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JUDICIAL CENTRE	CALGARY
APPLICANTS	IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED AND IN THE MATTER OF THE PLAN OF COMPROMISE OR ARRANGEMENT OF RDFN FUM NATURAL PRODUCTS LTD. AND RDFN FUM NATURAL PRODUCTS INC.
DOCUMENT	**MONITOR'S REPORT TO CREDITORS (PLAN OF ARRANGEMENT)** **September 10, 2026**

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INTRODUCTION

1. On February 4, 2026, RDFN FUM Natural Products Ltd. ("**FUM Canada**") and RDFN FUM Natural Products Inc. ("**FUM US**" and together with FUM Canada, the "**Companies**", "**FUM**" or the "**Applicants**") each filed Notices of Intention to Make a Proposal (the "**NOI**") pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (the "**BIA**").

2. On March 2, 2026, the Court of King's Bench of Alberta (the "**Court**") granted an order (as amended and restated on March 12, 2026, and as may be further amended and restated, the "**Initial Order**") which, among other things, continued the Applicants' NOI proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36, as amended (the "**CCAA**", and the proceedings, the "**CCAA Proceedings**") and appointed Alvarez & Marsal Canada Inc. ("**A&M**") the Monitor of the Companies (the "**Monitor**").

3. On August 28, 2026, FUM Canada sought and obtained a Creditors' Meeting Order (the "**Creditors' Meeting Order**"), which provided the following relief:

    a) accepting the filing of the plan of compromise and arrangement of FUM Canada dated August 19, 2026 (as may be amended from time to time, the "**Plan**");

    b) authorizing the FUM Canada to establish two classes of creditors for the purpose of considering and voting on the Plan, namely, the "**Affected Creditors**", as described in the Plan;

    c) authorizing the FUM Canada to call, hold and conduct a virtual meeting of the Affected Creditors on September 18, 2026 at 10:00 am MDT (the "**Creditors' Meeting**") to consider and vote on a resolution to approve the Plan, and approving procedures to be followed with respect to the Creditors' Meeting; and

d) setting the date of October 1, 2026, for the hearing of the application for an order sanctioning the Plan (the "**Plan Sanction Hearing**"), should the Plan be approved for filing and approved by the required majority of creditors at the Creditors' Meeting.

4. Further information regarding these CCAA Proceedings, including the Initial Order, ARIO, affidavits, the reports of the Monitor and all other materials filed with the Court are available on the Monitor's website at www.alvarezandmarsal.com/FUM (the "**Website**").

5. Capitalized terms not otherwise defined in this Report shall have the meaning ascribed to them in the ARIO, the Prior Monitor Reports[1] and the materials filed by the Applicants or any other party in connection with these CCAA Proceedings.

PURPOSE

6. This Report is intended to provide this Honourable Court and creditors with information in respect of the following:

a) provide background information about the Applicants;

b) summarize the terms of the Plan;

c) discuss the Monitor's analysis of the Plan and compare the result for creditors under the Plan to the result if the Plan is not accepted and the assets of the Applicants are liquidated;

[1] The First Report of the Proposal Trustee and Proposed Monitor dated February 26, 2026, the First Report of the Monitor dated March 10, 2026, the Second Report of the Monitor dated April 17, 2026, the Third Report of the Monitor dated July 21, 2026, and the Fourth Report of the Monitor dated August 21, 2026 are collectively referred to as the **"Prior Monitor Reports**".

d) provide the Monitor's opinion as to the reasonableness of the provision in the Plan that sections 95 to 101 do not apply in respect of the Plan, as required pursuant to Section 23(1)(d.1) of the CCAA;

e) discuss the requirements for a successful plan and the implications for failure to implement the Plan; and

f) provide the Monitor's recommendation on the Plan.

TERMS OF REFERENCE

7. In preparing this Report, A&M, in its capacity as the Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Applicants and has held discussions with the Applicants' management ("**Management**") and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of the Applicants' cash flow forecast:

a) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

b) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

8. Future-oriented financial information referred to in this Report was prepared based on the Applicants' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

9. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

BACKGROUND

10. Founded in 2016, FUM engages in the design, development, marketing, and sale of alternative wellness-oriented products (the "**Products**") intended to support habit replacement, including as a sensory alternative for individuals seeking to reduce or discontinue smoking. The Companies' core product is a refillable handheld non-nicotine, non-electronic, vaporless, smokeless flavoured air device that utilizes replaceable essential oil–infused cores (known as flavor cores). Other Products include disposable air devices and accessories.

11. FUM Canada is the principal operating entity incorporated pursuant to the federal laws of Canada and is extra-provincially registered in the province of Alberta. FUM Canada holds substantially all of the assets and property of the Companies and employs the majority of the employees. Management, finance and operating functions are conducted through FUM Canada.

12. FUM US is a wholly owned subsidiary of FUM Canada and was incorporated pursuant to the laws of the State of Delaware. FUM US was established for the primary purpose of retaining employees in the USA who are paid by, and report to, FUM Canada.

13. Products sold by FUM are manufactured in the United States, China and Vietnam and are imported to the USA, Canada, the United Kingdom ("**UK**") and elsewhere for sale. The Companies distribute Products primarily through direct-to-consumer

channels worldwide and the majority of the Companies' sales are generated in the USA with the balance of sales generated in Canada, the UK, Australia and elsewhere.

14. The Applicants entered into formal insolvency proceedings in February 2026 due to a liquidity crisis commencing in the year prior and driven by rising debt due to significant payments owing under a settlement agreement related to a trademark infringement lawsuit, rising advertising costs and tariffs imposed by the USA.

SUMMARY OF THE PLAN OF ARRANGEMENT[2]

Overview

15. FUM Canada, in consultation with the Monitor, has developed the Plan to ensure that persons with an economic interest in FUM Canada and who are affected by the Plan will, collectively, derive a greater benefit from the implementation of the Plan than they would derive from a bankruptcy or liquidation of the Applicants.

16. In general, the Plan includes the following key elements, as more fully particularized in the Plan:

    a) FUM Canada's operations will continue in the normal course and without disruption following Plan implementation;

    b) FUM US's operations will be wound down in an orderly manner through a bankruptcy under Chapter 7 of the US Bankruptcy Code;

    c) a Secured Creditor Cash Fund in the amount of $1.1 million will be established to be distributed *pro rata* to Affected Secured Creditors with Accepted Secured Claims on the Plan Distribution Date (the "**Secured**

[2] Terms not otherwise defined in this section have the meaning ascribed to them in the Creditors' Meeting Order and the Plan.

Initial Distribution");

d) additional ongoing *pro rata* payments of approximately $26,871 per month will be distributed to Affected Secured Creditors with Accepted Secured Claims over a 7-month period, commencing 30 days after the date of payment of the Secured Initial Distribution (the "**Secured Pro Rata Installments**");

e) an Unsecured Creditor Cash Fund up to a maximum amount of approximately $66,741[3] will be established to pay Convenience Class Claims to Convenience Class Creditors in an amount that is the lesser of $2,500 or the amount of their Convenience Class Claim, on the Plan Distribution Date; and

f) Affected Unsecured Creditors with Accepted Unsecured Claims who are not Convenience Class Creditors will receive ongoing monthly *pro rata* payments of $30,000 per month, up to a maximum of $330,000 in aggregate, over a period of 11 months (the "**Unsecured Pro Rata Installments**"), with payments commencing 30 days after completion of the Secured Pro Rata Installments.

17. The purpose of the Plan is to, among other things: (i) facilitate the bankruptcy of FUM US; (ii) ensure the continuation of FUM Canada's operations; (iii) facilitate the distributions contemplated in the Plan; (iv) effect a compromise and arrangement of all Affected Claims of FUM Canada; and (v) effect a release and discharge of all Affected Claims of FUM Canada and the Released Claims.

[3] The Unsecured Creditor Cash Fund may need to be adjusted to reflect the number of Affected Unsecured Creditors who elect to be Convenience Class Creditors.

Arrangement and Compromise under the Plan

18. The structure of the Plan is as follows:

a) the Plan is presented to two classes of Affected Creditors of FUM Canada: (i) Affected Secured Creditors with Accepted Secured Claims and (ii) Affected Unsecured Creditors with Accepted Unsecured Claims for the purpose of voting on the Plan and receiving distributions under the Plan;

b) the Monitor shall establish and administer in a bank account held by the Monitor, the Secured Creditor Cash Fund and Unsecured Creditor Cash Fund to be distributed among eligible voting creditors in full consideration for the irrevocable, full and final compromise and satisfaction of such Accepted Secured Claims and Accepted Unsecured Claims pursuant to the following methodology:

i. each eligible voting Affected Secured Creditor shall be entitled to receive the Secured Initial Distribution on the Plan Distribution Date plus Secured Pro Rata Installments up to an aggregate amount equal to $1,288,100 of the Accepted Secured Claims;

ii. each Convenience Class Creditor with a Convenience Class Claim will be paid the lesser of $2,500 and their Accepted Unsecured Claim on the Plan Distribution Date; and

iii. Affected Unsecured Creditors with Accepted Unsecured Claims who are not Convenience Class Creditors shall be entitled to receive the Unsecured Pro Rata Installments, commencing 30 days after completion of the Secured Pro Rata Installments and paid over a period of 11 months; and

c) upon being sanctioned and approved by the Court (the "**Sanction**

Order"), the Plan shall be effective and binding, and shall constitute, among other things: (i) a full, final, and absolute settlement of all rights of all Creditors of FUM Canada; and (ii) an absolute release, extinguishment, and discharge of all indebtedness, liabilities, and obligations of FUM Canada in respect of any Creditor. Additionally, the Plan shall provide for a release of: FUM Canada; the directors and officers of FUM Canada; the legal and financial advisors and other representatives of FUM Canada; and the Monitor and its legal advisors.

Treatment of Creditors

19. The Plan proposes to treat claims in the following manner:

Claim Type	Treatment
Secured Claims	Affected Secured Creditors with Accepted Secured Claims will receive the applicable: (a) Secured Initial Distribution; and (b) Secured Pro Rata Installments in respect of their Accepted Secured Claim, in accordance with the Plan.
Convenience Class Claims	Convenience Class Creditors with Convenience Class Claims will receive a payment equal to the lesser of (i) $2,500; or (ii) their Convenience Class Claim.
Unsecured Claims	Affected Unsecured Creditors with Accepted Unsecured Claims who are not Convenience Class Creditors will receive the applicable Unsecured Pro Rata Installments in respect of their Accepted Unsecured Claim, in accordance with the Plan.
Unaffected Claims	Persons with Unaffected Claims will not be entitled to vote at any Creditors' Meeting or receive any distributions under the Plan in respect of the portion of their claim which is an Unaffected Claim.

Funds and Reserves

20. On or prior to the Plan implementation date, FUM Canada shall deliver, or cause to be delivered, to the Monitor, an amount equal to the Secured Creditor Cash Fund and Unsecured Creditor Cash Fund (together, the "**Plan Implementation Fund**").

Conditions Precedent to Plan Implementation

21. The implementation of the Plan is subject to certain conditions precedent, separately in favour of the Applicants, including, *inter alia*:

a) the Plan shall have been approved by the Required Majority in accordance with the CCAA;

b) the Sanction Order shall have been granted by the Court in a form acceptable to FUM Canada and the Monitor and shall be in full force and effect and not reversed, stayed, varied, modified, or amended;

c) the Sanction Order shall have been recognized by the Chapter 15 Court;

d) the Monitor shall have received from FUM Canada the funds needed to establish and shall have established the Plan Implementation Fund;

e) no injunction or other order shall have been issued to enjoin, restrict or prohibit any of the compromises, arrangements, releases and the transactions;

f) all necessary corporate action and proceedings of FUM Canada shall have been taken to approve the Plan;

g) all agreements, resolutions, documents and other instruments, which are reasonably necessary to be executed and delivered by FUM Canada, in order to implement this Plan or perform FUM Canada's obligations under this Plan or the Sanction Order, shall have been executed and

delivered; and

h) all outstanding obligations, liabilities, fees and disbursements secured by the Administration Charge, if any, which are evidenced by invoices as at the Effective Date shall be fully paid by the Monitor, on behalf of FUM Canada, from the Plan Implementation Fund.

Plan Implementation Date

22. The Plan becomes effective upon satisfaction or waiver of the conditions set out in Section 8.1 and Section 8.2 of the Plan (as summarized above), as confirmed by written notice by FUM Canada to the Monitor, and the Monitor delivers to FUM Canada a certificate which states that all conditions precedent have been satisfied.

PREFERENCE AND TRANSFERS AT UNDER VALUE

23. As part of its statutory duties, the Monitor is required to conduct a review of the Applicants' transactions immediately preceding the commencement of the Plan proceedings to identify transactions that could be considered preferences or transfers at undervalue.

24. As of the date of this Report, the Monitor conducted a review of reviewable or preference transactions. The Plan provides that Sections 95 to 101 of the BIA, being the sections of the BIA describing transactions that may be challenged by a Monitor, do not apply to the Plan. The Monitor believes this to be reasonable based on its review and the Monitor will continue and complete its review and comment on its findings at the meeting of creditors.

25. The Monitor is not aware of any offences under the BIA being committed in relation to the Applicants or the Plan.

MONITOR'S ANALYSIS OF THE PLAN

Overview

26. FUM Canada has made considerable efforts to prepare the Plan in a manner that addresses, to the extent possible, the various stakeholder groups' concerns. FUM Canada, in consultation with the Monitor, have prepared the Plan in a manner they believe achieves a result that is a fair and reasonable compromise between the Company and the Affected Creditors.

27. Management has indicated that there are no other viable restructuring options available other than the Plan, the alternative to which would be a formal liquidation. As discussed below, the Monitor agrees with Management's estimate that a liquidation scenario provides a materially worse recovery position to the Affected Creditors.

28. It is a condition of the Plan that the Affected Creditors must approve the Plan by the Required Majority. For greater certainty, the Affected Creditors shall not be bound by the terms of the Plan unless they have agreed to the Plan by the Required Majority. If the Affected Creditors do not approve the Plan, the likely scenario would be liquidation proceedings, under which FUM Canada's unsecured creditors would be anticipated to receive no distributions.

29. The Plan contemplates that the Affected Creditors will be grouped into two creditor classes: Affected Secured Creditors and Affected Unsecured Creditors. FUM Canada, with the support of the Monitor, believes that there will be no material prejudice experienced by any of the Affected Creditors from the Plan's classes of creditors given, as indicated below, that there would be no distributions to unsecured creditors in a liquidation scenario and Affected Secured Creditors will likely receive a higher distribution under the Plan than they would in a liquidation.

30. FUM Canada is of the view that the Plan and the related distribution process not only provides for a better return than in a liquidation scenario, but also provides the

Affected Creditors with the following advantages:

a) in a liquidation scenario, the distributions to creditors would (in the case of bankruptcy) be subject to a statutory levy pursuant to the BIA, which is deducted from the distributions and payable to the Superintendent of Bankruptcy. No levy is payable in respect of distributions under the CCAA Proceedings;

b) a liquidation scenario would result in increased professional fees and costs as a result of the potential requirement for another claims process, a potential sales process in an effort to monetize the assets of the Applicants (which would have no certain outcome), and associated administrative and holding costs; and

c) a bankruptcy or liquidation scenario may fail to realize any value from certain corporate attributes that are available when the Applicants' business continues as a going concern.

Creditor Analysis

31. The Monitor has prepared the abridged Liquidation Analysis tabled below, which details the anticipated recoveries by the Affected Creditors:

FUM Liquidation Analysis *$CAD 000's*	Liquidation Outcomes High	 Low	 Plan Distribution
Liquidation proceeds	**$ 1,353**	**$ 919**	
Secured Claims[(1)]	(1,481)	(1,481)	
Secured Creditors Recovery (%)	***91%***	***62%***	***85%***
Shortfall to Unsecured Creditors	**(129)**	**(562)**	
Unsecured Claims [(2)]	(9,845)	(10,298)	
Unsecured Creditors Recovery (%) [(3)]	***0%***	***0%***	***5% to 100%***

(1) Clearco is treated as a claimant in the Secured Creditor class, consistent with the Claim Settlement Agreement.
(2) Under a liquidation scenario it is estimated that there may be additional unsecured claims related to landlord damages and employee termination and severance.
(3) Recovery percentage to Unsecured Creditors under the Plan will vary subject to the Unsecured Creditor's classification as a Convenience Class Creditor. Convenience Class Creditors with claims less than $2,500 will receive 100% of their respective claim. Unsecured Creditors who are not Convenience Class Creditors will receive *pro rata* monthly payments up to a maximum of $330,000, in aggregate, over an 11-month period.

32. In preparing this Liquidation Analysis, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made to the Monitor, by Management or from certain external sources. Although the information has been reviewed for reasonableness, the Monitor has not independently verified the accuracy or completeness of the information provided by Management nor conducted an audit, and accordingly, the Monitor is not providing any form of assurance thereon. This preliminary assessment of value is not considered a formal business and/or asset valuation opinion, and the Monitor has not provided such an opinion thereon and is based on the assumptions. The Monitor has not provided any assurance on the reasonableness of the assumptions. Any changes to one or more of the underlying assumptions or the information provided may have a material impact on any calculations and/or conclusions contained in this Report. The Monitor is not providing an opinion on the fair market value in accordance with CICBV Practice Standard 110.

33. The Monitor is of the view that the Plan addresses various stakeholders' positions relating to the distribution and recovery to each creditor class by considering the following:

a) Affected Secured Creditors would receive *pro rata* distributions approximating $1.3 million, in aggregate, and representing approximately 85% of the Affected Secured Claims, through payments made under the Secured Initial Distribution and Secured Pro Rata Installments. While the recovery under the Plan is lower than the estimated high end of recovery to Affected Secured Creditors under a liquidation scenario (91%), the Plan provides greater certainty of distributions and timelines and allows FUM Canada to continue operating in the normal course to provide economic benefits to all parties and other stakeholders going forward;

b) Convenience Class Creditors with Accepted Unsecured Claims less than $2,500 would receive 100% of their Accepted Unsecured Claims upon implementation of the Plan. Conversely, these Convenience Class Creditors would receive no distributions under a liquidation scenario;

c) Affected Unsecured Creditors who are not Convenience Class Creditors will receive monthly *pro rata* payments of $30,000 per month, up to a maximum of $330,000, in aggregate, over an 11-month period. Alternatively, these Affected Unsecured Creditors may elect to be classified as a Convenience Class Creditor and receive the lesser of $2,500 and their respective Convenience Class Claim. Conversely, these Affected Unsecured Creditors would receive no distributions under a liquidation scenario; and

d) the Plan complies with the requirements of section 6 of the CCAA with respect to priority claims. There are no outstanding claims against the Applicants by the Canada Revenue Agency in respect of unremitted

source deductions, and there are no amounts due and owing to employees of the type described in section 6(5) of the CCAA. Accordingly, no priority claims rank ahead of the distributions contemplated in the Plan.

Conclusion

34. The quantum of secured debt is greater than the estimated net proceeds if the property of the Applicants were to be liquidated.

35. While the high range of liquidation outcomes illustrate a potentially higher recovery (91%) to secured creditors than under the Plan (85%), the high range of liquidation outcomes is forecast to be a best-case scenario and the recovery cannot be guaranteed due to potential higher professional fees and disbursements and unforeseen costs and liquidation recovery values, which would also be reduced by the costs of realizing on and liquidating the assets of the Applicants.

36. Accordingly, the Monitor is of the view that the Affected Creditors will receive a greater recovery under the Plan than under a liquidation.

37. Pursuant to section 23(1)(i) of the CCAA, the Monitor is of the opinion that the Plan is fair and reasonable and provides the best available return, as the Affected Creditors will receive a greater recovery than under the alternative (formal liquidation proceedings).

REQUIREMENTS FOR A SUCCESSFUL PLAN AND IMPLICATIONS OF FAILURE TO IMPLEMENT THE PLAN

38. In order for the Plan to proceed, it must be approved by the affirmative vote of the Required Majority of the Affected Creditors with Allowed Claims in each class. The Plan will be approved if (i) the majority in number of each class of Affected Creditors vote in favour of the Plan and (ii) the total Affected Claims corresponding

to the Affected Creditors voting in favour of the Plan in each Class represent at least two-thirds in value of the Affected Claims voting on the Plan.

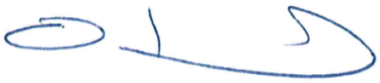
39. If the Plan is not approved at the Creditors' Meeting, the alternative to the Plan is the continuation of the liquidation proceedings of the Applicants and litigation of the Claims asserted against Applicants, which could result in a wide range of possible recoveries to Creditors, none of which are likely to result in a superior recovery than the proposal put forward under the Plan.

CONCLUSIONS AND RECOMMENDATIONS

40. For the reasons discussed in this Report, the Monitor is supportive of the Plan as the Monitor believes it will result in the greatest recoveries for all Affected Creditors and stakeholders, in the circumstances. Should the Plan not be accepted by the Affected Creditors the Monitor believes it is likely that there will not be any recovery for unsecured creditors and any recoverable values to secured creditors will also be uncertain for the reasons outlined above.

All of which is respectfully submitted this 10th day of September, 2026

ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of the Companies
and not in its personal or corporate capacity



Orest Konowalchuk, CPA, CA, CIRP, LIT
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