

**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 HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the "Applicants")

**MOTION RECORD
(RETURNABLE JANUARY 12, 2024)**

January 11, 2024

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Lawyers for the Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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WINDSHIP TRADING LLC

The Applicants

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(as of January 11, 2024)

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| | | |
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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

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WINDSHIP TRADING LLC

(the “Applicants”)

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TAB 1

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
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INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the “Applicants”)

NOTICE OF MOTION

The Applicants will make a Motion to the court on Friday, January 12, 2024 at 9:30 a.m.,
or as soon after that time as the Motion can be heard.

PROPOSED METHOD OF HEARING: The Motion is to be heard

- In writing under subrule 37.12.1(1) because it is;
- In writing as an opposed motion under subrule 37.12.1(4);
- In person;
- By telephone conference;
- By video conference.

at the following location

<https://app.zoom.us/jc/61804264297?fromPWA=1&pwd=MEpzRUtlUVB0UGc4eStsVGNtYmkxUT09>
Meeting ID: 618 0426 4297
Passcode: 057603

THE MOTION IS FOR *(State here the precise relief sought)*

- (a) An order extending the stay of proceedings granted in these proceedings from January 15, 2024 up to and including January 26, 2024; and
- (b) Such further and other Relief as to this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE

1. On January 5, 2024 the Honourable Justice Cavanagh granted the Applicants an initial order under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "**CCAA**"), (the "**Initial Order**"), which, among other things:
 - (a) granted an initial stay of proceedings in favour of the Applicants and their directors and officers up to and including January 15, 2024;
 - (b) appointed Deloitte Restructuring Inc. as the monitor of the Applicants (in such capacity, the "**Monitor**");
 - (c) granted a first-ranking administration charge in the amount of \$150,000 in favour of counsel for the Applicants, the Monitor and its counsel (the "**Administration Charge**");
 - (d) authorized the Applicants to incur no further expenses in relation to the Securities Filings (as defined in the Initial Order) and declared that none of the directors, officers, employees, and other representatives of the Applicants, or the Monitor (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make Securities Filings; and

(e) authorized the Applicants to continue utilizing their cash management system (the **“Cash Management System”**);

2. Subsequent to this Honourable Court granting the Initial Order the Applicants have pursued negotiations with their secured creditors, joint venture partners, the Monitor, and other stakeholders in an effort to finalize a mutually-agreeable sale and investment solicitation process (**“SISP”**), as well as a key employee retention plan (**“KERP”**);
3. These negotiations have been ongoing since the Initial Order was granted. The discussions to date have been productive and the parties are making progress towards resolving many issues. However, the parties do require some additional time to arrive at a consensual agreement;
4. The Applicants therefore request that this Honourable Court extend the stay of proceedings up to and including January 26, 2024, and intend to bring a subsequent motion wherein they intend to seek this Honourable Court’s approval of a SISP, a KERP, a directors and officer’s charge, and authorization to pay certain pre-filing expenses;
5. The Applicants will also work with the Monitor to determine any required adjustments to the Administration Charge, with a view to seeking court approval of an increase at the next hearing;
6. The Applicants have filed a cash flow statement showing that the Applicants are projected to have sufficient liquidity to fund their operations through to and beyond January 26, 2024;
7. The Monitor and the Applicants’ secured creditors support the relief sought in this motion;
and

8. Such further and other grounds as the lawyers may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

1. The affidavit of Jakob Ripshtein, sworn January 11, 2024; and
2. such further and other evidence as the lawyers may advise and this Honourable Court may permit.

January 11, 2024

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Lawyers for the Applicants

TO: SERVICE LIST

**ONTARIO
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(as of January 11, 2024)

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IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36
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Court File No.: CV-24-00712366-00CL

(the "Applicants")

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

NOTICE OF MOTION

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TAB 2

Court File No.: CV-24-00712366-00CL

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**AFFIDAVIT OF JAKOB RIPSZTEIN
(sworn January 11, 2024)**

January 11, 2024

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Lawyers for the Applicants

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Court File No.: CV-24-00712366-00CL

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WINDSHIP TRADING LLC

(the “**Applicants**”)

**AFFIDAVIT OF JAKOB RIPSZTEIN
(sworn January 11, 2024)**

I, Jakob Ripsztein, of the City of Toronto, in the Province of Ontario, **MAKE OATH**

AND SAY AS FOLLOWS:

I. OVERVIEW

1. I am the chief executive officer (“**CEO**”) and chairman of the board of Humble & Fume Inc. (“**Humble Parent**”), Humble & Fume Inc. (Manitoba) (“**Humble Manitoba**”), B.O.B. Headquarters Inc. (“**BOBHQ**”), Humble Cannabis Solutions Inc. (“**HCS**”), Fume Labs Inc. (“**Fume Labs**”), PWF Holdco Inc. (“**PWF**”), and Windship Trading LLC (“**Windship**”, and, collectively, the “**Applicants**”) and as such, I have knowledge of the matters hereinafter deposed to.
2. I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. 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.

3. On January 5, 2024 the Honourable Justice Cavanagh granted an initial order under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "CCAA"), (the "**Initial Order**"), which, among other things:
 - (a) granted an initial stay of proceedings in favour of the Applicants and their directors and officers up to and including January 15, 2024;
 - (b) appointed Deloitte Restructuring Inc. as the monitor of the Applicants (in such capacity, the "**Monitor**");
 - (c) granted a first-ranking administration charge in the amount of \$150,000 in favour of counsel for the Applicants, the Monitor and its counsel (the "**Administration Charge**");
 - (d) authorized the Applicants to incur no further expenses in relation to the Securities Filings (as defined in my affidavit sworn January 4, 2024 (the "**First Ripshtein Affidavit**") and declared that none of the directors, officers, employees, and other representatives of the Applicants, or the Monitor (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make Securities Filings; and
 - (e) authorized the Applicants to continue utilizing their cash management system (the "**Cash Management System**").
4. I swear this affidavit in support of a motion by the Applicants for an order amending the Initial Order by extending the stay of proceedings from January 15, 2024 up to and including January 26, 2024 (the "**Extended Stay of Proceedings**").
5. A copy of the First Ripshtein Affidavit, without exhibits, is attached hereto as **Exhibit "A"**.

II. THE EXTENDED STAY OF PROCEEDINGS

6. As at the date of this affidavit, the Applicants are pursuing negotiations with their secured creditors, joint venture partners, the Monitor, and other stakeholders in an effort to finalize a mutually-agreeable sale and investment solicitation process (“SISP”), as well as a key employee retention plan (“KERP”).
7. Negotiations have been ongoing since the Initial Order was granted. The discussions to date have been productive and the parties are making progress towards resolving many issues. However, the parties do require some additional time to arrive at a consensual agreement.
8. The Applicants intend to bring a subsequent motion, returnable as early as January 16, 2024 (subject to court availability), wherein they intend to seek this Honourable Court’s approval of a SISP, a KERP, a directors and officer’s charge, and authorization to pay certain pre-filing expenses.
9. The Applicants will also work with the Monitor to determine any required adjustments to the Administration Charge, with a view to seeking court approval of an increase at the next hearing.
10. The interim cash flow statement appended as Exhibit “K” to my affidavit sworn January 4, 2024 and attached hereto as **Exhibit “B”** indicates that the Applicants are projected to have sufficient liquidity to support their ongoing operations through the period of the requested stay extension.
11. The Monitor and the Secured Creditors have advised that they approve of the Extended Stay of Proceedings.

III. FORM OF ORDER AND CONCLUSION

12. This affidavit is sworn in support of orders substantially in the form of the draft order at Tab “3” to the Applicants’ Motion Record, and for no other or improper purpose.

SWORN before me at the City of Toronto, in the Province of Ontario, this 11th day of January, 2024 in accordance with O. Reg. 431/20 Administering Oath or Declaration Remotely

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits

MATTHEW CRESSATTI

DocuSigned by:
Jakob Ripshtein
0AE7986CE32D413...

JAKOB RIPSSTEIN

This is Exhibit “A” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 11, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:

Matthew Cressatti

DA79353421D842D

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

Court File No.: CV-24-00712366-00CL

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ARRANGEMENT OF HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the "Applicants")

**AFFIDAVIT OF JAKOB RIPSZTEIN
(sworn January 4, 2024)**

January 4, 2024

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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 HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), B.O.B. HEADQUARTERS INC., FUME LABS
INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the “**Applicants**”)

**AFFIDAVIT OF JAKOB RIPSZTEIN
(sworn January 4, 2024)**

I, Jakob Ripsztein, of the City of Toronto, in the Province of Ontario, **MAKE OATH**

AND SAY AS FOLLOWS:

I. OVERVIEW

1. I am the chief executive officer (“**CEO**”) and chairman of the board of Humble & Fume Inc. (“**Humble Parent**”), Humble & Fume Inc. (Manitoba) (“**Humble Manitoba**”), B.O.B. Headquarters Inc. (“**BOBHQ**”), Humble Cannabis Solutions Inc. (“**HCS**”), Fume Labs Inc. (“**Fume Labs**”), PWF Holdco Inc. (“**PWF**”), and Windship Trading LLC (“**Windship**”, and, collectively, the “**Applicants**”) and as such, I have knowledge of the matters hereinafter deposed to.
2. As the CEO of the Applicants, my primary responsibilities include managing the Applicants’ overall operations and resources and making strategic business decisions.

3. I became CEO of Humble Parent and the other Applicants on January 13, 2023. I joined the Humble Parent board on June 16, 2021 and became chairman of the board on November 30, 2021. I also sit on the board of each of the other Applicants.
4. Prior to my current role, I acted as president of Aphria Inc, president of Diageo Canada, and chief financial officer of Diageo North America.
5. I have personal knowledge of the matters to which I depose in this affidavit, except where I have obtained information from others. 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.
6. I swear this affidavit in support of, among other things, an application by the Applicant for protection from its creditors pursuant to the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36, as amended (the "**CCAA**").
7. More specifically, the Applicants are seeking an order (the "**Initial Order**") approving:
 - (a) a declaration that the Applicants are companies to which the CCAA applies;
 - (b) an administration charge of \$150,000 (the "**Administration Charge**"); and
 - (c) an initial stay of proceedings through to January 15, 2024 (the "**Stay Period**").
8. If the Initial Order is granted the Applicants intend to return to Court on January 12, 2024 (the "**Comeback Hearing**") to request an order (the "**ARIO**") that would:
 - (a) extend the Stay Period;
 - (b) increase the amount of the Administration Charge;

- (c) granting a charge in favour of the current directors and officers of the Applicants in an amount to be determined by the Monitor in advance of the Comeback Hearing (the “**D&O Charge**”);
- (d) authorize and approve certain payments to critical suppliers for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with consent of the Monitor, which are necessary to facilitate the Company’s ongoing operations and preserve value during the CCAA proceedings; and
- (e) approve a sale and investment solicitation process, which will include a stalking horse bid component.

9. For the reasons set out herein, I do verily believe that the Applicants are insolvent and are companies to which the CCAA applies.

II. URGENT NEED FOR RELIEF

10. The Applicants distribute cannabis and cannabis accessories in Canada and the United States. The Applicants are insolvent, face a severe liquidity crisis, and are in urgent need of relief under the CCAA.

11. On December 6, 2023 Humble Parent’s shares were cease traded by the Ontario Securities Commission (“**OSC**”) for failure to file interim quarterly financial statements.

12. The Applicants’ ordinary course monthly cash expenditures exceed their cash receipts. Based on the Interim Cash Flow Forecast (as defined below), the Applicants will have insufficient cash to sustain operations through the week ending February 29, 2024.

13. The cannabis industry is nascent and highly regulated and has experienced rapid change. The uncertainty caused by these changes has created an array of challenges for companies

in the industry, including difficulties in obtaining adequate investment and financing for operations and capital expenditures.

14. In past years, the Applicants have suffered losses due to, among other things:
 - (a) prior management's focus on top-line revenue growth rather than on profitability;
 - (b) prior management's decision to excessively build up low-profit or unprofitable inventory;
 - (c) changing capital market investor sentiment driving public investment away from the cannabis sector, forcing the Applicants to seek more expensive forms of financing;
 - (d) higher interest rates leading to investors demanding increased rates of return in excess of returns that the Applicants are able to provide; and
 - (e) intense competition and an over-supply of cannabis products leading to significant price compression and the sale of inventory at a loss.

15. The Applicants have determined that the best path towards an optimal outcome for all stakeholders is a court-supervised sale and investment process ("SISP") backstopped by a stalking-horse purchase agreement (defined below as the "**Purchase Agreement**"). In the absence of a SISP the Applicants will be unable to meet their obligations as they come due and the Applicants will likely enter either a receivership or bankruptcy. As the Applicants are reliant upon Cannabis Licenses and a warehouse lease to conduct their business, it is a condition of the proposed Stalking Horse Purchase Agreement that the transaction proceed by way of a reverse-vesting order.

III. OVERVIEW OF THE APPLICANTS

A. Background

16. The Applicants operate cannabis distribution and cannabis accessory wholesale businesses in both Canada and the United States.
17. The Applicants hold cannabis licenses issued by the governments of Alberta and British Columbia which allow the Applicants to operate in the cannabis industry (the “**Cannabis Licenses**”). The Applicants market cannabis products on behalf of third party licensed producers (“**LPs**”) who then pay the Applicants a percentage of all sales revenue within a designated sales territory.
18. The Applicants also wholesale cannabis accessories. This can include pipes, vape pens, lighters, grinders, water pipes and other related accessories. The Applicants sell these products on a B2B basis in both Canada and the United States.

B. Corporate Structure

19. A copy of the Applicants’ organizational chart is attached hereto as **Exhibit “A”**.
 - i. Humble Parent*
20. Humble Parent is the top-level holding company. Humble Parent is an Ontario corporation. Humble Parent’s board is comprised of Shawn Dym, Mark Hubler, Robert Ritchot, Matthew Shalhoub, and myself.
21. Humble Parent is a publicly traded entity regulated by the Ontario Securities Commission. Humble Parent is a reporting issuer in Alberta, British Columbia, and Ontario.
22. Humble Parent was incorporated via amalgamation as Canada Iron Inc. on March 7, 2012. The company was renamed Humble & Fume Inc in June 2021.

23. On June 14, 2021 Humble Parent, Humble Manitoba and Canada Iron Inc. (“**Canada Iron**”) completed a reverse-takeover transaction, which resulted in Humble Parent becoming a reporting issuer. On June 16, 2021 Humble Parent was listed on the Canadian Securities Exchange under the trading symbol HMBL. Since August 31, 2023 Humble Parent has traded on the OTC Pink Sheets under the trading symbol HUMBF. A corporate profile for Humble Parent is attached hereto as **Exhibit “B”**.
24. As mentioned above, on December 6, 2023 Humble Parent’s shares were cease traded by the OSC for failure to file interim financial statements.
25. Humble Parent provides shared services to the other Applicants, including finance, human resources and accounting services. Currently there are approximately eleven employees at Humble Parent who provide these services to the other Applicants. Humble Parent invoices the other Applicants for these services, which are recorded as Intercompany Transfers (as defined below).
26. As disclosed in the organizational chart attached at **Exhibit “A”**, Humble Parent holds 100% of the issued and outstanding shares of Humble Manitoba, through which Humble Parent controls the other Applicants.

ii. Humble Manitoba

27. Humble Manitoba was created by amalgamation on June 14, 2021 as a component of the reverse takeover. Prior to the June 2021 public listing, Humble Manitoba’s predecessor company, 10096753 Manitoba Ltd. was the top corporation in the Applicants’ then organizational structure. Humble Manitoba’s board is comprised of Robert Ritchot, Matthew MacKay and myself. A copy of Humble Manitoba’s File Summary from the Manitoba Companies Office is attached hereto as **Exhibit “C”**.

28. Humble Manitoba continues to hold all of the issued and outstanding shares of the Applicants' various operating businesses (with the exception of HC Solutions Holdings, Inc., which is not an Applicant, as discussed below).

iii. BOBHQ

29. B.O.B. Headquarters Inc. ("**BOBHQ**") is a corporation incorporated pursuant to the laws of Manitoba. BOBHQ was incorporated on March 4, 1996 and is a wholly-owned subsidiary of Humble Manitoba. A corporate profile for BOBHQ is attached hereto as **Exhibit "D"**. BOBHQ's board is comprised of Matthew MacKay and myself.

30. BOBHQ is a wholesale distributor of cannabis consumption devices to headshops, smoke shops, and licensed cannabis stores across Canada. BOBHQ operates from a facility located in Brandon, Manitoba (defined below as the Brandon Facility).

31. All Canadian sales of cannabis accessories are attributed to BOBHQ. BOBHQ has five employees who conduct "inside sales" to larger cannabis retail chains. As discussed below, HCS salespersons also direct retailers to purchase cannabis accessories from the BOBHQ website, with revenue attributed to BOBHQ.

iv. Windship

32. Windship was incorporated pursuant to the laws of Texas on October 3, 2013. A corporate profile for Windship is attached hereto as **Exhibit "E"**. Windship's board is comprised of Matthew MacKay and myself.

33. Windship is a wholesale distributor of cannabis consumption devices to headshops, smoke shops, and licensed cannabis stores across the United States. Windship operates from a facility located in Kyle, Texas (defined below as the Kyle Facility).

34. Windship and BOBHQ operate similar businesses in the United States and in Canada, respectively.

v. PWF Holdco

35. PWF Holdco was incorporated on August 8, 2017 and acts as a holding company for Windship. PWF Holdco does not carry on any business itself. PWF Holdco's board is comprised of Matthew MacKay and myself. The shares of Windship are PWF Holdco's only material asset.

vi. Fume Labs

36. Fume Labs Inc. ("**Fume Labs**") was incorporated on March 13, 2019 pursuant to the laws of Ontario. I am Fume Labs' sole director. A copy of Fume Labs' corporate profile report is attached hereto as **Exhibit "F"**. Fume Labs was intended to be a new business vertical that would distribute vape pens and cartridges.

37. Fume Labs initially began operations at a facility in Brantford, Ontario. Unfortunately, a dispute arose with Fume Labs' manufacturing partner, which eventually resulted in Fume Labs exiting the manufacturing and distribution space.

38. Fume Labs is effectively dormant as Fume Labs is not currently conducting any business. Fume Labs does not have any revenue, employees, or assets.

vii. HCS

39. HCS was incorporated on May 8, 2020 pursuant to the laws of Ontario. A copy of HCS's corporate profile report is attached hereto as **Exhibit "G"**. HCS's directors are myself and Shawn Dym. HCS is an integrated cannabis sales solution company. HCS, on behalf of LPs, distributes cannabis and cannabis accessories across all ten Canadian provinces to over 3,000 retail locations.

40. HCS is not licensed to distribute cannabis by Health Canada and does not take title to any cannabis products. Instead, HCS's salesforce markets LP cannabis products to retailers. Retailers then purchase cannabis products directly from provincial cannabis boards. The LPs then pay HCS a percentage of their gross revenue in each HCS sales territory to HCS.
41. The HCS sales force markets both cannabis products and cannabis accessories to retailers. HCS's salesforce operates in Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. The same HCS salesforce market both cannabis products and cannabis accessories, which result in the HCS salesforce marketing both revenue streams during sales pitches. As discussed, revenue derived from cannabis accessories is attributed to BOBHQ.

viii. HC Solutions Holdings, Inc.

42. Humble Manitoba is the 25% owner of a Delaware corporation, HC Solutions Holdings, Inc. ("**HCHI**"), that was created on April 25, 2022 as a joint venture between Humble Manitoba and Green Acre Capital Distribution Corp. HCHI is the sole shareholder of HC Solutions of California, LLC ("**HCSC**"), which is itself the sole shareholder of Cabo Connection ("**Cabo**"). Cabo is a California corporation that is licensed to manufacture and distribute cannabis products in California. HCSC provides cannabis marketing and distribution solutions to other LPs in California.
43. Cabo is operationally separate from the Applicants and has a separate management team with oversight from head office leadership and shared services. Cabo is not currently profitable. HCHI, HCSC and Cabo are not applicants in these CCAA proceedings and there is no intention for them to seek any creditor relief in the United States. I do not expect that these CCAA proceedings will have a material impact on HCSC's or on Cabo's operations.

44. HCHI is 75% owned by Green Acre Capital Distribution Corp and 25% owned by Humble Manitoba.

45. On August 22, 2023 Humble Parent entered into an option agreement (the “**Option**”) with Green Acre Capital Distribution Corp. (the “**Optionor**”) to purchase up to 93.8447 shares of HCHI from the Optionor at the price of \$21,311.80 per share. The Option is exercisable, in whole or in part, at Humble Parent’s election. The Option terminates on February 22, 2024.

C. Places of Business and Facilities

46. The Applicants operate out of three leased facilities located in Canada and the US.

i. Corporate Office Lease

47. Head office functions are largely conducted out of office space located at 1 Eva Road, Toronto, Ontario (the “**Corporate Office**”). The Corporate Office functions primarily as a workspace for the Company’s accounting and legal professionals and executives, including myself, the Chief Financial Officer and other members of the finance and management team. The Corporate Office is subleased from WCDDT Holdings Inc. Humble Parent does not have a written lease for the Corporate Office. Humble Parent pays approximately \$6,000 per month for the Corporate Office and the lease term ends on April 30, 2024.

ii. Brandon Facility

48. The BOBHQ wholesale business is conducted out of a warehouse located at 915 Douglas Street, Brandon, Manitoba, (the “**Brandon Facility**”). The Brandon Facility is a 32,000 square-foot warehouse and office facility.

49. BOBHQ and RKCB Holdings entered into a lease agreement dated April 1, 2019 in respect of the Brandon Facility (the “**Brandon Facility Lease**”). There is no security deposit associated with the Brandon Facility Lease. The Brandon Facility Lease expires on March 31, 2029. Rent under the Brandon Facility Lease is \$19,333.33 plus GST per month.
50. On March 1, 2022 RKCB Holdings sold the Brandon Facility to Tengchong Investment Inc. (the “**Brandon Facility Landlord**”). BOBHQ is current on lease payments to the Brandon Facility Landlord.
51. The Brandon Facility Lease can only be assigned with the consent of the Brandon Facility Landlord, which shall not be unreasonably withheld.

iii. Windship Facility

52. Windship previously operated out of a leased facility located in Kyle, Texas (the “**Kyle Facility**”). Prior to June 2022 Windship operated warehouses in Florida, Nevada and Texas. Windship management determined that operating multiple warehouses resulted in cost duplication and inefficiency. As a result, prior management determined to exit the existing leased facilities and to consolidate Windship operations in one facility.
53. On February 28, 2022 Windship executed a lease agreement with Hays Commerce Center 3 & 4, LLC (the “**Kyle Landlord**”) for the Kyle Facility. The Kyle Facility is a 20,106 square foot warehouse with a small office component. The Kyle Facility is located midway between San Antonio and Austin, Texas.
54. Windship took possession of the Kyle Facility in September 2022. Unfortunately, Windship’s operations did not become profitable following the consolidation into the Kyle Facility. Prior to my appointment as CEO, Windship, in my view, improperly focused on achieving scale over achieving profitability. As a result, Windship was purchasing cannabis

accessories that were be sold to retailers at very low gross margins and often at negative net margins. Windship, like the other Applicants also suffered from poor cost and cash management practices.

55. From approximately February 2023 it was determined that all steps needed to be taken to reduce cash expenditures in Windship. In approximately July 2023 Windship management decided that the prudent course of action would be to sublease the entire Kyle Facility and to sell off all or substantially all of Windship's inventory in the process.

56. As a result, Windship engaged a realtor and identified a sublessee for the Kyle Facility. On January 4, 2024 Windship executed a sublease with the sublessee which involves the potential sublessee assuming 100% of the expenses, including all rent and associated payments, associated with the Kyle Facility. Windship remains liable in the event that the sublessee fails to make payment.

D. Cannabis Licenses

57. HCS holds two licenses (collectively, the "**Cannabis Licenses**"), issued by the governments of Alberta and of British Columbia, respectively. The Cannabis Licenses are key assets and are critical to both HCS's and the Applicants' overall operations. The Applicants cannot operate without the Cannabis Licenses. The Cannabis Licenses are either non-transferrable or else only transferrable by, in effect, making a new application for a license.

i. The Alberta Cannabis License

58. On March 29, 2023 HCS was issued a Cannabis Registration License (the "**Alberta Cannabis License**") under the Liquor and Cannabis Regulation, Alta Reg. 143/1996 (the "**Alberta Regulation**"), pursuant to the *Gaming, Liquor and Cannabis Act* (Alberta), RSA

2000, c G-1, by the Alberta Gaming, Liquor and Cannabis Commission (“**AGLC**”). A copy of the Alberta Cannabis License is attached hereto as **Exhibit “H”**.

59. The Alberta Cannabis License is necessary for HCS to conduct its business in Alberta. Pursuant to the Alberta Regulation, any company seeking to market cannabis products in Alberta must hold the Alberta Cannabis License. The Alberta Cannabis License is non-transferrable and becomes void upon the sale, assignment, or transfer of control of the licensed entity (i.e. HCS). As such, the Alberta Cannabis License can only be conveyed by way of a reverse-vesting order, on terms as may be approved by this Honourable Court.
60. The application process for the Alberta Cannabis License is expensive and time consuming. Applicants must submit an exhaustive application package to AGLC. A security screening is conducted. Applicants are unable to market any cannabis products in Alberta while waiting for AGLC to approve their application. As a result, any delay or period in which HCS is deprived of the Alberta Cannabis License will be severely detrimental to all of HCS’s stakeholders. The Alberta Cannabis License expires on March 28, 2025, meaning that a purchaser who is able to acquire the Alberta Cannabis License will avoid a significant burden.

ii. The BC Cannabis License

61. HCS also holds a cannabis marketing license (the “**BC Cannabis License**”) issued by the General Manager under the *Cannabis Control and Licensing Act* (BC), SBC 2018, c 29 (the “**BC Cannabis Act**”). A copy of the BC Cannabis License is attached hereto as **Exhibit “I”**. The BC Cannabis License expires December 31, 2024.
62. The BC Cannabis License is required to market cannabis products in British Columbia. HCS cannot operate its business in B.C. without the BC Cannabis License.

63. The application process for the BC Cannabis License is expensive and time consuming. Applicants must submit an exhaustive application package to the General Manager and must submit to a security screening. Applicants may not market any cannabis products in BC while waiting for their application to be approved.
64. While the BC Cannabis Act does allow a license to be transferred, the process of doing so is onerous and is akin to an application for a new license, meaning that any purchaser of the Applicants would not be able to operate in BC while waiting for the transfer to be completed. In effect, the approval by the Court of a sale of HCS' business along with the BC Cannabis License via a reverse-vesting order would be far more efficient and would likely result in a greater recovery for stakeholders as it would provide more certainty to a purchaser of the business that it could operate the business immediately following closing than requiring HCS's purchaser to apply either for a new license or to transfer the BC Cannabis License.

E. Employees

65. The Applicants currently employ 73 individuals.
- (a) Twenty-nine employees work for BOBHQ, including the five salespersons referenced above;
 - (b) twenty employees work for HCS;
 - (c) eleven employees work for Humble Parent; and
 - (d) thirteen employees work for Windship.
66. All of the Applicants' United States-based employees are employed by Windship.
67. Employees are paid biweekly in arrears. The Applicants are current on all payments to employees.

68. None of the employees are unionized or otherwise subject to a collective bargaining agreement in connection with their employment with any Applicant.
69. The Applicants do not sponsor, administer or otherwise have any registered or unregistered pension plans for any Canadian employees. Windship does offer a 401k plan administration to its American employees. The Applicants do not offer any Canadian employees any RRSP contribution matching. The Company provides a standard group benefit plan to its employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance.
70. The Applicants remain focused on right-sizing their workforce. Previous management was focused on building a workforce that would be ready for increased revenue and growth. Unfortunately, when this increased revenue and growth failed to materialize the Applicants were left with human resources that were in excess of their actual needs.
71. In November 2022, while I was chairman but prior to becoming CEO, the Applicants laid off 15 employees organization-wide in an attempt to right-size the organization's workforce .

F. Key Customers

72. The Applicants have a diverse set of customers for both cannabis products and accessories. The Applicants mainly sell and market cannabis products and accessories to brick and mortar retailers.
73. In an attempt to obtain a more reliable line of revenue, in June 2023 Humble Parent entered into a consignment agreement (the "**Consignment Agreement**") with a major Canadian cannabis retailer (the "**Consignee**"). Pursuant to the Consignment Agreement, the Consignee agreed to exclusively sell cannabis accessories provided by Humble Parent on

consignment within its stores. As a result, Humble Parent became the sole source of cannabis accessories at a major Canadian cannabis retailer.

74. The Consignment Agreement's term ends at the end of 2024. The Consignment Agreement may only be assigned with the consent of the non-assigning party. The Consignment Agreement continues to have significant value and I believe that the Consignment Agreement may have value in a sale of the Applicants' business.

G. Key Suppliers

75. The Applicants are somewhat reliant upon key suppliers in the cannabis accessories line. The Applicants' top ten brand suppliers provide approximately 40-60% of the Applicants' accessories revenue, depending on the period. The Applicants' management has been, for the last year, focused on increasing revenue and purchases from these brands and moving away from less profitable brands.
76. BOBHQ has entered into an exclusive supply agreement with a major foreign supplier of cannabis accessories. Pursuant to this agreement, BOBHQ is the foreign supplier's sole Canadian customer. This agreement is significant as it ensures that BOBHQ is able to be the sole provider of this foreign supplier's products in Canada. I believe that this agreement may have value in a sale of the Applicants' business.

H. Cash Management System

77. In the ordinary course of business, the Applicants use a centralized banking and cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with their operations. The Applicants' funds are managed by the Applicants' finance team, which is based in Canada. The Cash

Management System is administered by the Applicants' finance department, headed by the CFO.

78. The Cash Management System has several functions, comprised of: (a) collection of accounts receivable from third parties (b) disbursements to fund payroll and benefits, capital expenditures, maintenance costs, payments to inventory vendors and other service providers; and (c) intercompany cash transfers amongst various Applicant entities (the "**Intercompany Transfers**").
79. Intercompany Transfers are payments made between Humble Manitoba, HCS, BOBHQ, and Windship. Intercompany Transfers are made on an "as needed" basis to ensure that each Applicant has sufficient working capital and liquidity to meet its needs. HCS in particular does not have significant working capital or revenue and is therefore reliant upon Intercompany Transfers to fund its operations. Intercompany Transfers are only recorded in the Applicants' financial statements and are not recorded via promissory notes or other debt instruments.
80. The Applicants utilize six operating bank accounts. Humble Parent banks with the Royal Bank of Canada ("**RBC**"). Humble Manitoba, HCS and BOBHQ each have an account with Westoba Credit Union. Windship banks with Wells Fargo (collectively, the "**Bank Accounts**"). An overview of the Bank Accounts is as follows:
- (a) RBC Canadian dollar account owned by Humble Parent (the "**RBC CAD Account**"). The RBC CAD Account is used to fund payroll and head office vendor payments;
 - (b) RBC American dollar account owned by Humble Parent (the "**RBC USD Account**"). The RBC USD Account collects cash from the American Applicants and uses the funds to fund the RBC CAD Account;

- (c) Westoba Credit Union CAD Account owned by BOBHQ (the “**BOBHQ Account**”). The BOBHQ Account is used to fund BOBHQ supplier payments and BOBHQ payroll;
- (d) Westoba Credit Union CAD Account owned by HCS (the “**HCS Account**”). The HCS Account is used to fund HCS payroll; and
- (e) Wells Fargo USD Account owned by Windship (the “**Windship Account**”). The Windship Account is used to fund Windship payroll.

IV. FINANCIAL CIRCUMSTANCES AND CASH FLOW FORECAST

81. The Applicants’ fiscal year end is June 30. Attached hereto as **Exhibit “J”** are the Applicants’ consolidated audited financial statements for the years ended June 30, 2023 and June 30, 2022 (the “**2023 Financial Statements**”). The Applicants have operated at a net loss since 2020.

A. Assets

82. As at June 30, 2023, the Applicants, on a consolidated basis (inclusive of the non-Applicants HCSC and its subsidiaries), had total assets of approximately \$28,152,000, consisting of approximately \$22,486,000 of current assets (cash and cash equivalents, accounts receivable, prepaid expenses and deposits, inventories, amounts due from related parties, and taxes recoverable) and approximately \$5,666,000 of non-current assets (long-term deposits, right of use assets, property, plant and equipment and intangible assets). This includes \$10,317,000 of current assets and \$3,346,000 of non-current assets attributed to HCSC and its subsidiaries.

83. The following shows a breakdown of the Applicants’ (inclusive of the non-Applicants HCSC and its subsidiaries) assets as at June 30, 2023:

| | | June 30 2023 | June 30 2022 |
|-------------------------------|-------------|------------------|------------------|
| ASSETS | <i>Note</i> | | |
| Current assets | | | |
| Cash and cash equivalents | | \$ 2,837 | \$ 6,305 |
| Accounts receivable | 7 | 4,672 | 6,185 |
| Prepaid expenses and deposits | 8 | 4,842 | 3,784 |
| Inventories | 9 | 9,802 | 15,382 |
| Due from related parties | 18 | 333 | - |
| Taxes recoverable | | - | 291 |
| | | <u>22,486</u> | <u>31,947</u> |
| Non-current assets | | | |
| Due from related parties | 18 | - | 328 |
| Long term Deposit | | 258 | - |
| Right-of-use assets | 11 | 2,565 | 1,687 |
| Property, plant and equipment | 11 | 1,438 | 1,198 |
| Intangible assets | 12 | 1,405 | 1,296 |
| | | <u>5,666</u> | <u>4,509</u> |
| TOTAL ASSETS | | <u>\$ 28,152</u> | <u>\$ 36,456</u> |

B. Liabilities

84. As at June 30, 2023 the Applicants, on a consolidated basis (inclusive of the non-Applicants HCSC and its subsidiaries), had liabilities totalling approximately \$12,850,000, consisting of approximately \$8,034,000 of current liabilities (accounts payable, lease liabilities, and current loan payables) and approximately \$4,546,000 of non-current liabilities (lease liabilities and long-term loan payables). This is inclusive of \$1,996,000 of current liabilities and \$852,000 of non-current liabilities attributed to HCSC and its subsidiaries.

85. The following shows a breakdown of the Applicants' liabilities (inclusive of the non-Applicants HCSC and its subsidiaries) as of June 30, 2023:

**LIABILITIES AND
SHAREHOLDERS' EQUITY****Current liabilities**

| | | | | | |
|--|----|----|--------------|----|--------------|
| Accounts payable and accrued liabilities | | \$ | 7,061 | \$ | 8,031 |
| Lease liabilities | 13 | | 345 | | 179 |
| Convertible debenture - debt | 15 | | 698 | | - |
| Loan payable | 14 | | 200 | | - |
| | | | <u>8,304</u> | | <u>8,210</u> |

Non-current liabilities

| | | | | | |
|--------------------------|----|--|---------------|--|--------------|
| Lease liabilities | 13 | | 2,655 | | 1,745 |
| Loan payable | 14 | | 1,891 | | - |
| | | | <u>4,546</u> | | <u>1,745</u> |
| Total liabilities | | | <u>12,850</u> | | <u>9,955</u> |

C. Interim Cash Flow Forecast

86. The Applicants, with the assistance of the Monitor, have prepared a projected 4-week cash flow forecast (the “**Interim Cash Flow Forecast**”) for the period ending January 28, 2024 that is premised on, among other things, the assumption that the Applicants will be granted CCAA protection. I believe that the Interim Cash Flow Forecast is a reasonable forecast of the Applicants’ cash flow over the next month. A copy of the Interim Cash Flow Forecast is attached hereto as **Exhibit “K”**.

V. THE APPLICANT’S CREDITORS**A. Secured Creditors****i. DGC Investments Inc.**

87. DGC Investments Inc. (“**DGC**”) is the Applicants’ senior secured creditor.
88. Humble Parent, as borrower, and Humble Manitoba, PWF Holdco, Windship, BOBHQ, Fume Labs, and HCS, as guarantors, entered into a loan agreement (the “**DGC Loan Agreement**”) with DGC dated September 1, 2022. A copy of the DGC Loan Agreement is attached hereto as **Exhibit “L”**.
89. Pursuant to the DGC Loan Agreement, DGC agreed to lend up to a maximum principal amount of \$2,000,000 to Humble Parent, bearing an annual interest rate of 10% for general

working capital purposes (the “**DGC Loan**”). Of that amount, \$1,000,000 was advanced to DGC by way of promissory note dated August 10, 2022, which was then incorporated into the DGC Loan. A further \$1,000,000 was advanced by DGC to Humble Parent on September 1, 2022.

90. Interest is payable semi-annually, every six months following the date of the DGC Loan Agreement, and increases to 14% per annum if any amount payable is not paid when due.
91. The DGC Loan is governed by and is to be construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada, as applicable. The parties submit to the non-exclusive jurisdiction of the courts of Ontario and agree that all claims in respect of any suit, action or proceeding may be heard and determined in such court.
92. As security for the obligations under the DGC Loan:
 - (a) Fume Labs, HCS, BOBHQ, Humble Manitoba, Windship and PWF Holdco guaranteed all of Humble Parent’s obligations under the DGC Loan Agreement;
 - (b) Humble Parent, Fume Labs, HCS, BOBHQ, Humble Manitoba, Windship and PWF Holdco each granted DGC a first-ranking charge on all of their present and after-acquired property (subject, in the case of Humble Parent, to the RBC Registration, defined below);
 - (c) Humble Parent pledged 100% of the issued and outstanding shares of Humble Manitoba to DGC; and
 - (d) Humble Manitoba pledged 100% of the issued and outstanding shares of Fume Labs, HCS, BOBHQ, and PWF Holdco to DGC (collectively, the “**DGC Security**”).

93. The DGC Loan matures on September 2, 2024. As of September 30, 2023 there is approximately \$2,061,153 outstanding under the DGC Loan.

ii. Secured Debentures

94. On June 13, 2023 Humble Parent issued convertible debentures (the “**Debentures**”) in the aggregate amount of \$1,540,000 to a group of investors (the “**Debenture Holders**”) and together with DGC, the “**Secured Lenders**”). The Debenture Holders appointed Green Acre Capital Fund II (Canada) Sidecar LP, itself a Debenture Holder, as Collateral Agent for all of the Debenture Holders. Attached hereto as **Exhibit “M”** is a copy of the Debenture Certificate issued in favour of the Collateral Agent.

95. The Debentures mature on June 13, 2026 and bear interest at 10% per annum, payable on the earlier of conversion, repayment, or maturity. The Debentures can be converted into common shares of Humble Parent at a conversion price of \$0.06 of principal per share and can be repaid in advance at Humble Parent’s election.

96. As security for the Debentures, Humble Parent granted each of the Debenture Holders a *pari passu* charge against all of Humble Parent’s present and after-acquired property (the “**Debenture Security**”).

97. The Secured Lenders, the Collateral Agent and Humble Parent entered into a subordination agreement wherein the parties thereto confirmed that the Debenture Security is subordinate to the DGC Security.

98. As of December 31, 2023 there is approximately \$1,622,987 outstanding under the Debentures.

B. Other PPSA and UCC Creditors

99. In addition to the secured creditors described above, a number of parties have registered security interests against various Applicants under the Ontario *Personal Property Security Act* (“PPSA”) and the Uniform Commercial Code (“UCC”):

- (a) Toyota Industries Commercial Finance, Inc. has two UCC registrations against Windship, dated March 13, 2019 and May 9, 2019 with respect to two forklifts;
- (b) Geneva Capital, LLC has one UCC registration against Windship, dated January 29, 2021, with respect to an engraving laser, camera system and air compressor;
- (c) The Kyle Landlord has one UCC registration against Windship, dated October 17, 2023, for all of Windship’s goods, inventory, equipment, fixtures, furniture, improvements, chattel paper, accounts, intangibles, all other personal property, and all proceeds thereof that are located at the Kyle Facility;
- (d) Royal Bank of Canada (“RBC”) has an Ontario PPSA registration against Humble Parent, dated November 8, 2021 (the “RBC Registration”), in respect of two credit cards, one denominated in Canadian dollars and one in American dollars, issued by RBC to Humble Parent (the “RBC Cards”). As of January 3, 2024, the balances on the RBC Cards are \$25,301.85 and \$51,119.09 USD.. RBC’s collateral is as follows:
 - (I) A \$50,000 USD Term Deposit held on a 60-day term that renews automatically at maturity; and
 - (II) a \$70,000 CAD Guaranteed Investment Certificate on a 1-year term that automatically renews at maturity.

C. Crown Obligations and Priority Claimants

100. Humble Parent is current on HST payments through to October 2023. Humble Parent is normally in a net HST refund position. BOBHQ owes \$120.40 in HST for November 2023 and is waiting for its November HST return to be processed. HCS is current on HST payments. HCS’s account with the Canada Revenue Agency indicates that \$40,000 is

owing. HCS is currently in the process of investigating this amount and intends to process payment for it if HCS agrees with the amounts owed.

101. Going forward, HST remittances will be reflected in the projected cash flows. As the Applicants do not hold any Health Canada licenses they do not pay any excise taxes.
102. The Applicants are also current on all source deductions and they are funded to the Applicants' payroll providers as part of the normal payroll cycle.

D. Unsecured Creditors

103. The Applicants have unpaid trade and other unsecured debt accrued in the normal course of business. As of January 2, 2024 the Applicants' accounts payable balances totalled approximately CAD \$4,871,416.11.
104. Certain of the Applicants' critical suppliers have recently imposed more stringent payment terms as a result of the Applicants' inability to promptly meet trade terms. Other suppliers have refused to fulfil orders due to non-payment. The Applicants are currently delinquent in their payments to about 75% of their suppliers, with a number of accounts placed on credit hold and/or being escalated to collections.

VI. CHALLENGES FACED BY THE APPLICANTS AND PRIOR RESTRUCTURING EFFORTS

A. Overview of Challenges

105. The Applicant's previous management focused excessively on accessories revenue growth over profitability. Previous management believed that if revenue grew quickly enough then profitability would follow.

106. As a result, previous management focused on procuring a large volume of inventory for wholesale to retailers, regardless of whether the sale of such supplies was actually profitable. This resulted in excessive inventory building up, which had the effect of eroding working capital and increasing storage costs. Much of this inventory was for slow turnaround and unpopular accessories, which could only be sold to customers at very low margins or at a loss.
107. Notwithstanding a change in purchasing philosophy that started with my becoming CEO of the Applicants in January 2023, the Applicants are still in possession of much of this low-margin inventory as it can only be sold at very low margins or, more commonly, a loss.
108. Prior management's focus on revenue growth also led to prior management building a workforce and corporate infrastructure that exceeded the Applicants' actual needs. As a result, the Applicants have been forced to spend the last eighteen months right-sizing workforce and footprint, which has necessitated both layoffs and the Windship Facility sublease.
109. As discussed, Humble Parent was publicly listed on June 16, 2021 (the "**Listing**"). At the time, management expected that the Listing would provide Humble Parent with a greater ability to access and raise capital via public investors.
110. Since June 2021 investors have, for various reasons, been exiting the cannabis industry. As a result, Humble Parent's shares, along with most Canadian cannabis companies, have been in a steep decline. This has caused further difficulty in raising funds via the capital markets.
111. The general increase in interest rates since mid-2022 has created further difficulties for the Applicants. As a result of the increase in interest rates investors have been seeking rates of

return that are in excess of returns that the Applicants have been able to provide. As a result, investors have become less and less interested in investing in the Applicants.

112. Unfortunately, while the Applicants have been largely unable to access and obtain the benefits of the public listing, the Applicants are still required to bear the financial costs of being publicly listed. These include additional accounting, legal, and regulatory costs that are only being borne because they are necessary to maintain Humble Parent's listing. I estimate that these costs are approximately \$1.2 to \$1.5 million per year.
113. Under the Purchase Agreement, discussed below, the Applicants would return to being privately-held entities. This would result in an immediate \$1.2 to \$1.5 million annual saving.

VII. CCAA PROCEEDINGS AND RELIEF SOUGHT

A. Need for CCAA Proceedings and Eligibility

114. As a result of their continuing financial difficulty, the Applicants are insolvent and will be unable to operate in the ordinary course and payroll obligations will not be met, to the detriment of their stakeholders.
115. In consultation with their advisors, the Applicants have determined that the CCAA process is the most beneficial plan of action to maximize value for the Applicants' stakeholders.
116. The Applicants have, on a consolidated basis, liabilities in excess of \$5,000,000.

B. Appointment of Monitor

117. The Applicants seek the appointment of Deloitte Restructuring Inc. ("**Deloitte**") as Monitor of the Applicants in these CCAA proceedings. Deloitte has reviewed, and assisted in the

preparation of, the Interim Cash Flow Forecast and has provided guidance and assistance in the commencement of these CCAA proceedings.

118. As a result, Deloitte is in the process of developing critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.

119. Deloitte has consented to act as the Monitor, subject to Court approval. Attached as **Exhibit “N”** hereto is a copy of Deloitte’s consent to act as Monitor.

C. Administration Charge

120. The Applicants seek a super-priority charge over the Applicants’ Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Professionals Group**”), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order.

121. The proposed Administration Charge being sought is for a maximum amount of \$150,000 and is meant to secure the Professionals Group’s fees through to the Comeback Hearing.

122. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings. The Professionals Group have contributed and will continue to contribute to the Applicants’ restructuring efforts, and will ensure that there is no unnecessary duplication of roles among them.

123. In preparation of the Interim Cash Flow Forecast, the Applicants, in consultation with the proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the Comeback Hearing, it is forecasted that the Applicants will incur significant professional fees in connection with the CCAA proceedings, such as preparing for the Comeback Hearing, communicating with employees

and stakeholders following the initial filing and if granted, the issuance of the requested Initial Order in these proceedings, and complying with statutory notices, mailings and communications.

124. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees and the services of the Professionals Group for the period through to the Comeback Hearing.

D. Stay of Proceedings

125. Given the challenges faced by the Applicants described herein, the Applicants require a stay of proceedings to maintain the status quo and to provide the Applicants the breathing space they require to address the issues described in this affidavit and to develop a restructuring plan in consultation with their advisors and the Monitor.

E. Authorization to Incur no Further Costs in Connection with Securities Filings

126. The Applicants seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for Humble Parent to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act*, RSO 1990 c S. 5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the CSE.

127. Humble Parent is currently subject to a cease-trade order (the “**CTO**”) made by the Ontario Securities Commission (the “**OSC**”) on December 6, 2023. The OSC issued the CTO

because Humble Parent was unable to file interim financial statements, management's discussion and analysis, and CEO and CFO certifications of the same for the three months ending on September 30, 2023.

128. In my view, incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants limited resources. It is expected that the Applicants will continue as a private company following completion of a sale transaction, if approved by this Honourable Court. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA proceedings and as may be required under the CCAA.

F. Relief to be Sought at Comeback Hearing

129. If the Initial Order is granted, then the Applicants propose to return to this Court for a comeback hearing on January 12, 2024.
130. At the Comeback Hearing, the Applicants intend to seek the Court's approval of an Amended and Restated Initial Order. For the benefit of this Court and the Applicants' stakeholders, this section highlights critical relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable in the circumstances.

i. Extension of Stay of Proceedings

131. The Applicants intend to seek an extension of the Stay Period for a sufficient length of time to allow the Applicants to conduct a sales and investment solicitation process ("SISP").

ii. Directors and Officer's Charge

132. To ensure the ongoing stability of the Applicants during this CCAA proceeding they require the continued participation of their officers and directors. The officers and directors have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful path forward. As a result, the Applicants anticipate seeking a charge in favour of the directors and officers (the “**D&O Charge**”) at the Comeback Hearing. The D&O Charge will be in a quantum proposed in the Monitor’s first report, to be filed in advance of the Comeback Hearing.

133. The Applicants’ directors are the beneficiaries of an insurance policy which I understand provides them with coverage for certain claims and liabilities that may arise against them. However the policy contains exclusions and exceptions to such coverage as provided. The Applicants’ ordinary course operations give rise to potential director or officer liabilities, including payroll and sales tax remittances. To address legitimate concerns with respect to their potential exposure, the directors and officers have requested reasonable protection against personal liability that might arise against them during the post-filing period.

134. The D&O Charge will rank below the Administration Charge in priority.

iii. Sale and Investment Solicitation Process and Stalking Horse Approval

135. Following discussions with the Applicants’ stakeholders, its counsel, and the proposed Monitor, I believe that the Applicants’ stakeholders will receive the best possible recovery from a court-supervised SISF. The Applicants, with the assistance of the Monitor, are currently in the process of drafting the terms of a SISF. I currently anticipate that the proposed SISF will be overseen by the Monitor and will be conducted over a 30-40 day period or as may be directed by the Court. The Applicants intend to include a copy of the

proposed SISP guidelines in their materials to be filed at the Comeback Hearing, subject to approval by this Honourable Court at the Comeback Hearing.

136. The Applicants and the Secured Lenders are in the process of negotiating a purchase agreement (the “**Purchase Agreement**”) pursuant to which the Purchaser (as defined below) intends to (i) act as a stalking horse bidder in the SISP; and (ii) acquire 100% direct and indirect ownership of the Applicants within the CCAA proceedings by way of a reverse approval and vesting order.
137. The Purchase Agreement will serve as a baseline for any bids received in the SISP to be measured against, and will signal to customers, employees and other stakeholders that the business will continue as a going concern following the conclusion of these CCAA proceedings. Due to the nature of this business (being the timely fulfilment of significant orders from industry leading customers) it is critical to the preservation of stakeholder value that going concern operations be preserved.
138. The Applicants intend to seek approval of both the SISP and the Purchase Agreement at the Comeback Hearing.
139. The principal terms of the Purchase Agreement, as currently contemplated, are summarized below. All capitalized terms not defined in this Affidavit take their definitions from the Purchase Agreement:

| Term | Details |
|------------------------------|---|
| Seller | Humble Parent |
| Purchaser | A corporation to be newly incorporated by the Secured Lenders (the “ Purchaser ”). |
| Transaction Structure | Reverse-vesting share purchase transaction. |

| | |
|-----------------------------|--|
| Purchase Price | The assumption by the Purchaser of all indebtedness owing by the Applicants owing to the Secured Lenders under the Debentures and the DGC Loan. |
| Purchased Shares | The Purchaser will purchase the common shares of Humble Parent in accordance with the Pre-Closing Reorganization. |
| Professional Fees | In the event that the Purchaser is not the successful bidder in the SISP the Purchaser shall be entitled to repayment of all professional fees and disbursements incurred in connection with the Purchase Agreement to a maximum amount of \$75,000. |
| Break Fee | \$100,000, inclusive of HST. |
| Retained Assets | Equipment and personal property, Assumed Contracts, Permits and Licenses, Books and Records, Business and undertakings. |
| Excluded Assets | <ol style="list-style-type: none"> 1. Inventory sold in the ordinary course of Business in the Interim Period in accordance with the Initial Order; and 2. Excluded Contracts (as may be determined prior to Closing). |
| Retained Liabilities | <ol style="list-style-type: none"> 1. The DGC Loan. 2. The Debentures. 3. Such other Liabilities as may be confirmed by the Purchaser prior to Closing. |
| Excluded Liabilities | <ol style="list-style-type: none"> 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 |

| | |
|----------------------------------|---|
| | <p>negotiation, execution or delivery of this Agreement or the consummation of the Transaction.</p> <p>6. Any and all Liabilities that are not Retained Liabilities.</p> |
| As is, Where is | The Purchased Shares and the Retained Assets will be sold to the Purchaser on an “as is, where is” basis, subject only to the representations and warranties contained in the Purchase Agreement. |
| Key Conditions to Closing | <ol style="list-style-type: none"> 1. The Court shall have issued and entered the Approval and Vesting Order and the Assignment Order, which orders 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; 2. The Permits and Licenses shall be in good standing at the Closing Time and no material default shall have occurred under such Licenses and Permits and such Licenses and Permits shall remain in good standing immediately following and notwithstanding closing. . |
| Closing Date | No later than (10) ten Business Days after the conditions to Closing have been satisfied or waived, other than those that are to be satisfied or waived at the Closing. |

iv. Increase of Charges

140. The Applicants intend to work with the Monitor to determine an adequate quantum to increase the Administration Charge and to seek approval of such increase in the Administration Charge at the Comeback Hearing.

VIII. CONCLUSION

141. The Applicants, with the assistance of their legal and financial advisors, have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for the Applicants’ stakeholders in the circumstances.
142. I swear this affidavit in support of an Application under the CCAA for an Initial Order in the form contained at Tab 3 of the Application Record, and for no other or improper purpose.

SWORN before me at the City of Toronto,
in the Province of Ontario, this 4th day of
January, 2024 in accordance with O. Reg.
431/20 Administering Oath or Declaration
Remotely

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits

MATTHEW CRESSATTI

DocuSigned by:
Jakob Ripshtein
0AE7986CE32D413...

JAKOB RIPSSTEIN

This is Exhibit “B” referred to in the Affidavit of Jakob Ripshtein sworn by Jakob Ripshtein of the City of Toronto, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, on January 11, 2024 in accordance with O. Reg. 431/20, Administering Oath or Declaration Remotely.

DocuSigned by:
Matthew Cressatti
DA79353421D842D...

Commissioner for Taking Affidavits (or as may be)

MATTHEW CRESSATTI

Humble & Fume Inc. and certain of its subsidiaries
Projected Statement of Receipts and Disbursements
For the Period January 1, 2024 to January 28, 2024
CAD \$000

| Projected Receipts and Disbursements | Week ending | | | | Total |
|---|--------------------|------------------|------------------|------------------|----------------|
| | 7-Jan-24 | 14-Jan-24 | 21-Jan-24 | 28-Jan-24 | |
| Amounts presented in CAD 000s | | | | | |
| Opening balance | 1,435 | 1,525 | 1,073 | 919 | 1,435 |
| Receipts | | | | | |
| Collection from sales and accounts receivables | 189 | 374 | 200 | 193 | 956 |
| Sale of Assets | - | - | 117 | - | 117 |
| Total Receipts | 189 | 374 | 317 | 193 | 1,073 |
| Disbursements | | | | | |
| Trade payables, cost of goods sold, operating costs and overheads | (44) | (554) | (416) | (225) | (1,239) |
| Payroll and benefits | - | (218) | - | (223) | (441) |
| Rent and utilities | (55) | (0) | (0) | (0) | (56) |
| Professional Fees | - | (54) | (54) | (54) | (162) |
| Total disbursements | (99) | (826) | (471) | (503) | (1,898) |
| Net cash change | 90 | (452) | (154) | (310) | (826) |
| Ending cash balance | 1,525 | 1,073 | 919 | 609 | 609 |

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C., 1985, c. C-36, AS AMENDED
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA),
B.O.B. HEADQUARTERS INC., FUME LABS INC., HUMBLE CANNABIS
SOLUTIONS INC., PWF HOLDCO INC., and WINDSHIP TRADING LLC.
(the "Applicants")

Court File No.: CV-24-00712366-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST

Proceeding commenced at Toronto

AFFIDAVIT OF JAKOB RIPSHTEIN
(SWORN JANUARY 11, 2024)

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Tel: 416.597.4311

Lawyers for the Applicants

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 12th
)
JUSTICE CAVANAGH) DAY OF JANUARY, 2024
)

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 HUMBLE & FUME INC. (ONTARIO), HUMBLE &
FUME INC. (MANITOBA), BOB HEADQUARTERS INC., FUME LABS INC.,
HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC

(the “**Applicants**”)

AMENDED AND RESTATED INITIAL ORDER

THIS MOTION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended for an order extending the stay of proceedings was heard this day by Zoom video conference.

ON READING the notice of motion dated January 11, 2023, the the affidavit of Jakob Ripshtein sworn January 11, 2024, and on hearing the submissions of counsel for the Applicants, Deloitte Restructuring Inc. (“**Deloitte**”) in its capacity as monitor of the Applicants (the “**Monitor**”), and other counsel appearing on the Participant Information Form, no one appearing for any other party although duly served as appears from the affidavit of service of Patryk Sawicki dated January 11, 2024, filed;

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service 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 in the initial order of Justice Cavanagh granted in these proceedings on January 5, 2024 (the “**Initial Order**”).

STAY OF PROCEEDINGS

3. **THIS COURT ORDERS AND DECLARES** that the Stay Period granted pursuant to the Initial Order is hereby extended up to and including January 26, 2024.

GENERAL

4. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the 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.
5. **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.
6. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

7. **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
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA),
BOB HEADQUARTERS INC., FUME LABS INC., HUMBLE CANNABIS
SOLUTIONS INC., PWF HOLDCO INC., and WINDSHIP TRADING LLC.
(the "Applicants")

Court File No.: CV-24-00712366-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST
Proceeding commenced at Toronto

STAY EXTENSION ORDER

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Lawyers for the Applicants

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c.C-36 AS
AMENDED
HUMBLE & FUME INC. (ONTARIO), HUMBLE & FUME INC. (MANITOBA), BOB HEADQUARTERS
INC., FUME LABS INC., HUMBLE CANNABIS SOLUTIONS INC., PWF HOLDCO INC., and
WINDSHIP TRADING LLC.

Court File No.: CV-24-00712366-00CL

(the "Applicants")

**ONTARIO
SUPERIOR COURT OF JUSTICE -
COMMERCIAL LIST**

Proceeding commenced at Toronto

MOTION RECORD

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