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Rocky Mountain Bankruptcy Conference

Alternatives to Bankruptcy, Cannabis Issues and Cross-Border Insolvency

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SOMETIMES BANKRUPTCY ISN'T THE ANSWER

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- Receiverships
- Grounds for appointment
 - Mismanagement
 - Fraud
 - Property dispute
 - Dissolution
 - Collection of judgment
 - Statute
- A party that is appointed by the court as the court's agent, and subject to the court's direction, to take possession of, manage, and, if authorized by statute or court order, transfer, sell, lease, license, exchange, collect or otherwise dispose of receivership property



- Appointment Process
- Complaint/motion
- Court review/hearing
- Selection of receiver
- Duties—order is key



- State receiver
 - Single state
 - Business disputes, foreclosure, family law
 - Governed by state laws/regulations/equity
 - Sales process often less formal
- Federal receiver
 - Multiple states
 - Securities fraud, RICO, interstate conflicts
 - Federal statutes, court rulings
 - More formal sales process



- Uniform Commercial Real Estate Receivership Act (UCRERA)
 - A “mini” bankruptcy
 - Automatic stay
 - Sale free and clear
 - Strong arm powers
- Equity receiverships
 - Based on case law
 - Equitable authority of the court
 - Receivership order



- Licensed/franchise industries
 - Receivership often the better option
- Hotels
- Radio stations
- Construction projects
- Cannabis



- Benefits
 - Faster (reduced process/players)
 - Preservation of business value
 - Reduced stigma
 - Enhanced distributions
- Costs
 - Risk of involuntary bankruptcy
 - Courts not specialized
 - Reduced jurisdiction



- Assignments for the Benefit of Creditors (ABCs)
 - State-law alternative to bankruptcy for distressed businesses
 - Quicker, cheaper, less public, less formal than bankruptcy or receivership
- State statute or common law
 - Utah ABC statute: Chapter 1 of Title 6 of the Utah Code, §§ 6-1-1 to 6-1-20)
- Large variances among states
- Sometimes (no) court supervision



- Distressed business (Assignor) transfers assets to independent third party to liquidate (Assignee)
- Via written Assignment Agreement
- Secured Lender Consent needed
- Assignment estate created



- Assignee is fiduciary
- Many states entirely private (e.g., Cal.)
- Court supervision (e.g., Utah, Colo., Del.)
 - Provides procedural safeguards and transparency
- Provides notice of assignment and claims process
- Sale process (if going concern, can “pre-package”)
- Distributes sale proceeds



- Advantages
 - Quicker
 - Confidential (sometimes)
 - Flexibility
 - Reduced stigma
- Disadvantages
 - Risk of involuntary bankruptcy
 - No automatic stay
 - Consent needed to assign contracts (no rejection)
 - No sale free and clear w/o consent
 - Reduced certainty (no or little judicial oversight)
 - Cannot assign business license (e.g., cannabis)



- Toward Uniformity
- Model ABC Act
 - Uniform Law Commission initiated drafting of Uniform ABC Act in 2022
 - Aims to harmonize diverse state laws and custom/practice
 - Draft expected for approval in July 2025
- Addresses
 - ABC laws' interaction with bankruptcy and other state/federal procedures
 - Choice of law rules
 - Court involvement
 - Transparency, due process, conflicts of interest, and duties of assignees



- Cross border issues
- Recognition of foreign proceedings
- Chapter 15 of Bankruptcy Code



- Reverse vesting orders (RVOs)
- Transaction that “vests out” liabilities instead of assets
- Facilitates going-concern restructurings by preserving licenses, etc...
- Often used in highly regulated environments
- Increasingly common, but still seen as extraordinary relief



- Third party releases
- Widely available in Canadian insolvency proceedings
- Contrast with *Purdue Pharma*



- U.S. approach to recognition
- Chapter 15 designed to promote cooperation and facilitate cross-border restructuring
- Typical requirements and restrictions of Chapter 11 do not apply
- US Courts are to cooperate “to the maximum extent possible” – subject to the US public policy exception
- Unless **manifestly contrary** to US public policy (cannabis?)
- Third party releases recently permitted under Chapter 15



- Alternatives to Chapter 15
- Restructuring w/o recognition
 - Easier when assets and operations in single state
 - Emphasis on coordination rather than control
- Comity
- State-level recognition
- Temporary injunctions

ASSIGNMENTS FOR THE BENEFIT OF CREDITORS¹

General Overview

Assignments for the Benefit of Creditors (“ABCs”) are a state-law governed alternative to federal bankruptcy relief designed to facilitate the orderly liquidation of a distressed business’s assets and the distribution of proceeds to creditors. Unlike bankruptcy, which is governed by federal law (title 11 of the United States Code, 11 U.S.C. §§ 101-1532), ABCs are creatures of common law or state statutes, depending on the jurisdiction.

ABCs have become an increasingly appealing option for distressed companies seeking a quicker, less expensive, and often less public process to wind down operations and liquidate assets. While ABCs share some similarities with bankruptcy (*e.g.*, a fiduciary to liquidate assets and distribute proceeds), the process is typically more flexible, with fewer formalities and court oversight.

The ABC Process

An ABC is initiated when a distressed company (the “Assignor”) voluntarily transfers all of its assets to an independent third party (the “Assignee”), who holds and liquidates the assets for the benefit of the company’s creditors. The Assignee is typically chosen by the Assignor, but it is not uncommon for the Assignor’s secured lender to have a say in the matter.

The documents for initiating an ABC typically include the following:

- **Lender Consent (if applicable).** If the Assignor’s assets are subject to liens and security interests, the secured lender’s consent is often required to allow the assignment of its collateral to the Assignee. This is typically documented in a Lender Consent Agreement, which may include terms regarding the treatment of the lender’s collateral, cooperation in sales processes, and the release or retention of liens upon sale. See Utah Code § 6-1-2 (assignment void against creditor not assenting in certain cases).
- **Assignment Agreement.** The Assignor executes a general assignment document transferring all rights, title, and interest in its assets to the Assignee. After the general assignment is made, an assignment estate is created. See Utah Code § 6-1-3 (requiring written assignment instrument to be executed and acknowledged in the manner prescribed for deeds; recorded with county recorder; automatically vests title in assignee to all property belonging to assignor, except exempt property and life insurance).

The administration of the assignment estate includes features that are similar to a bankruptcy process, with varying degrees of court oversight:

- **Assignee as Fiduciary.** The Assignee assumes fiduciary duties similar to those of a bankruptcy trustee, including inventorying assets, notifying creditors, conducting asset

¹ These materials make specific reference to the Utah ABC statute (Chapter 1 of Title 6 of the Utah Code, §§ 6-1-1 to 6-1-20) and identify certain differences in ABC processes under other states’ laws.

sales (often via private sales or auctions), and distributing proceeds in accordance with creditor priorities under state law.

- **Notice of Assignment and Claims Process.** The Assignee provides notice of the assignment to creditors and other parties in interest and fixes a bar date by which creditor claims must be submitted. The time period in which notice must be given and claims must be filed varies by state and is based on specific statutory requirements (such as in California) or, in the absence of specific statutory requirements, may be based on local practice or custom (such as in Delaware and Illinois). In Utah, claims must be filed within three months of the publication notice of assignment (unless extended by court order, up to a statutory maximum of nine months). See Utah Code §§ 6-1-5 (publication notice and notice by mail) & 6-1-6 (claims deadlines). Any party in interest may object to a claim, triggering a claim objection proceeding. See Utah Code § 6-1-8 (providing claim objection procedure).
- **Sale of Assets.** The Assignee liquidates the assigned assets, seeking to maximize value for all creditors. In certain cases, assets can be sold on a going-concern basis shortly after the assignment is made (a “prepackaged ABC”). This is typically only possible when the Assignor has negotiated advanced sale documents with a purchaser prior to making the assignment, with the Assignee being involved prior to the assignment taking place. Sales can be conducted through auctions or other private or public methods. In Utah, the Assignee may dispose of and sell all assets of the assignment estate, but certain real estate sales require court approval. See Utah Code § 6-1-16.
- **Distribution of Proceeds.** Typically, secured creditors are paid first from their collateral proceeds, with any remaining proceeds distributed pro rata to unsecured creditors. See Utah Code § 6-1-11; Matter of Cache Valley Syndicate Tr., 587 P.2d 525 (Utah 1978) (invalidating judgment that elevated claim of residual owners of assignor above those of actual creditors).
- **Court Supervision.** In most jurisdictions, ABCs are private, non-judicial proceedings requiring no court oversight or approval. This allows for speed and confidentiality but offers limited procedural protections to creditors. Some states, such as Delaware, Florida, Minnesota, and Utah, provide statutory frameworks for ABCs that are initiated through court filings and subject to court supervision. These processes resemble simplified bankruptcy proceedings and provide more transparency and formal creditor protections.²

Advantages of ABCs vs. Bankruptcy

ABCs offer several potential advantages over formal bankruptcy proceedings:

² Under Utah Code § 6-1-11, ABCs are court-supervised from the outset. Upon execution and recording of the assignment, the process is brought under the jurisdiction of the district court, and the assignee becomes subject to court orders. See Utah Code § 6-1-11 (“The assignee shall at all times be subject to the order and supervision of the court or judge and from time to time may be compelled, by citation or attachment, to file reports of the assignee’s proceedings and of the situation and condition of the trust, and to proceed in the execution of the duties required by this title.”).

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- **Lower Costs.** Because ABCs are often non-judicial and avoid many of the formalities of bankruptcy, they are generally less costly and administratively burdensome.
- **Speed.** ABCs can be completed more quickly than chapter 7 or chapter 11 liquidations, allowing stakeholders to move forward sooner.
- **Confidentiality.** The lack of court filings in many states makes ABCs a less public process than bankruptcy, which may help preserve the value of certain assets or protect reputational interests.
- **Flexibility.** The Assignee can structure asset sales flexibly and negotiate with buyers and creditors without the need for court approval, unless otherwise required by state law.
- **Reduced Stigma.** ABCs are sometimes perceived as a more business-friendly and cooperative approach to liquidation, avoiding the stigma that may attach to a bankruptcy filing.

Disadvantages of ABCs vs. Bankruptcy

While ABCs offer many benefits, they also come with notable limitations when compared to bankruptcy proceedings:

- **No Automatic Stay.** Unlike bankruptcy proceedings, ABCs do not impose an automatic stay of creditor actions. Creditors may continue to pursue litigation, enforce judgments, or take other collection actions against the company or its assets unless separate agreements are reached.
- **Risk of Involuntary Bankruptcy.** The initiation of an ABC does not prevent creditors from filing an involuntary bankruptcy petition against the company, which could disrupt or supersede the ABC process.
- **Contractual Rights Remain Intact.** ABCs do not invalidate contractual provisions that allow counterparties to terminate or modify contracts upon assignment or insolvency (commonly known as “ipso facto” clauses). Consents required under leases, licenses, and other agreements generally must be obtained, and anti-assignment provisions cannot be overridden.
- **Limitations on Free and Clear Sales.** Unlike a 363 sale in bankruptcy, the Assignee in an ABC typically cannot sell assets free and clear of liens and security interests unless the secured party is paid in full or consents to the release of its lien. This can complicate asset sales and reduce the perceived value to buyers.
- **Reduced Judicial Certainty.** Without the procedural safeguards and finality of bankruptcy court orders (*e.g.*, sale orders, claims allowance), parties may have less certainty regarding the treatment of claims, liens, and contracts in an ABC process.

Use of ABCs for Distressed Cannabis Companies

Cannabis companies face unique challenges when distressed due to the federal illegality of cannabis. Historically, cannabis-related businesses have been barred from accessing federal bankruptcy protections due to the Controlled Substances Act (the “CSA”), which classifies marijuana as a Schedule I substance. This classification has led courts to dismiss bankruptcy cases involving cannabis businesses, citing ongoing violations of federal law. See, e.g., Blumsack v. Harrington (In re Blumsack), 657 B.R. 505 (B.A.P. 1st Cir. 2024); Arenas v. United States Trustee (In re Arenas), 535 B.R. 845 (B.A.P. 10th Cir. 2015); In re Way To Grow, Inc., 597 B.R. 111 (Bankr. D. Colo. 2018), aff’d sub nom. In re Way to Grow, Inc., 610 B.R. 338 (D. Colo. 2019). This includes the prohibition on the sale of cannabis inventory, the transfer of cannabis licenses, and the use of bankruptcy protections for businesses whose operations violate federal law. Consequently, cannabis companies cannot rely on the federal bankruptcy system to reorganize or liquidate their assets.

However, the decision in In re The Hacienda Company, LLC, 647 B.R. 748 (Bankr C.D. Cal. 2023) is a notable departure from the typical prohibition against cannabis-related bankruptcies. There, the bankruptcy court allowed the debtor, a former cannabis operator, to proceed under chapter 11 after it had ceased all cannabis operations and exchanged its assets for stock in a publicly traded Canadian cannabis company. The court rejected the U.S. Trustee’s motion to dismiss, finding that (i) the debtor no longer operated in the cannabis industry at the time of filing; (ii) Congress did not intend a “zero tolerance” rule for any taint of illegality; and (iii) the chapter 11 process provided the best avenue to liquidate non-cannabis assets and maximize creditor recoveries. While distressed cannabis-related businesses remain generally ineligible for bankruptcy relief, Hacienda demonstrates that courts may allow certain cases to proceed where cannabis activities have ceased and the debtor’s assets are no longer directly tied to cannabis operations.

Even so, facts and circumstances akin to Hacienda may be rare. Therefore, distressed cannabis companies should consider all available non-bankruptcy alternatives, including ABC processes. As ABCs are creatures of state law, they are a viable alternative for distressed cannabis businesses. ABCs allow companies to liquidate assets, transfer permits (potentially), and distribute proceeds in accordance with state regulations. For example, a purchaser cannot acquire any cannabis inventory without a commercial cannabis license, and in California, cannabis licenses are not transferable; the Department of Cannabis Control only allows changes of ownership of a licensed cannabis business. California’s Department of Cannabis Control regulations provide for flexibility if a licensed cannabis business assigns its assets to an Assignee. See Cal. Code. Reg. § 15024. The Assignee (or a creditor of the business) can apply for its own license while the Assignee still operates the assignor’s business. This is just one example of how an ABC process can be used by a distressed cannabis business when the doors of the bankruptcy courts are closed—at least while marijuana is classified as a Schedule I substance under the CSA.

Uniformity – Assignment for Benefit of Creditors Act

In 2022, the Uniform Law Commission (ULC) initiated a project to develop a uniform act establishing guidelines for ABCs. This endeavor aims to harmonize the diverse state laws governing ABCs, which currently vary significantly across jurisdictions. The proposed uniform

act seeks to provide a consistent legal framework for ABCs, enhancing predictability and efficiency in insolvency proceedings.

The drafting committee is addressing key issues such as the interaction between ABCs and federal bankruptcy law, the role of court supervision, and the rights and obligations of debtors and creditors. By standardizing these elements, the uniform act intends to facilitate smoother cross-state insolvency processes and provide clearer guidance for stakeholders involved in ABCs.

In the fall of 2023, the ULC's project progressed into a drafting committee, which has worked to prepare a uniform act that it aims to present for approval at the ULC's annual meeting in July 2025. The drafting committee is comprised of Uniform Law Commissioners, an ABA advisor, and observers from the banking, bankruptcy, legal, receivership, and title insurance industries.

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Receiverships

Definition

A Receiver is a party that is appointed by the Court as the Court's agent, and subject to the Court's direction, to take possession of, manage, and, if authorized by statute or court order, transfer, sell, lease, license, exchange, collect or otherwise dispose of Receivership property.

Grounds for appointment

Generally, a Receiver is appropriate under the following conditions:

- **Financial Mismanagement:** When a business or individual fails to adequately maintain financial records or fulfill fiduciary responsibilities.
- **Fraud or Wrongdoing:** If allegations of fraud, misconduct, or misappropriation of funds arise.
- **Property Disputes:** In cases where disputed property needs oversight before ownership is determined.
- **Business Dissolution:** To supervise operations and ensure an equitable distribution of assets among stakeholders.
- **Collection of Judgment:** To pursue the collection of judgment against a company or individual.

Appointment Process

The process of appointing a court Receiver typically involves:

- **Filing a Motion:** A party petitions the court for the appointment of a Receiver, providing justification and supporting evidence.
- **Court Review:** The Judge evaluates the necessity and appropriateness of a Receiver based on statutory provisions and case circumstances.
- **Selection of Receiver:** The court designates a qualified professional, often with expertise in finance, business management, or legal affairs. Generally, the parties make the recommendation to the Court.
- **Receiver's Duties:** Upon appointment, the Receiver takes control of assets, manages financial transactions, and provides periodic reports to the court.

Differences Between State and Federal Receivers

Issues	State Court Receiver	Federal Court Receiver
Jurisdiction	Limited to a single state	Operates across multiple states
Appointment Authority	State courts (varies by state)	Federal courts (nationwide jurisdiction)
Common Cases	Business disputes, foreclosure, family law	Securities fraud, RICO cases, interstate conflicts

Issues	State Court Receiver	Federal Court Receiver
Legal Framework	Governed by state laws and regulations	Governed by federal statutes and court rulings
Sales	State Courts provide sale procedures	Federal statutes require appraisals and more formal process

Uniform Commercial Real Estate Receivership Act (UCRERA)

The Uniform Commercial Real Estate Receivership Act (**UCRERA**) was developed to create consistency and clarity in how courts handle Receiverships for commercial real estate assets. By establishing a uniform legal framework, UCRERA enhances judicial efficiency, streamlines procedures, and provides greater predictability for lenders, investors, and property owners. Several states have adopted the UCRERA: Arizona, Connecticut, Florida, Maryland, Michigan, Nevada, North Carolina, Oregon, Rhode Island, Tennessee, Utah, and West Virginia

Key Provisions of UCRERA

Automatic Stay

Upon entry of an order appointing a Receiver, an automatic stay goes into effect prohibiting further actions or proceedings related to obtaining possession or control of, or enforcing a judgment against the Receivership property. An exception to the automatic stay, is an exception allowing the party seeking the appointment of a Receiver to simultaneously pursue an action for a foreclosure.

Sale of property

The Receiver may sell property free and clear of liens.

Strong arm powers

The Receiver has the same status as a lien creditor under Article 9 of the UCC for personal property/fixtures and the same status as a lienholder for a Receivership over personal property or real property.

Appointment for licensed industries

The appointment of a Receiver may be more beneficial than a bankruptcy proceeding when the business is subject to state or federal licenses, copyrights or patents. Generally, the “change in control” provisions in agreements or licenses may not be deemed a default in the agreements or licenses when a Receiver is appointed. Additionally, the Receiver is not required to deal with the following bankruptcy code provisions such as 11 USC 330 (Fees), 11 USC 365 (Executory Contracts), 11 USC 363 (Sales and operation of the business), and 11 USC 364 (Financing) and other code provisions. The following industries may benefit from a Receivership:

- **Hotels:** A Hotel may have a franchisor/licensor and the receivership may be easier to resolve the defaults and easier to sell and transfer the asset and much less expensive process.

- **Radio Stations:** Receivership may be easier in dealing with the transfer of the license with FCC and other intellectual property without dealing with executory contracts and other sale issues.
- **Construction projects:** Receivership may be easier in dealing with the completion of projects without the expense of dealing with the restrictions in bankruptcy including the financing of the project and the sales of the projects.

Cannabis Receivership

Many states have legalized cannabis, however, due to federal restrictions, cannabis companies, generally, cannot seek protection under the Bankruptcy Code. As a result, appointing a Receiver has become a viable alternative for companies experiencing financial distress or legal disputes. A Receiver can:

- Stabilize operations by ensuring compliance with state laws and regulations.
- Manage debt restructuring to avoid liquidation.
- Protect investors and creditors by preventing mismanagement or fraud.
- Prepare a business for sale with the transfer of the Cannabis license.

Benefits of the Receivership over a Bankruptcy

Faster Resolution and Less Court Proceedings

Bankruptcy can be a lengthy and expensive process, requiring extensive filings, an input from the Unsecured Creditor Committee and UST creditor meetings. Receivership, on the other hand, is typically quicker and more efficient. The Receiver is empowered pursuant to the Receivership Order to make immediate decisions to stabilize operations, preserve assets, and address creditor claims without the need for prolonged court interventions.

Preservation of Business Value

Receivership aims to maintain the continuity of operations and protect the value of assets, ensuring that the business remains viable. In bankruptcy, assets are often liquidated at reduced values, diminishing their worth. Receivership provides an opportunity for business rehabilitation, allowing the company to recover or be sold as a going concern rather than being dismantled in a bankruptcy auction. For instance, a Chapter 7 Trustee is not allowed to operate a business without the Court's authority (11 USC 704) and input from the United States Trustee ("UST"). In contrast, Receivership allows for the Receiver to operate and sell the assets and much less expensive

Reduced Stigma and Reputational Damage

Filing for bankruptcy can damage a company's reputation, making it difficult to regain customer confidence, secure financing, or continue operations. Receivership, while still a serious legal measure, is often perceived as a more constructive approach to financial trouble. It reassures stakeholders that efforts are being made to restore stability rather than surrendering to insolvency.

Enhanced Creditor Distributions

A Receiver may be able to pursue lawsuits that a Trustee or Debtor In Possession could not otherwise pursue in bankruptcy. For instance, a Receiver may be able to pursue Directors and Officers and not be subject to a In Pari Delicto defense or pursue a Ponzi Scheme without the subject defenses. Nevertheless, this is very jurisdictional specific and some jurisdictions may not give Receivers standing to pursue such actions and/or may allow parties to allege such defenses. Also, this is based on the insurance policy as well and the insurance policy may prevent a Receiver from taking such action against the insurance policy.

Problems with Receiverships

Involuntary Bankruptcy

Notwithstanding a Receivership, an involuntary bankruptcy allows creditors to force a debtor into bankruptcy proceedings under Chapter 7 (liquidation) or Chapter 11 (reorganization) of the U.S. Bankruptcy Code. Creditors may pursue this option when the Debtor is in a Receivership.

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CROSS-BORDER CONSIDERATIONS WHEN EMPLOYING STATE REMEDIES

NEED FOR RECOGNITION OF FOREIGN PROCEEDINGS

- Recognition of foreign proceedings is a critical element of cross-border restructuring.
- Commencement of a recognition proceeding creates a straightforward platform in local, ancillary jurisdictions for recognition and enforcement of orders issued in a foreign proceeding.
- Recognition imposes a stay of proceedings on creditors in the local jurisdiction, allowing the debtor breathing room to complete a restructuring.
- Recognition proceedings allow debtor companies to share in relief granted by a foreign court to a corporate group that may not be available in the local jurisdiction for one individual member.
- In the United States, recognition proceedings are governed by Chapter 15 of the U.S. *Bankruptcy Code*
- Failure to obtain recognition under Chapter 15 may complicate a cross-border restructuring.

CANADIAN RELIEF NOT YET AVAILABLE IN THE UNITED STATES

Reverse Vesting Orders

- An RVO is a transaction structure under which for i) a purchaser acquires shares of a debtor company, ii) the debtor's liabilities are discharged by transferring the liabilities to a new company and iii) the sale proceeds are transferred to the new company along with non-essential assets.
 - In a RVO, the court makes an order authorizing and approving a transaction that permits a purchaser to acquire the shares of the debtor company.
 - Unwanted assets and liabilities of the debtor company are transferred, assigned and vested in newly incorporated non-operating companies ("**ResidualCos**"). The acquired business is therefore cleansed of the unwanted assets and liabilities.
 - **The purchasing party can continue to operate the acquired business within the existing corporate structure, preserving existing permits, licenses, authorizations and tax attributes of the business.**
 - The ResidualCos that assume ownership of the unwanted assets and liabilities can then be liquidated, or otherwise wound down through an insolvency proceeding.

- Despite RVOs having become more common in recent years, Canadian courts have provided guidance that the structure should be used sparingly and under extraordinary circumstances. In *Harte Gold Corp (Re)* the court developed the following test for assessing the appropriateness of an RVO:
 - Why is the RVO necessary in this case?
 - Does the RVO structure produce an economic result at least as favorable as any other viable alternative?
 - Is any stakeholder worse off under the RVO structure than they would have been under any other viable alternative?
 - Does the consideration being paid for the debtor's business reflect the importance and value of the licenses and permits (or other intangible assets) being preserved under the RVO structure?
- RVOs are typically used in the following situations:
 - Where the debtor operates in a highly-regulated environment (ie. mining, energy, biotech, pharmaceutical companies, etc.).
 - Where the debtor is a party to key agreements that would be difficult or impossible to assign to a purchaser.
 - Where maintaining the existing legal entities would preserve certain tax attributes that may be otherwise lost in a traditional vesting order transaction and may generate additional value for creditors if transferred to a purchaser.
- RVOs carry a number of benefits, including:
 - Allows the shares of an insolvent company to be sold free of unwanted encumbrances and liabilities, while preserving the debtor's tax structure, permits and licenses, and facilitates the transfer of valuable material contracts and permits.
 - Keeps the existing debtor's corporate entity intact post-acquisition, thus enabling the debtor's business to continue as a going concern.
 - Reduces the costs, risks and delay of having the purchaser re-apply for permits or licenses and renegotiate key contracts, which may jeopardize a going-concern restructuring.
- Despite these benefits, the RVO structure remains controversial for several reasons:
 - RVOs do not require creditor approval and are often criticized for circumventing traditional insolvency processes;
 - What is meant to be extraordinary relief is becoming increasingly common.
 - That said, while no creditor vote, these transactions are closely supervised by the Canadian courts and parties who feel they may be prejudiced, can raise objections to the court.
- Courts have refused to approve RVOs in several scenarios:
 - In *PaySlate Inc. (Re)*, the Supreme Court of British Columbia refused to grant an RVO because the debtor failed to provide adequate notice to impacted creditors, failed to establish the RVO was sought for a proper purpose, and did not provide sufficient valuation evidence to demonstrate the necessity and appropriateness of the structure.

- In *CanaPiece Group Inc. et al*, the Ontario Superior Court of Justice refused to grant an RVO because it would have materially prejudiced a first-ranking secured creditor.
- In *Good Natured Products Inc. (Re)*, the Supreme Court of British Columbia refused to grant an RVO that was structured to avoid paying a success fee to a sales agent. The RVO was eventually granted once the consideration payable to the sales agent was amended.

Third Party Releases

- Third party releases, particularly those in favor of directors and officers of the debtor company, are widely available in Canadian insolvency proceedings, including those under the *Companies' Creditors Arrangement Act* ("CCAA") and under the *Bankruptcy and Insolvency Act* ("BIA")
- Canadian courts will generally approve third-party releases where:
 - The releases have a reasonable connection to the plan / transaction and are necessary for it
 - The released parties tangibly contributed to the plan / transaction; and
 - The releases are necessary for the plan to succeed.
- Releases have become relatively common in CCAA plans of arrangement; their legitimacy and utility was confirmed in *Metcalfe v. Mansfield Alternative Investments II*
- Releases are not only available in creditor-approved plans of arrangement or proposals. They have been granted in orders approving sale transactions, including those involving RVO structures (e.g. *Bellatrix Exploration*).
- To be approved, however, releases must be limited and tailored to the circumstances. Both the CCAA and the BIA contain statutory provisions limiting the availability of director releases where the claims:
 - relate to contractual rights of one or more creditors arising from contracts with one or more directors; or
 - are based on allegations of misrepresentation made by directors to creditors or of wrongful or oppressive conduct by directors.
- The factors set out in *Lydian International Limited (Re)* continue to be used by courts in assessing the appropriateness of third party releases:
 - Whether the claims to be released are rationally connected to the purposes of the restructuring;
 - Whether the releasees contributed to the restructuring;
 - Whether the releases are fair, reasonable and not overly broad;
 - Whether the restructuring could succeed without the release;
 - Whether the release benefits the company and the creditors generally; and
 - Whether the creditors and knowledge and notice of the nature and effect of the release.
- The possibility of obtaining non-consensual third party releases in jurisdictions outside of USA has become very relevant following the decision in *Purdue Pharma*.

U.S. APPROACH TO RECOGNITION

- Chapter 15 codifies the U.S. adoption of the UNCITRAL Model Law on Cross-Border Insolvency.
- The purpose of Chapter 15 is laid out directly therein: to promote cooperation with authorities in foreign countries involved in an insolvency case, to establish legal certainty, to provide for fair and efficient administration of cross-border cases, to afford protection and maximization of value, and to facilitate the rescue of financially troubled businesses.
- Chapter 15 proceeding is commenced by filing a petition for recognition of a foreign proceeding by a “foreign representative” – which may be the debtor company or other party authorized in a foreign country to act on its behalf.
- Importantly, Chapter 15 recognition does not grant a bankruptcy estate and the typical requirements and restrictions of Chapter 11 proceedings do not apply.
- A foreign proceeding may be recognized as either a “foreign main proceeding” (being a proceeding where a debtor company has its centre of main interest, typically where the registered head office of the company or its primary operations are located) or “foreign non-main proceeding”.
- The only distinction between these two types of proceedings is that certain relief is automatically provided in the context of a foreign main proceeding, including a stay of proceeding. In the context of a foreign non-main proceeding, such relief is discretionary.
- Once recognition of a foreign proceeding has been obtained and the Chapter 15 proceeding has commenced, the US court is able to provide additional assistance to the foreign representative and recognize and enforce additional orders of the foreign court (claims processes, orders sanctioning plans of arrangement etc.) and is required to cooperate “to the maximum extent possible with the foreign court and foreign representative. **The one exception to this rule is that the US court is not required to do anything that would be manifestly contrary to US public policy.**
- What this means is that recognition and enforcement can be granted in the context of a Chapter 15 for relief that is not available in the United States in a plenary, Chapter 11 proceeding, so long as that relief does not run contrary to US public policy.
- The public policy exception is intended to be applied narrowly and sparingly, “under exceptional circumstances concerning matters of fundamental importance for the enacting state.” (*In re Ephedra Products Liability Litigation*)
- Most recently, Delaware and New York courts have ruled that recognition of nonconsensual third party releases is not contrary to US public policy under Chapter 15 in *Crédito Real* and *Odebrecht Engenharia e Construção S.A.* (“OCE”), respectively.
 - In *Crédito Real* the Delaware court rejected arguments that *Purdue* limited the availability of Chapter 15 relief, reasoning that the purpose of Chapter 15 is fundamentally different from that of the rest of the Bankruptcy Code, and that the public policy exception should be applied only to “the most fundamental policies of the United States.”

- The New York Court in OCE went even further by granting US orders which contained nonconsensual third party releases that were not contained in the foreign plan.
- A key issue that remains to be tested is whether Chapter 15 recognition can be granted in restructurings involving cannabis companies given that cannabis remains illegal under US federal law.
 - Interestingly, in *In re Hacienda Co. LLC*, a debtor operating in the cannabis industry was able to obtain protection under Chapter 11 of the Bankruptcy Code.
 - The debtor in this case divested all cannabis-related assets prior to filing its bankruptcy petition, receiving shares in the purchaser in exchange. The purchaser also operated in the cannabis industry, and the debtor sought to distribute the shares in the purchaser as part of its bankruptcy.
- Given the decisions in *Crédito Real* and *Odebrecht Engenharia e Construção S.A.*, the opportunity exists to argue that the restrictions on extending Chapter 11 protection to cannabis enterprises need not prohibit Chapter 15 relief.

ALTERNATIVES TO CHAPTER 15 RECOGNITION

- In addition to the public policy exception that may prohibit Chapter 15 recognition of a proceeding involving a cannabis company, debtors and lenders may decide not to pursue Chapter 15 recognition for issues of cost and scope.
- Where a restructuring involves a limited number of US creditors and / or a single asset located in one jurisdiction, the cost of obtaining Chapter 15 recognition may be prohibitive.
- While Chapter 15 is the most common vehicle for obtaining recognition of a foreign restructuring proceeding, other options may be available.
- In *Vertiv, Inc. v. Wayne Burt PTE Ltd.*, the Third Circuit affirmed a decision by the United States District Court for the District of New Jersey, which ruled that US courts can extend comity to foreign bankruptcy cases outside of Chapter 15 “where the foreign country’s bankruptcy laws share the ‘fundamental principles’ of the United States bankruptcy law.
- Outside of Chapter 15, foreign judgments can be recognized and enforced at a state level, but the process varies from state to state and is generally governed by state law.
- Temporary injunctions of individual US actions may also be sought as an alternative to a broad stay of proceedings where a debtor company has a small number of creditors. This approach would not prevent the filing of actions against a debtor company and puts the debtor company in a position where it is reacting to creditor activity, rather than preventing it.
- Many states have enacted a version of the Uniform Foreign Money Judgments Recognition Act (or the 2005 revision thereof), but this legislation deals specifically with foreign judgments that grant or deny recovery of a sum of money, and not to judgments for injunctive or declaratory relief.

RESTRUCTURING WITHOUT RECOGNITION

- Restructuring a Canadian cross-border enterprise is inherently more complex where US recognition is unavailable, due to:
 - The lack of an enforceable stay of proceedings in the United States, allowing US creditors to pursue remedies against US-based assets;
 - The inability of the Canadian restructuring professional to assign contracts or vest assets free of US claims; and
 - The requirement to deal with creditors and claims on a state-by-state basis, which typically involves retaining local counsel in each state.
- This process is simplified when a debtors' assets and operations are restricted to a single state, as may often be the case with mining enterprises.
- The most common situation involves cannabis enterprises, particularly multi-state operators ("MSOs"), which frequently operate as subsidiaries of a Canadian publicly-listed company in order to raise capital in Canadian public markets.
- In these situations, the role of the Canadian insolvency professional is that of a coordinator of state-level remedies, e.g.
 - The Canadian public company files an assignment in bankruptcy under the BIA and appoints an insolvency practitioner as Trustee.
 - The Trustee may either (a) exercise shareholder rights to appoint a receiver in the various states in which the MSO operates or (b) coordinate with a senior secured lender to bring an application to appoint a receiver.
 - Depending on the cannabis legislation enacted in the specific state, the Trustee may also cause the state-level entity to file an assignment for the benefit of creditors ("ABC").
 - The Trustee then enters into a transition services agreement with each of the state-level insolvency practitioners (receiver or assignee) in order to oversee and coordinate their activities and provide access to executives who are typically employed by the public company.
- There are significant challenges to effectively executing this approach:
 - Cannabis legislation varies from state to state; in many states the cannabis license cannot be transferred to an assignee through an ABC and many not even be transferrable to a receiver absent the receiver obtaining a separate license;
 - There is still no stay of proceedings; litigation brought against the various state-level entities may proceed despite an ABC, and bankruptcy petitions can still be brought against companies in receivership.
- Given these challenges, debtor companies and secured creditors looking to pursue a restructuring of cannabis companies should expect higher costs and less certain recoveries than those in other restructuring proceedings.

DISTRICT COURT, DENVER COUNTY, STATE OF COLORADO 1437 Bannock Street Denver, CO 80202 Telephone: (303) 606-2300	DATE FILED November 6, 2024 2:22 PM FILING ID: 9BC38950CF986 CASE NUMBER: 2024CV33423 <p align="center">▲ COURT USE ONLY ▲</p>
In the Matter of the Dissolution of: NATIONAL CONCESSIONS GROUP INC.; SLANG DISTRIBUTION, LLC; and SLANG COLORADO MANUFACTURING INC.	
Attorneys for Movants: Daniel J. Garfield, #26054 Fairfield and Woods, P.C. 1801 California Street, Suite 2600 Denver, CO 80202 Main Number: (303) 830-2400 Facsimile: (303) 830-1033 Email: dgarfield@fwlaw.com	Case Number: Division/Courtroom:
<p align="center">COMPLAINT</p>	

Movants National Concessions Group, Inc.; Slang Distribution, LLC; and Slang Colorado Manufacturing Inc. ("Movants"), for their Complaint for judicial supervision of their wind down and liquidation of their affairs and appointment of a receiver as provided in the Colorado Business Corporations Act and the Colorado Limited Liability Company Act, allege as follows:

PARTIES AND VENUE

1. Movant National Concessions Group Inc. ("NCG") is a Colorado corporation with its principal place of business located at 1147 Broadway, Suite 100 Denver, Colorado 80203.
2. Movant Slang Distribution, LLC ("Slang Distribution") is a Colorado limited liability company with its principal place of business located at 1147 Broadway, Suite 100 Denver, Colorado 80203.
3. Movant Slang Colorado Manufacturing Inc. ("Slang Manufacturing") is a Colorado corporation with its principal place of business located at 1147 Broadway, Suite 100 Denver, Colorado 80203.

4. Venue is proper pursuant to C.R.C.P. Rule 98 as Movants have their principal place of business located in the City and County of Denver, Colorado.

GENERAL ALLEGATIONS

The Slang Entities

5. Movants are entities that are part of a group of companies operating in the United States and Canada, whose parent company is SLANG Worldwide Inc., a corporation formed under the Canada Business Corporations Act (“Slang Parent”), which is publicly traded in Canada and listed on the OTCQB in the United States.

6. Slang NonPT Holdco Inc., a Delaware corporation (“NonPT Holdco”) is the sole shareholder of Movants NCG and Slang Distribution. Slang Parent is the sole shareholder of NonPT Holdco.

7. Slang Colorado Inc., a Colorado corporation, is the sole shareholder of Slang Manufacturing.

8. The sole shareholder of Slang Colorado is Slang PT Holdco Inc., a Delaware corporation. The sole shareholder of Slang PT Holdco Inc. is Slang Parent.

9. Slang Parent, Slang NonPT Holdco Inc., Slang Colorado, Slang PT Holdco Inc., NCG, Slang Distribution, Slang Manufacturing, and other affiliates of such entities are sometimes referred to individually as a “Slang Entity” and collectively as the “Slang Entities.”

10. The Slang Entities and their affiliates operate as a cannabis consumer packaged goods company in Canada and the United States. The Slang Entities sell CBD and other hemp-derived products around the United States and Canada and operate in 13 states that have licensed marijuana businesses. The Slang Entities (or their predecessors) have operated in Colorado’s licensed marijuana market for over 10 years.

11. Slang Manufacturing holds regulated marijuana business licenses from the State of Colorado Marijuana Enforcement Division (the “MED”) and the City and County of Denver, Department of Excise and Licenses (“Denver EXL”) Colorado, to operate as a retail and medical marijuana products manufacturer under §§ 44-10-10, *et seq.*, C.R.S., and the rules and regulations promulgated thereunder, including 1 CCR 212-3 (collectively, the “Colorado Marijuana Code”).

12. Slang Parent, Slang PT Holdco Inc. and Slang Colorado hold Owner licenses from the MED and Denver EXL as the direct and indirect parent entities of Slang Manufacturing. In addition, the officers and directors of Slang Parent hold licenses from the MED as Controlling Beneficial Owners (as that term is defined in the Colorado Marijuana Code) of Slang Manufacturing.

The Credit Agreement

13. On or about November 15, 2021, (a) the Slang Entities (as borrowers); (b) Pura Vida Master Fund, Ltd.; Pura Vida Pro Special Opportunity Master Fund, Ltd.; Irv Kessler; Joad Investments, LLC; 12th Street Holdings, LLC; Eric Frank; Seventh Avenue Investments, LLC; and Trulieve Cannabis Corp. (as Lenders) (the “Secured Lenders”); and (c) Seventh Avenue Investments LLC as Administrative Agent and Collateral Agent (the “Agent”), entered into that certain Credit and Security Agreement (as amended from time to time) whereby the Lenders loaned approximately \$17,300,000.00 to the Slang Entities as a senior secured credit facility (the “Credit Agreement”).

14. Acquiom Agency Services LLC replaced Seventh Avenue Investments LLC as the Agent.

15. The Secured Lenders have a properly perfected senior security interest in substantially all of the assets of the Slang Entities, other than Slang Distribution.

16. The Slang Entities do not dispute amounts owed under the Credit Facility or the validity, legality, or enforceability of Secured Lenders’ security interest in their assets or the loan documents evidencing the Secured Lenders’ interests and claims.

17. The Slang Entities do not have any claims that could be asserted against the Secured Lenders or the Agent.

18. From time to time, the Secured Lenders loaned additional amounts under the Credit Agreement, and the Slang Entities currently owe approximately \$23,000,000 with respect to the Credit Agreement.

19. The Secured Lenders have alleged the existence of certain defaults under the Credit Agreement. Following an event of default, the Secured Lenders have certain rights and remedies as to the assets of the Slang Entities which, if exercised, would make continued operations untenable.

20. Most recently, the Slang Entities and the Agent entered into a Waiver and Support Agreement dated October 8, 2024, in which the Secured Lenders agreed to standstill until the earlier of November 15, 2024 or the occurrence of an Accommodation Termination Event, while the Slang Entities pursued a liquidation and wind down plan (the “Wind Down Plan”) in which, as relevant here, Movants would be placed into receivership in this Court and Slang Parent would file for a liquidating bankruptcy in Canada.

21. The Slang Entities’ failure to use their best efforts to proceed with the Wind Down Plan is a default under the Waiver and Support Agreement.

22. All amounts owed under the Credit Agreement are due and payable on November 15, 2024, and the Slang Entities will be unable to pay such amounts in full.

Slang Seeks to Wind Down Its Businesses

23. Like many businesses in the state-licensed marijuana industry in Colorado and other states, the Slang Entities have suffered economic distress in recent years.

24. On October 21, 2024, NCG terminated most of its employees, retaining a handful of personnel to assist with support of the other Movants. NCG ceased its primary business operations. NCG staff have contacted vendors and terminated agreements and significant recurring costs.

25. Slang Distribution is in the process of transferring its e-commerce business to a third party. Once the e-commerce business is transitioned, this entity will be liquidated and wound down.

26. Slang Manufacturing is continuing business operations to convert raw marijuana inventory and packaging into finished goods. It is manufacturing regulated marijuana product only to the extent necessary to sell its business. There is a plan to seek a buyer for the operations while simultaneously implementing a wind down strategy. If a sale of the business is not feasible, a small number of personnel will be retained to sell existing inventory and collect accounts receivable.

27. On November 1, 2024, each of the Movants filed articles of dissolution with the Colorado Secretary of State. (Exs. 1-3). Corporate action approving the filing of such articles is attached as Exs. 4, 5, and 6.

28. After Slang Parent files for bankruptcy in Canada, the bankruptcy trustee will be unable to operate Slang Manufacturing as such trustee will be unable or unwilling to qualify as a Controlling Beneficial Owner under the Colorado Marijuana Code.

29. If a receiver is not appointed for Slang Manufacturing prior to Slang Parent filing for bankruptcy, Slang Manufacturing will not have a Controlling Beneficial Owner, in violation of the Colorado Marijuana Code, which would likely lead to the MED seeking sanctions against Slang Manufacturing and Slang Parent's soon-to-be-former officers and directors, including shutting down Slang Manufacturing's business.

30. In addition, a receiver is necessary for Slang Manufacturing to properly dispose of its regulated marijuana product, which is highly regulated by the Colorado Marijuana Code and the MED, and which must be handled by a properly licensed person under the Colorado Marijuana Code.

31. A receiver is also necessary to wind down and liquidate the affairs of NCG and Slang Distribution as some of the assets of the two Movants are stored with those of Slang Manufacturing. In addition, a receiver located in Colorado will be better-placed to wind down and liquidate the assets of NCG and Slang Distribution, rather than a bankruptcy trustee in Canada.

32. Each of the Movants is insolvent.

FIRST CLAIM FOR RELIEF
(Judicial Dissolution/Supervision of Wind Down and Liquidation)

33. Movants incorporate the allegations of all preceding paragraphs as if fully set forth herein.

34. With respect to Slang Distribution, after a limited liability company has voluntarily dissolved, it may seek judicial supervision of its wind down and liquidation of its business and affairs under §§ 7-80-810(4)(a)(I) and 7-80-811, C.R.S.

35. With respect to Slang Manufacturing and NCG, after a corporation has voluntarily dissolved, it may seek judicial supervision of its wind down and liquidation of its business and affairs under §§ 7-114-301(4)(a)(I) and 7-114-302, C.R.S.

36. Movants request that the Court enter an order that the business and affairs of each entity be wound up and liquidated under judicial supervision.

SECOND CLAIM FOR RELIEF
(Appointment of Receiver)

37. Movants incorporate the allegations of all preceding paragraphs as if fully set forth herein.

38. As part of the judicial dissolution of each Movant, the Court may appoint a receiver to wind up the affairs of each entity and to preserve and liquidate the entity's assets for the benefit of creditors and to ensure that Slang Manufacturing's Regulated Marijuana Product (as that term is defined in the Colorado Marijuana Code) is properly handled and disposed of by a licensed person.

39. Christopher Harff, principal of Highline Financial Group, LLC ("Highline"), has significant experience as a receiver, including as a receiver of Regulated Marijuana Businesses.

40. Highline has agreed to act as receiver for Movants on an hourly rate schedule together with reimbursable costs so that they may be wound down and liquidated.

41. Movants request that the Court enter an order appointing Highline as receiver for Movants.

WHEREFORE, Movants pray that this Court enter an order (a) that the business and affairs of the Movants be wound down and liquidated under judicial supervision, and (b) appointing Highline as receiver for Movants, and (c) granting such other and further relief as the Court deems just and proper.

Respectfully submitted this 6th day of November, 2024.

FAIRFIELD AND WOODS, P.C.

By: *s/ Daniel J. Garfield*
Daniel J. Garfield

ATTORNEYS FOR MOVANTS

GRANTED BY COURT
11/14/2024

DISTRICT COURT, DENVER COUNTY, STATE OF COLORADO 1437 Bannock Street Denver, CO 80202 Telephone: (303) 606-2300	DATE FILED November 14, 2024 2:53 PM CASE NUMBER: 2024CV33423 DAVID H GOLDBERG District Court Judge
In the matter of the dissolution of: NATIONAL CONCESSIONS GROUP INC.; SLANG DISTRIBUTION, LLC; and SLANG COLORADO MANUFACTURING INC.	<p style="text-align: center;">▲ COURT USE ONLY ▲</p> <hr/> Case Number: 2024CV033423 Division/Courtroom: 280
<p style="text-align: center;">ORDER GRANTING EMERGENCY UNOPPOSED VERIFIED MOTION FOR ORDER APPOINTING RECEIVER</p>	

The Court, having considered the Complaint and the Emergency Unopposed Verified Motion for Order Appointing Receiver (the “Motion”) filed by Movants National Concessions Group Inc. (“NCG”); Slang Distribution, LLC (“Slang Distribution”); and Slang Colorado Manufacturing Inc. (“Slang Manufacturing,” and together with NCG and Slang Distribution, “Movants”), and after considering the Complaint and the Motion and being fully advised, the Court grants the Motion and finds and orders as follows:

A. The entities that are the subject of this case, Movants, have their principal place of business located in the City and County of Denver, Colorado. §§ 7-80-811(1) and 7-114-302(1), C.R.S.

B. The Court has jurisdiction over Movants, and venue is proper pursuant to C.R.C.P. 98(a) because their principal place of business is located in the City and County of Denver.

C. As discussed in further detail in the Complaint and the Motion, Movants filed voluntary articles of dissolution with the Colorado Secretary of State on November 1, 2024, and as such are entitled by Colorado law to seek judicial supervision of their wind down and liquidation and to appoint a receiver. §§ 7-80-811(3) and 7-114-302(3), C.R.S.

D. For the reasons set forth in the Motion, the appointment of a receiver is reasonable and necessary for the protection of Movants’ assets.

E. The allegations in the Complaint and the Motion (which also serves to verify the allegations in the Complaint) establish a right to the appointment of a receiver to, among other things, take possession and control of Movants and to wind down and liquidate their businesses

and affairs.

F. The foregoing factors listed meet the statutory requirements for the appointment of a receiver under § 7-80-811 and 7-114-302, C.R.S., and C.R.C.P. 66.

G. The appointment of a receiver is necessary to protect Movants' assets and to market and sell those assets to satisfy the claims of creditors.

H. Slang Manufacturing holds regulated marijuana business licenses from the State of Colorado Marijuana Enforcement Division (the "MED") and the City and County of Denver, Department of Excise and Licenses ("Denver EXL") Colorado, to operate as a retail and medical marijuana products manufacturer under §§ 44-10-10, et seq., C.R.S., and the rules and regulations promulgated thereunder, including 1 CCR 212-3 (collectively, the "Colorado Marijuana Code"), with a facility located at 2121 S Jason St, Denver Colorado.

I. Highline Financial Group, LLC ("Highline"), with a business address of 9493 Shadow Hill Circle, Lone Tree, CO 80129 is suitable to be appointed as receiver for Movants.

J. Highline is experienced in the administration of receivership estates, in credit workouts, and liquidations, and entity wind downs, including for licensed marijuana businesses in Colorado.

K. Pursuant to section §§ 44-10-307(1) and 44-10-401(3), C.R.S., the Receiver is hereby deemed to be a "Court Appointee."

L. On or about November 15, 2021, (a) Movants and certain affiliates, including parent entities of Movants (as borrowers) (the "Slang Entities"); (b) Pura Vida Master Fund, Ltd.; Pura Vida Pro Special Opportunity Master Fund, Ltd.; Irv Kessler; Joad Investments, LLC; 12th Street Holdings, LLC; Eric Frank; Seventh Avenue Investments, LLC; and Trulieve Cannabis Corp. (as Lenders) (the "Secured Lenders"); and (c) Seventh Avenue Investments LLC as Administrative Agent and Collateral Agent (the "Agent"), entered into that certain Credit and Security Agreement (as amended from time to time) whereby the Lenders loaned approximately \$17,300,000.00 to the Slang Entities as a senior secured credit facility (the "Credit Agreement"). Acquiom Agency Services LLC later replaced Seventh Avenue Investments LLC as the Agent.

M. The Secured Lenders have a properly perfected first-priority senior security interest in substantially all of the assets of NCG and Slang Manufacturing. Movants do not dispute amounts owed under the Credit Agreement or the validity, legality, perfection or enforceability of Secured Lenders' security interest in their assets or the loan documents evidencing the Secured Lenders' interests and claims.

IT IS THEREFORE ORDERED THAT:

1. Highline (the “Receiver”) is appointed as receiver for Movants and administering and managing the business affairs of Movants (each, a “Receivership Estate,” and collectively, the “Receivership Estates”) until further order of the Court.

2. The Receiver shall manage, operate and protect the Receivership Estates subject to the supervision and exclusive control of this Court.

3. Christopher P. Harff shall serve as the primary agent of the Receiver for the purposes of this Order, the Receivership Estates, and this action.

4. The Receiver is required to post a bond of \$5,000.00. The Receiver shall give notice of the appointment of the Receiver by providing a copy of this Order to Movants and the Agent (as that term is defined in the Motion) as provided in C.R.C.P. 4. The Receiver shall provide written notice of this action to any persons in possession of assets of the Receivership Estates affected by this Order as provided in C.R.C.P. 66(d)(3).

5. With respect to Slang Manufacturing, the Receiver is authorized to take possession of, operate, manage, or control Slang Manufacturing as a “Regulated Marijuana Business” in accordance with § 44-10-401(3)(a)-(d), C.R.S., and 1 CCR 212-3 Rule 2-275 of the Code of Colorado Regulations (the “MED Rules”), and the Receiver shall file the requisite notice to the Colorado Marijuana Enforcement Division (the “MED”) and any applicable Local Licensing Authority (as that term is defined in the MED Rules) on a form required by the MED.

6. The Receiver shall seek licensure with respect to Slang Manufacturing from the MED as required by § 44-10-401(3), C.R.S., and the MED Rules.

7. Until the Receiver has received a license from the MED to operate Slang Manufacturing, Slang Manufacturing is permitted to operate its business in the ordinary course of business, and “extraordinary decisions or expenditures” of Slang Manufacturing while the Receiver’s application for a license is pending must be approved in writing by the Receiver before such decision or expenditure is made. An “extraordinary decision or expenditure” is an expenditure or decision that is not made in the ordinary course of Slang Manufacturing’s business and, if it involves an expenditure, it exceeds \$10,000.

The Receivership Estates

8. The Receivership Estates shall consist of any and all real, personal, tangible, intangible, mixed, or other property owned by Movants or in which any of the Movants have an interest, including by way of example and not limitation, all goods, cash, fixtures, furniture, furnishings, materials, supplies, computers, software and electronic data, equipment, accounts, contract rights, rents, revenues, general intangibles and payment intangibles, bank deposits, investment accounts, security deposits, interests in escrowed funds, certificates and licenses, and intellectual property, and the proceeds arising from any sale or disposition of each asset class.

9. The Receiver's possession of the Receivership Estates is exclusive of any interest of Movants and of any person with any legal or beneficial interest in the Receivership Estates, and of all persons acting in concert or participation with them. Subject to the terms of paragraph 18 of this Order, the Receivership Estates of NCG, Slang Distribution and Slang Manufacturing are subject to the perfected first-priority security interests of the Secured Lenders in substantially all of the assets of NCG, Slang Distribution and Slang Manufacturing.

10. The Agent and Secured Lenders' rights pursuant to the Credit Agreement and various loan documents executed in connection with the Credit Agreement, including the security documents securing the indebtedness and other obligations and liabilities owed by the Slang Entities to Agent and the Secured Lenders (collectively, the "Loan Documents") shall be preserved. The Agent and the Secured Lenders retain all rights and remedies granted pursuant to the Loan Documents and the Waiver and Support Agreement dated October 8, 2024, between the Slang Entities, the Secured Lenders, and the Agent, at law or equity, during the pendency of this receivership.

11. All debts, liabilities or obligations incurred by the Receiver in the course of this receivership, including the operation or management of the Receivership Estate, whether in the name of the Receiver or the Receivership Estates, shall be the debt, liability, and obligation of such Receivership Estate only and not a personal liability of the Receiver or any employee or agent of the Receiver.

12. The Receiver is hereby directed and empowered to take or continue to take from Movants and its agents and employees immediate possession of Movants' assets, including without limitation rents, revenues, royalties, issues, income, payments and profits, and any and all personal property used or associated therewith, regardless of where such property is located, including, but not limited to, franchise agreements, permits, licenses, rental payments, lease payments, insurance payments, condemnation awards, operating accounts, merchant accounts, including those accounts which may be in the names of third parties to the extent that they contain payments or proceeds from credit card issuers made on behalf of the customers, bank accounts, security deposits, records, files, reports, studies, options, contracts, and similar relationships with third parties, leases, agreements, permits, licenses, checks, drafts, notes, documents, accounts receivable, fixtures, furniture, furnishings, software, computers, appliances, supplies, construction materials, goods, equipment, intangible things, and other things and articles of any and all types and kinds used or owned by Movants. The Receiver is further empowered to exclude Movants and their agents and employees from such possession. The Receiver shall operate Movants' businesses and affairs at the level reasonably deemed appropriate which may be at a limited service level or may include suspension of operations, wind down and liquidate Movants' businesses and affairs, all of which will be held and disbursed pursuant to this Order, and to market and sell the assets for the purpose of satisfying the claims of creditors of Movants and the Receivership Estates.

The Receiver's Powers and Authority

13. Subject to the terms of paragraph 14 of this Order, the Receiver shall have all the rights and powers usually held by receivers and the rights and powers reasonably necessary to accomplish the purposes of the receivership. The Receiver may, except as otherwise provided by this Order, exercise such rights and powers without further order of the Court. The Receiver may, by way of example and not limitation:

(a) enter upon, take possession of and assume control of Movants and all books, records, and real and personal property owned or leased by Movants, including without limitation computers, computer records and software systems and similar records and computer systems relating to Movants or their assets;

(b) retain security personnel as necessary to secure Movants' assets;

(c) conduct a full inventory of all personal property comprising the Receivership Estates, if necessary;

(d) take possession of all Movants' bank accounts, including all merchant accounts, whether in the name of Movants or, to the extent that they contain payments or proceeds from credit card issuers made on behalf of their customers and to open, transfer and change all bank and trade accounts relating to Movants, so that all accounts are controlled by the Receiver and in the name of the Receivership Estates; and to make withdrawals from and issue checks upon such accounts to fund the operations of the receivership, subject to the limitations set forth herein;

(e) manage, operate, maintain and otherwise control Movants and their assets and businesses as necessary to prevent diminution of their value including, but not limited to: (i) collection of deposits, fees, rents, income, issues, profits, royalties, payments and revenues of any kind or nature whatsoever now due or which may hereafter become due and to immediately take whatever steps are reasonably necessary to secure all such income; (ii) negotiate, extend, terminate, modify, renegotiate, ratify, reject, cancel, or enter into leases, franchise agreements, contracts or other agreements related to Movants; and (iii) from the date of this order, the payment of taxes, insurance, and other expenses and costs incurred in managing and preserving Movants' assets;

(f) enforce, modify, renegotiate, or terminate, if appropriate, any existing contracts relating to Movants and to enter into new contracts;

(g) obtain and renew all insurance policies that the Receiver deems necessary for the protection of Movants' assets and for the protection of the interests of the Receiver and Secured Lenders respect to such assets; and to notify any insurers of Movants' assets of the pendency of these proceedings and that, subject to the prior rights of any person possessing a lien on Movants' assets, any proceeds paid under such policies shall be paid to the Receiver;

(h) with respect to any operation or activity that is customarily conducted by Movants, and that may lawfully be conducted only under governmental license or permit, continue such operation or activity under the licenses or permits issued to Movants subject to compliance with the terms thereof;

(i) pay prior obligations incurred by Movants or any other person or entity charged with the responsibility of maintaining and operating Movants' assets, if such obligations are deemed by the Receiver to be reasonably necessary or advisable for the continued operation of Movants' businesses;

(j) enter into contracts for those services necessary to aid the Receiver in the administration of the Receivership Estates, including the retention of attorneys and accountants and other professionals, with all reasonable expenses incurred in connection therewith deemed to be expenses of the Receivership Estates;

(k) institute such legal actions as the Receiver deems necessary to: (i) collect accounts and debts, and enforce reservations and other agreements relating to Movants; and (ii) pursue fraudulent transfer and conveyance claims;

(l) with respect to any operation or activity that is now conducted with respect to the Receivership Estates or is customarily conducted by Movants, and that may lawfully be conducted only under governmental license or permit, to continue such operation or activity under the licenses or permits issued to any Movants, subject to compliance with the terms thereof;

(m) change any or all locks, access and physical possession of pass-keys and passwords or other means of physical entry at Movants' places of business;

(n) ratify, confirm, renegotiate, modify, and hold all lease agreements, franchise agreements, rental agreements, contracts, and other agreements relating to the operation and management of Movants, including, without limitation, any settlement agreements entered into with respect to former or existing agreements, contracts, and other agreements;

(o) hire such brokers or other professionals for sale of Movants' assets as the Receiver reasonably deems appropriate to assist with listing and marketing such assets, subject to the approval of the Agent and the Secured Lenders, to (i) after approval by the Court, sell, assign, or otherwise dispose of the sale of substantially all of Slang Manufacturing's assets; and (ii) sell assets in the ordinary course of the business on such terms and at such times as the Receiver shall determine are beneficial to the Receivership Estates in its reasonable business judgment;

(p) copy or obtain an image of all data stored electronically on all computers, hard drives or other mass storage devices;

(q) to retain and otherwise obtain the advice and assistance of such legal counsel as the Receiver may deem reasonably necessary for all purposes under this Order;

(r) to issue Receiver's Certificates to Agent and/or any of the Secured Lenders for the purpose of preserving and maintaining the Receivership Estates or fulfilling the terms of this Order, without further approval of this Court, in exchange for funds advanced by such Agent and/or any of the Secured Lenders. Receiver Certificates in favor of Agent and/or any of the Secured Lenders shall bear interest at the rate of 8% per annum, and shall have priority upon the assets of Movants senior to the priority of the Agent and Secured Lenders as set forth in paragraph 18 of this Order; and

(s) generally do such other lawful acts as the Receiver reasonably deems necessary for the effective wind down and liquidation of Movants' businesses and affairs and to perform such other functions and duties as may from time to time be required and authorized by this Court, by the laws of the State of Colorado, or by the laws of the United States of America.

14. The Receiver shall obtain the prior written approval of the Agent and the Secured Lenders for any such single cost or expense in excess of \$40,000.00, which approval shall be deemed granted as a matter of course, unless an objection to such expense is given to the Receiver within three business days after the Receiver has given written notice of the proposed expense to the Agent and the Secured Lenders. In the event of an objection to any proposed action of the Receiver, the Court shall promptly hold a hearing on such objection upon at least three days' prior written notice to all objecting parties. Any itemized cost or expense provided for in the Wind Down Plan shall not be subject to further approval of the Agent and Secured Lenders.

15. Any agreement entered into by the Receiver pursuant to this Order, with Court approval as necessary, which extends beyond the termination of this Receivership shall be binding upon Movants and all purchasers of assets owned by Movants.

16. Notwithstanding anything to the contrary contained in this Order, the Receiver shall not take any action with regard to ownership, operation, control, storage, generation, or disposal of (a) any substance deemed a "hazardous substance," "pollutant," "contaminant," or similar substance under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §§ 9601-9675, the Conservation and Recovery Act of 1976, the Solid Waste Amendments of 1984, the Superfund Amendments and Reauthorization Act of 1986, and any other amendments; or (b) any other chemical, toxins, pollutants or substance defined as hazardous or dangerous to human health under any other federal, state or local law, regulation, rule or ordinance, including, without limitation thereto, petroleum, crude oil, or any fraction thereof (collectively, "Hazardous Substances"), without first applying for and obtaining an order of this Court specifically setting forth the action or actions proposed to be taken by the Receiver. Without first applying for and obtaining such an order of this Court, the Receiver shall have no ownership, control, authority, or power (neither shall Receiver have any

obligation to exercise ownership, control, authority, or power) over the operation, storage, generation or disposal of any Hazardous Substances. All decisions relating to the ownership, operation, control, storage, generation and disposal of any Hazardous Substances shall be resolved by this Court.

17. The Receiver is appointed as the designee to receive and inspect Movants' confidential tax information from the Colorado Department of Revenue. This authorization (a) will apply to all of Movants' employees, officers, partners, or other agents, (b) is effective for all tax periods and all tax and account types within the scope of section § 39-21-102, C.R.S., as in effect on the date of entry of this Order, and (c) will automatically expire upon entry of an order discharging the Receiver.

Holding and Application of Receivership Funds; Receiver's Certificates

18. The Receiver is hereby directed to apply the proceeds of the Receivership Estates, including proceeds from the sale of any assets collected by the Receiver:

(a) First, to the Receiver's compensation, including compensation based upon engagement of employees and others from the Receiver;

(b) Second, to out-of-pocket expenses incurred by the Receiver in performing its duties hereunder, including any management fees, attorney or other professional fees, and other out-of-pocket expenses incurred by the Receiver;

(c) Third, to the costs of operating, maintaining, repairing, and protecting the Receivership Estates and enforcing and defending claims by or against the Receivership Estates;

(d) Fourth, to payment of expenses of maintaining the assets and property of Movants, including but not limited to payment of real and personal property taxes, payroll and payroll taxes, insurance, and operating expenses;

(e) Fifth, to repay all sums borrowed by Receiver from any person or entity as advances or as evidenced by Receiver's Certificates;

(f) Sixth, to the Agent, on behalf of the Secured Lenders, as payments of principal and interest owing thereto as a first-priority lienor under the Credit Agreement. Any payment by Receiver to the Agent shall not constitute a cure of Movants' defaults under the Credit Agreement; and

(g) Seventh, whenever sufficient funds are available for such purpose, to make principal and interest payments toward any additional loans which are secured by a lien on the assets of the Receivership Estates, in the order of their priority. Any payment by Receiver to Movants' other secured creditors hereunder shall not constitute a cure of Movants' defaults.

19. Only to the extent Agent and/or any of the Secured Lenders are unwilling to fund Receiver Certificates under paragraph 13(r) of this Order, The Receiver may pursue a Receiver Certificate from any third party. If sums are loaned or advanced by a third party for the purposes of this receivership, the Receiver may, following approval of the Court on notice to the Agent and Secured Lenders, issue Receiver Certificates to a third party evidencing such loans. Receiver Certificates shall bear interest at the rate of 8% per annum. Receiver Certificates shall be a lien and security interest on all assets of Movants. Receiver Certificates shall have priority upon the assets of Movants senior to the priority of the Agent and Secured Lenders, except to the extent that the Agent otherwise agrees in writing, including waiver of Court approval.

20. If there are insufficient funds to repay any receivership expense described in paragraph 14, the Receiver shall have a lien encumbering Movants' assets having a priority immediately junior to that of the lien of the Agent on behalf of the Secured Lenders, and any other properly perfected security interests in any of the assets of Movants. The Receiver is authorized, but not required, to execute and file with the Colorado Secretary of State and the Clerk and Recorder of the City and County of Denver Certificates of Lien putting third parties on notice of the Receiver's liens. Any such lien may be released by a Certificate of Release of Lien executed by the Receiver and filed with the Colorado Secretary of State or the Clerk and Recorder of the City and County of Denver, as applicable. The Receiver shall be entitled to all reasonable costs and expenses associated with enforcing the Receiver's liens.

21. Subject to the terms of paragraph 18, the proceeds of any sale of the assets of the Receivership Estates are subject to the liens of the Secured Lenders.

The Receiver's Compensation

22. On a monthly basis, the Receiver may pay itself as compensation for services as Receiver at the hourly rate of \$305 and to reimburse itself for customary expenses incurred, as well as paying the Receiver's legal counsel that the Receiver may hire in connection herewith on a monthly basis, provided the Receiver first provides copies of its monthly invoices along with disclosure of the amount of monthly compensation for its counsel to Agent and Secured Lenders. Agent and/or any of the Secured Lenders must assert in writing via e-mail any informal objections as to the reasonableness of the Receiver's monthly compensation or Receiver's counsel's monthly compensation within three business days upon the date such invoice(s) is provided via e-mail. Absent any informal objection provided to the Receiver in writing, such amounts shall be deemed reasonable and immediately payable by the Receiver without further approval of the Agent, Secured Lenders or this Court.. In the event Agent and/or Secured Lenders object to the reasonableness of any monthly invoice for compensation of the Receiver and/or its counsel, the Court shall promptly hold a hearing on such objection upon at least three days' prior written notice to all objecting parties and no compensation may be paid pending entry of a Court order approving such compensation as reasonable. Any itemized cost or expense provided for in the Wind Down Plan shall not be subject to further approval of the Agent and Secured Lenders under this procedure.

Receiver Reports

23. In addition to a final report for the purpose of winding up the affairs of the Receivership Estates, commencing with the first full month after its appointment, the Receiver shall from time to time file reports with this Court describing the activities of the Receiver and accounting for sums received and expenditures made as receiver. Such reports shall be filed on at least a calendar quarter basis, by the end of the month following the end of each calendar quarter. Movants' counsel may as a courtesy electronically file the Receiver's reports with the Court on behalf of the Receiver. The Receiver's reports shall be provided to the Agent, the Secured Lenders, SLANG Worldwide, Inc., any bankruptcy trustee (or similar person) for SLANG Worldwide, Inc. and all persons who file an appearance in the case by first class US mail, the Colorado courts e-filing system, or by email or facsimile transmission.

Orders Applicable to Movants and Other Parties

24. Movants, and all persons in active participation with them are hereby ordered to:

- (a) Immediately deliver to the Receiver any property that is or comes into their respective possession that is part of the Receivership Estates;
- (b) Upon request, endorse over to the Receiver any and all checks, drafts, and depository accounts of the Receivership Estates;
- (c) Disclose to the Receiver any assets of Movants which Movants believe are not a part of the Receivership Estates;
- (d) Explain to the Receiver all books, records and other documents and the functioning of computerized systems related to the Receivership Estates, providing all necessary access and pass codes to such systems;
- (e) Permit the Receiver to carry out the Receiver's duties without interference; and
- (f) Cooperate with the Receiver in carrying out the Receiver's duties under this Order.

25. With respect to any items required to be turned over to the Receiver under this Order, the Receiver may, in the Receiver's sole discretion, accept copies of such documents accompanied, in each case, by the certificate of the person delivering the copy that such document is a true, correct, and complete copy of the original. In such event, the Receiver shall have the right at any reasonable time, on reasonable notice, to inspect the originals of any such documents.

26. Except as may be expressly authorized by this Court after notice and hearing, Movants and their owners, shareholders, members, partners, officers, directors, agents, employees, and all persons in active participation with them are enjoined from:

- (a) Collecting any revenues from the Receivership Estates or withdrawing funds from any bank or other depository account containing funds related to the Receivership Estates;
- (b) Terminating, or causing to be terminated, any license, permit, lease, insurance policy, contract, or agreement relating to the assets of the Receivership Estates or the operation of the business affairs of Movants; and
- (c) Otherwise interfering with the Receiver's discharge of its duties under this Order.

27. This Court has exclusive jurisdiction over the Receivership Estates and the Receiver appointed hereunder. All actions which are equitable in nature or purport to seek equitable relief against the Receiver or the Receivership Estates are hereby stayed. No new actions, whether legal or equitable in nature, shall be brought against the Receiver or the Receivership Estates without the party seeking to bring such action first obtaining permission of this Court.

28. Nothing in this Order shall be construed as interfering with or invalidating any lawful lien or claim by any person or entity.

29. Any claims held by any Movants against the Secured Lenders are preserved and reserved during the pendency of this receivership and shall not be investigated by the Receiver or funded by the use of Secured Lenders' collateral or proceeds thereof, including cash collateral.

Further Orders

30. The Receiver is not responsible for the preparation of any income tax returns for Movants or their members or shareholders.

31. The Receiver, and any other party to this action, may at any time, by motion and notice to the Agent, the Secured Lenders, and to all parties that have appeared in this action, apply to this Court for further orders or instructions to amend, supplement or clarify this Order or for the approval of any action taken or contemplated by the Receiver, whether or not such action requires court approval.

32. All persons and creditors having notice of this Order, including those persons having oral or written agreements with any Movants, or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, banking services, payroll services, insurance, utility or other services to the Movants, are hereby restrained until further order of this Court from interfering with the Receiver's possession of the Receivership Estates or from taking actions which adversely affect the ability of the Receiver from performing the obligations imposed on it pursuant to this Order, including exercising any state law collection rights, from discontinuing, altering, interfering with or terminating the supply of goods or services as may be required by the

Receiver; provided in each case that the normal prices or charges for all such goods or services received after the entry of this Order shall be paid by the Receiver in accordance with the ordinary course of business of the Receivership Estates and such supplier, or such other practices as may be agreed upon by the Receiver and the supplier, or as may be otherwise ordered by the Court.

33. Notice of a motion seeking additional orders or instructions or approvals may be given to the parties by any method permitted by C.R.C.P. 5(b)(2). To the extent that the party filing a motion determines that notice to interested non-parties is appropriate, service may be accomplished by mailing by US Mail, email, or by facsimile transmission, or by any other means consented to by the party served.

34. Court approval of any motion filed by the Receiver shall be given as a matter of course, unless a party files an objection with the Court within 10 days after service. In the event of an objection, the Court shall promptly hold a hearing on the motion upon at least three days' prior written notice to all objecting parties.

35. All pleadings filed herein by any party shall be served upon Receiver either:

(a) by service upon legal counsel appearing herein for the Receiver by any method permitted by C.R.C.P. 5(b)(2), or

(b) if the Receiver is appearing *pro se* by service directly on the Receiver by Priority U.S. Mail at 9493 Shadow Hill Circle, Lone Tree, CO 80129, Attn: Christopher Harff, or by email to charff@highlinefin.com.

Termination of Receivership

36. The Receiver shall continue in possession of the Receivership Estates until such possession is terminated or the Receiver is discharged by the Court. The Receiver shall endeavor to wind up the receiverships expeditiously in cooperation with the Agent or otherwise at the direction of the Court.

37. To wind up the receivership, the Receiver shall file a final report and a motion seeking the discharge of the Receiver. Such motion may be served on any party appearing in this action by any method permitted by C.R.C.P. 5(b)(2).

38. If no objections to the final report and motion to discharge Receiver are filed with the Court within 14 days after the final report and motion for discharge are filed with the Court, the final report will be accepted by the Court, and the Court will enter an order terminating the Receiverships and discharging the Receiver.

39. The Receiver's actions in the performance and discharge of its duties are performed in a representative capacity as an officer of this Court. Except for claims of misfeasance or malfeasance in the performance of its duties, the Receiver is not and shall not be

personally liable to any person or governmental entity under any law, statute, rule, regulation, or other doctrine of law or equity. Any claim alleging the Receiver's misfeasance or malfeasance must be made to this Court prior to the time the order discharging the Receiver is entered by the Court. All persons acting on behalf of the Receiver at the Receiver's request are protected and privileged with the same protections of this Court as the Receiver, including, without limitation, the officers, directors, employees, agents and contractors of Receiver.

40. Except as otherwise expressly set forth in this Order, nothing contained in this Order shall be construed as obligating the Receiver to advance its own funds in order to pay the costs and expenses of the receivership that have been approved by the Court.

41. The Receiver may resign and, upon motion to the Court with notice to Movants and the Agent, request an order approving the Receiver's resignation, discharging the Receiver, and releasing the Receiver's bond; provided, however, that no such resignation may take effect unless and until a substitute receiver recommended by Movants is duly appointed for the Receivership Estates, and Movants have advanced funds to pay the Receiver's fees and expenses, including Receiver's counsel, if any.

Enforcement

42. This Order shall be enforceable by the contempt power of the Court.

43. Sheriff's assistance to enforce the terms of this Order in the form of peace-keeping duties is hereby authorized.

Notice to the Agent and the Secured Lenders

44. Electronic notice via e-mail to the Agent and the Secured Lenders is permitted and shall be provided as follows:

To Agent:

Acquiom Agency Services LLC
as Administrative Agent
950 17th Street, Suite 1400
Denver, CO 80202
Attn: Lisa Schutz
Email: loanagency@srsacquiom.com

To Secured Lenders by email to:

Pura Vida Master Fund, Ltd.; Pura Vida Pro Special Opportunity Master Fund, Ltd.:

CFO@puravidafunds.com

Seventh Avenue Investments, LLC:

Aasim@7aveinv.com

Trulieve Cannabis Corp:

Brian.Manning@Trulieve.com

DATED this ____ day of November, 2024.

BY THE COURT:

District Court Judge

DISTRICT COURT, DENVER COUNTY, STATE OF COLORADO 1437 Bannock Street Denver, CO 80202 Telephone: (303) 606-2300	DATE FILED November 13, 2024 10:51 AM FILING ID: 7CD83823E188E CASE NUMBER: 2024CV33423 <p align="center">▲ COURT USE ONLY ▲</p>
In the matter of the dissolution of: NATIONAL CONCESSIONS GROUP INC.; SLANG DISTRIBUTION, LLC; and SLANG COLORADO MANUFACTURING INC.	
Attorneys for Movants: Daniel J. Garfield, #26054 Fairfield and Woods, P.C. 1801 California Street, Suite 2600 Denver, CO 80202 Main Number: (303) 830-2400 Facsimile: (303) 830-1033 Email: dgarfield@fwlaw.com	Case Number: 2024CV033423 Division: 280
<p align="center">UNOPPOSED EMERGENCY VERIFIED MOTION FOR ORDER APPOINTING RECEIVER</p>	

National Concessions Group, Inc. (“NCG”); Slang Distribution, LLC (“Slang Distribution”); and Slang Colorado Manufacturing Inc. (“Slang Manufacturing,” and together with NCG and Slang Distribution, “Movants”) submit the following Unopposed Emergency Verified Motion for Appointment of Receiver to wind down and liquidate the business and affairs of Movants and state as follows:

CERTIFICATION OF CONFERRAL

Because this case involves a request for judicial supervision of a corporate wind down and liquidation, it does not have adverse parties in the usual sense. However, the Agent for the Secured Lenders (as those terms are defined below), has consented to the appointment of a

receiver for Movants as provided in the form of order submitted with this motion. (Ex. 1).

INTRODUCTION

Movants seek appointment of a receiver to assist with the wind down and liquidation of their businesses and affairs as provided by Colorado law. Movants recently voluntarily filed articles of dissolution, and their parent company will soon file a liquidating bankruptcy case in Canada. Moreover, Movant Slang Manufacturing is a Colorado licensed marijuana business that must be wound down by a properly licensed person to dispose of regulated marijuana. Because Movants' parent company will soon file for bankruptcy, it will be inefficient, expensive, and time-consuming, impracticable (and likely impossible) for the parent's bankruptcy trustee to wind down Movants' business and affairs from Canada. Accordingly, Movants request that the Court appoint a receiver for all three entities.

FACTUAL BACKGROUND

Each Movant has its principal place of business located at 1147 Broadway, Suite 100 Denver, Colorado 80203. NCG and Slang Manufacturing are Colorado corporations; Slang Distribution is a Colorado limited liability company.

The Slang Entities

Movants are entities that are part of a group of companies operating in the United States and Canada, whose parent company is SLANG Worldwide Inc., a corporation formed under the Canada Business Corporations Act ("Slang Parent"), which is publicly traded in Canada and listed on the OTCQB in the United States.

Slang NonPT Holdco Inc., a Delaware corporation, is the sole shareholder of Movants NCG and Slang Distribution. Slang Parent is the sole shareholder of Slang NonPT Holdco Inc.

Slang Colorado Inc., a Colorado corporation, is the sole shareholder of Slang Manufacturing. The sole shareholder of Slang Colorado is Slang PT Holdco Inc., a Delaware corporation. The sole shareholder of Slang PT Holdco Inc. is Slang Parent.¹

The Slang Entities and their affiliates operate as a cannabis consumer packaged goods company in Canada and the United States. The Slang Entities sell CBD and other hemp-derived products around the United States and Canada and operate in 13 states that have licensed marijuana businesses. The Slang Entities (or their predecessors) have operated in Colorado's licensed marijuana market for over 10 years.

Slang Manufacturing holds regulated marijuana business licenses from the State of Colorado Marijuana Enforcement Division (the "MED"), License Nos. 404R-0051 and 404-00173, and similar licenses from the City and County of Denver, Department of Excise and Licenses ("Denver EXL") Colorado, to operate as a retail and medical marijuana products manufacturer under §§ 44-10-10, et seq., C.R.S., and the rules and regulations promulgated thereunder, including 1 CCR 212-3 (collectively, the "Colorado Marijuana Code").

Slang Parent, Slang PT Holdco Inc. and Slang Colorado hold Owner licenses from the MED and Denver EXL as the direct and indirect parent entities of Slang Manufacturing. In addition, the officers and directors of Slang Parent hold licenses from the MED as Controlling Beneficial Owners (as that term is defined in the Colorado Marijuana Code) of Slang Manufacturing.

¹ Slang Parent, Slang NonPT Holdco Inc., Slang Colorado, Slang PT Holdco Inc., NCG, Slang Distribution, Slang Manufacturing, and other affiliates of such entities are sometimes referred to individually as a "Slang Entity" and collectively as the "Slang Entities."

Movants have common management, accounting, information technology, and human resources. Each Movant has separate financial records and employees. Each Movant has a separate bank account. NCG has licensed the O.pen brand to Slang Manufacturing.

The Credit Agreement

On or about November 15, 2021, (a) the Slang Entities (as borrowers); (b) Pura Vida Master Fund, Ltd.; Pura Vida Pro Special Opportunity Master Fund, Ltd.; Irv Kessler; Joad Investments, LLC; 12th Street Holdings, LLC; Eric Frank; Seventh Avenue Investments, LLC; and Trulieve Cannabis Corp. (as Lenders) (the “Secured Lenders”); and (c) Seventh Avenue Investments LLC as Administrative Agent and Collateral Agent (the “Agent”), entered into that certain Credit and Security Agreement (as amended from time to time) whereby the Lenders loaned approximately \$17,300,000.00 to the Slang the Entities as a senior secured credit facility (the “Credit Agreement”). Acquiom Agency Services LLC later replaced Seventh Avenue Investments LLC as the Agent.

The Secured Lenders have a properly perfected senior security interest in substantially all of the assets of the Slang Entities, including those of NCG and Slang Manufacturing, but not Slang Distribution. (Exs. 2 and 3 [UCC filings]). The Slang Entities do not dispute amounts owed under the Credit Facility or the validity, legality, or enforceability of Secured Lenders’ security interest in their assets or the loan documents evidencing the Secured Lenders’ interests and claims.

The Slang Entities do not have any claims that could be asserted against the Secured Lenders or the Agent. From time to time, the Secured Lenders loaned additional amounts under

the Credit Agreement, and the Slang Entities currently owe approximately \$23,000,000 with respect to the Credit Agreement.

The Secured Lenders have alleged the existence of certain defaults under the Credit Agreement. Following an event of default, the Secured Lenders have certain rights and remedies as to the assets of the Slang Entities which, if exercised, would make continued operations untenable.

Most recently, the Slang Entities and the Agent entered into a Waiver and Support Agreement dated October 8, 2024, in which the Secured Lenders agreed to standstill until the earlier of November 15, 2024, or the occurrence of an Accommodation Termination Event (as that term is defined the agreement) while the Slang Entities pursued a liquidation and wind down plan (the “Wind Down Plan”) in which, as relevant here, Movants would be placed into receivership in this Court and Slang Parent would file for a liquidating bankruptcy in Canada. The Slang Entities’ failure to use their best efforts to proceed with the Wind Down Plan is a default under the Waiver and Support Agreement.

All amounts owed under the Credit Agreement are due and payable on November 15, 2024, and the Slang Entities will be unable to pay such amounts in full.

Slang Seeks to Wind Down Its Businesses

Like many businesses in the state-licensed marijuana industry in Colorado and other states, the Slang Entities have suffered economic distress in recent years. Each Movant is insolvent and does not have sufficient assets to satisfy amounts due to the Secured Lenders under the Credit Agreement or to its unsecured creditors and thus is unable to pay all its debts as they come due.

On October 21, 2024, NCG terminated most of its employees, retaining a handful of personnel to assist with support of the other Movants. NCG ceased its primary business operations. NCG staff have contacted vendors and terminated agreements and significant recurring costs.

Slang Distribution is in the process of transferring its e-commerce business to a third party, after which this entity will be liquidated and wound down.

Slang Manufacturing is continuing business operations to convert raw marijuana inventory and packaging into finished goods. It is manufacturing regulated marijuana product only to the extent necessary to sell its business, which is generating positive cash flow. There is a plan to seek a buyer for the operations while simultaneously implementing a wind down strategy. If a sale of the business is not feasible, a small number of personnel will be retained to sell existing inventory and collect accounts receivable.

On November 1, 2024, each Movant filed articles of dissolution with the Colorado Secretary of State. (Exs. 4, 5, and 6). Corporate action approving the filing of such articles is attached as Exs. 7, 8, and 9.

ARGUMENT

I. Appointment of a Receiver Without a Hearing Is Warranted Pursuant to the Colorado LLC Act, the Colorado Business Corporation Act, and C.R.C.P. 66

After a Colorado corporation or a limited liability company has voluntarily filed articles of dissolution with the Colorado Secretary of State, it may seek judicial supervision of its wind down and liquidation process. §§ 7-80-810(4)(a)(I); 7-80-811; 7-114-301(4)(a)(I); and 7-114-302, C.R.S. Such entities may also seek appointment of a receiver to oversee the wind down and liquidation. §§ 7-80-112 and 7-114-303, C.R.S. As applicable here, C.R.C.P. 66(a)(3) provides

that a court may appoint a receiver “where proper and in accordance with the established principles of equity.” Here, equitable principles allow for appointment of a receiver for Movants because Colorado law so provides.

Moreover, given the procedural posture of this case and that the Agent has consented to appointment of a receiver for Movants, this Court can appoint a receiver without holding an evidentiary hearing (at least for now) and instead rely solely on the papers filed:

A court in a judicial proceeding brought to dissolve a limited liability company may issue injunctions, appoint a receiver or custodian pendente lite with all powers and duties the court directs, take other action required to preserve the limited liability company’s assets wherever located, and carry on the business of the limited liability company **until a full hearing can be held.**

§ 7-80-811(3), C.R.S. (emphasis added).

A court in a proceeding brought to dissolve a corporation may issue injunctions, appoint a receiver or custodian pendente lite with all powers and duties the court directs, take other action required to preserve the corporate assets wherever located, and carry on the business of the corporation **until a full hearing can be held.**

§ 7-114-302(3), C.R.S. (emphasis added).

Accordingly, Colorado corporate statutes alone provide for appointment of a receiver in this instance without an evidentiary hearing. A hearing is also not necessary because the Agent, acting on behalf of the Secured Lenders, does not oppose the appointment of a receiver pursuant to the terms of the proposed order filed contemporaneously with this motion. See Rossi v. Colorado Pulp and Paper Co., 299 P. 19, 29 (Colo. 1931) (creditors who acquiesce in appointment of receiver to wind down a corporation cannot later oppose such appointment); see also Oman v. Morris, 471 P.2d 430, 432 (Colo. App. 1970) (prima facie showing made for appointment of receiver, particularly where no objection was made).

Moreover, C.R.C.P. 66 does not require the Court to hold a hearing to appoint a receiver, and a trial court may appoint a receiver without a hearing where the record discloses sufficient facts to warrant it. See Citronelle-Mobile Gathering, Inc. v. Watkins, 934 F.2d 1180, 1189 (11th Cir. 1991) (construing Fed. R. Civ. Pro. 66); Bookout v. Atlas Fin'l Corp., 395 F.Supp. 1338, 1343 (N.D. Ga. 1974), aff'd, 514 F.2d 757 (5th Cir. 1975) (“Although this court has not conducted an evidentiary hearing regarding this matter, when the files and records of a case, together with the pleadings, briefs and uncontroverted assertions of the parties show that appointment of a receiver is warranted, an evidentiary hearing is not required.”). Further, to the extent notice to other parties is required, notice to the relevant parties is sufficient given that the Agent has consented to appointment of a receiver, and the Secured Lenders will receive all amounts generated by the wind down of Movants. See generally GE Life and Annuity Assurance Co. v. Fort Collins Assemblage, Ltd., 53 P.3d 703, 704-05 (Colo. App. 2001) (discussing notice requirements for receiverships).

After Slang Parent files for bankruptcy in Canada, its bankruptcy trustee will be unable to operate Slang Manufacturing as such trustee will be unable or unwilling to qualify as a Controlling Beneficial Owner under the Colorado Marijuana Code.²

Moreover, if a receiver is not appointed for Slang Manufacturing prior to Slang Parent filing for bankruptcy, Slang Manufacturing will not have a Controlling Beneficial Owner with an Owner’s License (as that term is defined in the Colorado Marijuana Code), which is a violation of the Colorado Marijuana Code and would likely lead to the MED seeking sanctions against

² Slang Manufacturing is prohibited from filing for bankruptcy under the United States Bankruptcy Code because it possesses and sells a controlled substance under the United States Controlled Substances Act, 21 U.S.C. §§ 801, et seq. See, e.g., In re Rent-Rite Super Kegs West Ltd., 484 B.R. 789, 803-811 (Bankr. D. Colo. 2012).

Slang Manufacturing and Slang Parent’s soon-to-be-former officers and directors, including shutting down Slang Manufacturing’s business. See 1 CCR 212-3 Rule 2-280 C.2 (“No Regulated Marijuana Business or Owner Entity may operate or be licensed unless it has at least one Controlling Beneficial Owner who holds a valid Owner License.”).

Accordingly, only a court appointee, such as a receiver promptly appointed by this Court, will have the proper authority to wind down Slang Manufacturing. See Yates v. Hartman, 488 P.3d 348, 351 (Colo. App. 2018) (receiver may not operate a licensed marijuana business without the required licenses from licensing authority); § 44-10-103(13), C.R.S. (defining “Controlling Beneficial Owner”). Moreover, the Colorado Marijuana Code requires that any individual with “day-to-day operational control” over a licensed marijuana business must be a Colorado resident, § 44-10-308(3)(a), C.R.S., and Christopher Harff, principal of the proposed receiver, is a Colorado resident and has been appointed as a receiver (and appropriately licensed by the MED) for other licensed marijuana businesses.

Regarding NCG and Slang Distribution, while neither is a licensed marijuana business, they both have assets that can be liquidated to pay amounts due to the Secured Lenders, and no one associated with the Slang Entities, other than non-managerial employees, has the knowledge and experience necessary to wind down and liquidate these two Movants.

Appointment of a receiver will preserve Movants’ value and ensure that Movants can sell their assets and inventory as the receiver seeks to find a buyer or effectuate a sale or wind down of Slang Manufacturing, which will maximize recoveries for creditors.

II. The Court Should Appoint Highline Financial Group, LLC as Receiver

Movants request that the Court appoint Highline Financial Group, LLC (“Highline”), as receiver. Highline’s principal, Christopher Harff, is responsible, experienced, and knowledgeable in the duties required of a receiver and in operating businesses such as that of Movants, including businesses in the hemp and licensed marijuana industries, and is willing and able to be appointed as receiver. A copy of Mr. Harff’s resume is attached hereto as Exhibit 10. Movants request that Highline post a bond of \$5,000.00. The Agent on behalf of the Secured Lenders has approved of Movants’ request to appoint Mr. Harff as receiver.

The Slang Entities engaged Highline on October 16, 2024, to assist with their wind down and liquidation and paid Highline \$25,000.00 for its work. More specifically, Highline has assisted with negotiating an agreement for the sale of inventory from Slang Distribution, which will generate proceeds for the benefit of its receivership estate, and this agreement will require the receiver’s continued attention. Highline is generally familiar with Movants’ assets and remaining businesses. Prior to his engagement, to Movants’ knowledge, Highline and Mr. Harff had no business or other connections with Movants, the Secured Lenders, or the Agent.

Highline will be compensated at its normal hourly rate of \$305.00, unless the Court enters a separate order concerning Highline’s compensation. Highline will not consolidate the operations, businesses, assets, or sale proceeds of Movants unless the Court so orders.

WHEREFORE, Movants request that this Court appoint Highline Financial Group, LLC as receiver, and order such other and further relief as the Court deems just and proper.

2025 ROCKY MOUNTAIN BANKRUPTCY CONFERENCE

Respectfully submitted this 8th day of November, 2024.

FAIRFIELD & WOODS, P.C.

By: s/ Daniel J. Garfield
Daniel J. Garfield

ATTORNEYS FOR MOVANTS

VERIFICATION

STATE OF COLORADO)
) ss.
 CITY AND COUNTY OF DENVER)

I, John Moynan am CEO of National Concessions Group Inc. Upon my oath, I depose and say that I have read the Unopposed Emergency Verified Motion for Order Appointing Receiver in this matter. I know the contents thereof, and the same are true and correct to the best of my knowledge, information and belief.

By: *John Moynan*
 Name: John Moynan

Subscribed and sworn to before me this 8th day of November, 2024, by John Moynan
 as CEO of National Concessions Group Inc.

Witness my hand and official seal.

[SEAL]

KARLY ANNE-MARIE GORANSON-KIRK
 Notary Public
 State of Colorado
 Notary ID # 20174038173
 My Commission Expires 10-14-2025

Karly Anne-Marie Goranson-Kirk
 Notary Public

My commission expires: 10/14/2025

STATE OF COLORADO)
) ss.
 CITY AND COUNTY OF DENVER)

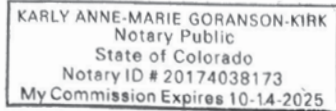
I, John Moynan, am CEO of Slang Colorado Manufacturing Inc. Upon my oath, I depose and say that I have read the Unopposed Emergency Verified Motion for Order Appointing Receiver in this matter. I know the contents thereof, and the same are true and correct to the best of my knowledge, information and belief.

By: *John Moynan*
 Name: John Moynan

Subscribed and sworn to before me this 8th day of November, 2024, by John Moynan
 as CEO of Slang Colorado Manufacturing, Inc.

Witness my hand and official seal.

[SEAL]



Karly Anne-Marie L Kirk
Notary Public

My commission expires: 10/14/2025

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

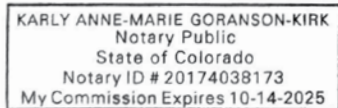
I, John Moynan, am CEO of Slang Distribution, LLC. Upon my oath, I depose and say that I have read the Unopposed Emergency Verified Motion for Order Appointing Receiver in this matter. I know the contents thereof, and the same are true and correct to the best of my knowledge, information and belief.

By: John Moynan
Name: John Moynan

Subscribed and sworn to before me this 8th day of November, 2024, by John Moynan as CEO of Slang Distribution, LLC

Witness my hand and official seal.

[SEAL]



Karly Anne-Marie L Kirk
Notary Public

My commission expires: 10/14/2025

Faculty

Daniel J. Garfield is a director with Fairfield and Woods P.C. in Denver and has almost 30 years of experience practicing in cannabis, bankruptcy and business transactions. He is a leading cannabis industry attorney, with experience in all issues concerning cannabis and hemp. Mr. Garfield represents private and public companies, investors (including private-equity funds and family offices), landlords, lenders, manufacturers, hemp farmers, CBD manufacturers, and a wide range of ancillary businesses. He also provides legal opinions and regulatory advice to industry participants. Mr. Garfield's bankruptcy, restructuring and distressed-asset practice includes the representation of clients in bankruptcy, receivership and all matter of distressed situations, including chapter 11 debtors, creditors' committees, secured and unsecured lenders, shareholders, trustees, receivers, landlords and purchasers of distressed assets. He also litigates adversary proceedings in bankruptcy court, including fraudulent transfers and preferences. Mr. Garfield assists clients in creditors' rights matters in and out of court, including debt restructurings, liquidations, workouts, foreclosures and collecting judgments. He also provides advice to lenders and borrowers in structured finance loans, and he has authored for borrowers or reviewed for secured lenders more than 75 nonconsolidation opinions. Mr. Garfield received his B.A. from Swarthmore College in 1989 his J.D. from Northwestern University School of Law in 1995.

Emil P. Khatchatourian is a restructuring and bankruptcy partner with Foley & Lardner LLP in Chicago, where he focuses his practice on representing debtors, trustees, secured lenders, unsecured creditors, purchasers of assets, investors, and other stakeholders in a broad range of restructuring matters throughout the country. He is a member of the firm's Bankruptcy & Business Reorganizations Practice. Mr. Khatchatourian regularly handles complex chapter 11 proceedings, out-of-court workouts, acquisitions, liquidations and bankruptcy litigations in both federal and state court. He advises and develops strategies and creative solutions for clients in distressed-debt situations, default scenarios, workouts and distressed acquisitions. Mr. Khatchatourian has led bankruptcy and restructuring matters for clients in industries as varied as manufacturing, energy, health care, pharmaceuticals, agriculture, retail and nonprofit. He also has experience with respect to commodities, derivatives and securities insolvency issues and his work in these specialized areas has involved significant counseling work for exchanges, FCMs, funds, broker-dealers and others. Through his counseling work, Mr. Khatchatourian has developed specific experience with respect to the Bankruptcy Code's treatment of contractual rights to liquidate, terminate or accelerate securities contracts, commodities contracts and forward contracts. He also has participated in the American Bar Association's Part 190 Subcommittee's efforts to undertake a review of the CFTC's Part 190 commodity broker bankruptcy rules and provide recommendations to the CFTC on potential amendments to those rules. Mr. Khatchatourian is a member of ABI, the Chicago Bar Association and The Lawyers Club of Chicago, for which he serves on its board. Prior to joining Foley, he clerked for Hon. Christopher M. Klein and Hon. Robert S. Bardwil (ret.) at the U.S. Bankruptcy Court for the Eastern District of California. Mr. Khatchatourian received his B.S. *magna cum laude* in 2004 from the University of California, Los Angeles, his J.D. in 2009 from Loyola Law School and his LL.M. in Bankruptcy in 2013 from St. John's University School of Law.

Adam B. Nach is an attorney with Nach, Rodgers, Hilkert & Santilli in Phoenix, where he represents landlords, lenders, receivers and trustees throughout the U.S. Previously, he was the judicial law clerk to former Chief Bankruptcy Judge Robert G. Mooreman in the District of Arizona. Mr. Nach is a frequent lecturer on bankruptcy law and creditors' rights and has written extensively on such matters for the ABI, Arizona State Bar, California Receivers Forum, Commercial Receiver Association, Maricopa County Bar Association, National Association of Bankruptcy Trustees, Norton Bankruptcy Institute and Turnaround Management Association. He is admitted to the U.S. Supreme Court, the Ninth Circuit Court of Appeals and State Bar of Arizona. Mr. Nach is a Board Certified Bankruptcy Law Specialist with the State Bar of Arizona and Board Certified in Creditors' Rights Law by the American Board of Certification, and he is AV-rated by Martindale-Hubbell. Mr. Nach's firm, Peak Performance Restructuring Services, LLC serves as a receiver, director and trustee for complex trusts. He received his B.S. in accounting in 1985 from the University of Arizona, and his J.D. from California Western School of Law.

Richard Williams, CPA, CIRP, LIT is a managing director at B. Riley Farber in Toronto, where his practice focuses on financial advisory services, corporate restructuring and cross-border restructuring. He has spent more than 20 years in corporate reorganization and restructuring in a variety of roles ranging from operations management to strategic financial advisor. Mr. Williams has worked with small entrepreneurs, mid-market family businesses, multi-billion-dollar corporations and a wide range of public sector entities. He has experience advising banks, private debt funds and other lenders in the management of distressed loan positions. He also has advised government agencies, private boards and other stakeholders in industries ranging from film and media to aviation and manufacturing. Mr. Williams is a member of the Turnaround Management Association, the Canadian Association of Insolvency and Restructuring Professionals and the Chartered Professional Accountants of Ontario. He received his B.A. in international relations in 2002 from Mt. Allison University, his M.A. in political science in 2003 from Dalhousie University, and his M.B.A. in 2015 from Athabasca University.