business by way of a refinancing, reorganization, recapitalization, restructuring or other business transaction involving the Applicants, or any one of them. The goal of the SISP is for the Applicants to complete one or more transactions by December 2024 (subject to Court approval).

21. The SISP contemplates the following key deadlines:

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

22. The Applicants have been working in good faith and with due diligence in these proceedings and have developed the SISP to canvass the market for a value maximizing transaction involving the assets or shares of the Applicants or a refinancing of the Applicants. In developing the SISP, the Applicants have consulted with the Monitor and the Sales Advisor and have advised key creditors and stakeholders of their intentions.
23. The SISP is fair and reasonable and will be conducted and overseen by the Monitor. The SISP will allow the Applicants and Monitor to broadly canvass the market for an executable and value maximizing transaction for the benefit of all stakeholders.
24. The SISP satisfies the criteria in s. 36 of the CCAA, which the Court considers in determining whether to approve a sale outside the ordinary course of business.
25. The Monitor supports the Applicants' request for approval of the SISP.

Approval of the Proposed Claims Process

26. The Applicants are seeking this Court's approval of a Claim Process substantially in the form proposed in the Claims Procedure Order. The Claims Process is designed to address all creditors of the Applicants, including secured and unsecured creditors, as well as landlords of 420 Premium.
27. The estimated timing for execution of the Claim Process is as follows:

Milestone	Deadline
Claims Process Order to be granted	September 19, 2024
Claims package will be sent to all claimants, posted on website and published	September 20, 2024
Claims bar date for claimants to file proof of claim	October 20, 2024
Deadline for receipt by the Monitor of any notice of dispute	15 days following date of Notice of Revision or Disallowance
Deadline for filing application with respect to notice of dispute	10 days following delivery of Notice of Dispute

28. The Claims Process provides for a timely and efficient process for determination of the claims of the Applicants. In particular, it will provide some clarity on the number and quantum of creditor claims to potential investors and bidders who wish to participate in the SISP process and/or an Applicant's plan of arrangement.

29. The Proposed Monitor supports the establishment of the Claims Process in the form of the proposed Claims Procedure Order.

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

30. The Affidavit of Scott Morrow sworn September 10, 2024, filed;

31. Bench Brief, to be filed;

32. The third report and pre-filing report of KSV Restructuring Inc. as Proposal Trustee and proposed Monitor;

33. The Consent to Act as Monitor, filed by KSV Restructuring Inc.; and

34. Such further and other material as counsel may advise and this Honourable Court may permit

Applicable Acts and regulations:

35. *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended;

36. *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended;

37. *Business Corporations Act*, R.S.A. 2000 c. B-9;

38. Rules 1.2, 1.3, 3.2(2)(d), 3.8, 6.3(1), 6.9, 11.27 and 13.5 of the *Alberta Rules of Court*, Alta Reg 124/2010;

39. The equitable jurisdiction of this Honourable Court;

40. Such further and other Acts and regulations as counsel may advise and this Honourable Court may permit.

Any irregularity complained of or objection relied on:

41. None.

How the application is proposed to be heard or considered:

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

WARNING

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