



Court File No. CL-26-00000265-0000

**IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
FRESHSTONE BRANDS INC.**

**FIFTH REPORT TO THE COURT
SUBMITTED BY DELOITTE RESTRUCTURING INC.,
IN ITS CAPACITY AS MONITOR**

OCTOBER 21, 2026

**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
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SECTION A - INTRODUCTION

1. On June 9, 2026, Freshstone Brands Inc. (the “**Applicant**”) sought and obtained from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) an initial order (the “**Initial Order**”) under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) providing for, *inter alia*, a stay of proceedings in favour of the Applicant until June 18, 2026, (the “**Stay Period**”) and the appointment of Deloitte Restructuring Inc. as monitor (in such capacity, the “**Monitor**”). The proceedings commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceedings**”.

2. On June 18, 2026, the Court granted an Amended and Restated Initial Order (the “**ARIO**”), *inter alia* extending the Stay Period to October 16, 2026.
3. Pursuant to the Initial Order and the ARIO, the Court approved a DIP Facility Loan Agreement dated as of June 8, 2026, (the “**DIP Credit Agreement**”) between the Applicant, as borrower, and Garrington Financial Services Inc., as lender (in such capacity, the “**DIP Lender**”), pursuant to which the DIP Lender has agreed to advance up to \$7 million to the Applicant, subject to the terms and conditions of the DIP Credit Agreement.
4. Also on June 18, 2026, the Court granted the Applicant’s motion for an Order, *inter alia*:
 - (a) Approving the implementation of a sale and investor solicitation process (the “**SISP**”) in accordance with the procedures (the “**SISP Procedures**”) attached thereto as Schedule A, in which the Applicant would use the Subscription Agreement (as defined below) as the “stalking horse bid” in the SISP and would seek Superior Proposals by the Bid Deadline (each as defined in the SISP Procedures) and, if one or more Qualified Bid (as defined in the SISP Procedures) is received, would conduct an auction to determine the highest and best offer available, all in order to maximize recoveries for the benefit of the stakeholders of the Applicant;
 - (b) Approving, *nunc pro tunc*, the execution of the agreement dated as of June 12, 2026 (as amended from time to time, the “**Subscription Agreement**”), between the Applicant, as Issuer, and Mr. Frank Burdzy¹, as the Investor, and authorizing the use of the Subscription Agreement as the “stalking horse bid” in the SISP; and

¹ Mr. Burdzy is both a secured creditor and the Chief Executive Officer of the Applicant.

- (c) Authorizing the Applicant to engage GlassRatner Advisory Canada Inc. as the Applicant's sale advisor pursuant to the terms of an engagement agreement dated June 5, 2026.
- 5. On October 14, 2026, the Court granted the Applicant's motion for an Approval and Reverse Vesting Order (the "**ARVO**"), *inter alia*:
 - (a) Extending the Stay Period to November 30, 2026; and
 - (b) Approving the Subscription Agreement and the transactions contemplated therein (the "**Transactions**").
- 6. This, the Fifth Report of the Monitor (the "**Report**"), is filed in accordance with section 23(1)(d)(i) of the CCAA to inform the Court that the Monitor has ascertained a material adverse change in the Applicant's projected cash flow or financial circumstances.
- 7. The Report will be served on the service list in the CCAA Proceedings and the Monitor will advise the Applicant's creditors of the filing of the Report in accordance with section 23(1)(e) of the CCAA.

SECTION B - TERMS OF REFERENCE

- 8. In preparing this Report, the Monitor has relied upon unaudited financial information of the Applicant, the Applicant's books and records, certain financial information prepared by the Applicant and discussions with various parties (the "**Information**").
- 9. Except as otherwise described in this Report:
 - (a) The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the *CPA Canada Handbook*; and

- (b) The Monitor has not examined or reviewed financial forecasts and projections referred to in this Report in a manner that would comply with the procedures described in the *CPA Canada Handbook*.
- 10. The Monitor has prepared this Report in accordance with section 23(1)(d)(i) of the CCAA and it should not be relied on for any other purpose.
- 11. Future oriented financial information reported or relied on in preparing this Report is based on the assumptions of the management of the Applicant (“**Management**”) regarding future events; actual results may vary from forecast and such variations may be material.
- 12. Unless otherwise stated, all monetary amounts contained herein are expressed in **Canadian dollars**. Capitalized terms not otherwise defined herein have the meanings given to them in the Monitor’s First Report dated June 8, 2026, the ARIO, the Subscription Agreement or the ARVO, as applicable.

SECTION C - EXECUTIVE SUMMARY

- 13. The Monitor has ascertained that there is a material adverse change in the Applicant’s projected cash flow or financial circumstances as a result of various factors including:
 - (a) A significant reduction in actual and projected sales volumes; and
 - (b) A failure to pay certain post-filing liabilities as and when due.
- 14. As a result of the material adverse change, in the Monitor’s view there is significant uncertainty as to whether:
 - (a) The Transactions will close; and
 - (b) Post-filing liabilities will be paid.

SECTION D - MATERIAL ADVERSE CHANGE

15. The Monitor has been made aware by Management that the Applicant has suffered a material reduction in actual and projected sales as a result of lost customers, reductions in order volumes from certain customers and the inability to fulfil orders owing to the inability to source sufficient raw materials as a result of cash constraints.
16. The reduction in sales volumes, together with the delay in the collection of certain accounts receivable has impacted the borrowing base calculation and restricted the amount available to borrow under the DIP Credit Agreement.
17. Consequently, the Applicant has been unable to pay certain post-filing liabilities when due. On October 20, 2026, the Monitor received a schedule of aged post-filing accounts payable as at October 17, 2026, which includes 125 creditors with a total of \$2,050,958 owing, of which \$1,414,975 is past due.
18. On October 21, 2026, the Applicant confirmed to the DIP Lender that an Event of Default had occurred under the DIP Credit Agreement. The Event of Default arose as a result of exceeding the Permitted Variance for two consecutive weeks as shown on the variance reports submitted to the DIP Lender on October 10, 2026, and October 17, 2026. The Applicant has requested a waiver of the Event of Default. As at the date of this Report, no such waiver has been provided by the DIP Lender.
19. The Monitor has discussed with the Investor the possibility of providing additional funding to the Applicant prior to Closing to address the Applicant's current cash flow constraints. As of the date of this Report, the Investor has declined to provide any assurance that such funding will be forthcoming.

20. Pursuant to the Subscription Agreement, the obligation of the Investor to complete the Transactions is subject to the satisfaction or waiver of certain conditions as set out in paragraph 35 of the Monitor's Third Report dated September 15, 2026. The obligation of the Investor to complete the Transactions is not conditional on financing, nor is it conditional on there being no material adverse change in the business.
21. The Monitor is aware that the Investor has been attempting to arrange financing to be available on the Closing of the Transactions. As at October 20, 2026, no commitment for such financing had been confirmed to the Monitor.
22. The Monitor has asked the Investor to confirm that he will complete the Transactions by the Outside Date, being November 27, 2026. As of the date of this Report, the Investor has declined to provide such confirmation.
23. Based on the foregoing, the Monitor is of the view that there has been a material adverse change in the Applicant's projected cash flow and financial circumstances, which has or may result in:
 - (a) A significant impairment to the Applicant's ability to pay all of the post-filing obligations incurred in the CCAA Proceedings; and
 - (b) A risk of prejudice to the interests of one or more creditors of the Applicant.

The Monitor respectfully submits to the Court this, its Fifth Report.

Dated this 21st day of October, 2026.

Deloitte Restructuring Inc.
In its capacity as Monitor of
Freshstone Brands Inc.
and not in its personal or corporate capacity



Per: Nigel D. Meakin
Senior Vice President

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ACT, R.S.C. 1985, C. C 36, AS AMENDED**

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Proceeding commenced at Toronto

FIFTH REPORT OF THE MONITOR

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