

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

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

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF **ALEAFIA
HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM
REALTY LTD., GROWWISE HEALTH LIMITED, CANABO MEDICAL
CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC.,
ALEAFIA RETAIL INC., 2672533 ONTARIO INC., and 2676063 ONTARIO INC.**

Applicants

**MOTION RECORD OF THE APPLICANTS
(RETURNABLE AUGUST 22, 2023)**

August 11, 2023

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

B E T W E E N :

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

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF **ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED, CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC.**

Applicants

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(as of August 4, 2023)**

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Applicants

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3.	Affidavit of P. Symmes-Rizakos sworn August 11, 2023	
	Exhibits	
	A	Initial Affidavit of P. Symmes-Rizakos sworn July 24, 2023 (without exhibits)
	B	Comeback Affidavit of P. Symmes-Rizakos sworn July 26, 2023 (without exhibits)
	C	Initial Order dated July 25, 2023
	D	Press Release dated July 25, 2023
	E	Amended and Restated Initial Order dated August 4, 2023
	F	Cannabis Licences
	G	Stalking Horse Agreement

TAB 1

**ONTARIO
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Applicants

**NOTICE OF MOTION
(returnable August 22, 2023)**

The Applicants, Aleafia Health Inc. (“**Aleafia Parent**”), Emblem Corp. (“**Emblem**”), Emblem Cannabis Corporation (“**Emblem Cannabis**”), Emblem Realty Ltd. (“**Emblem Realty**”), Growwise Health Limited (“**Growwise**”), Canabo Medical Corporation (“**Canabo**”), Aleafia Inc. (“**Aleafia Sub**”), Aleafia Farms Inc. (“**Aleafia Farms**”), Aleafia Brands Inc. (“**Aleafia Brands**”), Aleafia Retail Inc. (“**Aleafia Retail**”), 2672533 Ontario Inc. (“**2672**”) and 2676063 Ontario Inc. (“**2676**” and with Aleafia Parent, Emblem, Emblem Cannabis, Emblem Realty, Growwise, Canabo, Aleafia Sub, Aleafia Farms, Aleafia Brands, Aleafia Retail and 2672, the “**Aleafia Group**” or the “**Applicants**”) will make a motion to a Judge of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on August 22, 2023 at 12:00PM.

PROPOSED METHOD OF HEARING: The motion is to be heard:

- in writing under subrule 37.12.1 (1);
- in writing as an opposed motion under subrule 37.12.1 (4);
- in person;

- by telephone conference;
- by video conference.

THIS MOTION IS FOR:

1. An order (the “**SISP Order**”) granting, among other things:
 - (a) an extension of the Stay Period (as defined in the Initial Order) to October 31, 2023;
 - (b) preservation of the “status quo” in respect of the Applicants’ Health Canada and cannabis excise licences (the “**Licences**”) during the pendency of the Stay of Proceedings;
 - (c) approval of the sale and investment solicitation process (the “**SISP**”) in a form substantially similar to the form attached as Schedule “A” to the SISP Order;
 - (d) authority for the Applicants and the Monitor (as defined below) to immediately commence the SISP;
 - (e) authority and direction to the Monitor, the Applicants, and their respective affiliates, partners, employees, advisors and agents (collectively, the “**Assistants**”) to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and the SISP Order;
 - (f) approving the Stalking Horse Asset Purchase and Subscription Agreement (the “**Stalking Horse Agreement**”) to be entered into between Aleafia Health, Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail, Red White & Bloom Brands Inc. (“**RWB**”) and RWB (PV) Canada Inc., a wholly-owned subsidiary of RWB solely for the purpose of constituting the “Stalking Horse Bid” under the SISP; and

2. Such further and other relief as may be requested by the Applicants and as this Honourable Court deems just.

THE GROUNDS FOR THIS MOTION ARE:

3. Capitalized terms not otherwise defined herein have the meanings ascribed to them in the Affidavit of Patricia Symmes-Rizakos sworn August 11, 2023 (the “**Third Affidavit**”);

Background

4. The Aleafia Group is a federally licensed Canadian cannabis company providing cannabis products to five of Canada’s largest provinces (Ontario, Alberta, British Columbia, Saskatchewan and Manitoba) and destined for select international medical cannabis markets;
5. On July 25, 2023, the Honourable Madam Justice Conway granted an initial order (the “**Initial Order**”) which, *inter alia*, appointed KSV Restructuring Inc. as Monitor over the Applicants (in such capacity, the “**Monitor**”) and provided protection to the Aleafia Group under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”);
6. On August 4, 2023, the Honourable Justice Penny granted an amended and restated initial order (the “**ARIO**”) which, *inter alia*, extended the stay of proceedings (the “**Stay of Proceedings**”) to September 1, 2023, authorized the Applicants to refrain from making certain securities filings during the pendency of the Stay of Proceedings, increased the amounts which the Applicants may borrow under the DIP facility to \$6.6 million and increased the Charges (as defined in the ARIO) as follows:
 - (a) First – the Administration Charge increased to \$1,250,000 from \$500,000;
 - (b) Second – the DIP Lender’s Charge increased to the maximum amount of the DIP Obligations (as defined in the ARIO) at the relevant time up to \$6,600,000;
 - (c) Third – the Directors’ Charge increased to \$2,850,000 from \$835,000;

Stay of Proceedings

7. Pursuant to the ARIO, the Stay of Proceedings was extended to September 1, 2023;
8. Since the Initial Order, the Applicants have acted, and continue to act, in good faith and with due diligence to, among other things, operate in the ordinary course and communicate with stakeholders;
9. The extension of the Stay of Proceedings is required to provide stability for the Applicants and to enable their restructuring and to allow the Monitor, the Applicants, and the Assistants time to properly and diligently implement and carry out the SISP in accordance with its terms and the SISP Order, to obtain the maximum value possible for all stakeholders;
10. The Applicants understand that the Monitor supports this relief, and no creditor will be materially prejudiced by the extension of the Stay of Proceedings;

Status Quo of the Licences

11. It is in the best interest of the Applicants and their stakeholders to have the status quo in respect of the Licences extended in tandem with the Stay of Proceedings, in order to allow the Applicants to carry on operations with the permissions afforded to them under the Licences, and to preserve the value of the Applicants' business operations;
12. The Licences are amongst the most valuable assets of the Applicants and without such, the value to be generated from the SISP will be significantly curtailed;

SISP

13. Terms not otherwise defined in this section have the meanings ascribed to them in the SISP Order;
14. The Applicants propose to conduct a SISP that is intended to maximize the value of the Applicants' business assets, on a going concern basis;

15. The SISP is intended to solicit interest in, and opportunities for (a) sales or partial sales in respect of the Applicants' Business and/or Property (terms as defined in the SISP Order); and/or (b) an investment, restructuring, recapitalization, refinancing, or other form of reorganization transaction, in respect of the Applicants or their Business;
16. If approved, the SISP will commence as soon as reasonably practicable following the date on which the SISP Order is granted with a one-phase bidding process, which includes the following key deadlines (which can be modified pursuant to the terms of the SISP):
 - (a) Binding Offer Deadline of October 2, 2023;
 - (b) Auction (if needed) of October 9, 2023; and
 - (c) Outside Date for closing of Successful Bid of November 22, 2023;
17. Further details on the proposed SISP are outlined within the Third Affidavit;
18. The Applicants understand that the Monitor is supportive of the Applicants commencing the SISP as soon as is practicably possible;

Stalking Horse Agreement

19. It is proposed that the SISP will be backstopped by the Stalking Horse Agreement;
20. The Applicants are of the view that the inclusion of the Stalking Horse Agreement as part of the SISP will benefit the efforts to maximize value for the benefit of all of their stakeholders by, among other things: (i) setting a baseline price and commercial terms for a transaction involving the shares and/or the business and assets of the Applicants; (ii) helping to generate interest in the Applicants among potential purchasers; (iii) creating tension in the context of an Auction; and (iv) providing a level of certainty, stability and efficiency during the SISP, both in terms of setting a baseline price and documentation for the SISP and assuring stakeholder groups that there will be a going concern sale involving the Business;

21. Further details on the proposed Stalking Horse Agreement are outlined within the Third Affidavit;

STATUTORY REGIME

22. Sections 11 and 36, as well as any other relevant provisions of the CCAA and the inherent and equitable jurisdiction of this Court;
23. Rules 1.04, 2.03, 3.02, 16, 37, and 39, as well as any other relevant provisions of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and
24. Such further and other grounds as counsel may advise and this Court may permit;

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing:

25. The Third Affidavit;
26. The Factum of the Applicants, to be filed;
27. The Second Report of the Monitor, to be filed; and
28. Such further and other material as counsel may advise.

Date: August 11, 2023

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Lawyers for the Aleafia Group

TO: SERVICE LIST

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM
CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED, CANABO MEDICAL CORPORATION,
ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., and 2676063
ONTARIO INC.

Court File No: CV-23-00703350-00CL

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

Proceedings commenced at Toronto

**NOTICE OF MOTION
(returnable August 22, 2023)**

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Lawyers for the Aleafia Group

TAB 2

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) TUESDAY, THE 22ND
)
JUSTICE CONWAY) DAY OF AUGUST, 2023

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM
CORP., EMBLEM CANNABIS CORPORATION, EMBLEM
REALTY LTD., GROWWISE HEALTH LIMITED., CANABO
MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA
FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL
INC., 2672533 ONTARIO INC., and 2676063 ONTARIO INC.

(collectively, the "**Applicants**")

**ORDER
(Re: SISP Approval)**

THIS MOTION, made by the Applicants, for an order approving, among other things: (i) the Sale and Investment Solicitation Process in respect of the Applicants as attached hereto at Schedule "A" (the "**SISP**"); and (ii) the Stalking Horse Agreement (as defined herein) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, was heard this day by judicial videoconference.

ON READING the affidavit of Patricia Symmes-Rizakos sworn July 24, 2023 and the Exhibits thereto (the "**Initial Symmes Affidavit**"), the affidavit of Patricia Symmes-Rizakos sworn July 26, 2023 and the Exhibits thereto (the "**Comeback Affidavit**"), the affidavit of Patricia Symmes-Rizakos sworn August 11, 2023 and the Exhibits thereto (the "**Third Affidavit**"), the pre-filing report of KSV Restructuring Inc. ("**KSV**"), in its capacity as proposed monitor of the Applicants dated July 24, 2023, the First Report of KSV, in its capacity as monitor (in such

capacity, the “**Monitor**”), dated August 1, 2023 (the “**First Report**”), and the Second Report of the Monitor, dated August <*>, 2023 (the “**Second Report**”) and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel to Red White & Bloom Brands Inc. (the “**DIP Lender**”), and such other parties listed on the Counsel Slip, no one appearing for any other party although duly served as appears from the Affidavit of Service of S. Hans, as filed,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used in this Order and not otherwise defined herein shall have the meanings ascribed to them in the SISP or the Amended and Restated Initial Order granted by the Honourable Justice Penny on August 4, 2023 (the “**ARIO**”), as applicable.

STAY EXTENSION

3. **THIS COURT ORDERS** that the Stay Period is hereby extended until and including October 31, 2023.

APPROVAL OF THE SALE AND INVESTMENT SOLICITATION PROCESS

4. **THIS COURT ORDERS** that the SISP (subject to any amendments thereto that may be made in accordance therewith and with this Order) is hereby approved and the Applicants and the Monitor are hereby authorized to implement the SISP pursuant to the terms thereof. The Applicants and the Monitor are hereby authorized and directed to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and this Order.

5. **THIS COURT ORDERS** that the Applicants and the Monitor are authorized to immediately commence the SISP to solicit interest in the opportunity for a sale of or investment in all or part of the Applicants’ (i) property, assets and undertaking or shares in the capital of one or more of the Applicants (collectively, the “**Property**”) and (ii) business operations (the “**Business**”) in accordance with the terms of the SISP.

6. **THIS COURT ORDERS** that each of the Applicants, the Monitor and their respective affiliates, partners, directors, employees, agents, consultants, advisors, experts, accountants, counsel and controlling persons shall have no liability with respect to any and all losses, claims, damages or liabilities, of any nature or kind, to any Person in connection with or as a result of implementing or otherwise in connection with the SISP, except to the extent such losses, claims, damages or liabilities result from their respective gross negligence or wilful misconduct, as applicable, as determined by this Court.

7. **THIS COURT ORDERS** that, pursuant to section 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS), the Monitor and the Applicants are authorized and permitted to send, or cause or permit to be sent, commercial electronic messages to an electronic address of prospective bidders or offerors and to their advisors, but only to the extent required to provide information with respect to the SISP in these proceedings.

8. **THIS COURT ORDERS** that notwithstanding anything contained herein or in the SISP, and in no way limiting the protections provided to the Monitor in the ARIO, the Monitor shall not take possession of any Property or be deemed to take possession of any Property, including pursuant to any provision of the Cannabis Legislation.

APPROVAL OF THE STALKING HORSE AGREEMENT

9. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to enter into the stalking horse agreement (the “**Stalking Horse Agreement**”) among Aleafia Health Inc., Emblem Cannabis Corporation, Canabo Medical Corporation, Aleafia Farms Inc., Aleafia Retail Inc., the DIP Lender and RWB (PV) Canada Inc., a wholly-owned subsidiary of the DIP Lender (the “**Purchaser**”), and attached as Exhibit “G” to the Third Affidavit, *nunc pro tunc*, with such minor amendments as may be acceptable to each of the parties thereto, with the prior written approval of the Monitor.

10. **THIS COURT ORDERS** that the Stalking Horse Agreement is hereby approved and accepted solely for the purposes of being the Stalking Horse Bid under the SISP; provided that, nothing herein approves the transactions contemplated in the Stalking Horse Bid, and the approval of any transactions contemplated by the Stalking Horse Agreement shall be considered by this

Court on a subsequent motion made to this Court if the Stalking Horse Agreement is the Successful Bid pursuant to the SISP.

11. **THIS COURT ORDERS** that the Expense Reimbursement (as defined in the Stalking Horse Agreement) is hereby approved and the Applicants party to the Stalking Horse Agreement are hereby authorized and directed to pay the Expense Reimbursement to the Purchaser (or as it may direct) subject to and in accordance with the terms of the Stalking Horse Agreement.

PROTECTION OF PERSONAL INFORMATION

12. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act*, S.C. 2000, c. 5, the Monitor, the Applicants and their respective advisors are hereby authorized and permitted to disclose and transfer to prospective SISP participants (each, a “**SISP Participant**”) and their advisors personal information of identifiable individuals (“**Personal Information**”), records pertaining to the Applicants’ past and current employees, and information on specific customers, but only to the extent desirable or required to negotiate or attempt to complete a transaction under the SISP (a “**Transaction**”). Each SISP Participant to whom any Personal Information is disclosed shall maintain and protect the privacy of such Personal Information and limit the use of such Personal Information to its evaluation of a Transaction, and if it does not complete a Transaction, shall return all such information to the Applicants or the Monitor, or in the alternative destroy all such information and provide confirmation of its destruction if required by the Applicants or the Monitor. The Successful Bidder(s) shall maintain and protect the privacy of such information and, upon closing of the Transaction contemplated in the Successful Bid(s), shall be entitled to use the personal information provided to it that is related to the Business and/or Property acquired pursuant to the SISP in a manner that is in all material respects identical to the prior use of such information by the Applicants, and shall return all other personal information to the Applicants or the Monitor, or ensure that all other personal information is destroyed and provide confirmation of its destruction if requested by the Monitor or the Applicants.

“STATUS QUO” OF APPLICANTS’ LICENSES

13. **THIS COURT ORDERS** that (a) the status quo in respect of the Applicants’ Health Canada and cannabis excise licenses (collectively, the “**Licenses**”) shall be preserved and

maintained during the pendency of the Stay Period, including the Applicants' ability to sell cannabis inventory in the ordinary course under the Licenses; and (b) to the extent any License may expire during the Stay Period, the term of such License shall be deemed to be extended by a period equal to the Stay Period.

GENERAL

14. **THIS COURT ORDERS** that each of the Applicants or the Monitor may, from time to time, apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their respective powers and duties under this Order or in the interpretation of this Order.

15. **THIS COURT ORDERS** that this Order shall have full force and effect in all provinces and territories in Canada.

16. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Germany or in Australia, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

17. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

18. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order without the need for entry or filing.

Schedule “A”

Bidding Procedures for the Sale and Investment Solicitation Process

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made on July 25, 2023 (as amended and restated, the “**Initial Order**”), Aleafia Health Inc., Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited, Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc. and 2676063 Ontario Inc. (collectively, the “**Applicants**” or the “**Aleafia Group**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**” and the proceedings thereunder, the “**CCAA Proceedings**”), and KSV Restructuring Inc. (“**KSV**”) was appointed monitor of the Applicants (in such capacity, the “**Monitor**”).

On August 15, 2023, the Court granted an order (the “**SISP Order**”), authorizing the Monitor, with the assistance of the Aleafia Group’s management team, to undertake a sale and investment solicitation process (“**SISP**”) for the sale of the Aleafia Group’s (i) property, assets and undertaking or shares in the capital of one or more of the Applicants (collectively, the “**Property**”) and (ii) business operations (the “**Business**”). The SISP will be conducted by the Monitor in the manner set forth herein and in accordance with the SISP Order.

Among other things, the SISP Order also: (a) approved the procedures set out in this Schedule (the “**Bidding Procedures**”) for the solicitation of offers or proposals (each, a “**Bid**”) for the acquisition of the Property and the Business or some portion thereof; and (b) approved the form of stalking horse agreement (as same may be amended from time to time pursuant to its terms and the SISP Order, the “**Stalking Horse Agreement**”) to be entered into between each of Aleafia Health Inc., Emblem Cannabis Corporation, Canabo Medical Corporation, Aleafia Farms Inc. and Aleafia Retail Inc., as vendors, and (PV) Canada Inc.² (a wholly-owned subsidiary of the DIP Lender, the “**Stalking Horse Bidder**”), as purchaser, for the purposes of serving as the stalking horse bid in the SISP (the “**Stalking Horse Bid**”). For the avoidance of doubt, the implementation of the transactions contemplated by the Stalking Horse Agreement is conditional upon the Stalking Horse Bid being selected as the Successful Bid (as defined below) in accordance with the Bidding Procedures and Court approval of the Stalking Horse Agreement and the transactions contemplated therein on a subsequent motion to be brought by the Applicants following the completion of the SISP.

Defined Terms

1. Capitalized terms used in these Bidding Procedures and not otherwise defined herein have the meanings given to them in Appendix “A” hereto.

² Stalking Horse Agreement and Implementation Steps contemplate the assignment/pledge of the DIP and Senior Loans and security to the Purchaser.

Bidding Procedures

Opportunity

2. The SISP is intended to solicit interest in and opportunities for a sale of, or investment in, all or part of the Aleafia Group's Property and Business (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of one or more entity comprising the Aleafia Group as a going concern, or a sale of all, substantially all or one or more components of the Aleafia Group's Property and Business as a going concern or otherwise.
3. Any sale of the Property or investment in the Business will be on an "*as is, where is*" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Aleafia Group or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Aleafia Group in and to the Property to be acquired will be sold free and clear of, *inter alia*, all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, except as otherwise provided in such Court orders and definitive documents.
4. The Stalking Horse Agreement constitutes a Binding Offer (as defined below) by the Stalking Horse Bidder (which constitutes a Binding Offer Bidder (as defined below)) for all purposes and at all times under this SISP and will serve as the Stalking Horse Bid for purposes of this SISP and the Bidding Procedures and have the right to participate in the Auction (as defined below), if any. Notwithstanding the Stalking Horse Agreement and proposed transactions therein, all interested parties are encouraged to submit bids based on any form of Opportunity that they may elect to advance pursuant to the SISP, including as a Sale Proposal (as defined below), a Partial Sale Proposal (as defined below) or an Investment Proposal (as defined below). A copy of the Stalking Horse Agreement will be made available to all Qualified Bidders (as defined below) and a form of such agreement, to be uploaded to the VDR (as defined below), may be used as the basis for any Binding Offer made in the SISP.
5. The Bidding Procedures describe the manner in which prospective bidders may gain access to due diligence materials concerning the Aleafia Group, the Property and the Business, the manner in which bidders may participate in the SISP, the requirement of and the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the requisite approvals to be sought from the Court in connection therewith.

Subject to paragraph 18 below, the Monitor, in consultation with the Aleafia Group, may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Qualified Bidders, Binding Offer Bidders, the Successful Bidder or the Back-Up Bidder (as defined below) provided that such modification, amendment, variation or supplement is expressly limited to changes that do not alter, amend or prejudice the rights of such bidders (including the rights of the Stalking Horse Bidder, except with the authorization of the Stalking Horse Bidder) and are necessary or useful in order to give effect to the

substance of the SISP, the Bidding Procedures or the SISP Order. Notwithstanding the foregoing, the dates or time limits indicated in the table contained below may be extended by the Monitor, as the Monitor deems necessary or appropriate, and with the consent of the DIP Lender, acting reasonably, or by order of the Court.

The Monitor will post on the Monitor’s website and serve on the service list maintained in the CCAA Proceedings, as soon as practicable, any such modification, amendment, variation or supplement to these Bidding Procedures and inform the bidders impacted by such modifications.

In the event of a dispute as to the interpretation or application of the SISP Order or these Bidding Procedures, the Court will have exclusive jurisdiction to hear and resolve such dispute. For the avoidance of doubt, all bidders shall be deemed to have consented to the jurisdiction of the Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and closing of the Successful Bid, as applicable.

A summary of the key dates pursuant to the SISP is as follows:

Milestone	Date
Commence solicitation of interest from parties, including delivering NDA and Teaser Letter, and upon execution of NDA (each as defined below), Confidential Information Memorandum and access to VDR	No later than two (2) Business Days after the granting of the SISP Order
Binding Offer Deadline (as defined below)	October 2, 2023 at 5:00 p.m. EST
<i>If no Binding Offers are received other than Stalking Horse Bid</i>	
Selection of Stalking Horse Bid as Successful Bid	October 3, 2023
Approval Motion (as defined below)	October 10, 2023 or the earliest date available thereafter
Closing of Stalking Horse Bid	As soon as possible but no later than November 22, 2023
<i>If Binding Offers selected other than Stalking Horse Bid</i>	
Deadline to notify Qualified Bidders	No later than October 6, 2023

Auction, if needed	October 9, 2023
Selection of Successful Bid and Back-Up Bidder, if needed	October 9, 2023 or such later date immediately thereafter if the Auction is not completed in one day
Approval Motion	No later than October 17, 2023
Closing of the Successful Bid	As soon as possible but no later than November 22, 2023

Solicitation of Interest: Notice of the SISP

6. As soon as reasonably practicable, but, in any event, by no later than two (2) Business Days after the granting of the SISP Order:
 - (a) The Monitor, in consultation with the Aleafia Group, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity, (ii) strategic and financial parties who the Monitor, in consultation with the Aleafia Group, believe may be interested in purchasing all or part of the Business or the Property or investing in the Aleafia Group pursuant to the SISP, and (iii) parties that showed an interest in the Aleafia Group and/or their Property prior to the date of the SISP Order including by way of the previous, out-of-court strategic review process, in each case whether or not such party has submitted a letter of intent or similar document (collectively, the “**Known Potential Bidders**”);
 - (b) a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Aleafia Group, considers appropriate) (the “**Notice**”) will be published by the Monitor in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor;
 - (c) the Aleafia Group will issue a press release setting out the information contained in the Notice and such other relevant information which the Monitor and the Applicants determine is appropriate; and
 - (d) the Monitor, with the assistance of the Aleafia Group, will prepare (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Monitor and Aleafia Group and their respective counsel, which shall enure to the benefit of any purchaser of the Business or Property or any part thereof (an “**NDA**”).
7. The Monitor will cause the Teaser Letter and NDA to be sent to each Known Potential Bidder by no later than two (2) Business Days after the granting of the SISP Order, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to

the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Virtual Data Room

8. A confidential virtual data room (the “**VDR**”) in relation to the Opportunity will be made available by the Aleafia Group and the Monitor to Potential Bidders (as defined below) that have executed the NDA. The VDR will be made available as soon as practicable. The Monitor, in consultation with the Aleafia Group, may establish or cause the Aleafia Group to establish separate VDRs (including “**clean rooms**”), if the Aleafia Group reasonably determines that doing so would further the Aleafia Group’s and any Potential Bidder’s compliance with applicable antitrust and competition laws, or would prevent the distribution of commercially sensitive competitive information. The Monitor may also, in consultation with the Aleafia Group, limit the access of any Potential Bidder to any confidential information in the VDR where the Monitor, in consultation with the Aleafia Group, reasonably determines that such access could negatively impact the SISF, the ability to maintain the confidentiality of the information, the Business, the Property or their value.

Qualified Bidders and Delivery of Confidential Information Memorandum

9. Any party who wishes to participate in the SISF (a “**Potential Bidder**”) must provide to the Monitor and counsel to the Aleafia Group, at the addresses specified in Appendix “B” hereto (including by email transmission), an NDA executed by it, acceptable to the Monitor, in consultation with the Aleafia Group, and written confirmation of the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
10. A Potential Bidder (who has delivered the executed NDA and letter as set out above) will be deemed a “**Qualified Bidder**” if the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISF. All Qualified Bidders will receive a Confidential Information Memorandum prepared by the Monitor and will be granted access to the VDR. For the avoidance of doubt, the Stalking Horse Bidder is, and will be deemed to be, a Qualified Bidder.
11. The Monitor will prepare and send to each Qualified Bidder a Teaser Letter and provide a copy of the Stalking Horse Agreement, and any material amendment thereto. The Aleafia Group, the Monitor and their respective advisors make no representation or warranty as to the information contained in the VDR, Teaser Letter, Confidential Information Memorandum or otherwise made available pursuant to the SISF.
12. At any time during the SISF, the Monitor may, in its reasonable judgment, and in consultation with the Aleafia Group, eliminate a Qualified Bidder from the SISF, in which case such bidder will be eliminated from the SISF and will no longer be a “Qualified Bidder” for the purposes of the SISF.

13. Potential Bidders must rely solely on their own independent review, diligence, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with one or more of the entities comprising the Aleafia Group.

Due Diligence

14. The Monitor and the Aleafia Group, shall, subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence materials and information relating to the Property and Business as the Monitor, in consultation with the Aleafia Group, may deem appropriate. Due diligence access may include management presentations, access to the VDR, on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, may agree. Any access or interactions with the Aleafia Group's management and personnel shall be coordinated through, and involve a representative of, the Monitor.
15. The Monitor will designate one or more representatives of the Monitor to be solely responsible for coordinating and responding to all requests for information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Neither the Monitor, nor the Aleafia Group through the Monitor, will be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders. Further, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Monitor, in consultation with the Aleafia Group, determines such information to represent proprietary or sensitive competitive information.

Formal Binding Offers

16. Any Qualified Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer with respect to its offer to (A) acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof (either one, a "**Sale Proposal**") or a portion of the Property or the Business (a "**Partial Sale Proposal**"); or (B) make an investment in, restructure, recapitalize or refinance the Aleafia Group or the Business or a portion thereof (an "**Investment Proposal**") must submit a binding offer (a "**Binding Offer**"): (a) in the case of a Sale Proposal, in the form of a template purchase agreement provided in the VDR, along with a marked version showing edits to the original form of the template provided in the VDR and otherwise with a marked version compared to the Stalking Horse Agreement; or (b) in the case of an Investment Proposal, a plan or restructuring support agreement in form and substance satisfactory to the Monitor, in consultation with the Aleafia Group (the "**Binding Offer Bidder**"), in each case to the Monitor, no later 5 p.m. EST on October 2, 2023 (the "**Binding Offer Deadline**").
17. A Binding Offer will be considered if it:

- (a) provides net cash proceeds on closing via provisions that meet the following requirements, that are not less than the aggregate total of: (A) the amount of cash payable under the Stalking Horse Agreement together with the amount of all secured indebtedness, liabilities and obligations owing by the Aleafia Group to the DIP Lender (both in respect of its outstanding pre-filing secured loans and advances under the DIP Facility), plus (B) the amount of cash payable to cover the Expense Reimbursement (as defined in the Stalking Horse Agreement), plus (C) a minimum overbid amount of \$200,000, plus (D) the amount of cash payable to repay in full all of the secured indebtedness, liabilities and obligations owing by the Aleafia Group to 1260356 Ontario Limited (the amounts set forth in this paragraph 17(a), the “**Minimum Purchase Price**”); provided, however, that the Monitor may, in its reasonable judgment, and in consultation with the Aleafia Group, deem this criterion satisfied if the Sale Proposal, Partial Sale Proposal or the Investment Proposal, together with one or more other non-overlapping Sale Proposal, Partial Sale Proposal or Investment Proposal, in the aggregate, meet or exceed the Minimum Purchase Price and such Minimum Purchase Price is payable in full in cash on closing (such bids, “**Aggregated Bids**”, and each an “**Aggregated Bid**”) (the amount of the Minimum Purchase Price will be confirmed by the Monitor with Potential Bidders);
- (b) is submitted on or before the Binding Offer Deadline by a Qualified Bidder;
- (c) is made by way of binding, definitive transaction document(s) that is/are executed by the Binding Offer Bidder;
- (d) is a Binding Offer: (i) to purchase all, substantially all, or a portion of the Property or the Business; and/or (ii) to make an investment in, restructure, recapitalize or refinance the Aleafia Group or the Business or a portion thereof, on terms and conditions reasonably acceptable to the Monitor and the Aleafia Group;
- (e) identifies all executory contracts of the Aleafia Group that the Binding Offer Bidder will assume and clearly describes, for each contract or on an aggregate basis, how all monetary defaults and non-monetary defaults will be remedied, as applicable;
- (f) is not subject to any financing condition, diligence condition or internal or board approval;
- (g) is unconditional, other than upon the receipt of the Approval Order(s) (as defined below) and satisfaction of any other conditions expressly set forth in the Binding Offer;
- (h) contains or identifies the key terms and provisions to be included in any Approval Order, including whether such order will be a “reverse vesting order”;
- (i) contains the Binding Offer Bidder’s proposed treatment of employees of the applicable Aleafia Group entities (for example, anticipated employment offers and treatment of post-employment benefits);

- (j) includes acknowledgments and representations of the Binding Offer Bidder that it:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Opportunity prior to making its Binding Offer; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property and/or the Business in making its Binding Offer; (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Opportunity or the completeness of any information provided in connection therewith, other than as expressly set forth in the Binding Offer or other transaction document submitted with the Binding Offer; and (iv) promptly will commence any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities, including those regulating the cannabis sector;

- (k) provides for (i) net cash proceeds on closing that are not less than the Minimum Purchase Price; unless it is a part of a bid that qualifies as an Aggregated Bid, as the case may be, in which case the total net cash proceeds of the Aggregated Bids will be not less than the Minimum Purchase Price; and (ii) evidence satisfactory to the Monitor of funds available to pay the Minimum Purchase Price on closing including written evidence of a firm, irrevocable commitment for financing or other evidence of ability to pay the Minimum Purchase Price on closing;

- (l) is accompanied by a letter that confirms that the Binding Offer: (i) may be accepted by the Aleafia Group by countersigning the Binding Offer, and (ii) is irrevocable and capable of acceptance until the earlier of (A) two (2) Business Days after the date of closing of the Successful Bid; and (B) the Outside Date (as defined below);

- (m) provides for any anticipated corporate, licensing, securityholder, Health Canada, legal or other regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;

- (n) does not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections;

- (o) in the case of a Sale Proposal or Partial Sale Proposal, includes:
 - (i) the specific purchase price in Canadian dollars and a description of any non-cash consideration;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and

- (iv) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - (p) in the case of an Investment Proposal, includes:
 - (i) a description of how the Binding Offer Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;
 - (iii) the underlying assumptions regarding the pro forma capital structure;
 - (iv) a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and
 - (v) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - (q) prior to entering the Auction, the Binding Offer Bidder will be required to deliver to the Monitor a deposit in the amount of not less than 10% of the cash purchase price payable on closing or total new investment contemplated, as the case may be (the “**Deposit**”);
 - (r) is accompanied by an acknowledgement that (i) if the Binding Offer Bidder is selected as the Successful Bidder, that the Deposit will be non-refundable subject to approval of the Successful Bid by the Court and the terms described in paragraph 27 below; and (ii) if the Binding Offer Bidder is selected as the Back-Up Bidder, that the Deposit will be held and dealt with as described in paragraph 27 below;
 - (s) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on the date that is twenty-one (21) days from the date of the issuance of the Approval Order approving such bid, or such earlier date as is practical for the parties to close the contemplated transaction, following the satisfaction or waiver of the conditions to closing (the “**Target Closing Date**”) and in any event no later than November 22, 2023 (the “**Outside Date**”); and
 - (t) such other information as reasonably requested or identified as being necessary or required by the Monitor, in consultation with the Aleafia Group.
18. The Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, may waive strict compliance with any one or more of the requirements specified above (with the exception of the requirements contained in paragraphs 17(a) and 17(k), which cannot

be waived without the prior written consent of the DIP Lender) and consider such non-compliant Binding Offer. For the avoidance of doubt, the completion of any Binding Offer shall be subject to the approval of the Court.

19. In the circumstance that a Binding Offer, including one or more Binding Offers comprising an Aggregated Bid, does not provide for net cash proceeds on closing that are at least equal to the Minimum Purchase Price, the Monitor will consult with the DIP Lender and, with the consent of the DIP Lender, may elect that such Binding Offer nevertheless be considered as a potential Successful Bid and be entitled to participate in the Auction.

Selection of Successful Bid

20. The Monitor, in consultation with the Aleafia Group, may, following the receipt of any Binding Offer, including one or more Binding Offers comprising an Aggregated Bid, seek clarification with respect to any of the terms or conditions of such Binding Offer and/or request and negotiate one or more amendments to such Binding Offer prior to determining if the Binding Offer should be considered.
21. The Monitor and the Aleafia Group, will (i) review and evaluate each relevant Binding Offer, valued upon numerous factors as referenced above, including factors affecting the speed, certainty and value of the transaction (including any licensing, Health Canada, regulatory or legal approvals, assignments or third party contractual arrangements required to close the transactions); (ii) pursuant to paragraph 22(j) below, (A) identify the highest and otherwise best Binding Offer (the “**Successful Bid**”, and the Binding Offer Bidder making such Successful Bid, the “**Successful Bidder**”), and (B) the next highest and otherwise second best Binding Offer (the “**Back-Up Bid**”, and the Binding Offer Bidder making such Back-Up Bid, the “**Back-Up Bidder**”). Provided that the Ad Hoc Committee of Convertible Debentureholders confirms in writing that (i) it has not submitted or participated in the submission of a Binding Offer, and (ii) it is not affiliated or communicating with any Binding Offer Bidder, the Ad Hoc Steering Committee and counsel to the Ad Hoc Committee of Convertible Debentureholders shall be entitled to receive copies of each Binding Offer submitted by the Binding Offer Deadline on a confidential basis pursuant to one or more NDAs satisfactory to the Monitor as soon as reasonably practicable following receipt thereof.
22. In the event that no Binding Offer is selected (other than the Stalking Horse Bid), the Aleafia Group will promptly seek Court approval of the Stalking Horse Agreement and the transactions contemplated therein. In the event there is at least one Binding Offer in addition to the Stalking Horse Bid, the Successful Bid will be identified through an auction in accordance with the procedure set out below.
23. In the event that an auction (the “**Auction**”) is required in accordance with the terms of these Bidding Procedures, it will be conducted in accordance with the procedures set forth in this paragraph:
 - (a) The Auction will commence at a time to be designated by the Monitor, on October 9, 2023, and may, in the discretion of the Monitor, be held virtually via

videoconference, teleconference or such other reasonable means as the Monitor deems appropriate. The Monitor will consult with the parties permitted to attend the Auction to arrange for the Auction to be so held. Subject to the terms hereof, the Monitor, in consultation with the Aleafia Group, may postpone the Auction.

- (b) The identity of each Binding Offer Bidder participating in the Auction will be disclosed, on a confidential basis, to other Binding Offer Bidders participating in the Auction.
- (c) Except as otherwise permitted in the Monitor's discretion, only the Aleafia Group, the Monitor and the Binding Offer Bidders, and, in each case, their respective professionals and representatives, will be permitted to attend the Auction. Only Binding Offer Bidders (including, for greater certainty, the Stalking Horse Bidder) are eligible to participate in the Auction.
- (d) Binding Offer Bidders will participate in the Auction through a duly authorized representative.
- (e) Except as otherwise set forth herein, the Monitor may waive and/or employ and announce at the Auction additional rules, including rules to facilitate the participation of parties participating in an Aggregated Bid, that are reasonable under the circumstances for conducting the Auction, provided that such rules are:
 - (i) not inconsistent with the Initial Order, the SISP, the Bidding Procedures, the CCAA, or any order of the Court issued in connection with the CCAA Proceedings;
 - (ii) disclosed to each Binding Offer Bidder; and
 - (iii) designed, by the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, to result in the highest and otherwise best offer.
- (f) The Monitor may arrange for the actual bidding at the Auction to be transcribed or recorded. Each Binding Offer Bidder participating in the Auction will designate a single individual to be its spokesperson during the Auction.
- (g) Each Binding Offer Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with the Aleafia Group or any other person, without the consent of the Monitor, regarding the SISP, that has not been disclosed to all other Binding Offer Bidders. For greater certainty, communications between the Stalking Horse Bidder and either the Aleafia Group or the Monitor with respect to and in preparation of the Stalking Horse Agreement, the SISP and the Bidding Procedures, prior to the issuance of the SISP Order and the commencement of the SISP will not represent collusion nor communications prohibited by this paragraph.
- (h) Prior to the Auction, the Monitor will identify the highest and best of the Binding Offers received and such Binding Offers will constitute the opening bid for the purposes of the Auction (the "**Opening Bid**"). Subsequent bidding will continue in minimum increments valued at not less than \$200,000 cash in excess of the Opening Bid. Each Binding Offer Bidder will provide evidence of its financial

wherewithal and ability to consummate the transaction at the increased purchase price. Further, in the event that an Aggregated Bid qualifies to participate in the Auction, modifications to the bidding requirements may be made by the Monitor, in consultation with the Aleafia Group, to facilitate bidding by the participants in the Aggregated Bid.

- (i) All Binding Offer Bidders will have the right, at any time, to request that the Monitor announce, subject to any potential new bids, the then-current highest and best bid and, to the extent requested by any Binding Offer Bidder, use reasonable efforts to clarify any and all questions such Binding Offer Bidder may have regarding the Monitor's announcement of the then-current highest and best bid.
 - (j) Each participating Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. The Monitor and the Aleafia Group shall determine which Binding Offer Bidders have submitted (i) the highest and otherwise best Binding Offer of the Auction, which shall be the Successful Bid, and (ii) the next highest and otherwise second best Binding Offer of the Auction, which shall be the Back-Up Bid. At such time and upon the conclusion of the bidding, the Auction will be closed, and the Binding Offer Bidder with the highest and otherwise best Binding Offer of the Auction will be the Successful Bidder. The Binding Offer Bidder with the next highest and otherwise second best Binding Offer of the Auction will be the Back-Up Bidder.
 - (k) Upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Successful Bidder and the Back-Up Bidder, if any, shall each deliver to the Monitor and the Aleafia Group, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the motion material for the hearing to consider the Approval Motion.
 - (l) Any bids submitted after the conclusion of the Auction will not be considered.
 - (m) The Monitor, in consultation with the Aleafia Group, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions.
24. The Successful Bid and the Back-Up Bid, if any, will be selected by no later than 5:00 p.m. (Eastern Time) on October 9, 2023 (or such later date immediately thereafter if the Auction is conducted and not completed in one day) and the completion and execution of definitive documentation in respect of the Successful Bid and the Back-Up Bid, as applicable, must be finalized and executed no later than October 9, 2023 (or such later date immediately thereafter if the Auction is conducted and not completed in one day) which definitive documentation will be conditional only upon the receipt of the Approval Order(s) and the express conditions set out therein and will provide that the Successful Bidder will use all reasonable efforts to close the proposed transaction by no later than the Target Closing

Date, or such longer period as may be agreed to by the Monitor, in consultation with the Aleafia Group and the Successful Bidder, subject to the terms hereof. In any event, the Successful Bid must be closed by no later than the Outside Date. If a Back-Up Bid is identified in accordance with the SISP, then such Back-Up Bid shall remain open until the date (the “**Back-Up Bid Outside Date**”) on which the transaction contemplated by the Successful Bid is consummated or such earlier date as the Monitor, in consultation with the Aleafia Group, determines. If the transactions contemplated by the Successful Bid have not closed by the Outside Date or the Successful Bid is terminated for any reason prior to the Outside Date, the Aleafia Group and the Monitor may elect to, or by further order of the Court, seek to complete the transactions contemplated by the Back-Up Bid, and will promptly seek to close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Aleafia Group will be deemed to have accepted the Back-Up Bid only when the Aleafia Group and the Monitor have made such election.

Approval of Successful Bid

25. The Aleafia Group will apply to the Court (the “**Approval Motion**”) for one or more orders: (i) approving the Successful Bid and authorizing the taking of such steps and actions and completing such transactions as are set out therein or required thereby (such order shall also approve the Back-Up Bid(s), if any, should the Successful Bid not close for any reason); and (ii) granting a vesting order and/or reverse vesting order to the extent that such relief is contemplated by the Successful Bid so as to vest title to any purchased assets and/or shares in the name of the Successful Bidder and/or vesting unwanted assets and liabilities out of one or more of the Aleafia Group (collectively, the “**Approval Order(s)**”). The Approval Motion will be held on a date to be scheduled by the Aleafia Group and confirmed by the Court upon application by the Aleafia Group. With the consent of the Monitor and the Successful Bidder, the Approval Motion may be adjourned or rescheduled by the Aleafia Group without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice to the service list maintained in the CCAA Proceedings prior to the Approval Motion. The Aleafia Group will consult with the Monitor and the Successful Bidder regarding the motion material to be filed by the Aleafia Group for the Approval Motion.
26. All Binding Offers (other than the Successful Bid but including the Back-Up Bid) will be deemed rejected on and as of the date of the closing of the Successful Bid, with no further or continuing obligation of the Aleafia Group or the Monitor to any unsuccessful Binding Offer Bidders.

Deposits

27. The Deposit(s):
 - (a) will, upon receipt from the Binding Offer Bidder(s), be retained by the Monitor and deposited in a non-interest-bearing trust account;
 - (b) received from the Successful Bidder and the Back-Up Bidder, if any, will:

- (i) be applied to the purchase price to be paid by the applicable Successful Bidder or Back-Up Bidder whose Successful Bid or Back-Up Bid, as applicable, is the subject of the Approval Order(s), upon closing of the approved transaction; and
 - (ii) otherwise be held and refunded in accordance with the terms of the definitive documentation in respect of any Successful Bid or Back-Up Bid, provided that (i) all such documentation will provide that the Deposit will be fully refunded to the Back-Up Bidder on the Back-Up Bid Outside Date; and (ii) all such documentation will provide that the Deposit will be retained by the Aleafia Group and forfeited by the Successful Bidder, if the Successful Bid fails to close by the Outside Date, and such failure is attributable to any failure or omission of the Successful Bidder to fulfil its obligations under the terms of the Successful Bid; and
 - (c) received from the Binding Offer Bidder(s) that are not the Successful Bid or the Back-Up Bidder will be fully refunded, to the Binding Offer Bidder(s) that paid the Deposit(s) as soon as practical following the closing of the Successful Bid.
28. Notwithstanding anything to the contrary herein, the Stalking Horse Bidder will not be required to provide a Deposit.

“As is, Where is”

29. Any sale (or sales) of the Property or the Business or portions thereof will be on an “**as is, where is**” basis except for representations and warranties that are customarily provided in purchase agreements for a company subject to CCAA proceedings. Any such representations and warranties provided for in the definitive documents will not survive closing.

Free of Any and All Claims and Interests

30. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of the Aleafia Group in and to the Property or the Business to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the “**Claims and Interests**”) pursuant to section 36(6) of the CCAA, such Claims and Interests to attach to the net proceeds of the sale of such Property or Business and/or excluded assets, as applicable (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant transaction documents with a Successful Bidder.

Credit Bidding

31. The Stalking Horse Bidder will be entitled pursuant to the Stalking Horse Agreement, including for greater certainty as part of the Auction, as the case may be, to credit bid or retain as Retained Liabilities all or part of the existing secured obligations owing to it, including all interest, costs and fees to which the Stalking Horse Bidder is entitled pursuant

to its relevant loan, interim financing, debenture, promissory note and/or security agreements with the Aleafia Group.

32. Any other secured party of the Applicants may include as part of a Binding Offer under this SISP all or part of its existing secured obligations owing to it as a credit bid for the Business and the Property. For the avoidance of doubt, a secured party, including, without limitation, the Stalking Horse Bidder, may only make a credit bid in relation to the Property subject to such secured party's valid and enforceable security (in each case, the "**Encumbered Assets**"). To the extent that a secured party wishes to submit a Binding Offer for Property that does not form part of the Encumbered Assets (the "**Unencumbered Assets**"), such secured party shall specify a cash purchase price allocated to the Unencumbered Assets while making a credit bid for the Encumbered Assets that are included in such Binding Offer.

Confidentiality

33. For greater certainty, other than as required in connection with any Auction or Approval Motion and subject to paragraph 21, neither the Aleafia Group nor the Monitor will disclose: (i) the identity of any Potential Bidder or Qualified Bidder (other than the Stalking Horse Bidder); or (ii) the terms of any bid, Sale Proposal, Investment Proposal or Binding Offer (other than the Stalking Horse Agreement), to any other bidder or any of its affiliates (provided that disclosure may be made to the DIP Lender when expressly contemplated by the SISP, such as in the event that no single Binding Offer provides for net cash proceeds that are at least equal to the Minimum Purchase Price), except to the extent the Monitor, with the consent of such applicable parties is seeking to combine separate bids into Aggregated Bids. Potential Bidders, Qualified Bidders (including the Stalking Horse Bidder) and each of their respective affiliates shall not communicate with, or contact, directly or indirectly, any other Potential Bidder, Qualified Bidder or their respective affiliates, or any secured creditors of members of the Aleafia Group, including the Ad Hoc Committee of Convertible Debentureholders, without the express written consent of the Monitor, and such communications or discussions are to take place under the supervision of the Monitor.

Further Orders

34. At any time during the SISP, the Aleafia Group or the Monitor may apply to the Court for advice and directions with respect to any aspect of this SISP including, but not limited to, the continuation of the SISP or with respect to the discharge of its powers and duties hereunder.

Additional Terms

35. In addition to any other requirement of the SISP:
 - (a) The Aleafia Group and the Monitor, as applicable, will at all times prior to the selection of a Successful Bid use commercially reasonable efforts to facilitate a competitive bidding process in the SISP including, without limitation, by actively soliciting participation by all persons who would be customarily identified as

potential bidders in a process of this kind or who may be reasonably proposed by any of the Aleafia Group' stakeholders as a potential bidder.

- (b) Any consent, approval or confirmation to be provided by the Stalking Horse Bidder, the DIP Lender, the Aleafia Group and/or the Monitor is ineffective unless provided in writing and any approval required pursuant to the terms hereof is in addition to, and not in substitution for, any other approvals required by the CCAA or as otherwise required at law in order to implement a Successful Bid. For the avoidance of doubt, a consent, approval or confirmation provided by email will be deemed to have been provided in writing for the purposes of this paragraph.
 - (c) Prior to seeking Court approval for any transaction or bid contemplated by this SISP, the Monitor will provide a report to the Court on the SISP process, parts of which may be filed under seal, including in respect of any and all bids received.
36. This SISP does not, and will not be interpreted to create any contractual or legal relationship between the Aleafia Group and any other party, other than as specifically set forth in the NDA or any other definitive agreement executed.
37. Notwithstanding anything to the contrary herein, the Monitor shall have no liability whatsoever to any person or entity, including without limitation any Potential Bidder, Qualified Bidder, Binding Offer Bidder, Successful Bidder or any other creditor or stakeholder, or any Applicant, as a result of implementation or otherwise in connection with this SISP, except to the extent that any such liabilities result from the gross negligence or wilful misconduct of the Monitor, as determined by the Court, and all such persons or entities shall have no claim against the Monitor in respect of the SISP for any reason whatsoever.
38. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Binding Offer, due diligence activities, and any other negotiations or other actions whether or not they lead to the consummation of a transaction.

APPENDIX A

DEFINED TERMS

“**Ad Hoc Committee of the Convertible Debentureholders**” means the ad hoc group of holders of Aleafia Health Inc.’s secured convertible debentures issued under the amended and restated debenture indenture providing for the issue of certain convertible debentures dated as of June 27, 2022 between Aleafia Health Inc. and Computershare Trust Company of Canada, as the trustee, as supplemented by: (i) the first supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series A Secured Convertible Debentures Due June 30, 2024); (ii) the second supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series B Secured Convertible Debentures Due June 30, 2026); and (iii) the third supplemental indenture dated as of June 27, 2022 (providing for the issue of 8.50% Series C Secured Debentures Due June 30, 2028).

“**Ad Hoc Steering Committee**” means the three member committee elected by the Ad Hoc Committee of the Convertible Debentureholders to represent and advance the interests of the Ad Hoc Committee of the Convertible Debentureholders.

“**Business Day**” means a day on which banks are open for business in Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**DIP Lender**” means Red White & Bloom Brands Inc. and its successors and permitted assigns.

“**Retained Liabilities**” has the meaning given to it in the Stalking Horse Agreement.

APPENDIX "B"

The Monitor:

KSV Restructuring Inc.
150 King Street West, Suite 2308
Toronto, ON M5H 1J9

Attention: Noah Goldstein and Eli Brenner

Email: ngoldstein@ksvadvisory.com / ebrenner@ksvadvisory.com

with copies to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8

Attention: Marc Wasserman and Martino Calvaruso

Email: mwasserman@osler.com / mcalvaruso@osler.com

The Applicants

Aleafia Group
c/o Aird & Berlis LLP
Brookfield Place, 181 Bay St. #1800
Toronto, ON M5J 2T9

Attention: Kyle Plunkett and Mel Cole

Email: kplunkett@airdberlis.com / mcole@airdberlis.com

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36*, AS AMENDED, AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC. et al.

Applicants

Court File No. CV-23-00703350-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

ORDER
(Re: SISP Approval)

AIRD & BERLIS LLP

Brookfield Place
181 Bay Street
Suite 1800
Toronto, ON M5J 2T9

Kyle Plunkett (LSO# 61044N)
Miranda Spence (LSO# 60621M)
Tamie Dolny (LSO# 77958U)
Samantha Hans (LSO# 84737H)

Tel: 416.863.1500
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Lawyers for the Applicants

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF **ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC.**

Applicants

**AFFIDAVIT OF PATRICIA SYMMES-RIZAKOS
(Sworn August 11, 2023)**

I, **Patricia Symmes-Rizakos**, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

I. INTRODUCTION

1. I am the Chief Executive Officer of Aleafia Health Inc. ("**Aleafia Parent**" and together with its Subsidiaries (as defined below), the "**Applicants**" or "**Aleafia Group**").

2. Emblem Corp. ("**Emblem**"), Emblem Cannabis Corporation ("**Emblem Cannabis**"), Emblem Realty Ltd. ("**Emblem Realty**"), Growwise Health Limited ("**Growwise**"), Canabo Medical Corporation ("**Canabo**"), Aleafia Inc. ("**Aleafia Sub**"), Aleafia Farms Inc. ("**Aleafia Farms**"), Aleafia Brands Inc. ("**Aleafia Brands**"), Aleafia Retail Inc. ("**Aleafia Retail**"), 2672533 Ontario Inc. ("**2672**") and 2676063 Ontario Inc. ("**2676**") are various subsidiaries of Aleafia Parent (individually, a "**Subsidiary**" and collectively, the "**Subsidiaries**"). Aleafia Group through Aleafia Retail also has a minority interest in a certain other non-Applicant affiliate.

3. I have been the Chief Executive Officer of Aleafia Parent since February 2022. As such, I have personal knowledge of the matters to which I depose in this Affidavit except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

4. The Aleafia Group is a federally licensed Canadian cannabis company providing cannabis products to five of Canada's largest provinces (Ontario, Alberta, British Columbia, Saskatchewan and Manitoba)

and destined for select international medical cannabis markets. The Aleafia Group also operates a virtual cannabis clinic named “Canabo Medical Clinic”, staffed by various physicians and nurse practitioners, which also provides health and wellness services across Canada; medical cannabis is largely produced through Aleafia Group’s Subsidiary, Emblem Cannabis. A separate physical clinic also operates in St. John’s, Newfoundland.

5. Capitalized terms used herein and not otherwise defined have the meaning ascribed to them in my affidavit sworn on July 24, 2023 (the “**Initial Affidavit**”) and my comeback affidavit sworn on July 26, 2023 (the “**Comeback Affidavit**”), a copy of each of which is attached to this affidavit (without Exhibits) as **Exhibit “A”** and **Exhibit “B”**, respectively. All references to monetary amounts in this affidavit are in Canadian dollars unless otherwise noted.

6. This affidavit is made in support of a motion by the Applicants for relief under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the “**CCAA**”), seeking an order (the “**SISP Order**”) substantially in the form attached at the Motion Record which, *inter alia*, grants:

- (a) an extension of the Stay of Proceedings (as defined below) to October 31, 2023;
- (b) preservation of the “status quo” in respect of the Applicants’ Health Canada and cannabis excise licenses (the “**Licences**”) during the pendency of the Stay of Proceedings;
- (c) approval of the sale and investment solicitation process (the “**SISP**”) in a form substantially similar to the form attached as Schedule “A” to the SISP Order;
- (d) authority for the Applicants and the Monitor (as defined below) to immediately commence the SISP;
- (e) authority and direction to the Monitor, the Applicants, and their respective affiliates, partners, employees, advisors and agents (collectively, the “**Assistants**”) to take any and all actions as may be necessary or desirable to implement and carry out the SISP in accordance with its terms and the SISP Order; and
- (f) approving the Stalking Horse Asset Purchase and Subscription Agreement (the “**Stalking Horse Agreement**”) to be entered into between Aleafia Health, Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail, Red White & Bloom Brands Inc. (“**RWB**”) and RWB (PV) Canada Inc., a wholly-owned subsidiary of RWB (in such capacity, the

“**Stalking Horse Bidder**”) solely for the purpose of constituting the “Stalking Horse Bid” under the SISP.

7. The Initial Affidavit and the Comeback Affidavit should be referred to for additional background about the Aleafia Group and the events leading up to these CCAA proceedings.

8. In preparing this Affidavit, I consulted with the Applicants’ legal and financial advisors and reviewed relevant documents and information concerning the Applicants’ operations, financial affairs and marketing activities. I am authorized to swear this Affidavit as the corporate representative of the Applicants.

II. BACKGROUND AND STATUS OF THE CCAA PROCEEDINGS

9. The Aleafia Group applied for urgent relief under the CCAA as a result of its insolvent status, and obtained the Initial Order on July 25, 2023 (the “**Initial Order**”). The Initial Order, a copy of which is attached hereto at **Exhibit “C”**, *inter alia*, contains the following heads of relief (terms as defined in the Initial Order):

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are parties to which the CCAA applies;
- (c) appointing KSV Restructuring Inc. as an officer of the Court to monitor the assets, business, and affairs of the Applicants (in such capacity, the “**Monitor**”);
- (d) approving the Applicants’ ability to borrow under a debtor-in-possession credit facility pursuant to the terms of the DIP Term Sheet dated July 24, 2023 (as amended and restated, the “**DIP Term Sheet**”), with RWB as lender (in such capacity, the “**DIP Lender**”) to finance their working capital requirements and other general corporate purposes, expenses and costs over the CCAA proceedings;
- (e) staying, for an initial period of not more than ten (10) days, all proceedings and remedies taken or that might be taken in respect of the Applicants, the Monitor, their directors and officers, or affecting the Applicants’ business or the Property (as defined in the Initial Order), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay of Proceedings**”);

- (f) granting the following charges (collectively, the “**Charges**”) over the Applicants’ current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the “**Property**”):
 - (i) the Administration Charge in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants;
 - (ii) the DIP Lender’s Charge in favour of the DIP Lender; and
 - (iii) the Directors’ Charge in favour of the Directors and Officers;
- (g) approving payment to certain suppliers who are critical to the business and operations of the Aleafia Group for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, but only with consent of the Monitor, which are necessary to facilitate the Applicants’ ongoing operations and to preserve value during the CCAA proceedings, up to a maximum aggregate amount of \$300,000; and
- (h) authorizing the Aleafia Group to continue to use the Cash Management System (as defined in the Initial Order).

10. Copies of materials filed in the CCAA proceedings are available on the website of the Monitor at: <https://www.ksvadvisory.com/experience/case/aleafia>.

11. Following the issuance of the Initial Order, the Aleafia Group has continued its business operations in the ordinary course. Since the Initial Order was granted, the Aleafia Group has been working with the Monitor to stabilize operations and begin its restructuring initiatives as well as engaging with stakeholders. Immediately after obtaining CCAA protection, the Applicants published a press release in order to inform their various stakeholders of the granting of the Initial Order. A copy of the press release is attached as **Exhibit “D”**.

12. On August 4, 2023, the Court granted the Amended and Restated Initial Order (the “**ARIO**”) which, *inter alia*:

- (a) extended the Stay of Proceedings to September 1, 2023;
- (b) authorized the Applicants to increase the amounts which they may borrow under the DIP Term Sheet;

- (c) granted an extension of the time limit to call and hold the annual general meeting of shareholders of Aleafia Parent until after the conclusion of the CCAA proceedings, subject to further order of this Court;
 - (d) granted authority for the Applicants to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, and declared that none of the directors, officers, employees, and other representatives of the Applicants or the Monitor in these CCAA proceedings (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings; and
 - (e) granted the following increases to the priority Charges against the Property, which were granted in the Initial Order:
 - (i) First – the Administration Charge increased to \$1,250,000 from \$500,000;
 - (ii) Second – the DIP Lender’s Charge increased to the maximum amount of the DIP Obligations (as defined in the ARIO) at the relevant time up to \$6,600,000;
 - (iii) Third – the Directors’ Charge increased to \$2,850,000 from \$835,000; and
 - (f) increased the critical supplier payment maximum aggregate amount to \$500,000.
13. A copy of the ARIO is attached hereto at **Exhibit “E”**.
14. The Applicants’ activities since the granting of the ARIO, with the assistance of their advisors and the Monitor, include:
- (a) creating and implementing a communication plan to advise key stakeholders of the CCAA proceedings and updates regarding same;
 - (b) communicating with, providing information to and answering questions of various stakeholders and employees;
 - (c) meeting with employees and the Monitor to discuss expenditure and cash flow management;

- (d) engaging in discussions with the DIP Lender about the Business (as defined in the ARIO) and next steps in the CCAA proceedings;
- (e) together with the assistance of the Monitor, establishing a virtual data room (“VDR”);
- (f) working with the Monitor to develop the SISP;
- (g) negotiating the Stalking Horse Agreement;
- (h) engaging with counsel to Ad Hoc Committee of Debentureholders (the “**Ad Hoc Committee**”) to work towards settling such stakeholders’ opposition to the SISP Order; and
- (i) arranging for payment to certain suppliers which are critical to the Applicants’ Business.

15. The Aleafia Group continues to work with the Monitor in good faith to respond to numerous creditor and stakeholder inquiries on a daily basis.

III. RELIEF SOUGHT

A. Extension of the Stay of Proceedings

16. The Applicants have acted, and are acting, in good faith and with due diligence to communicate with stakeholders. The extension of the Stay of Proceedings is necessary and appropriate in the circumstances to provide the Applicants with continued breathing space while they attempt to maximize value for the benefit of their stakeholders through the CCAA proceedings and the SISP sought herein.

17. The Monitor, the Applicants, and the Assistants will need time in order to properly and diligently implement and carry out the SISP in accordance with its terms and the SISP Order, to obtain the maximum value possible for all stakeholders.

18. I do not believe any creditor will suffer material prejudice as a result of the extension of the Stay of Proceedings. The Applicants’ stakeholders will benefit from the extension of the Stay of Proceedings, and the Monitor is supportive of this relief.

B. The Status Quo of the Licences

19. The Licences are held, variously, by each of Emblem Cannabis and Aleafia Farms. The below chart provides a summary of the Licences, copies of which are attached hereto at **Exhibit “F”**.

HEALTH CANADA LICENCES				
Address Listed	License Type/No.	Entity	Current Term Effective Date	Expiry Date
378 South Service Road, Grimsby ON	Standard Cultivation / LIC-VTQAQTTMOL	Aleafia Farms	June 7, 2023	June 13, 2024
2540 Regional Road 19, Blackstock ON	Standard Cultivation / LIC-GYAJNCME6L	Aleafia Farms	December 9, 2020	October 9, 2023
20 Woodslee Avenue, Paris ON	Standard Cultivation; Standard Processing; Sale for Medical Purposes / LIC-0CNIN0V9QK	Emblem Cannabis	January 19, 2023	January 20, 2028
20 Woodslee Avenue, Paris ON	Research / LIC-28X6T94W2Y	Emblem Cannabis	April 29, 2021	April 7, 2026
85 Basaltic Road, Unit A, Vaughan ON	Standard Processing; Sale for Medical Purposes / LIC-CTHF6SVA0C	Emblem Cannabis	June 10, 2022	February 12, 2024

CANNABIS EXCISE LICENCES				
Address Listed	License No.	Entity	Current Term Effective Date	Expiry Date
378 South Service Road, Grimsby ON; 2540 Shirley Avenue, Blackstock ON	88009 9247	Aleafia Farms	October 17, 2022	October 16, 2024
20 Woodslee Avenue, Paris ON; 85 Basaltic Road, Unit A, Concord ON	85070 8975 RD0002; 85070 8975 RD0005	Emblem Cannabis	October 17, 2022	October 16, 2023

20. As shown on the above chart, two of the Licences are set to expire in October of this year. CRA has advised the Applicants that Emblem Cannabis is not eligible to renew its cannabis excise license, which expires October 16, 2023, while it is undergoing this CCAA proceeding, due to not meeting the requirement set out in section 2(2)(c)(ii) of the Regulations Respecting Excise Licences and Registrations, SOR/2003-115 that a licensee have sufficient financial resources to conduct its business in a responsible manner. This leaves very little time for the Monitor and the Applicants to implement and carry out the proposed SISF in an effective and fulsome manner.

21. I believe it is in the best interest of the Applicants and their stakeholders to have the status quo in respect of the Licences extended in tandem with the Stay of Proceedings, in order to allow the Applicants to carry on operations with the permissions afforded to them under the Licences, and to preserve the value

of the Applicants' business operations. The Licences are amongst the most valuable assets of the Applicants and without such, the value to be generated from the SISP will be significantly curtailed.

22. I understand from my counsel that a Canadian court has recently granted an order preserving a cannabis company's cannabis excise licence while the company was undergoing a restructuring under a *Bankruptcy and Insolvency Act* proposal proceeding, such that this request is not unprecedented.

C. The SISP

23. Capitalized terms used in this subsection and not otherwise defined have the meaning ascribed to them in the SISP.

24. As was set out in the Initial Affidavit, the Applicants intend to, among other things, conduct a court-approved SISP to obtain a going concern solution to maximize value for their stakeholders. Accordingly, the SISP has been developed by the Applicants and the Monitor, in consultation with the DIP Lender and counsel to the Ad Hoc Committee, as a means of seeking to maximize the value of the Applicants' business assets.

25. The Applicants have also negotiated with RWB (in its capacity as both the prepetition senior secured creditor of the Applicants and the DIP Lender) regarding a potential "stalking horse bid". These discussions have resulted in RWB and the Applicants negotiating the Stalking Horse Agreement, a copy of which is attached as **Exhibit "G"**. The SISP does not give the DIP Lender or the Stalking Horse Bidder control over the SISP.

26. Accordingly, while the SISP has been developed to identify and consummate a value-maximizing transaction, the Stalking Horse Agreement also ensures that the Applicants will emerge from these CCAA proceedings on a going-concern basis. The SISP and the Stalking Horse Agreement are described in greater detail immediately below.

27. The SISP was designed to be broad and flexible, and to be led by the Monitor. The SISP is intended to solicit interest in, and opportunities for: (i) one or more sales or partial sales of all, substantially all, or certain portions of the Property or the Business; and/or (ii) an investment in, restructuring, recapitalization, refinancing or other form of reorganization of the Applicants or their Business.

28. The Monitor, in consultation with the Applicants, may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Qualified Bidders, Binding Offer Bidders, the Successful Bidder or the Back-Up Bidder,

provided that such modification, amendment, variation or supplement is expressly limited to changes that do not alter, amend or prejudice the rights of such bidders.

29. The SISP provides for a simplified one-stage process.

30. A summary of key dates pursuant to the SISP are outlined below. These dates may be extended by the Monitor, with the consent of the DIP Lender, acting reasonably, as the Monitor deems necessary or appropriate, or by order of the Court:

Milestone	Date
Commence solicitation of interest from parties, including delivering NDA and Teaser Letter, and upon execution of NDA, Confidential Information Memorandum and access to VDR	No later than two (2) Business days after the granting of the SISP Order
Binding Offer Deadline (as defined below)	October 2, 2023 at 5:00 p.m. EST
<i>If no Binding Offers are received other than Stalking Horse Bid</i>	
Selection of Stalking Horse Bid as Successful Bid	October 3, 2023
Approval Motion (as defined below)	October 10, 2023 or the earliest date available thereafter
Closing of Stalking Horse Bid	As soon as possible but no later than November 22, 2023
<i>If Binding Offers selected other than Stalking Horse Bid</i>	
Deadline to notify Qualified Bidders	No later than October 6, 2023
Auction, if needed	October 9, 2023
Selection of Successful Bid and Back-Up Bidder, if needed	October 9, 2023 or such later date immediately thereafter if the Auction is not completed in one day
Approval Motion	No later than October 17, 2023
Closing of the Successful Bid	As soon as possible but no later than November 22, 2023

31. The key dates in the above table are described in further detail below. I believe that the timelines and terms of the SISP are reasonable. I have also been advised by the Monitor that it believes the timelines and terms are reasonable as well. In developing the timelines and process for the SISP, the Applicants, in consultation with the Monitor, considered a number of factors, including that:

- (a) interested parties have been admitted to the VDR since the first week of August providing additional time to complete diligence; and

- (b) the DIP facility expires no later than November 22, 2023 and the Applicants are forecasted to run out of liquidity at the end of its term.

Solicitation of Interest

32. The SISP prescribes certain requirements and timelines for the Monitor, in consultation with the Applicants, to solicit interest and provide notice of the SISP after the SISP Order. However, in anticipation of the SISP Order, the Monitor (in consultation with the Applicants) has already begun (if not completed):

- (a) preparing a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity, (ii) strategic and financial parties who the Monitor, in consultation with the Applicants, believe may be interested in purchasing all or part of the Business or the Property or investing in the Applicants pursuant to the SISP, and (iii) parties that showed an interest in the Applicants and/or the Property prior to the date of the SISP Order;
- (b) preparing a process summary (the “**Teaser Letter**”) with the assistance of the Applicants describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP;
- (c) preparing a form of non-disclosure agreement (“**NDA**”); and
- (d) preparing the VDR with the assistance of the Applicants, with access having been already granted to a number of Potential Bidders, so that parties can commence diligence.

33. The Monitor will apprise the market of the SISP by arranging for notice of the SISP to be published in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor.

34. The Monitor will cause the Teaser Letter and NDA to be sent to each Known Potential Bidder by no later than two (2) Business days after the granting of the SISP Order, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Qualified Bidders

35. A Potential Bidder (who has delivered the executed NDA and provided to the Monitor written confirmation of the identity of the Potential Bidder, the contact information for such Potential Bidder and

full disclosure of the direct and indirect principals of the Potential Bidder) will be deemed a “**Qualified Bidder**” if the Monitor, in its reasonable judgment, and in consultation with the Applicants, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP. All Qualified Bidders will receive a Confidential Information Memorandum prepared by the Monitor and will be granted access to the VDR.

36. Potential Bidders must rely solely on their own independent review, diligence, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with one or more of the Applicants.

Formal Binding Offers

37. Any Qualified Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer with respect to its offer to (i) acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof (either one, a “**Sale Proposal**”) or a portion of the Property or the Business (a “**Partial Sale Proposal**”); or (ii) make an investment in, restructure, recapitalize or refinance the Aleafia Group or the Business (an “**Investment Proposal**”) must submit a binding offer (a “**Binding Offer**”):

- (a) in the case of a Sale Proposal, in the form of a template agreement of purchase provided in the VDR, along with a marked version showing edits to the original form of the template provided in the VDR and otherwise with a marked version compared to the Stalking Horse Agreement; or
- (b) in the case of an Investment Proposal, a plan or restructuring support agreement in form and substance satisfactory to the Monitor, in consultation with the Applicants (the “**Binding Offer Bidder**”),

in each case to the Monitor, by no later 5 p.m. EST on October 2, 2023 (the “**Binding Offer Deadline**”).

38. Binding Offers will only be considered if they, *inter alia*:

- (a) provide net cash proceeds on closing via provisions that meet the following requirements, that are not less than the aggregate total of: (i) the amount of cash payable under the Stalking Horse Agreement together with the amount of all secured indebtedness, liabilities and obligations owing by the Aleafia Group to the DIP Lender on account of its pre-filing secured loans and the DIP Facility, plus (ii) the amount of cash payable to cover the

Expense Reimbursement (as defined in the Stalking Horse Agreement), plus (iii) a minimum overbid amount of \$200,000, plus (iv) the amount of cash payable to repay in full all of the secured indebtedness, liabilities and obligations owing by the Aleafia Group to 1260356 Ontario Limited (the “**Minimum Purchase Price**”); provided, however, that the Monitor may, in its reasonable judgment, and in consultation with the Aleafia Group, deem this criterion satisfied if the Sale Proposal, Partial Sale Proposal or the Investment Proposal, together with one or more other non-overlapping Sale Proposal, Partial Sale Proposal or Investment Proposal, in the aggregate, meet or exceed the Minimum Purchase Price and such Minimum Purchase Price is payable in full in cash on closing;

- (b) are submitted on or before the Binding Offer Deadline by a Qualified Bidder;
- (c) are made by the way of binding, definitive transaction document(s) that is/are executed by the Binding Offer Bidder;
- (d) are unconditional, other than as set forth therein;
- (e) contain the proposed treatment of employees of the applicable Aleafia Group entities;
- (f) are not subject to any financing condition, diligence condition or internal or board approval;
- (g) identify whether any Approval Order requires “reverse vesting”;
- (h) provides for any anticipated corporate, licensing, securityholder, Health Canada, legal or other regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals; and
- (i) do not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder (other than the Stalking Horse Bidder) will be entitled to any bid protections.

39. The Monitor may waive strict compliance with the above in accordance with the terms of the SISP. In the circumstance that a Binding Offer does not provide for net cash proceeds that are at least equal to the Minimum Purchase Price, the Monitor will consult with the DIP Lender and, subject to the prior written consent of the DIP Lender in its sole discretion, may elect that such Binding Offer be nevertheless

considered as a potential Successful Bid and be entitled to participate in the Auction. Specific requirements are also set out for Sale Proposals and Investment Proposals at paragraph 16 of the SISP.

Selection of Successful Bid

40. The Applicants and the Monitor will: (i) review and evaluate each relevant Binding Offer; and (ii) following the completion of the Auction (as defined below), (A) identify the highest or otherwise best Binding Offer (the “**Successful Bid**”, and the Qualified Bidder making such Successful Bid, the “**Successful Bidder**”), and (B) identify the next highest or otherwise second best Binding Offer (the “**Back-Up Bid**”, and the Binding Offer Bidder making such Back-Up Bid, the “**Back-Up Bidder**”).

41. In the event that no Binding Offer is received (other than the Stalking Horse Bid), the Aleafia Group will promptly seek Court approval of the Stalking Horse Agreement and the transactions contemplated therein. In the event there is at least one Binding Offer in addition to the Stalking Horse Bid, the Successful Bid will be identified through an auction (the “**Auction**”).

Auction – If Necessary

42. The Auction (if necessary) shall proceed and be conducted in accordance with the following procedures, among others and as more fully set out in the SISP:

- (a) the Auction will commence on October 9, 2023, and may, in the discretion of the Monitor, be held virtually, via teleconference, or other reasonable means;
- (b) the identity of each Binding Offer Bidder participating in the Auction will be disclosed, on a confidential basis, to other Binding Offer Bidders participating in the Auction;
- (c) each Binding Offer Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with the Applicants or any other person, without the consent of the Applicants and the Monitor, regarding the SISP, that has not been disclosed to all other Binding Offer Bidders. For greater certainty, communications between the Stalking Horse Bidder and either the Applicants or the Monitor with respect to and in preparation of the Stalking Horse Agreement, the SISP, the Bidding Procedures and other ancillary matters prior to the issuance of the SISP Order and the commencement of the SISP will not represent collusion nor communications prohibited by the terms of the SISP;

- (d) prior to the Auction, the Monitor will identify the highest and best of the Binding Offers received and such Binding Offers will constitute the opening bid for the purposes of the Auction (the “**Opening Bid**”). Subsequent bidding will continue in minimum increments valued at not less than \$200,000 cash in excess of the Opening Bid;
- (e) each participating Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. The Monitor and the Applicants shall determine which Binding Offer Bidders have submitted the (i) highest and otherwise best Binding Offer of the Auction, which shall be the Successful Bid, and (ii) the next highest and otherwise second best Binding Offer of the Auction;
- (f) upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Successful Bidder and the Back-Up Bidder, if any, shall each deliver, as soon as practicable, to the Monitor and the Applicants, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the application material for the hearing to consider the Approval Motion;
- (g) the Monitor and the Aleafia Group will not consider any bids submitted after the conclusion of the Auction; and
- (h) the Monitor, in consultation with the Applicants, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions.

43. The Successful Bid and the Back-Up Bid will be selected by no later than 5:00 p.m. (Eastern Time) on October 9, 2023 and the completion and execution of definitive documentation in respect of the Successful Bid and the Back-Up Bid, as applicable, must be finalized and executed no later than October 9, 2023, which definitive documentation will be conditional only upon the receipt of the Approval Order(s) and the express conditions set out therein and will provide that the Successful Bidder will use all reasonable efforts to close the proposed transaction by no later than the Target Closing Date, or such longer period as may be agreed to by the Monitor, in consultation with the Applicants and the Successful Bidder, subject to the terms of the SISP.

44. In any event, the Successful Bid must be closed by no later than the Outside Date. If a Back-Up Bid is identified in accordance with the SISP, then such Back-Up Bid shall remain open until the date (the

“**Back-Up Bid Outside Date**”) on which the transaction contemplated by the Successful Bid is consummated or such earlier date as the Monitor, in consultation with the Applicants, determines.

45. If the transactions contemplated by the Successful Bid have not closed by the Outside Date or the Successful Bid is terminated for any reason prior to the Outside Date, the Applicants may elect, with the consent of the Monitor, to seek to complete the transactions contemplated by the Back-Up Bid and will promptly seek to close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Applicants will be deemed to have accepted the Back-Up Bid only when the Applicants and the Monitor have made such election.

46. All Binding Offers (other than the Successful Bid but including the Back-Up Bid) will be deemed rejected on and as of the date of the closing of the Successful Bid, with no further or continuing obligation of the Aleafia Group or the Monitor to any unsuccessful Binding Offer Bidders.

D. The Stalking Horse Agreement

47. Capitalized terms used in this subsection and not otherwise defined have the meaning ascribed to them in the Stalking Horse Agreement.

48. It is proposed that the SISP will be backstopped by the Stalking Horse Agreement. At this time, approval of the Stalking Horse Agreement is only being sought for the purposes of approving it as the Stalking Horse Bid under the SISP. To the extent the Stalking Horse Agreement is ultimately designated as the Successful Bid in the SISP, further approval will be sought from the Court to consummate the transactions contemplated therein.

49. Over the course of the last two years, prior to commencing this CCAA proceeding, the Applicants engaged in extensive efforts to find new money, potential strategic buyers or merger opportunities. Through the course of these efforts, more than fourteen companies signed non-disclosure agreements permitting them to conduct due diligence on the Applicants’ business. The Applicants consulted with and evaluated more than forty companies as potential strategic partners.

50. The only transaction to emerge from these efforts was the binding letter agreement entered into between Aleafia Parent and RWB on June 7, 2023 (the “**Binding Letter Agreement**”). As described at paragraphs 201 to 213 of my Initial Affidavit, that transaction ultimately failed as a result of the Ad Hoc Committee advising that they would not support the transaction.

51. On April 14, 2023, the Aleafia Parent established an independent committee (the “**Independent Committee**”) to evaluate the offer from RWB to acquire the Applicants, which was documented in the Binding Letter Agreement. The Independent Committee is comprised of the independent directors, Jon Pereira, Ian Troop, David Pasieka, Matt Sale (Chief Financial Officer) and myself.

52. The Stalking Horse Agreement has been recommended by the Independent Committee, and approved by the board of the Aleafia Parent. Board members Carlo Sistilli and Lu Galasso recused themselves from voting on the Stalking Horse Agreement.

53. The principal terms of the Stalking Horse Agreement are summarized below:

Term	Details
<i>Seller</i>	Aleafia Health ECC Canabo Aleafia Farms Aleafia Retail
<i>Purchaser</i>	RWB (PV) Canada Inc.
<i>Guarantor</i>	RWB
<i>Transaction Structure</i>	Asset purchase and reverse vesting structure - the shares of the Purchased Entities and the Purchased IP of Aleafia Health will be acquired by the Purchaser and all the Excluded Assets and Excluded Liabilities of the Purchased Entities will be transferred to Residual Co. (which may be an Applicant that is not a Purchased Entity)
<i>Purchase Price</i>	The total aggregate consideration payable by the Purchaser for the Purchased Shares is equal to: (a) a release of all amounts outstanding and obligations payable by the Applicants under the Senior Loan Agreement and all related loan and security documentation, which amount as of July 31, 2023 is \$15,230,687, including the principal amount of such claim, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith; (b) a release of all amounts outstanding and obligations payable by the Applicants as of the Closing Date pursuant to the DIP Facility Term Sheet, including the principal amount of such claims and interest accrued as of the Closing Date, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any unpaid fees and expenses associated therewith; (c) the CCAA Process Expense Amount, consisting of cash in an amount of \$400,000 (to pay the Monitor’s and its counsel’s fees associated with completing the CCAA Proceedings), and cash in an amount sufficient to pay the amounts owing in respect of obligations secured by the CCAA Charges; (d) the 126 Loan Amount, consisting of cash sufficient to satisfy the Applicants’ outstanding obligations to 1260356 Ontario Limited (“ 126 ”) pursuant to the mortgage (in the approximate

Term	Details
	<p>amount of \$5,444,106 as of July 31, 2023) registered in favour of 126 on the real property owned by Aleafia Farms and located at 2560 Regional Road 19, Scugog, Ontario; and</p> <p>(e) the Priority Payment Amount, consisting of cash sufficient to pay those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the CCAA.</p>
<i>Purchased Assets</i>	<p>The Purchased IP of Aleafia Health and the ECC Purchased Shares, the Canabo Purchased Shares, the Aleafia Farms Purchased Shares, and the Aleafia Retail Purchased Shares which shares shall represent 100% of the outstanding Equity Interests in each of ECC, Canabo, Aleafia Farms and Aleafia Retail after such cancellation and issuance.</p>
<i>Retained Liabilities</i>	<p>The Retained Liabilities shall consist of only the items specifically set forth below, provided, for the avoidance of doubt, that the Retained Liabilities of any Purchased Entity pursuant to Section 2.3 shall continue to be liabilities of the applicable Purchased Entity as of the Closing:</p> <p>(a) all post-filing Claims set out in Schedule 2.4, limited to Stub-period post-filing Claims contemplated by the DIP but not paid yet on the Closing Date;</p> <p>(b) all liabilities of the Purchased Entities arising from and after Closing;</p> <p>(c) Tax liabilities of the Purchased Entities for any period, or the portion thereof, beginning on or after the Closing Date; and</p> <p>(d) those specific Retained Liabilities set forth in Schedule 2.4.</p>
<i>As Is, Where Is</i>	<p>The Purchaser specifically acknowledges and agrees that, except for the representations and warranties of the Companies and Aleafia Health expressly and specifically set forth in Article 4, the Purchaser is acquiring the Purchased Shares and the Purchased IP on an “as is, where is” basis.</p>
<i>Employees</i>	<p>The Purchaser will determine which employees it will assume and employ prior to Closing. The Purchaser has advised it intends to assume substantially all of the employees.</p>
<i>Key Conditions to Closing</i>	<p>The respective obligations of the Purchaser and each of the Companies to consummate the transactions contemplated by the Stalking Horse Agreement are subject to the satisfaction of, or compliance with, at or prior to the Closing Time, each of the following conditions (in addition to those conditions to the specific benefit of the Purchaser or the specific benefit of the Companies, listed in articles 7.2 and 7.3, respectively):</p> <p>(a) no provision of any Applicable Law and no Order preventing or otherwise frustrating the consummation of the purchase of the Purchased Shares and the Purchased IP or any of the other transactions pursuant to the Stalking Horse Agreement shall be in effect;</p> <p>(b) each of the SISP Order and the Approval and Vesting Order shall have been issued and entered and shall be Final Orders;</p> <p>(c) the Stalking Horse Agreement will be the Successful Bid (as determined pursuant to the SISP); and</p>

Term	Details
	(d) the Parties shall have received the required Transaction Regulatory Approvals set forth in Schedule 7.1(d), and all such Transaction Regulatory Approvals shall be in full force and effect, except for Transaction Regulatory Approvals that need not be in full force and effect prior to Closing.
<i>Stalking Horse Bid Protections</i>	<p>Expense Reimbursement – In considerations for the Purchaser’s expenditure of time and money (including professional fees) in connection with the preparation of the Stalking Horse Agreement, and in performing due diligence pursuant to the Stalking Horse Agreement, the Purchaser shall be entitled to an Expense Reimbursement of \$500,000. The Expense Reimbursement is subject to Court approval and shall be approved in the SISP Order and shall be payable to the Purchaser out of the sale proceeds derived from, and upon completion of, a Successful Bid other than the Stalking Horse Bid.</p> <p>Break Fee – The Stalking Hose Agreement does not contemplate the payment of a “break” or similar fee to the Purchaser.</p>
<i>Closing Date</i>	A date no later than five (5) Business Days after the conditions set forth in Article 7 have been satisfied or waived, other than the conditions set forth in Article 7 that by their terms are to be satisfied or waived at the Closing (or such other date agreed to by the Parties in writing); provided that, if there is to be a Closing hereunder, then the Closing Date shall be no later than the Outside Date of November 22, 2023.

54. The Ad Hoc Committee had access to the same data room upon which the DIP Lender relied to develop the offer set out in the Stalking Horse Agreement, but did not express interest in presenting an offer. The DIP Term Sheet does not require the DIP Lender to act as a stalking horse bidder in the SISP.

55. The Applicants are of the view that the inclusion of the Stalking Horse Agreement as part of the SISP will benefit the efforts to maximize value for the benefit of all of their stakeholders by, among other things: (i) setting a baseline price and commercial terms for a transaction involving the shares and/or the business and assets of the Applicants; (ii) helping to generate interest in the Applicants among potential purchasers; (iii) creating tension in the context of an Auction; and (iv) providing a level of certainty, stability and efficiency during the SISP, both in terms of setting a baseline price and documentation for the SISP and assuring stakeholder groups that there will be a going concern sale involving the Business.

56. While the Applicants are optimistic that the SISP will result in a competitive bidding process in furtherance of a value maximizing transaction, the Stalking Horse Agreement assures the preservation and continuity of the core business of the Applicants as a going concern, and the continued employment of substantially all of the Applicants’ employees.

57. I am advised by the Monitor that the quantum of the Expense Reimbursement is in line with market terms, is consistent with market practice and is reasonable.

58. The terms of the Stalking Horse Agreement were negotiated extensively between the Applicants and the Monitor on the one hand, and the Stalking Horse Bidder on the other hand. The Ad Hoc Committee was also provided with an advanced draft of the Stalking Horse Bid in advance of service on the Service List and offered comments to the Monitor and the Applicants. Accordingly, I believe that the consideration provided under the Stalking Horse Agreement is both fair and reasonable in the circumstances, and reflects the product of extensive, good faith negotiations. I understand that the Monitor supports the approval of the Stalking Horse Agreement for the purpose of acting as the Stalking Horse Bid under the SISP. I also understand that the Ad Hoc Committee does not oppose the approval of the SISP Order.

Relief Sought

59. For the reasons set out herein, the Aleafia Group respectfully requests that this Court grant the SISP Order.

60. I believe that the Aleafia Group has acted and is continuing to act in good faith and with due diligence in these CCAA proceedings since the granting of the Initial Order. I swear this Affidavit in support of an application for the relief set out above, and for no improper purpose.

SWORN BEFORE ME over video teleconference this 11th day of August, 2023 pursuant to O. Reg 431/20, Administering Oath or Declaration Remotely. The affiant was located in the City of Toronto in the Province of Ontario, while the Commissioner was located in the City of Toronto in the Province of Ontario.



DocuSigned by:
Samantha Hans
402DBD39546546A

A Commissioner for taking Affidavits (*or as may be*)

SAMANTHA HANS (LSO#: 84737H)

DocuSigned by:
Patricia Symmes-Rizakos

01800560E03C42B
PATRICIA SYMMES-RIZAKOS

This is Exhibit "A" referred to in the Affidavit of Patricia Symmes-Rizakos
sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Khan".

Commissioner for Taking Affidavits

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

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

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF **ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC.**

Applicants

**AFFIDAVIT OF PATRICIA SYMMES-RIZAKOS
(Sworn July 24, 2023)**

I, **Patricia Symmes-Rizakos**, of the City of Toronto, in the province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

I. INTRODUCTION AND OVERVIEW

1. I am the Chief Executive Officer of Aleafia Health Inc. ("**Aleafia Parent**" and together with its Subsidiaries (as defined below), the "**Applicants**" or "**Aleafia Group**").

2. Emblem Corp. ("**Emblem**"), Emblem Cannabis Corporation ("**Emblem Cannabis**"), Emblem Realty Ltd. ("**Emblem Realty**"), Growwise Health Limited ("**Growwise**"), Canabo Medical Corporation ("**Canabo**"), Aleafia Inc. ("**Aleafia Sub**"), Aleafia Farms Inc. ("**Aleafia Farms**"), Aleafia Brands Inc. ("**Aleafia Brands**"), Aleafia Retail Inc. ("**Aleafia Retail**"), 2672533 Ontario Inc. ("**2672**") and 2676063 Ontario Inc. ("**2676**") are various subsidiaries of Aleafia Parent (individually, a "**Subsidiary**" and together, the "**Subsidiaries**"). Aleafia Group through Aleafia Retail also has a minority interest in a certain other non-Applicant affiliate.¹

3. I have been the Chief Executive Officer of Aleafia Parent since February 2022, as described in more detail below. As such, I have personal knowledge of the matters to which I depose in this Affidavit except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

¹ As described further herein, this entity is One Plant (Retail) Corp. ("**One Plant**").

4. This affidavit is in support of an urgent application by the Applicants, on short notice to only the Applicants' senior secured creditors, being RWB, 126 and Computershare as trustee on behalf of the Debentureholders, for an Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), *inter alia*:

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are parties to which the CCAA applies;
- (c) appointing KSV Restructuring Inc. ("**KSV**" or the "**Proposed Monitor**") as an officer of the Court to monitor the assets, business, and affairs of the Applicants (once appointed in such capacity, the "**Monitor**");
- (d) approving the Applicants' ability to borrow under a debtor-in-possession ("**DIP**") credit facility (the "**DIP Loan**") to finance their working capital requirements and other general corporate purposes, expenses and costs over the CCAA proceedings;
- (e) staying, for an initial period of not more than ten (10) days, all proceedings and remedies taken or that might be taken in respect of the Applicants, the Monitor, their directors and officers, or affecting the Applicants' business or the Property (as defined in the Initial Order), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the "**Stay of Proceedings**");
- (f) granting the following limited priority charges (collectively, the "**Charges**") against the Applicants' current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the "**Property**"):
 - (i) the Administration Charge (as defined below) in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants;
 - (ii) the DIP Lenders' Charge in favour of the DIP Lender (each as defined below);
 - (iii) the Directors' Charge (as defined in the Initial Order) in favour of the Directors and Officers;

- (g) approving payment to certain suppliers who are critical to the business and operations of the Aleafia Group for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, with consent of the Monitor and in accordance with the terms of the DIP Term Sheet and the Cash Flow Forecast (each as defined below) which are necessary to facilitate the Applicants' ongoing operations and to preserve value during the CCAA proceedings, up to a maximum aggregate amount of \$500,000; and
- (h) authorizing the Aleafia Group to continue to use the Cash Management System (term as defined herein).

5. If the Initial Order is granted, the Applicants intend to return to Court within ten (10) days (the "**Comeback Hearing**") to seek an amended and restated Initial Order (the "**ARIO**") in order to, *inter alia*:

- (a) extend the Stay of Proceedings;
- (b) increase the quantum of and priming each of the Charges;
- (c) seek relief from certain securities reporting obligations;
- (d) relieve Aleafia Parent of any obligation to call and hold its annual general meeting of shareholders (the "**AGM**") until further Order of this Court; and
- (e) seek such other relief as may be required to advance the Applicants' restructuring efforts.

6. The Applicants also intend to, post-issuance of the ARIO, return to the Court for an order, *inter alia*, approving a sale and investment solicitation process (the "**SISP**" or the "**Sales Process**") and related bidding procedures (as later explained herein) (the "**SISP Order**").

7. All references to currency in this affidavit are in Canadian dollars unless noted otherwise. Capitalized terms used within this Affidavit are as defined later herein.

II. THE URGENT NEED FOR RELIEF

8. The Applicants are in a dire liquidity crisis and are not able to meet their obligations as they become due. As of March 31, 2023, the Applicants have a cumulative deficit of \$527.8 million with a net working capital deficit of \$5.4 million. The net liabilities for Aleafia Parent alone are \$31.3 million as of

the same date. In light of the Applicants' financial circumstances, Aleafia Parent is no longer able to satisfy the conditions precedent to obtaining further advances under its Senior Loan Agreement (as defined below).

9. Absent the approval of the additional financing proposed to be made available under the DIP Loan, Aleafia Parent will not be in a position to fund its next payroll (which is paid in arrears) scheduled to be paid on or around July 26, 2023 for hourly and July 27, 2023 for salaried. Furthermore, based on the Cash Flow Forecast (as defined below), Aleafia Group has sufficient cash to sustain operations for the week of July 24, 2023, but will have insufficient funds thereafter. There is thus significant urgency to this CCAA application and the relief sought pursuant to the Initial Order.

10. The Aleafia Group is a federally licensed Canadian cannabis company providing cannabis products to five of Canada's largest provinces (Ontario, Alberta, British Columbia, Saskatchewan and Manitoba)² and destined for select international medical cannabis markets. The Aleafia Group also operates a virtual cannabis clinic named "Canabo Medical Clinic", staffed by various physicians and nurse practitioners, which also provide health and wellness services across Canada; medical cannabis is largely produced through Aleafia Group's Subsidiary Emblem Cannabis. A separate physical clinic also operates in St. John's, Newfoundland.

11. The Aleafia Group produces and/or sells a diverse portfolio of cannabis and cannabis derivative products including pre-roll, milled, dried flower, vapes, oils, capsules, edibles, sublingual stripes and topicals for sale in Canada and various international jurisdictions. The Aleafia Group sells its products primarily through three core sales channels: adult-use, medical, and international. To produce these products, the Aleafia Group historically operated from three licensed cannabis production facilities in the province of Ontario, one of which is Canada's largest outdoor cannabis cultivation facility (the Scugog Property, as defined herein).³ A fourth distribution centre located in Ontario, which is licensed as a processor by Health Canada (as further detailed herein), enables same day delivery service and direct-to-retailer cannabis distribution services. As mentioned above, the Aleafia Group also operates, through one of its Subsidiaries, a physical medical clinic located in St. John's, Newfoundland. Certain of these locations are also subject to exit plans, as described later in this Affidavit.

² As described further herein, the Aleafia Group holds provincial cannabis supply agreements with Ontario, British Columbia and Alberta. The Aleafia Group operates in Saskatchewan by providing cannabis product directly to a third-party wholesaler located within that province. The Aleafia Group operates in Manitoba as a registered supplier to Manitoba's cannabis regulatory agency.

12. As of the date of this affidavit, the Grimsby Property is not operational, although its license remains active. As more particularly described below, the Aleafia Group has been marketing this property for sale for over eight months, although no sale has yet materialized.

13. Aleafia Parent is a reporting issuer in each of the provinces and territories of Canada and common shares in its capital are listed on the Toronto Stock Exchange (the “**TSX**”) in Canada under the trading symbol “AH”, and on the OTC Markets Group (the “**OTCQB**”)⁴ in the United States under the trading symbol “ALEAF”. The common shares of Aleafia Parent were also previously listed on the Frankfurt Stock Exchange under the ticker symbol “ARAH”, although this listing is now inactive.

14. As described further below, the key factors that have shaped the financial stresses felt by the Aleafia Group are as follows, including:

- (a) **Senior Loan Agreement Enforcement:** The Aleafia Group’s senior secured credit facility advanced pursuant to the Senior Loan Agreement came due after being granted a series of extensions and other accommodations that had been provided on an interim basis by RWB. However, RWB had indicated to Aleafia Group management that they were no longer prepared to extend any further accommodations under the current circumstances. As a result, as of the date of this Affidavit, RWB has issued Demands and NITES (terms as defined below);
- (b) **Failed Proposed Transaction:** The Aleafia Group has exhausted all options available to sell assets, re-finance or raise equity. Following a process to identify strategic alternatives, Aleafia Group entered into a Letter of Agreement (as defined herein) for a business combination with RWB (as later defined as the “**Proposed Transaction**”), which required a settlement of the Aleafia Group’s obligations to Debentureholders. Despite having been approved by Aleafia Parent’s Board and obtaining a support agreement from a Debentureholder holding 28% of the Debentures (as defined in the Debenture Agreements), the Ad Hoc Group, who purports to represent in excess of 33% of the Debentureholders (an amount that ensures that a settlement as contemplated in the Letter Agreement would not pass a vote), notified the Aleafia Group of its intent to vote

³ In November of 2022, a winddown of the Grimsby Property (as defined herein) was initiated and is now closed. The Grimsby Property historically produced usable flower for the dried flower category in the “Divvy” brand offered by the Aleafia Group.

⁴ The OTCQB is a mid-tier over-the-counter market for early-stage and developing U.S. and international companies.

down the Proposed Transaction. As stated by the Ad Hoc Group, the Ad Hoc Group was unwilling to support the Proposed Transaction in its current form due to, among other things, differing payout potentials over other subordinated stakeholders;

- (c) **Cash Flow Crisis:** There is currently no availability under the RWB Loan. Without alternate restructuring, debt/equity financing or amalgamation options, the Aleafia Group faces immediate liquidity deficiencies after the week of July 24, 2023; and
- (d) **Industry Problems:** In addition, there are further sector-specific challenging factors which impact the cannabis industry. The cannabis industry is highly regulated, has significant taxation burdens, and is experiencing rapid change amid a heavily saturated market. A complex and administrative-heavy regulatory and licensing regime, alongside competition from the illicit market, has caused significant uncertainty in the industry space. Significantly, impacts from these effects have created challenging conditions in the cannabis industry, and further negatively affected the ability of cannabis companies to obtain investment or financing for operations and capital expenditures. Certain major other cannabis companies within the sector have recently filed for creditor protection in 2023.⁵ An increased taxation burden from excise taxes, as well as the need for funding in advance of receivables, has additionally detrimentally impacted growth potential within the sector.

15. In light of the above, the Applicants are seeking protection under the CCAA to, among other things, obtain additional financing in order to continue operations and to implement the SISP that would see the Applicants restructured and/or all or a portion of the Applicants' business and assets sold as a going concern.

16. Subject to certain conditions, including court approval, RWB (in such capacity, the "**DIP Lender**") has agreed to fund these CCAA proceedings through the DIP Loan. The DIP Loan will provide the Applicants with immediate access to funding needed to continue to operate and preserve the value of their operations while the ultimate SISP is conducted, assuming the Initial Order is granted. As noted above, the relief in respect of the SISP is intended to be sought after the Comeback Hearing.

⁵ As an example, in June of 2023, Fire & Flower Holdings Corp., Fire & Flower Inc., 13318184 Canada Inc., 11180703 Canada Inc., 10926671 Canada Ltd., Friendly Stranger Holdings Corp., Pineapple Express Delivery Inc., and Hifyre Inc. (collectively, "**Fire & Flower**") obtained creditor protection under the CCAA. The Aleafia Group had certain business relationships with Fire & Flower as a supplier.

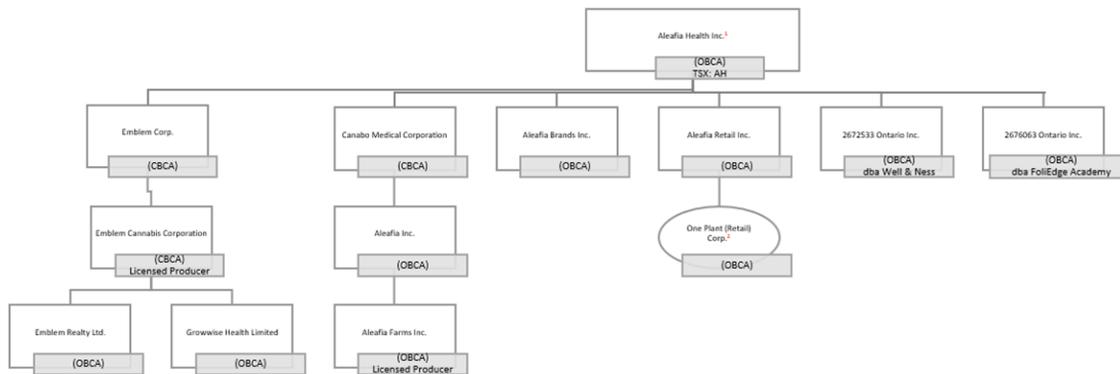
17. The CCAA filing and the eventual SISP are intended to benefit all of the Applicants’ stakeholders in Canada and abroad, including employees, customers, suppliers and contracting parties, Health Canada, and the relevant provincial cannabis regulators, among others.

18. In addition, it is my expectation that RWB, the Applicant’s senior secured lender, and 126 (terms as defined herein), the Applicant’s second senior secured lender, are supportive of the filing and will be provided notice of this application as well as the scope of the relief contemplated therein. It is also my understanding that formal notice of an Event of Default (term as defined in the Debenture Agreements) will be provided to the Trustee immediately concurrent with service of these CCAA application materials on all of the Aleafia Group’s senior secured creditors, being RWB, 126 and the Ad Hoc Group, which will occur prior to the scheduled hearing on July 25, 2023. As noted above, prior to the execution of this Affidavit, RWB has also delivered Demands and NITES.

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

III. OVERVIEW

20. A copy of the Aleafia Group’s current corporate chart is attached hereto and marked as **Exhibit “A”** and is reproduced for ease of reference:



Notes:

1. All subsidiaries are 100% controlled by the parent entity unless otherwise stated.
2. Aleafia Retail Inc. less than 10% of One Plant (Retail) Corp.

21. As indicated above, Aleafia Parent is a publicly traded company and its common shares are listed on the TSX and the OTCQB. Aleafia Parent also currently maintains three classes of convertible

debentures listed on the TSX under “**AH.DB.A**”, “**AH.DB.B**”, and “**AH.DB.C**”. A chart detailing all currently outstanding securities of Aleafia Parent is also attached hereto and marked as **Exhibit “B”**.

22. Aleafia Parent’s fiscal year end is March 31st. Aleafia Parent’s most recent audited consolidated financial statements, along with Aleafia Parent’s most recent annual information form dated June 29, 2023 for the year end of March 31, 2023 (the “**AIF**”), published to the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) are attached hereto and marked as **Exhibit “C”**. In addition, a true copy of Aleafia Parent’s management discussion and analysis for the three and twelve months ended March 31, 2023 dated June 13, 2023 (the “**MD&A**”), also published to the SEDAR is attached hereto and marked as **Exhibit “D”**.

23. As indicated at page 35 of Exhibit “D”, as of June 13, 2023, the total number of common shares issued and outstanding was 403,265,146.

24. The Aleafia Group has incurred net losses for the past three fiscal years. As indicated in the MD&A, Aleafia Parent has incurred approximate net losses of \$34,604,000 for the twelve months ended on March 31, 2023, \$150,764,000 for the twelve months ended on March 31, 2022 and \$257,022,000 for the twelve months ended on March 31, 2021 (chart excerpted below from Exhibit “D”):

SELECTED QUARTER & ANNUAL INFORMATION

The following information has been prepared in accordance with IFRS in Canadian dollars.

(\$,000s) except per share amounts	Three months ended		Twelve months ended		
	31-Mar-23	31-Mar-22	31-Mar-23	31-Mar-22	31-Mar-21
Net revenue	9,394	7,039	42,847	36,496	29,189
Cost of sales	5,437	6,106	28,651	32,566	15,669
Total operating expenses	5,782	8,437	24,654	42,514	43,493
Total other expenses	4,289	4,009	15,952	105,502	206,931
Net loss and comprehensive loss	(12,050)	(4,152)	(34,604)	(150,764)	(257,022)
Loss per share, basic and diluted	\$(0.03)	\$(0.01)	\$(0.09)	\$(0.46)	\$(0.83)
Total assets	59,925	81,518	59,925	81,518	72,051
Total non-current liabilities	33,197	6,908	33,197	6,908	38,382

25. Aleafia Group also has significant trade liabilities and a number of creditors have demanded payment, suspended service, sued or threatened to sue. The approximate aggregate accounts payable for accounts over 90 days are \$4,187,809.66, as of the date hereof. As seen at Exhibit “AAA”, contingent liabilities are detailed further herein and include certain multi-million dollar class action litigation file, which the Aleafia Group intends to defend.

26. As has been described above, the cannabis industry is highly regulated, and success for businesses depends in part on timing of and changes to legislation, granting of licenses and access to distribution and sales channels. In addition, the ability to raise capital or obtain financing is key, as the cannabis industry is capital intensive. However, access to capital in both equity and debt markets are significantly constrained in the Canadian cannabis space. Recently, limited equity transactions in the past year have negatively impacted the market broadly. As further seen in disclosures within this Affidavit, the debt already raised by the Aleafia Group further limits capital raise options.

27. The Aleafia Group has also been negatively impacted by a variety of factors, including industry-specific concerns and cash flow problems, among others. In light of these issues, the Aleafia Group have undertaken a number of restructuring initiatives to improve financial performance, operations and liquidity; yet as described further below, none of these initiatives have materialized.

28. Accordingly, the Applicants continue to face pressing financial challenges. As part of the continuing restructuring initiatives, the board of Aleafia Parent has considered the commencement of these CCAA proceedings. The primary objective of these CCAA proceedings is to obtain the Stay of Proceedings and provide the Aleafia Group with the “breathing space” necessary to stabilize its business, obtain necessary debtor-in-possession financing and seek one or more transactions through a Court supervised sales process, with the objective of ensuring the continuity of the Aleafia Group’s business, maximizing recovery for stakeholders and, hopefully, preserving some or all of the employment of the group’s employee base.

IV. BACKGROUND OF APPLICANTS AND BUSINESS OPERATIONS

A. Parent and Subsidiaries

i. Aleafia Health Inc.

29. Aleafia Parent was initially incorporated on February 7, 2007 and continued into Ontario on June 27, 2018 under corporate number 1994678. Aleafia Parent operates under the registered business name of “Aleafia Total Health Network”. Aleafia Parent’s registered or head office is located at 100 King Street West, Suite 1600, Toronto, ON M5X 1G5 (the “**Head Office**”). A copy of Aleafia Parent’s corporate profile report is attached hereto and marked as **Exhibit “E”**.

30. Aleafia Parent is a holding company providing management services to the Subsidiaries. Operations of Aleafia Group are substantially conducted through its Subsidiaries.

31. Aleafia Parent is the direct or indirect owner of the Subsidiaries, per the corporate chart attached to this Affidavit at Exhibit “E”. The directors and officers of Aleafia Parent are:⁶

- (a) David Pasioka, Director (Chairman of the Board and the Governance Committee);
- (b) Luciano Galasso, Director (Chairman of the Audit Committee) (“**Galasso**”);
- (c) Jon Pereira, Director;
- (d) Carlo Sistilli, Director (“**Sistilli**” and with Galasso, the “**Interested Directors**”);
- (e) Ian Troop, Director (Chair of the Human Resources and Compensation Committee) (collectively, the “**Board**”);
- (f) Matthew Sale, Chief Financial Officer; and
- (g) Patricia Symmes-Rizakos, Chief Executive Officer.

32. Below is a brief description of each Subsidiary which is an applicant in this CCAA proceeding.

ii. Emblem Corp.

33. Emblem is an active Federal corporation formed by way of Certificate of Arrangement on March 14, 2019. Emblem was previously registered in British Columbia and is extra-provincially registered in Ontario under Corporate No. 1060683-9 and business number 817490154RC0002. Emblem’s prior predecessor names in British Columbia include Saber Capital Corp. and Kristina Capital Corp. A copy of Emblem’s corporate profile search is attached hereto and marked as **Exhibit “F”**.

34. Emblem’s registered office is located at 85 Basaltic Road, Concord, Ontario. The directors and officers of Emblem are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

35. On March 14, 2019, Aleafia Parent completed an arrangement with Emblem pursuant to which Aleafia Parent acquired all of the issued and outstanding shares of Emblem, following its amalgamation with a prior wholly-owned subsidiary. In accordance with this arrangement, the trading symbol of the common shares of Aleafia Parent changed on the TSX under “ALEF” to “AH”.

⁶ The directors and officers listed in the body of this Affidavit for Aleafia Brands Inc., Aleafia Retail Inc., Emblem Realty Ltd., Growwise Health Limited, 2672533 Ontario Inc. and 2676063 Ontario Inc. are those reflected in the minute books for each entity. The corporate profile reports attached to this Affidavit as Exhibits I, J and N to Q list prior directors/officers in each case.

36. Emblem operates as a wholly-owned Subsidiary of Aleafia Parent with no assets, employees or contracts.

iii. Emblem Cannabis Corporation

37. Emblem Cannabis is the primary operating entity for the Aleafia Group. As discussed and defined further herein, Emblem Cannabis owns certain Real Property, is party to the Distribution Centre Lease, and holds the Emblem Licences. All medical, adult-use, international and wholesale sales flow through Emblem Cannabis.

38. Emblem Cannabis is an active Federal corporation formed by amalgamation on December 6, 2016. Emblem Cannabis is extra-provincially registered in Ontario, British Columbia, Alberta, Saskatchewan and Quebec and has Corporate No. 986205-6 and business number 850708975RC0002. Emblem Cannabis' prior predecessor names include Emblem Cannabis (formerly, Kindcann Limited and 8617384 Canada Inc.) (#8617384), 9845992 Canada Limited (#9845992), Kindcann Realty Limited (formerly, 8682984 Canada Inc.) (#8682984), and 9526820 Canada Inc. (#9526820). A copy of Emblem Cannabis' corporate profile search is attached hereto and marked as **Exhibit "G"**.

39. Emblem Cannabis' registered office is located at 85 Basaltic Road, Concord, Ontario. The directors and officers of Emblem Cannabis are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

40. Emblem Cannabis operates the following business and purpose in the Aleafia Group structure:

- (a) Emblem Cannabis is the heart of the Aleafia Group's medical cannabis ecosystem, and functions as both a brand and ecommerce marketplace, selling all adult-use products; and
- (b) The Canadian medical cannabis market is serviced through the Emblem brand.

41. For the fiscal year of 2022, Emblem Cannabis had sales of approximately \$41,030,030.53 with approximately 20,000 active medical cannabis patients.

42. Emblem Cannabis is one of the Subsidiaries of Aleafia Parent which is a licensed producer of cannabis in Canada, under the terms of the *Cannabis Act* (Canada) which came into force in 2018. A summary of the timeline of Emblem Cannabis' licensing is provided herein, although further details on the Aleafia Group's licensing structure are outlined later within this Affidavit.

43. In summary:

- (a) On August 26, 2015, Health Canada issued producer's Licence number 10-MM0167 to Emblem (the "**Paris Licence**"), re-issued under LIC-0CN1N0V9QK in November of 2018, as was later amended, expanded and re-authorized. The Paris Licence has a current term ending on January 20, 2028;
- (b) On April 29, 2021, Health Canada issued a research license number under Licence number LIC-28X6T94W2Y (the "**Paris Research Licence**") to Emblem Cannabis. The Paris Research Licence has a current term ending on April 7, 2026; and
- (c) On February 12, 2021, Health Canada issued Licence LIC-CTHF6SVA0C to Emblem Cannabis to operate the distribution centre, which expires on February 12, 2024 and authorizes cannabis storage and the fulfilment of orders to other Licence holders, medical patients and adult-use provincial wholesalers (the "**Distribution Licence**" and with the Paris Licence and the Paris Research Licence, the "**Emblem Licences**"). Copies of the Emblem Licences are attached hereto and marked as **Exhibit "H"**.

iv. Emblem Realty Ltd.

44. Emblem Realty is an active Ontario corporation incorporated on June 1, 2017 under corporate no. 2580295. A copy of Emblem Realty's corporate profile search is attached hereto and marked as **Exhibit "P"**.

45. Emblem Realty's registered office is located at 85 Basaltic Road, Concord, Ontario. The directors and officers of Emblem Realty are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

46. Emblem Realty functions as a wholly-owned Subsidiary of Aleafia Parent with no assets, employees or contracts.

v. Growwise Health Limited

47. Growwise Health is an active Ontario corporation incorporated on March 18, 2015, and extra-provincially registered in British Columbia and Alberta under corporate number 2458362. Growwise Health's registered or head office is at the Head Office. Growwise Health's registered business or trade name is "Rosehill Medical Group". A copy of the corporate profile report for Growwise Health is attached hereto and marked as **Exhibit "J"**.

48. The directors and officers of Growwise Health are:

- (a) Matthew Sale, Director; and
- (b) Patricia Symmes-Rizakos, Director & President.

49. Growwise Health operates as the research branch of the Aleafia Group for the purposes of general education regarding medical cannabis use. Growwise Health employs one employee (as detailed later herein) and also holds a revenue agreement with an international producer and distributor of medicinal and recreational cannabis, but otherwise holds no material contracts.

vi. Aleafia Farms Inc.

50. Aleafia Farms is an active Ontario corporation incorporated on March 30, 1988 as 755064 Ontario Inc. (“755”), who then changed its name to Aleafia Farms Inc. on February 13, 2018. Aleafia Farms was also revived by its Articles of Revival on March 8, 1999 and exists under corporate number 755064. Aleafia Farm’s registered office is located at 85 Basaltic Road, Concord, Ontario, and it has an expired business name of “Aero Farms Canada”, along with a predecessor name of 755. A copy of the corporate profile report for Aleafia Farms is attached hereto and marked as **Exhibit “K”**.

51. The directors and officers of Aleafia Farms are:

- (a) Matthew Sale, Director, Secretary & Treasurer; and
- (b) Patricia Symmes-Rizakos, Director & President.

52. Aleafia Farms is the operating entity of the Aleafia Group which produces the primary flower supply for pre-roll and product formats of cannabis.

53. Aleafia Farms is one of the Subsidiaries of Aleafia Parent that is a licensed producer of cannabis in Canada, under the terms of the *Cannabis Act* (Canada) which came into force in 2018. A summary of the timeline of Aleafia Farm’s licensing is provided herein, although further details on the Aleafia Group’s licensing structure are outlined later in this Affidavit.

54. In summary:

- (a) On October 13, 2017, Health Canada issued Licence number LIC-GYAJNCME6L to Aleafia Farms (the “**Scugog Licence**”), as was variously renewed, re-authorized and amended. The Scugog Licence has a current term ending on October 9, 2023; and

- (b) On March 13, 2020, Health Canada issued Licence LIC-VTQAQTTMOL to Aleafia Farms, which expires on June 13, 2024 (the “**Grimsby Licence**” and with the Scugog Licence, the “**Aleafia Farms Licences**”). Copies of the Aleafia Farms Licences are attached hereto at **Exhibit “L”**.

vii. Canabo Medical Corporation

55. Canabo is an active Federal corporation incorporated on March 19, 2013 as 8824479 Canada Inc., who changed its name to Canabo Medical Corporation on September 17, 2014. Canabo is also extra-provincially registered in Ontario under corporate number 882447-9 and BN 812755635RC0001. Canabo’s registered office is located at 85 Basaltic Road, Concord, Ontario, and it has a predecessor name of 8824479 Canada Inc. A copy of the corporate profile report for Canabo is attached hereto and marked as **Exhibit “M”**.

56. The directors and officers of Canabo are:

- (a) Matthew Sale, Director;
- (b) Patricia Symmes-Rizakos, Director.

57. Canabo operates as the virtual medical arm of the Aleafia Group and connects patients to medical cannabis clinics across Canada for virtual and phone appointments through physician referral services.

viii. Aleafia Brands Inc.

58. Aleafia Brands is an active Ontario corporation incorporated on November 20, 2018 under corporate number 2666406. Aleafia Brand’s registered office is located at 85 Basaltic Road, Concord, Ontario. A copy of the corporate profile report for Aleafia Brand is attached hereto and marked as **Exhibit “N”**.

59. The directors and officers of Aleafia Brand are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

60. Aleafia Brands is operationally inactive and holds no assets or liabilities.

ix. Aleafia Retail Inc.

61. Aleafia Retail is an active Ontario corporation incorporated on November 20, 2018 under corporate number 2666405. Aleafia Retail's registered office is located at 85 Basaltic Road, Concord, Ontario. A copy of the corporate profile report for Aleafia Retail is attached hereto and marked as **Exhibit "O"**.

62. The directors and officers of Aleafia Retail are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

63. Aleafia Retail is operationally inactive and holds no assets or liabilities, other than the One Plant investment described below.

x. 2672533 Ontario Inc.

64. 2672 is an active Ontario corporation incorporated on December 21, 2018 under corporate number 2672533. 2672 is currently extra-provincially registered in Nunavut, British Columbia, Quebec, Nova Scotia, Prince Edward Island and Newfoundland & Labrador. 2672 operates under the registered business/trade name of "Well & Ness". 2672's registered office is located at 85 Basaltic Road, Concord, Ontario. A copy of the corporate profile report for 2672 is attached hereto and marked as **Exhibit "P"**.

65. The directors and officers of 2672 are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

66. 2672 is operationally inactive and currently holds no assets or liabilities.

xi. 2676063 Ontario Inc.

67. 2676 is an active Ontario corporation incorporated on January 15, 2019 under corporate number 2676063. 2676 is currently extra-provincially registered in Nunavut, British Columbia, Quebec, Nova Scotia, Prince Edward Island and Newfoundland & Labrador. 2676 operates under the registered business/trade name of "Foliedge Academy". 2676's registered office is located at 85 Basaltic Road, Concord, Ontario. A copy of the corporate profile report for 2676 is attached hereto and marked as **Exhibit "Q"**.

68. The directors and officers of 2676 are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

69. 2676 is operationally inactive and currently holds no assets or liabilities.

xii. Aleafia Inc.

70. Aleafia Sub is an active Ontario corporation formed by amalgamation on March 26, 2018. It is currently extra-provincially registered in Manitoba, Nova Scotia and Newfoundland and Labrador under corporate no. 1992578. Aleafia Sub's registered office is located at 85 Basaltic Road, Concord, Ontario. A copy of the corporate profile report for Aleafia Sub is attached hereto and marked as **Exhibit "R"**.

71. The directors and officers of Aleafia Sub are:

- (a) Patricia Symmes-Rizakos, Director; and
- (b) Matthew Sale, Director.

72. Aleafia Sub is an active Subsidiary and earns certain of its revenue through provision of medical cannabis clinic services.

xiii. Minority Holdings

73. Aleafia Group also holds a minority interest through Aleafia Retail, which holds approximately 9% of the issued and outstanding shares in One Plant (Retail) Corp.

xiv. Recent Corporate Governance Changes

74. From 2020 to 2023, key executive positions have changed.

75. A summary of recent corporate governance changes for the past three fiscal years relating to Aleafia Parent is outlined briefly below:

- (a) On April 27, 2020, Aleafia Parent announced the resignation of directors Julian Fantino and Raf Souccar, and on May 7, 2020 announced the resignation of director Bill Stewart. New directors Rhonda Lawson and Glenn Washer were appointed effective May 16, 2020;
- (b) On January 29, 2021, Rhonda Lawson resigned as a director of Aleafia Parent;

- (c) On February 1, 2021, the Board of Aleafia Parent appointed Galasso and Sistilli as directors to the Board, and Aleafia Parent further agreed to nominate seven directors for election at the 2021 Annual Meeting consisting of four current directors, Galasso, Sistilli, and one additional director to be selected following a search process and approval by the Board. A copy of the material change report dated January 31, 2021 reflecting the appointment of Galasso and Sistilli is attached hereto at **Exhibit “S”**;
- (d) On June 21, 2021, Matthew Sale was appointed as Chief Financial Officer;
- (e) On June 29, 2021, Aleafia Parent announced (i) the election of Ian Troop and Michael LeClair as directors to the Board; (ii) the intention of Lea Ray and Loreto Grimaldi to resign as directors of the Board, within 30-days of such announcement; and (iii) the intention of the Board to appoint Jon Pereira as a director to the Board, concurrently with such resignations;
- (f) On July 29, 2021, Aleafia Parent announced the appointment of Mark J. Sandler as Chairman of the Board;
- (g) On September 1, 2021, David Pasieka was appointed to the Board. Aleafia Health concurrently announced the resignation of director Michael LeClair;
- (h) On April 26, 2022, Gregory Rossi was replaced by Matthew Sale as director and officer of Aleafia Health;
- (i) On February 7, 2022, Aleafia Parent appointed me as Chief Executive Officer of Aleafia Health to replace Geoff Benic; and
- (j) On January 30, 2023, Aleafia Parent announced the retirement of Mark Sandler from the Board and that David Pasieka would succeed Mr. Sandler as Board Chair.

76. Current members of the Board other than Galasso and Sistilli are referred to herein as the “**Disinterested Directors**”. As seen at paragraph 209 below, reference has been made to Galasso and Sistilli’s external involvement in the Aleafia Group’s public AIF.

B. Physical Operations

77. Three real properties are owned by members of the Aleafia Group for the purpose of cannabis cultivation. As summarized below:

Property	Municipal Address	PIN	Legal Description	Registered Owner	Land Registry Office
Scugog Property	2560 Regional Road 19, Scugog, Ontario	26764-0137 (LT)	PT LT 2, CON 2, CARTWRIGHT; BEING PT 1, 40R3687 AND PT 1, 40R25294; TOWNSHIP OF SCUGOG	Aleafia Farms Inc.	40
Grimsby Property	378 South Service Road, Grimsby, Ontario	46033-0368 (LT)	1STLY: PT LT 1 CON 1 NORTH GRIMSBY DESIGNATED AS PT 2 30R13028 & PT 18 30R13499; 2NDLY PT LT A EAST GORE NORTH GRIMSBY DESIGNATED AS PTS 4, 5, 8, 9, 10 30R13028; S/T RO437966; SUBJECT TO AN EASEMENT IN GROSS OVER PART LOT A, EAST GORE, NORTH GRIMSBY, PART 4, 30R13028 AS IN NR529869; TOWN OF GRIMSBY	Aleafia Farms Inc.	30
Paris Property	20 Woodslee Avenue, Paris, Ontario	32040-0546 (LT)	FIRSTLY: PART LOT 30 CONCESSION 2 SOUTH DUMFRIES PARTS 1 2 AND 3 2R5663; SECONDLY: PART LOT 30 CONCESSION 2 SOUTH DUMFRIES PARTS 1 AND 2 2R7264; COUNTY OF BRANT	Emblem Cannabis Corporation	2

78. Copies of PINs current to July 14, 2023 in relation to the Scugog Property, the Grimsby Property and the Paris Property (collectively, the “**Real Property**”) are attached hereto and marked as **Exhibit “T”**.

i. Scugog Property

79. The Scugog Property is an outdoor cultivation site owned by Aleafia Farms that was the first operational large scale outdoor grow-site in Canada since June of 2019. The facility consists of an 86 acre cultivation area (67 acres planted) with underground irrigation and nutrient feeds, and contains 35,000 in square feet of federally licensed drying and storage facilities.

80. As seen on Exhibit “T”, the Scugog Property is subject to a number of encumbrances. In specific, beyond municipal easements and notices, Aleafia Farms granted certain charges against the Paris Property to the following entities, as summarized:

- (a) Charge registered as Instrument No. DR2098410 on February 8, 2022 from ALEAFIA FARMS INC. in favour of 1260356 Ontario Limited for the principal sum of \$20,000,000.00;
- (b) Charge registered as Instrument No. DR2147378 on June 27, 2022 from ALEAFIA FARMS INC. to COMPUTERSHARE TRUST COMPANY OF CANADA for the principal sum of \$100,000,000.00; and
- (c) Notice of Assignment of Rents – General registered as Instrument No. DR2147379 on June 27, 2022 from ALEAFIA FARMS INC. to COMPUTERSHARE TRUST COMPANY OF CANADA.

81. Copies of these encumbrances are attached hereto and marked as **Exhibit “U”** to this Affidavit. Details on the relationship between these charges and the senior secured lenders to the Aleafia Group are further explained herein.

ii. Grimsby Property

82. The Grimsby Property functions as a “Dutch hybrid” greenhouse containing moving container benches, irrigation and quality analysis tools, with a size of 160,000 square feet. The Grimsby Property also is EU GACP compliant and contains seven drying chambers that are individually climate controlled. The Grimsby Property is not actively growing any cannabis, and is currently for sale, as detailed further herein.

83. As seen on Exhibit “T”, the Grimsby Property is subject to a number of encumbrances. In specific, beyond municipal easements and notices, Aleafia Farms granted certain charges against the Paris Property to the following entities, as summarized:

- (a) Charge registered as Instrument No. NR591525 on October 4, 2021 from ALEAFIA FARMS INC. in favour of 1260356 Ontario Limited for the principal sum of \$20,000,000.00;

- (b) Charge registered as Instrument No. NR600589 on December 24, 2021 from ALEAFIA FARMS INC. in favour of NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. for the principal sum of \$19,000,000.00;⁷
- (c) Notice of Assignment of Rents - General registered as Instrument No. NR600591 on December 24, 2021 from ALEAFIA FARMS INC. in favour of NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP;
- (d) Postponement of Interest registered as Instrument No. NR600593 on December 24, 2021 from 1260356 ONTARIO LIMITED in favour of NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. re postponed priority of Charge No. NR591525 to Charge no. NR600589;
- (e) Charge registered as Instrument No. NR618372 on June 27, 2022 from ALEAFIA FARMS INC. to COMPUTERSHARE TRUST COMPANY OF CANADA for the principal sum of \$100,000,000.00;
- (f) Notice of Assignment of Rents – General registered as Instrument No. NR618373 on June 27, 2022 from ALEAFIA FARMS INC. to COMPUTERSHARE TRUST COMPANY OF CANADA;
- (g) Transfer of Charge registered as Instrument No. NR643871 on June 12, 2023 from NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. to RED WHITE & BLOOM BRANDS INC.; and
- (h) Notice of Assignment of Rents – General registered as Instrument No. NR643873 on June 12, 2023 from NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. to RED WHITE & BLOOM BRANDS INC.

84. Copies of these encumbrances are attached hereto and marked as **Exhibit “V”** to this Affidavit. Details on the relationship between these charges and certain secured lenders to the Aleafia Group are further explained herein.

85. The Grimsby Property is currently for market and has been subject to attempted sales, which have been unsuccessful to date.

⁷ For reference, NE SPC II LP was the lender under the Senior Loan Agreement, until it assigned the Senior Loan Agreement to RWB on June 6, 2023.

iii. Paris Property

86. The Paris Property constitutes the hub of Aleafia Group's cannabis product development, and is over 56,000 square feet in size. The Paris Property's capacity is over 40,000 kgs of annual product in oils, capsules, sublinguals and vape cartridge formats. The Paris Property also contains analytical and quality testing labs, and super critical CO2 extraction and cannabis winterization machinery to convert dried flower into cannabis extracts.

87. The Paris Property is also responsible for all finished goods manufacturing and packaging and within the facility is an indoor cultivation centre designated as craft flower, which represents approximately 1,200 kg per year in usable flower which is primarily exported into international markets. As of July 24, 2023, the Paris Property will also fulfill all medical patient orders; this operation was previously fulfilled at the Distribution Centre.

88. As seen on Exhibit "T", the Paris Property is subject to a number of encumbrances. In specific, beyond municipal easements and notices, Emblem Cannabis granted certain charges against the Paris Property to the following entities, as summarized:

- (a) Charge registered as Instrument No. BC413999 on October 4, 2021 from EMBLEM CANNABIS CORPORATION in favour of 1260356 Ontario Limited for the principal sum of \$20,000,000.00;
- (b) Charge registered as Instrument No. BC420311 on December 24, 2021 from EMBLEM CANNABIS CORPORATION in favour of NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. for the principal sum of \$19,000,000.00;
- (c) Notice of Assignment of Rents - General registered as Instrument No. BC420312 on December 24, 2021 from EMBLEM CANNABIS CORPORATION in favour of NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP.;
- (d) Postponement of Interest registered as Instrument No. BC420318 on December 24, 2021 from 1260356 ONTARIO LIMITED in favour of NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. re postponed priority of Charge No. BC413999 to Charge no. BC420311;

- (e) Charge registered as Instrument No. BC434024 on June 27, 2022 from EMBLEM CANNABIS CORPORATION to COMPUTERSHARE TRUST COMPANY OF CANADA for the principal sum of \$100,000,000.00;
- (f) Notice of Assignment of Rents – General registered as Instrument No. BC434025 on June 27, 2022 from EMBLEM CANNABIS CORPORATION to COMPUTERSHARE TRUST COMPANY OF CANADA;
- (g) Transfer of Charge registered as Instrument No. BC454633 on June 12, 2023 from NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. to RED WHITE & BLOOM BRANDS INC.; and
- (h) Notice of Assignment of Rents – General registered as Instrument No. BC454634 on June 12, 2023 from NEXT EDGE GENERAL PARTNER (ONTARIO) INC. and NE SPC II LP. to RED WHITE & BLOOM BRANDS INC.

89. Copies of these encumbrances are attached hereto and marked as **Exhibit “W”** to this Affidavit. Details on the relationship between these charges and certain secured lenders to the Aleafia Group are further explained herein.

iv. Distribution Centre

90. Emblem Cannabis also operates a distribution centre for its Direct to Patient Home Delivery medical cannabis delivery service out of the Greater Toronto Area at 85 Basaltic Road, Concord, Ontario (otherwise referred to herein as the “**Distribution Centre**”). As noted above, the Distribution Centre also operates as the registered/head office for the Aleafia Group members. The Aleafia Group currently plans to cut costs by shutting down the Distribution Centre by transferring all site activities to the Paris Property by the end of July 2023, including the fulfilment of all medical and storage needs, which completion and exit is set for October of 2023.

91. While the location for the Distribution Centre is not owned by the Aleafia Group, the Distribution Centre functions to fulfill same-day orders to other Licence holders, medical patients, and adult-use provincial wholesalers, and also provides cannabis storage services to licensed third parties. Details on the Distribution Centre can be found at <https://emblemcannabis.com/assure-home-delivery/>, a screenshot of which is attached hereto to this Affidavit at **Exhibit “X”**.

92. Emblem Cannabis rents the Distribution Centre from Tonlu Holdings Limited (“**Tonlu**”) pursuant to the terms of a lease between Emblem Cannabis, as tenant, Tonlu, as landlord, and Aleafia Parent, as indemnifier, dated April 16, 2020 (the “**Distribution Centre Lease**”, as may have been later amended and varied). The Aleafia Group understands that Tonlu has since been acquired by an entity named Pure Industrial, which entity now operates the Distribution Centre Lease.

93. Emblem Cannabis also holds a sublease between itself, as sublandlord, and Richelieu Hardware Canada Ltd., as subtenant, dated October 21, 2020 (the “**Distribution Centre Sublease**”), which was operational to July 31, 2022. The Distribution Centre Sublease presently continues on a month-to-month basis.

94. Emblem Cannabis and Aleafia Parent have recently received certain notices of termination and late payment of rent relating to the Distribution Centre Lease.

v. Newfoundland Site

95. Canabo operates a direct-to-patient medical business from a physical location in St. John’s Newfoundland, which is staffed by physicians who are independent contractors. Canabo rents the property from 55945 Newfoundland and Labrador Limited pursuant to a lease dated June 1, 2023 relating to Elizabeth Centre, civic number 55 Elizabeth Avenue (the “**Newfoundland Site**”).

C. Licences

i. Health Canada Licences

96. As referred to above, pursuant to the *Cannabis Act* and the *Cannabis Regulations*, Emblem Cannabis and Aleafia Farms hold certain cannabis licenses from Health Canada (collectively, the “**Cannabis Licences**”). All Cannabis Licences are currently in force. Attached hereto and marked as **Exhibit “Y”** is a chart which summarizes all cannabis licenses issued to the Aleafia Group by Health Canada. Beyond Exhibit “Y”, Aleafia Group also obtains requisite licenses for exporting cannabis internationally from Health Canada on an as-needed basis.

97. The Cannabis Licences permits the following activities for each licensee, in accordance with s. 8(1) to (5) of the *Cannabis Regulations*:

- (a) Aleafia Farms – *Licence for the Grimsby Property*:

- (i) Cultivation (Standard Cultivation), granting authority to sell to authorized distributors/retailers plants/seeds products;
- (b) Aleafia Farms – *Licence for the Scugog Property*:
 - (i) Cultivation (Standard Cultivation), granting authority to sell to authorized distributors/retailers plants/seeds products;
- (c) Emblem Cannabis – *Licence for the Paris Property*:
 - (i) Cultivation (Standard Cultivation), Processing (Standard Processing), Sale (Sale for Medical Purposes), granting collectively the authority to sell plants/seeds, dried/fresh, extracts, edibles, topical products to authorized distributors/retailers, and plants/seeds, dried/fresh, extracts, edibles and topical products to registered patients; and
- (d) Emblem Cannabis – *Licence for the Distribution Centre*:
 - (i) Processing (Standard Processing) and Sale (Sale for Medical Purposes), authorizing the sale of plants/seeds and dried/fresh products to authorized distributors/retailers and registered patients.

98. As of today's date, Health Canada has not indicated that it has any material issues or concerns with respect to compliance with the *Cannabis Act*, the *Cannabis Regulations* or the conditions under the Cannabis Licences issued to relevant members of the Aleafia Group.

ii. Excise Cannabis Licence

99. Emblem Cannabis obtained its cannabis license under the *Excise Act, 2001* (Canada) effective on October 17, 2022 (the "**Excise Cannabis Licence**"). Attached hereto and marked as **Exhibit "Z"** is a copy of the Excise Cannabis Licence.

100. The expiry date for the Excise Cannabis Licence is October 16, 2023. In order to renew the Excise Cannabis Licence, Emblem Cannabis must satisfy its statutory obligations under the *Excise Act, 2001* and the conditions under the Excise Cannabis Licence.

101. Canada Revenue Agency ("**CRA**") has not indicated in writing that it has any issues or concerns with respect to Emblem Cannabis' compliance with its obligations under the *Excise Act, 2001* or the

conditions under the Excise Cannabis Licence. However, there are significant excise tax duties owing by Emblem Cannabis, the amounts of which are discussed later herein, that have been the discussion of correspondence between counsel to Emblem Cannabis and the CRA.

iii. Supply Agreements

102. Regulatory agencies across Canada mandate that all cannabis products must be purchased from a provincially-prescribed distributor of cannabis products.

103. Certain of the Aleafia Group have accordingly entered into various supply agreements constituting licenses with three provincial regulators for the purpose of selling cannabis products in three major Canadian provinces (Ontario, Alberta and British Columbia).

104. In the province of Manitoba, licensed cannabis retailers buy their product exclusively through Manitoba Liquor & Lotteries (“**MBLL**”) from Health Canada licensed suppliers. In order to be considered a supplier of non-medical cannabis, MBLL requires a completed application form and that certain criteria are met. Emblem Cannabis has completed this material and operates as a supplier to MBLL. A copy of the website of MBLL detailing the supplier application process, as well as associated terms and conditions for suppliers, is attached hereto and marked as **Exhibit “AA”**.

105. In the province of Saskatchewan, Emblem Cannabis is listed publicly by the Saskatchewan Liquor and Gaming Authority (“**SLGA**”) as a registered supplier and wholesale permittee. SLGA is responsible for regulating the distribution and sale of recreational cannabis in Saskatchewan. A copy of a list of all wholesale cannabis permittees and registered licensed producers, which Emblem Cannabis is listed on, and as published to SLGA’s public website, is attached hereto and marked a **Exhibit “BB”**.

106. Certain business relationships that the Aleafia Group held for the inter-provincial supply of cannabis in Manitoba and Saskatchewan were with entities associated with Fire & Flower, who is a cannabis wholesaler and distributor that has since obtained CCAA protection as of early June in 2023. As commented later on herein, a growing number of Canadian cannabis companies have been seeking (or have been rumoured to be anticipating seeking) creditor protection, which have triggered commercial consequences for their business counterparts in the sector.

D. Partnerships, Alliances and Joint Ventures

i. Joint Ventures

107. Aleafia Parent has had historical business dealings in the German market, although the Aleafia Group is no longer operational in Europe. On or about May 6, 2019, Aleafia Parent announced that Aleafia Parent would enter the German medical cannabis market via a joint-venture with German pharmaceutical wholesaler Acnos Pharma GmbH. Aleafia Group functioned in Germany through Aleafia Health Germany GmbH, which purchased Aleafia Group products for distribution to German pharmacies and for clinical trial usage. This joint-venture is no longer operational, although Emblem Cannabis still sources products to the German market through a separate supply agreement (as later described herein).

108. In addition, Aleafia Parent previously held an equity stake in CannaPacific Pty. Limited, which functioned through a joint venture (the “**CannaPacific Joint Venture**”). The CannaPacific Joint Venture has since concluded and Aleafia Parent holds a remaining equity stake in a successor entity named Biortica Agrimed. The Aleafia Group currently still works with one other approved Australian entity for cannabis oil shipments to the Australian market.

109. The Aleafia Group currently has one joint venture with another business partner; the timeline leading to this joint venture is further described below.

110. On or about September 25, 2018, Aleafia Parent entered into a letter of intent to acquire a 51% stake in One Plant, which was an adult-use cannabis retail operation led by members of the Serruya Family (the “**Serruya Family**”), including Aaron Serruya, the president of International Franchise Inc., which has over 4500 franchise locations in over 50 countries. The “**One Plant JV**” marked the first phase of a multiphase strategy that was intended to see Aleafia enter the adult-use cannabis industry and related retail operations in Canada, joining Aleafia’s two existing business pillars; cannabis cultivation and medical clinic operations. A copy of the press release associated with the One Plant JV dated September 25, 2018 (the “**One Plant Press Release**”) is attached hereto to this affidavit at **Exhibit “CC”**. As stated therein, the initial launch was purposed to provide over twenty retail locations in Ontario. However, this letter of intent was never completed.

111. Under the terms of the One Plant JV (terms as defined in the One Plant Press Release), Aleafia and Serruya Family were to establish a new corporation for the One Plant JV to be owned 51% by Aleafia and 49% by Serruya Family. However, the province of Ontario only allowed licensed producers of

cannabis to own or control up to 9.9% of a corporation holding a cannabis retail operator license at that time.

112. Accordingly, on or about November 23, 2018, Aleafia Retail acquired a 9.9% interest in One Plant. Concurrently, SPE Finance LLC acquired 5 million common shares in Aleafia Health, and a \$4 million equity investment in One Plant.

ii. International Supplier Arrangements

113. Certain international supply agreements held by the Aleafia Group remain active.

114. On or about July 22, 2022, Emblem Cannabis entered into a supply and cooperation with Vayamed GmbH (“**Vayamed**”) for Vayamed to purchase cannabis flower directly from Emblem Cannabis.

115. Under the terms of a purchase agreement dated January 24, 2023 between Emblem Cannabis and Deutsche Medizinalcannabis GmbH (“**Demecan**”), Emblem Cannabis also sources products to Demecan in Germany for the purpose of manufacturing and selling to wholesalers, retailers and pharmacies within Germany.

E. Employees

116. The Aleafia Group has the following employees, co-op students, contractors and part-time employees (collectively, the “**Employees**”):

Employee Designation	Distribution Centre	Grimsby Property	Paris Property	Scugog Property	Remote	NFLD Site	Overall Total
<i>Full Time</i>	37*	2	62	16	23	8*	147
<i>Co-op Student</i>	1*	0	0	0	0	0	1
<i>Contract</i>	0	0	0	0	1	0	1
<i>Part Time</i>	0	0	0	0	1	0	1
Total	38	2	62	16	25	8	151

117. As of the date of this Affidavit, the Aleafia Group has 147 full-time employees, along with 1 co-op student, 2 contract and 1 part-time employee. As described further in this section, certain of these employees have been given notices to terminate their employment.

118. The Applicants do not sponsor, administer or otherwise have any registered or unregistered employee pension plans. An excel spreadsheet breaking down the employer name for each Employee, with redacted Employee names, is attached hereto and marked as **Exhibit “DD”**.

119. Employees located on the Newfoundland Site are employed by Canabo. Seven of these employees are members of the union Unifor Local 597. All of the other Employees of the Aleafia Group located on other sites are non-unionized.

120. Per the above asterisks beside the numbers in the chart at para 116, all full-time employees and the co-op student located at the Distribution Centre, and all unionized employees located at the Newfoundland Site, have been given notices of termination (the “**Terminated Employees**”). The Terminated Employees are on working notice until the end of the summer.

121. Hourly employees are paid bi-weekly one week in arrears. Payments to hourly employees are current based on the payroll schedule but are owed one week of pay in arrears. Salaried employees are paid bi-monthly to date.

122. Aleafia Parent has also entered into certain master service agreements with third parties for the provision of, among other things, human capital management solutions associated with employee management

F. Intellectual Property

123. Members of the Aleafia Group also own certain intellectual property used in connection with their business operations. A comprehensive list of the Applicants’ Canadian and U.S. copyright registrations, trademarks and patents is attached hereto and marked as **Exhibit “EE”**.

G. Cash Management System

124. In the ordinary course of business, the Applicants use a cash management system (the “**Cash Management System**”) to, among other things, collect funds and pay expenses associated with operations. This Cash Management System provides the Aleafia Group with the ability to efficiently and accurately track and control corporate funds and to ensure cash availability.

125. As part of this Cash Management System, the Aleafia Group maintain twenty-four (24) bank accounts, which are summarily described below:

- (a) Bank of Montreal: eight (8) accounts including the CAD operating accounts for Canabo, Aleafia Sub, Aleafia Farms and Aleafia Health, along with an Aleafia Health savings account required to maintain cash collateral for its Bank of Montreal corporate credit cards, and three accounts required for corporate credit cards;
- (b) Libro Credit Union: nine (9) accounts including the CAD operating account for Emblem Corp, Emblem Cannabis and GrowWise, profit sharing accounts for Emblem Corp, Emblem Cannabis and GrowWise, and USD, petty cash and profit sharing accounts; and
- (c) Toronto-Dominion Bank: seven (7) accounts including an additional CAD operating account for Emblem Corp and Emblem Cannabis, an Emblem Cannabis blocked account, two accounts tied to TD corporate credit cards, and two savings accounts.

V. FINANCIAL CIRCUMSTANCE AND CASH FLOW FORECAST

126. As referred to above, Aleafia Group has a fiscal year-end of March 31st.

127. Attached hereto and marked collectively at **Exhibit “FF”** are Aleafia Group’s Management’s Discussion and Analysis for the fiscal year ended March 31, 2023 and audited consolidated financial statements from SEDAR for the fiscal year ended March 31, 2023, fifteen months ended March 31, 2022, fiscal year ended December 31, 2020 and fiscal year ended December 31, 2019 (the “**Financial Statements**”).

128. Attached hereto and marked at **Exhibit “GG”** are copies of Aleafia Group’s unaudited interim condensed consolidated financial statements from OTC Markets Group for the six months ended September 30, 2022 and the nine months ended December 31, 2022.

129. Attached hereto and marked at **Exhibit “HH”** is a draft copy of Aleafia Parent’s condensed consolidated statements of financial position as at June 30, 2023, and Aleafia Parent’s condensed consolidated statements of profit or loss and comprehensive income for the three months ended June 30, 2023.

130. All material public disclosure made by Aleafia Parent to TSX and OTC Markets Group can be found either at OTC Markets Group: <https://www.otcmarkets.com/stock/ALEAF/disclosure> or by searching “Aleafia Health Inc.” at SEDAR: <https://www.sedar.com/>.

131. Below tables referring to Aleafia Group’s “Assets” and “Liabilities” are compiled from reference to the Financial Statements, and were audited by an external third party.

A. Assets

132. Assets are as follows:

Current Assets			
	<i>03.31.23</i>	<i>03.31.22</i>	<i>12.31.20</i>
Cash & restricted cash	627	1,569	30,529
Accounts receivable	4,275	7,751	9,311
Net tax receivable		530	
Prepaid expenses	1,867	2,952	5,063
Inventory	16,605	21,664	27,242
Biological assets	2,404	1,179	2,511
Other current Assets	70	1,190	
Total Current Assets	25,848	36,835	74,656
Non-Current Assets			
Prepaid expenses			460
Right-of-use asset, net	1,280	1,844	2,782
Property, plant and equipment	30,406	40,448	78,469
Investments	2,391	2,391	6,620
Intangible assets			66,029
Total Non-Current Assets	34,077	44,683	154,360
Total Assets	59,925	81,518	229,016

B. Liabilities

133. Liabilities are as follows:

Current Liabilities			
	<i>03.31.23</i>	<i>03.31.22</i>	<i>12.31.20</i>
Accounts payable and accrued liabilities	9,238	23,999	20,239
Net tax payable	8,886		
Lease obligation	260	522	441
Credit facility	12,882	12,073	
Convertible debt		36,401	24,361

Notes payable			
Mortgage payable			
Other current liabilities	4,375		
Total Current Liabilities	35,641	72,995	45,041
Non-Current Liabilities			
Lease obligation	1,596	1,833	2,726
Convertible Debt	27,172		32,441
Credit Facility		5,075	
Notes payable	4,429		
Mortgage payable			
Deferred Tax Liability			2,854
Total Non-Current Liabilities	33,197	6,908	38,021
Total Liabilities	68,838	79,903	83,062

i. PPSA Registrations

134. Attached hereto and marked as **Exhibit “II”** are true copies of the Personal Property Registry search results for each of the Applicants across Canada (collectively the “**PPR Searches**”).

135. Attached hereto and marked as **Exhibit “JJ”** is a summary of the PPR Searches.

136. As seen in the summary of the Applicants’ PPR registrations at the above Exhibit, due to the need for supply equipment in the cannabis industry, the Applicants are subject to a significant number of personal property leases (the “**Equipment Leases**”).

137. Many of the Equipment Leases are subject to acceleration terms upon failed payment, which may trigger events of default.

138. Beyond the specific secured party listings against the Applicants relating to certain personal property, there are three senior secured lenders of the Aleafia Group:

- (a) Red White & Bloom Brands Inc. (“**RWB**”);
- (b) 1260356 Ontario Limited (“**126**”); and
- (c) Computershare Trust Company of Canada (“**Computershare**”), as indenture trustee in respect of the issuance of three series of secured convertible debentures, as discussed herein.

139. Details on the three senior secured lenders are summarized for the convenience of the reader below.

a. RWB

140. On or about December 24, 2021, NE SPC II LP, as lender (“**NE SPC**”), Aleafia Parent, Emblem Cannabis, and Aleafia Farms, as borrowers, and each of Emblem Corp., Canabo and Aleafia Sub, as guarantors (collectively, the “**Senior Loan Credit Parties**”) entered into a loan agreement, as amended, and subject to an assignment of indebtedness and security dated June 6, 2023 such loan agreement was assigned by NE SPC to RWB (collectively, the “**Senior Loan Agreement**”, as may have been later amended, altered or varied). Copies of the public Senior Loan Agreement are attached hereto and marked as **Exhibit “KK”**.

141. Under the terms of the Senior Loan Agreement, NE SPC (which assigned the Senior Loan Agreement to RWB on June 6, 2023) extended to Aleafia a revolving facility of \$7,000,000 (subject to borrowing base calculations) and a non-revolving term loan facility of \$12,000,000.

142. A chart outlining the security given in association with the loans is appended to this Affidavit at **Exhibit “LL”**. All associated security documents are attached to this Affidavit at **Exhibit “MM”**.

143. The stated maturity date under the Senior Loan Agreement is December 24, 2023, however, as further described herein, Aleafia Parent is in breach of certain covenants under the Senior Loan Agreement.

144. Details on the context of the assignment of the loans and security from NE SPC to RWB, as well as the Proposed Transaction, are explained further within this Affidavit.

145. As of June 30, 2023, the outstanding indebtedness owed to RWB is for a collective amount of \$15,191,480.43. There is no more availability under the Senior Loan Agreement.

b. 126

146. On or about August 20, 2021, 126, as lender, and Aleafia Parent, as borrower, entered into a credit agreement, as later amended by agreement dated December 24, 2021, and as later amended by second amending agreement dated August 26, 2022 (collectively, the “**126 Loan Agreement**”, as may have been later amended, altered or varied). Copies of the 126 Loan Agreement are attached hereto and marked as **Exhibit “NN”**.

147. Pursuant to the terms of the 126 Loan Agreement, 126 originally extended a loan of \$10,000,000.

148. 126 is an active Ontario corporation incorporated on October 10, 1997 with the registered office location of 100 Zenway Boulevard in Woodbridge, ON L4H 2Y7. A copy of the corporate profile for 126 is attached hereto and marked as **Exhibit “OO”**.

149. As of July 14, 2023, the total approximate indebtedness owed to 126 is \$5,552,575.34.

c. Debentures through Computershare

150. On June 27, 2019, Aleafia Parent completed a public offering of 40,250 convertible debenture units at a price of \$1,000 per unit, with each unit consisting of \$1,000 principal amount of convertible debentures (the “**2019 Debentures**”) and 680 common share purchase warrants. The 2019 Debentures bore interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year (each, an “**Interest Payment**”) and were to mature on June 27, 2022.

151. Aleafia Parent did not make an Interest Payment of \$1,587,375 on December 31, 2021, and did not make the Interest Payment within the 30 day cure period thereafter (the “**Missed Payment**”). In connection with the Missed Payment, Aleafia Parent entered into a forbearance agreement effective January 31, 2022 with holders representing approximately 62% of the principal amount of 2019 Debentures pursuant to which the holders, among other considerations, agreed to (i) forbear in enforcing their rights or remedies against Aleafia Health under the indenture and otherwise at law with respect to the non-payment of interest until the maturity date of June 26, 2022, and (ii) work with Aleafia Parent expeditiously and in good faith to negotiate a transaction to, among other matters, amend the terms of the 2019 Debentures.

152. On April 22, 2022, Aleafia Health and representatives of certain holders of 2019 Debentures came to an agreement in principle to amend certain key commercial the terms of the amendments to the 2019 Debentures.

153. On June 27, 2022, following receipt of requisite debentureholder and TSX approvals and the satisfaction of certain additional conditions precedent, Aleafia Parent entered into amended and restated debenture indenture with Computershare as supplemented by: (a) the first supplemental indenture providing for the issuance of the 8.50% Series A Secured Convertible Debentures due June 30, 2024, (b) the second supplemental indenture providing for the issuance of the 8.50% Series B Secured Debentures due June 30, 2026 and (c) the third supplemental indenture providing for the issuance of the 8.50% Series

C Secured Convertible Debentures due June 30, 2028 (collectively, the “**Debenture Agreements**”). The Debenture Agreements are attached to this Affidavit as **Exhibit “PP”** and a copy of the press release announcing the effectiveness of the amendments to the 2019 Debentures is attached to this Affidavit as **Exhibit “QQ”**.

154. The Debenture Agreements gave effect to the amendments to the 2019 Debentures, which resulted in the exchange of the outstanding principal amount of 2019 Debentures for new secured convertible debentures, which were issued to existing holders of 2019 Debentures in three equal, separate series with the following key terms:

Series	Initial Principal Amount	Maturity Date	Conversion Price	Interest Rate	PIK Interest
Series A Debentures	\$12.35 million	June 30, 2024	\$0.25	8.5%	24 months
Series B Debentures	\$12.35 million	June 30, 2026	\$0.30	8.5%	24 months
Series C Debentures	\$14.736 million	June 30, 2028	\$0.35	8.5%	30 months

155. A chart outlining the security given in association with the Debenture Agreements is appended to this Affidavit at Exhibit “LL”. All associated security documents are attached to this Affidavit at **Exhibit “RR”**.

156. As of July 14, 2023, the approximate indebtedness owed to the Debentureholders is as follows:

- (a) \$13,435,211 in principal amount of Series A;
- (b) \$13,435,211 in principal amount of Series B; and
- (c) \$16,031,609 in principal amount of Series C.

ii. Property Taxes

157. Property taxes on all Real Property are outstanding as of June 25, 2023 in the following amounts:

- (a) Grimsby Property: \$27,454.08;
- (b) Paris Property: \$299,351.54; and
- (c) Scugog Property: \$41,677.23.

158. A copy of the property tax certificates for each Real Property location is attached hereto, along with associated realty tax statement for the Scugog Property and marked as **Exhibit “SS”**.

iii. Unsecured Liabilities

159. Per the Applicants’ books and records, the Applicants’ unsecured obligations as of July 19, 2023 totalled approximately \$27.3 million.

a. Trade Creditors

160. Aleafia Group incurs obligations in the ordinary course of business to various trade creditors. As at July 14, 2023, the total amount owing to trade creditors was approximately \$9,028,440.00. The Applicants’ inability to pay their vendors, third-party suppliers and service providers in the ordinary course has negatively impacted the business. Specifically, the Applicants have been unable to purchase cannabis from third-party suppliers and fulfill numerous hard pipeline purchase orders. This has resulted in a significant loss of revenue. The Applicants’ liquidity issues have likewise adversely impacted their capacity to, among other things, cultivate and sell cannabis.

b. Notes Payable

161. According to the Financial Statements, the notes payable of the Aleafia Group were as follows:

	<i>03.31.23</i>
Unsecured loans	4,765
Total Notes Payable	4,765
Current	
Non-current	4,765

Promissory Notes

162. During the fiscal year ended March 31, 2023, Aleafia Parent entered into three promissory notes, totaling \$4.5 million, each carrying a fixed 12.75% interest rate, which interest accrues and is to be paid bi-monthly. The first note of \$1.0 million was issued on December 16, 2022, the second note of \$1.5 million was issued on January 24, 2023, and the third note of \$2.0 million was issued on February 28, 2023 (collectively, the “**Notes**”) with the lender Royal Group Resources Ltd. (“**RGRL**”). All three Notes become due and payable on December 31, 2024. Aleafia Parent intends to use the proceeds from the Notes to fund working capital. Copies of the Notes are attached hereto and marked as **Exhibit “TT”**.

163. A copy of a corporate profile report for RGRL is appended hereto and marked as **Exhibit “UU”**.

164. As is later detailed herein, the Ad Hoc Group have alleged that the RGRL entities have potential related interests with 126.

Intercompany Balances

165. Various members of the Aleafia Group are recipient of significant intercompany receivables and payables. A chart detailing the outstanding intercompany balances of the Aleafia Group as of June 30, 2023, is attached hereto at **Exhibit “VV”**.

166. Total intercompany receivables are valued at approximately \$85,737,095.45 and total intercompany payables are valued at \$85,737,095.45.

167. An additional chart breaking down the trial balance for Emblem Realty as at December 31, 2023, relating to debit v. credit for certain intercompany balances is also attached hereto at **Exhibit “WW”**.

iv. Source Deductions, Excise Duty and HST

a. Source Deductions

168. The payment of source deductions is current.

b. Excise Duty

169. A federal excise duty is payable by a licensed cannabis producer when cannabis products are packaged, based on the quantity of flowering and non-flowering material, viable seeds or vegetative cannabis plants included in the dried/fresh cannabis, cannabis plant and cannabis europa seed product. The federal excise duty is to be paid monthly.

170. As at June 30, 2023, it is estimated that the Aleafia Group had approximately \$9.3 million in excise tax arrears (net of deposits) and approximately \$2.5 million in sales tax arrears, inclusive of an existing \$800,000 approximate excise deposit by Emblem Cannabis. Payments in July of 2023 of approximately \$225,000/week were made during the weeks of July 3, 10 and 17, with \$100,000/week made every relevant week prior.

171. On or about June 23, 2023, counsel to Emblem Cannabis wrote a letter to the CRA discussing a Proposed Transaction (term as defined below) and indicating that the Aleafia Group continues to face

“extreme financial hardship”. The letter further commented that Emblem Cannabis was willing to commit to the following arrangement with the CRA:

- (a) Filing of tax returns by August 31, 2023 for 2021 T2 corporate income returns;
- (b) Remaining current on all corporate income tax returns, GST/HST returns and excise duty filings going forward;
- (c) Beginning payment of \$225,000/week (commencing on July 7, 2023) in respect of current excise duties to be applied to current remittances owing in respect of the June 2023 excise duty return due to be filed by July 2023;
- (d) An offered collateral charge to the CRA in respect of certain of the Real Property; and
- (e) Returning to the CRA with a definitive payment plan by no later than November 30, 2023.

172. A copy of this correspondence is attached hereto and marked as **Exhibit “XX”** to this Affidavit. No response has been received by the CRA, but as mentioned above, Emblem Cannabis continued to pay \$225,000/week for July of 2023 up to filing.

c. HST

173. The majority of outstanding HST obligations to the CRA are held by Emblem Cannabis for approximately \$2.5 million CAD as of May 31, 2023, with approximately less than \$100,000 CAD remaining held with Canabo Medical and Growwise.

174. Aleafia Farms, Aleafia Parent and Emblem hold HST credits/receivables in the following amounts:

- (a) Aleafia Farms: \$591,425.00;
- (b) Emblem: \$924,777.00; and
- (c) Aleafia Parent: \$596,749.00.

175. On or about April 4, 2023, Emblem Cannabis received a notice of determination (the “**Notice of Determination**”) respecting certain Canada Emergency Wage Subsidy qualifying periods from the CRA. A copy of the Notice of Determination and associated appendices are attached hereto at **Exhibit “YY”**.

176. On or about June 30, 2023, Emblem Cannabis formally objected to the Notice of Determination. A copy of the filed letter by Emblem Cannabis containing the objection is attached hereto at **Exhibit “ZZ”**.

v. Litigation

177. There is presently extensive ongoing litigation involving various members of the Aleafia Group. Certain material claims involving various members of the Aleafia Group are as follows, although certain of the below may be settled (collectively, the “**Ontario Claims**”):

- (a) *Martin et al. v. 2626725 Ontario Inc. operating as The Pint Public House et al.* (“**Martin**”) – CV21006733540000;
- (b) *Cooper v. Aleafia Health Inc.* – CV22006764240000;
- (c) *Wellbeing Digital Sciences Inc. v. Aleafia Health Inc. et al.* (“**Wellbeing**”) – CV22006783450000;
- (d) *Third Eye Insights Corporation v. Aleafia Health Corporation et al.* – CV22000005440000
- (e) *Tayts v. Emblem Cannabis Corporation et al.* – CV19006167680000;
- (f) *Emblem Cannabis Corporation v. I-Way Transport et al.* – CV21006579190000;
- (g) *Environmental Systems Corporation v. Emblem Cannabis Corporation et al.* – CV20006520090000;
- (h) *Mooring v. Aleafia Health Inc.* – CV2100663761000;
- (i) *Hybrid Financial Ltd. v. Aleafia Health Inc.* – CV22006797310000; and
- (j) *Cornacchia v. Aleafia Inc.* – CV18001361640000.

178. There are also certain claims that have been initiated against various members of the Aleafia Group outside of Ontario (and together with the Ontario Claims, the “**Claims**”). A list of certain material claims located outside of Ontario are:

- (a) *Plaintiff (Lisa Langevin) v. Aurora Cannabis Inc. Et al. (Defendants)* (“**Langevin**”); and

(b) *Manning Elliott LLP v. Aleafia Health Inc.*

179. The following materials have been appended to this Affidavit:

- (a) a chart summarizing the liabilities of the Claims is attached hereto and marked as **Exhibit “AAA”**; and
- (b) a separate chart which breaks down the status of all Claims, including total liabilities contained in each, is attached hereto and marked as **Exhibit “BBB”**.⁸

180. Three of the more significant Claims outstanding against the Aleafia Group are *Langevin, Martin* and *Wellbeing*. Brief summaries of these matters’ relevant Statements of Claim are reviewed below for the convenience of the reader.

181. The Applicants do not intend to serve the parties to the above-noted litigation in connection with the Applicants’ Application Record. The Applicants will include counsel for the above noted plaintiffs in the Service List developed in connection with the Comeback Hearing.

a. Plaintiff (Lisa Langevin) v. Aurora Cannabis Inc. Et al. (Defendants)

182. By statement of claim issued on June 16, 2020, the plaintiff has claimed damages in the aggregate of \$505,000,000.00 alongside an order certifying the action as a class proceeding, in respect of allegations that defendants marketed and sold cannabis products that had different levels of tetrahydrocannabinol (“**THC**”) or cannabidiol (“**CBD**”) than advertised, among other heads of relief. Other defendants include entities in the business of manufacturing and distributing cannabis products, including Aurora Cannabis Inc., Cronos group Inc., Organigram Holdings Inc., and others. A copy of the Statement of Claim is attached hereto and marked as **Exhibit “CCC”**.

b. Martin et al. v. 2626725 Ontario Inc. operating as The Pint Public House et al.

183. By statement of claim issued on December 7, 2021, Shameka Martin and Annette Martin commenced an action in Toronto against 2626725 Ontario Inc. operating as The Pint Public House, Growwise, and Althea Health Inc. (*sic*) in the aggregate amount of \$3,100,000, claiming, *inter alia*, joint and several negligence against the defendants, which resulted in a car accident. A copy of the statement of claim is attached hereto and marked as **Exhibit “DDD”**.

⁸ I understand from Aleafia Group’s counsel that certain of the Claims may be dismissed, disposed of or settled, which have not been include in Exhibit “AAA”.

c. Wellbeing Digital Sciences Inc. v. Aleafia Health Inc. et al.

184. By statement of claim issued on March 14, 2022, Wellbeing Digital Sciences Inc. commenced an action in Toronto against Aleafia Parent, Canabo and Growwise seeking damages in the aggregate amount of \$3,000,000 for, *inter alia*, misrepresentation and breach of warranties and covenants under a certain asset purchase agreement and licence agreement relating to the contemplation of the purchase of medical clinics. A copy of the statement of claim is attached hereto and marked as **Exhibit “EEE”**.

C. CASH FLOW FORECAST

185. With the assistance of the Proposed Monitor, the Applicants have undertaken a cash flow analysis to determine the quantum of funding required to finance their operations, assuming the Initial Order is granted, over the 13-week period from the week ending July 27, 2023, to the week ending October 13, 2023 (the “**Cash Flow Forecast**”). I understand that the Cash Flow Forecast will be attached to the pre-filing report of the Proposed Monitor.

186. The Cash Flow Forecast indicates that the Applicants urgently require access to the DIP Loan to ensure they have sufficient liquidity to sustain operations and meet their obligations, including payroll and certain tax obligations, during the Stay of Proceedings.

VI. CHALLENGES AND LIQUIDITY ISSUES FACED BY THE APPLICANTS

A. Challenges

187. As summarized above, the Aleafia Group has faced a number of challenges which have affected its profitability and liquidity, including:

- (a) being a growing start-up company in a newly licensed industry;
- (b) federal government delays resulting in years passing before a license to grow and sell cannabis were granted;
- (c) existing customers and/or suppliers in the cannabis sector filing for CCAA protection, with anticipated rising numbers of cannabis companies needing insolvency assistance;
- (d) difficulties in: (i) growing high-quality, usable flower in a consistent manner to meet consumer demands; and (ii) procuring usable flower in sufficient quantities, quality and prices to provide for attractive margins;

- (e) facing competition from competitors with significantly more financial resources;
- (f) entering into historic poor contractual relationships, signed by predecessor management, that have since required significant adjustment and terminations;
- (g) significant capital investment to grow and repurpose properties, including establishing grow sites and developing brands;
- (h) slow introduction of retail stores for the sale of cannabis products;
- (i) a decreased interest by investors and lenders in cannabis companies due to challenges faced by the cannabis industry;
- (j) multiple changes to key executives and members of the Board;
- (k) constantly shifting roles among remaining officers and management;
- (l) declining market for medical cannabis;
- (m) taxation issues from excise duties;
- (n) low margins on the recreational product-side of cannabis companies;
- (o) extended payable terms in respect of provincial receivables;
- (p) crop failures attributable to pollinating issues and moisture; and
- (q) costs associated with defending litigation from the Claims.

188. Aleafia Group does not have sufficient liquidity to sustain operations, cannot meet obligations generally as they become due and is therefore insolvent.

B. Prior Strategic Initiatives

189. As a result of the difficulties it has faced, Aleafia Group, in consultation with its advisors, pursued a number of strategic initiatives to improve its operations and financial position, as described below:

- (a) refocusing the business on new forms of consumer package goods;

- (b) attempting the winddown of certain sites, as discussed above;
- (c) reducing headcount of employees, consultants, independent contractors and IT professionals, among others, alongside identifying inefficiencies in existing legal and finance operations and leveraging third-party providers more appropriate for the sizing of the Aleafia Group;
- (d) reallocating flower supply from bulk wholesale market to the branded adult-use and medical cannabis markets;
- (e) consolidating vendor relationships to extract economies of scale by aggregating procurement across facilities into key, trusted vendors;
- (f) strategically outsourcing certain processing activities to third-party packers;
- (g) negotiating pricing discounts based on higher volume levels;
- (h) integrating the Aleafia Group's medical clinic operations across virtual, physical and third-party platforms;
- (i) attempting to engage in portfolio optimization by focusing on best-selling products for strongest gross profit margins;
- (j) focusing on certain profitable brands;
- (k) investing in automated flower packaging technology to extract operational efficiencies and improve overhead absorption;
- (l) onboarding several strategic flower grow partners to supply usable product;
- (m) reducing operating expenses, particularly marketing and investor relations expenses;
- (n) disposing of non-core assets;
- (o) capitalizing on its intellectual property either through licensing or reviewing potential sale options;
- (p) reduction of selling, general and administrative expenses by 55% in the past calendar year; and

- (q) commencing a comprehensive M&A strategic alternatives process in August of 2022 to culminate in the sale of the Aleafia Group.

190. To accomplish these strategic initiatives, Aleafia Parent took a number of steps. The history leading up to Aleafia Group's filing is outlined below.

i. Status of Senior Loan Agreement

191. In April of 2023, relevant members of the Aleafia Group entered into an accommodation agreement with NE SPC.

192. On or about April 14, 2023, NE SPC agreed to a further extension to May 15, 2023, subject to relevant members of the Aleafia Group entering into an LOI with RWB for the purchase of the Aleafia Group.

193. On or about May 25, 2023, Aleafia Health announced via press release (copy attached hereto at **Exhibit "FFF"**) that it entered into an amendment to the terms of the Senior Loan Agreement and NE SPC agreed to forbear on enforcement until the earlier of: (a) an event of default; or (b) May 31, 2023. A copy of this amendment is attached hereto and marked as **Exhibit "GGG"**.

194. On or about June 1, 2023 NE SPC entered into a forbearance agreement which was payable until the earlier of (a) an event of default; or (b) June 5, 2023 (the "**Facility Forbearance Agreement**"). The Facility Forbearance Agreement came in light of ongoing negotiations between Aleafia Parent, NE SPC and RWB regarding a potential refinancing of the indebtedness existing under the Senior Loan Agreement. A copy of the Facility Forbearance Agreement is attached hereto and marked as **Exhibit "HHH"**.

195. On June 6, 2023, pursuant to an assignment of indebtedness and security, NE SPC assigned the Senior Loan Agreement to RWB.

196. Since the assignment, and while reserving all rights, RWB has made various accommodations including extending significant advances in excess of those otherwise permissible under the Senior Loan Agreement, and permitting the Aleafia Group to access cash in the blocked account. On or about June 23, 2023, Aleafia Parent was advised by RWB that it would be required to hold back \$500,000 as a liquidity reserve in a certain TD account. A copy of this correspondence is attached hereto at **Exhibit "III"**.

197. On or about June 29, 2023, RWB wrote to Aleafia Parent to advise it, among other things, that they were not required nor prepared to advance further funds under the Senior Loan Agreement. A copy of this correspondence is attached hereto at **Exhibit “JJJ”**.

198. On or about July 10, 2023, the Aleafia Group was given permission by RWB to transfer \$540,000 from the blocked account. As of July 23, 2023, there remains approximately \$639,000 within the blocked account.

199. On or about July 13, 2023, RWB sent an email to Aleafia Health confirming that RWB was willing to release another \$500,000 of receivables deposited in the blocked account. A copy of this email is attached hereto and marked as **Exhibit “KKK”**. This limited additional access to cash, as incorporated into the Cash Flow Forecast, enabled Aleafia Group to operate until the start of the week of July 24, 2023, as further detailed herein, although after that time, the Aleafia Group faces a pressing, urgent and devastating liquidity crisis.

200. As of the date of this Affidavit, RWB delivered demands and notices of intention to enforce security under the *Bankruptcy and Insolvency Act*, RSC 1985 c-5 (the “**BIA**”) relating to the Senior Loan Agreement (the “**Demands**” and the “**NITES**”, respectively). A copy of the Demands and NITES are attached hereto and marked as **Exhibit “LLL”**.

ii. Proposed Transaction

201. On or about June 7, 2023, Aleafia Parent announced that it had entered into a binding letter agreement on June 6, 2023 with RWB (the “**Letter Agreement**”) where RWB agreed to acquire all of the common shares of the Aleafia Group in a business combination transaction via plan of arrangement (the “**Proposed Transaction**”). A copy of the Letter Agreement is attached hereto at **Exhibit “MMM”**.

202. A copy of the joint press release issued by Aleafia Parent and RWB announcing the Proposed Transaction is attached hereto and marked as **Exhibit “NNN”**.

203. Key terms of the Proposed Transaction were as follows (terms as defined in the Letter Agreement), *inter alia*:

- (a) Each Aleafia Share would be exchanged for 0.35 of a common share in the capital of RWB (each, an “**RWB Share**”), subject to customary adjustments;

- (b) Upon the completion of the Proposed Transaction, existing RWB shareholders were expected to own approximately 76% of the entity resulting from the Proposed Transaction (the “**Combined Company**”) and shareholders of Aleafia Parent were expected to own approximately 24% of the Combined Company;
- (c) Outstanding options to purchase Aleafia Shares would be exchanged for options exercisable to acquire RWB Shares on the same terms and conditions, on the basis of the Exchange Ratio;
- (d) Outstanding restricted and deferred share units of Aleafia Parent (which would automatically vest on the change of control) would be settled upon closing in RWB Shares on the basis of the Exchange Ratio;
- (e) Debentureholders were to receive approximately \$6 million CAD in full satisfaction of amounts owing; and
- (f) In accordance with their terms, outstanding warrants to purchase Aleafia Shares would become exercisable to acquire RWB Shares on the same terms and conditions, on the basis of the Exchange Ratio.

204. The Proposed Transaction was to require the approval of: (a) (i) two-thirds of the votes cast by shareholders of Aleafia Parent, and, if required, (ii) a simple majority of the votes cast by minority shareholders of Aleafia Parent in accordance with *Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions*, at a special meeting of shareholders of Aleafia Parent expected to take place in the third quarter of 2023; (b) Debentureholders of the requisite percentage of the principal amount of each series of Aleafia Convertible Debentures (as defined in the Letter Agreement); and (c) if required, RWB shareholders at a special meeting of RWB shareholders expected to take place in the third quarter of 2023.

205. The Letter Agreement also provided for parties to enter into a definitive arrangement agreement on or before July 31, 2023. Prior to entering into a definitive arrangement agreement, (i) each party was to have completed its confirmatory due diligence on the other party to its satisfaction; (ii) the Board was to have received an opinion that the consideration to be provided to Aleafia Shareholders in exchange for their Aleafia Shares was fair, from a financial point of view, to Aleafia Shareholders; (iii) the consent of 126 as lender under the 126 Loan Agreement was to have been obtained; and (iv) the waiver by RGRL as lender under the Promissory Notes to the acceleration of the maturity date was to have been obtained.

206. The Letter Agreement also contained a break fee of CAD \$2 million which would be payable in the event that the board of Aleafia Parent received and accepted a proposal superior to that contained in the Letter Agreement.

207. On or about June 13, 2023, Aleafia Parent filed a material change report summarizing the Proposed Transaction on SEDAR, a copy of which is attached hereto and marked at **Exhibit “OOO”** to this Affidavit.

208. On or about June 28, 2023, counsel to the Aleafia Group received written correspondence from counsel to the Ad Hoc Group of Aleafia Parent’s convertible Debentureholders. The correspondence advised that the Proposed Transaction, which preserved value for Aleafia Parent’s junior stakeholders but paid out the Debentureholders 15 cents on the dollar, would not be approved. A copy of this correspondence is attached hereto at **Exhibit “PPP”**.

209. Public comments were made regarding the Interested Directors’ involvement in the Proposed Transaction. As stated in the AIF dated June 29, 2023 and attached previously hereto at Exhibit “C”:

In April of 2023, Mr. Galasso and Mr. Sistiilli voluntarily recused themselves from discussions concerning the Potential Transaction involving RWB. Mr. Galasso is a Partner and the Chief Financial Officer at the Zzen Group of Companies, an affiliate of which, RGR, is the senior secured lender to RWB and also an unsecured lender to Aleafia. Mr. Sistiilli is employed by the owner of a private entity with an interest in the Credit Facility provided to Aleafia by 1260356 Ontario Limited.

210. The Aleafia Group further understands that there was some uncertainty raised by the Debentureholders regarding the terms of the Proposed Transaction. Notably, provisions of the Promissory Notes indicated that they would become payable upon a change of control transaction. However, a condition to entering into a definitive arrangement agreement was the waiver by RGRL as lender under the Promissory Notes to the acceleration of the maturity date.

211. On or about July 5, 2023, RWB wrote to Aleafia Parent to advise that despite the opposition from the Ad Hoc Group, RWB “is not prepared to adjust the total consideration reflected in the Binding Letter Agreement, nor is it willing to have a portion of the debentures remain outstanding [...] Further, we do not expect that Aleafia shareholders would agree to reduced consideration in favour of the debentureholders”. A copy of this correspondence is attached hereto at **Exhibit “QQQ”**.

212. There were several discussions among the Debentureholders, RWB and the Aleafia Group over the next two following weeks. On or about July 13, 2023, counsel to the Ad Hoc Group provided counsel to the Aleafia Group with a letter advising that they would not agree to the Proposed Transaction. I understand that a copy of this letter will be attached to the Proposed Monitor's Pre-Filing Report.

213. On July 14, 2023, RWB and Aleafia Parent publicly announced the mutual termination of the Proposed Transaction without liability or cost to either party. While Aleafia Parent had received support in writing from certain holders of the outstanding Aleafia Convertible Debentures (term as defined in the Letter Agreement), certain other holders representing more than 33 1/3% of the outstanding Aleafia Convertible Debentures, as represented by their designated representatives, failed to accept the terms. As a result, a key condition of the Proposed Transaction was not satisfied. A copy of the joint press release issued by Aleafia Parent and RWB on this topic is attached hereto and marked as **Exhibit "RRR"**.

iii. Attempts to Obtain Additional Equity/Debt Financing

214. Despite previous material initiatives in the summer of 2022 to find new money, potential strategic buyers and merger opportunities, management has been unable to find suitable equity financing options for the Aleafia Group.

215. The Applicants have also been unable to arrange additional debt financing, in part due to restrictions under existing loan documents and the conditions negotiated by the Applicants in prior restructurings that were required to avoid a similar liquidity constraint condition.

iv. Attempts to Sell Assets

216. The Aleafia Group has also made significant attempts to sell the Grimsby Property, as detailed below, but have not yet been successful in monetizing the land.

C. Sale of Grimsby Property

217. Beginning November of 2022, attempts were made by Aleafia Farms as seller to market and monetize the Grimsby Property. An agreement of purchase and sale dated June 23, 2023 was executed between Aleafia Farms and Siva Selvan on behalf of a company to be later incorporated (the "**June APS**"), with certain conditions including the provision of a monetary deposit to be provided to the brokerage on the first business day which is three days post-execution and delivery of the June APS. Despite execution of the June APS, the non-refundable deposit was not provided by the buyer to Aleafia Farms.

218. Correspondence between counsel to Aleafia Farms and counsel to the buyer has been ongoing since June 30, 2023. On or about July 6, 2023, counsel to Aleafia Farms provided formal notice to counsel to the buyer that the buyer was in default in the performance of its obligations due to its failure to deliver the non-refundable deposit. Aleafia Farms continues to evaluate its legal options in light of the June APS and will likely evaluate, pending comment from legal counsel, whether the June APS transaction should be terminated and if the Grimsby Property should be re-marketed broadly through these proposed CCAA proceedings. The Grimsby Property has been re-listed and remains on market for sale.

VII. CCAA PROCEEDINGS AND RELIEF SOUGHT

219. There is significant, urgent, and pressing need for the relief sought through CCAA protection for the Aleafia Group.

220. As indicated in the Cash Flow Forecast, without interim financing, the Applicants will be unable to operate in the ordinary course and payroll obligations will not be met, to the detriment of their stakeholders.

221. Without the benefit of a stay of proceedings the Aleafia Group will not be able to respond and address all of the above noted stakeholder issues, including litigation and potential secured creditor enforcement proceedings.

222. In consultation with their advisors, including KSV, the Applicants have determined that the CCAA process provides the most beneficial plan of action to maximize value for the Aleafia Group stakeholders.

223. After the Comeback Hearing, Aleafia Group will seek approval of a Sales Process. Aleafia Group is of the view that a court-supervised Sales Process under the CCAA will be the best value maximizing strategy in the circumstances and is in the best interests of the Aleafia Group and its stakeholders.

224. The proposed Initial Order under the CCAA is substantially in the form of the Ontario model initial order found on the Commercial List website. Key elements of the Initial Order are described below.

A. Appointment of Monitor

225. The Applicants seek the appointment of KSV as Monitor of the Applicants in these CCAA proceedings.

226. I have been advised by Noah Goldstein of KSV that KSV is a trustee within the meaning of section 2 of the BIA and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

227. KSV is familiar with the operations of the Applicants, as KSV was previously engaged as a financial advisor to assess the Applicants' strategic alternatives and restructuring initiatives. The original engagement of KSV as financial advisor was made appropriately through a process run by the Board to ensure the independence of the eventual potential Monitor of these contemplated CCAA proceedings.

228. KSV has reviewed and assisted in the preparation of the Cash Flow Forecast, and has provided guidance and assistance in the commencement of these CCAA proceedings.

229. As a result, KSV has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.

230. KSV has not acted as the Applicants' auditor and is a licensed insolvency trustee.

231. KSV has consented to act as the Monitor, subject to Court approval. A copy of the Consent to Act as Monitor provided by KSV is attached hereto and marked as **Exhibit "SSS"**.

232. I am also advised by Mr. Goldstein of KSV that the Proposed Monitor is supportive of the relief sought herein, and that the Proposed Monitor will be filing a pre-filing report in respect of such relief.

B. DIP Loan and DIP Lender's Charge

233. As appears from the Cash Flow Forecast, the Applicants expect the need for interim financing, including during the 10-day Stay of Proceedings prior to their return to Court, to fund these CCAA proceedings.

234. To facilitate this interim period, RWB (in such capacity, the "**DIP Lender**") has agreed to fund \$6,600,000.00 to the Aleafia Group by way of the DIP Loan pursuant to terms of a DIP term sheet (the "**DIP Term Sheet**"). Attached as **Exhibit "TTT"** is a copy of the DIP Term Sheet. Amounts advanced

pursuant to the DIP Loan will be credited from the Deposit (as defined in the DIP Term Sheet) if the Court approves the relief requested at the Comeback Hearing.

235. In the two weeks prior to the initiation of this application, KSV canvassed five potential lenders for debtor-in-possession loans, including RWB. One other potential lender submitted a term sheet. In the Applicants' view, the terms of the other potential loan were similar to the terms presented above. The Aleafia Group, in consultation with their legal and financial advisors, did not believe that any third party would be able to provide the financing urgently required on significantly better terms and on the timeline required by the Applicant, than Aleafia Parent's existing senior secured creditor, and accordingly decided to select the below DIP Loan.

236. Below is a summary of the material terms of the DIP Loan:⁹

- (a) **Amount:** Up to the principal amount of \$6,600,000.00, including an initial advance in the amount of \$2,400,000.00;
- (b) **Purpose:** To fund operating costs in the ordinary course of business in accordance with the Cash Flow Forecast and restructuring costs;
- (c) **Interest:** On the principal amount of the DIP Advances (including compounded interest) from the date each such DIP Advance is made, at the rate of 12.5% per annum, compounded and calculated weekly, to be added to the principal amount on the first day of each
- (d) **Maturity Date:** The earliest of: (a) the date that is one hundred and twenty (120) days from the date of the Initial Advance (or such later date as the DIP Lender in its sole discretion may agree to in writing with the Borrower, acting reasonably); (b) the date on which (i) the stay of proceedings under the CCAA proceedings is lifted without the consent of the DIP Lender, or (ii) the CCAA proceedings are terminated for any reason; (c) the closing of a sale for all or substantially all of the assets and business, or similar transaction in respect, the Obligors pursuant to the SISF within the CCAA proceedings which has been approved by an order entered by the Court; (d) the implementation of a plan of compromise or arrangement within the CCAA proceedings which has been approved by the requisite majorities of the Obligors' creditors and by an order entered by

⁹ Terms used herein are as defined in the DIP Loan.

the Court; or (e) the conversion of the CCAA proceedings into a proceeding under the BIA.

- (e) **Fee:** The Borrower shall pay a commitment fee in the amount of \$198,000.00 (the “**Fee**”), representing 3% of the total amount available under the DIP Facility, which shall be fully earned upon the execution of this Agreement and shall be paid or otherwise satisfied on the date of issuance of the Initial Order (as defined below) by the Court;.

- (f) **Costs and Expenses:** The Borrower shall pay all reasonable and documented costs and expenses of the DIP Lender, and all reasonable and documented fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant, related to or in connection with the CCAA proceedings, including, without limitation, reasonable and documented costs and expenses incurred by the DIP Lender;

- (g) **Conditions:**
 - (i) *Conditions Precedent to the Disbursement of the Initial Advance:*
 - (A) the Obligors’ application materials in connection with their application for the issuance of the Initial Order under the CCAA (in form and substance satisfactory to the DIP Lender, acting reasonably) shall have been shared with the DIP Lender, and such application shall have been brought before the Court no later than July 25, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;
 - (B) the form of Initial Order shall be satisfactory to the DIP lender, acting reasonably;
 - (C) KSV shall be appointed as Monitor;
 - (D) the Initial Order shall be executed by the Court authorizing and approving the DIP Facility and DIP Lender’s Charge in respect of the Initial Advance, and shall be in full force and effect;
 - (E) except to the extent not permitted by the CCAA, the DIP Lender’s Charge shall have priority over all Liens granted by the Obligors against the Property except for the Administrative Charge, in an aggregate

amount not to exceed \$500,000 under the Initial Order, which amount shall be increased to \$1,250,000 under the ARIO; and

(F) the Initial Cash Flow Projections shall be acceptable to the DIP Lender, in its discretion.

(ii) *Conditions Precedent to the Disbursement of DIP Advances (Other than the Initial Advance)*

(A) the Obligors' application materials in connection with their application for the ARIO shall be satisfactory to the DIP Lender, acting reasonably, and such application shall be brought before the Court no later than August 4, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;

(B) the ARIO shall be issued and in full force and effect;

(C) the DIP Lender's Charge shall have priority over all Liens granted by the Obligors, other than the Administrative Charge;

(D) all amounts requested shall be consistent with Updated Cash Flow Projections, or otherwise expressly agreed by the DIP Lender in advance;

(E) terms and conditions of the SISP shall be satisfactory to the Monitor, and the DIP Lender shall be satisfied, acting reasonably, with the terms of the SISP and the SISP Order;

(F) representations and warranties shall be true and correct; and

(G) no Default or Event of Default shall have occurred or be continuing.

237. The DIP Loan is also subject to customary Default and Event of Default language, including the failure of the Borrower to pay principal or interest when due and any other breach in the observance or performance of the provisions of the DIP Loan, among others.

238. Accordingly, on or about July 24, 2023, the DIP Loan was entered into. A copy of the DIP Loan is attached hereto at **Exhibit "UUU"**).

239. As the DIP Loan will be provided by RWB, who already benefits from a security interest over the Applicants' Property, I do not expect any material prejudice to any of the other existing secured creditors of the Applicants, should the Court approve the DIP Loan and grant the DIP Lender's Charge.

240. The DIP Lender's Charge will secure all of the credit advanced under the DIP Facility. However, during the initial 10-day Stay of Proceedings, the Applicants are only authorized to borrow a maximum of \$2.4 million as evidenced by the Initial Cash Flow Projection approved by the DIP Lender. The DIP Lender's Charge will not secure any obligations incurred prior to these CCAA proceedings.

241. The Proposed Monitor has advised that it is supportive of the approval of the DIP Loan and associated charge. Accordingly, I believe that it is appropriate in these circumstances for the Court to approve the DIP Loan and grant the associated charge.

C. Stay of Proceedings

242. As referenced above, the Applicants will run out cash and be unable to meet their obligations as they become due in the very short term. Demands and NITES have also been delivered by RWB to the relevant Aleafia Group entities.

243. Given the challenges faced by the Applicants described herein, Aleafia Group requires a stay of proceedings to maintain the *status quo* and to give the Applicants the breathing space they require to develop a Sales Process in consultation with their advisors and the Monitor.

244. The proposed Initial Order contemplates a stay of proceedings for a period of 10 days, which I understand is the maximum that can be authorized by a court at the initial application under the CCAA.

245. As set out in the Cash Flow Forecast attached at **Exhibit "VVV"**, I understand that the Applicants expect that, with the funds to be advanced under the DIP Loan, they will have sufficient cash to operate until the end of the initial requested 10-day stay period. The Applicants, therefore, request the Stay of Proceedings for an initial period of ten days, and, if granted by this Court, the Applicants will subsequently request an extension of the Stay of Proceedings at the Comeback Hearing.

246. In addition to the Stay of Proceedings against the Applicants and their Property, the Applicants are seeking a stay of proceedings against the directors and officers of the Aleafia Group to ensure that they are able to focus their efforts on the Applicants' restructuring efforts and to prevent creditors and others from seeking to do indirectly what they cannot do directly by asserting claims or other relief relating to the debts and obligations of the Applicants against the directors and officers.

D. Administration Charge

247. It is contemplated that a Court-ordered charge over the Property (as defined in the Initial Order) would be granted in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Administration Professionals**”), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the “**Administration Charge**”).

248. The proposed Administration Charge being sought pursuant to the Initial Order is for a maximum amount of \$500,000.00.

249. In preparation of the Cash Flow Forecast, the Applicants, in consultation with the Proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the week of the Comeback Hearing (Week 2), the Applicants forecast to incur significant professional fees (including retainers) in connection with the CCAA proceedings, such as preparing for the Comeback Hearing, communicating with employees and stakeholders following the initial filing, developing a Sales Process and complying with statutory notices, mailings and communications.

250. Accordingly, I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees of the Administration Professionals for the applicable period.

251. All of Administration Professionals have contributed, and will continue to contribute, to the Applicants’ restructuring efforts.

252. The Applicants, in consultation with the Monitor, and their respective advisors, will seek an increase to the Administration Charge at the Comeback Hearing.

E. Directors’ Charge

253. It is contemplated pursuant to the proposed Initial Order that the Applicants’ directors and officers would be granted a Court-ordered Directors’ Charge on the Property, up to a maximum amount of \$835,000.00.

254. The Directors’ Charge is intended to address potential claims that may be brought against directors and officers. The Applicants’ ordinary course operations give rise to potential director liability, including on account of payroll obligations and sales taxes.

255. It is my understanding that the Applicants’ present and former directors and officers are among the potential beneficiaries under various liability insurance policies. However, I understand from legal

counsel to the Aleafia Group that these policies may have various exceptions, exclusions and carve-outs, and may not provide sufficient coverage against potential liability that may be incurred during potential CCAA proceedings.

256. The Directors' Charge is therefore crucial to the continued involvement of the Applicants' directors and officers during the CCAA proceeding to provide them with certainty regarding their personal liability. These directors and officers have skills, knowledge and expertise, as well as established relationships with various stakeholders, that are critical to a successful restructuring.

257. The quantum of the Directors' Charge was developed with the assistance and support of the Proposed Monitor taking into account the anticipated payroll, sales tax and other exposures that give rise to director liability for the applicable period.

258. The Applicants are of the view that the quantum of the Directors' Charge is reasonably necessary at this time to address circumstances that could lead to potential directors' liability prior to the Comeback Hearing.

259. The Applicants, in consultation with the Monitor, and their respective advisors, will seek an increase to the Directors' Charge at the Comeback Hearing.

F. Critical Payments

260. The Applicants seek the authority to make certain payments with respect to goods and/or services supplied to the Applicants both before and after the date of the Initial Order, where the supplier or vendor of such goods or services is necessary for the stable operation or preservation of the Applicants' Business or Property (as defined in the Initial Order) up to a maximum aggregate amount of \$500,000.00, and subject to the terms of the DIP Loan. The proposed Initial Order contemplates that any such payments will be made in consultation with the Proposed Monitor and in order to be paid, require the Proposed Monitor's consent. I understand that the Monitor is supportive of this relief and commented on the cap amount associated with the critical payment amount in their pre-filing report.

G. Approval of Cash Management System

261. Given the nature and scale of the Aleafia Group's operations through the Cash Management System, the continued use of the existing Cash Management System is required and appropriate during these CCAA proceedings. I understand that the Proposed Monitor is also supportive of this relief.

H. Relief to be Sought at Comeback Hearing

262. If the Initial Order is granted, the Applicants propose to return to this Court for a Comeback Hearing.

263. At the Comeback Hearing, the Applicants intend to seek the Court's approval of an Amended and Restated Initial Order. For the benefit of this Court and the Applicants' stakeholders, this section highlights critical relief that the Applicants intend to seek at the Comeback Hearing. The Applicants may seek additional relief if determined to be necessary or advisable.

i. Extension of Stay of Proceedings

264. The Applicants intend to seek an extension of the Stay of Proceedings for a sufficient length of time to allow the Applicants to complete the Sales Process without having to incur additional costs during that process to return to Court to seek a further extension of the stay of proceedings.

ii. Increase to Charges

265. The Applicants intend to seek to increase the quantum of the Administration Charge, Directors' Charge and DIP Lender's Charge over all other encumbrances. In accordance with the CCAA, parties affected by this relief will be served with the Notice of Application in advance of the Comeback Hearing.

266. In addition, the Applicants will also seek appropriate priming of the Charges at the Comeback Hearing, with notice given to all secured parties at that time.

iii. Relief Relating to Securities Filings and AGM

267. As a result of this CCAA application, at the Comeback Hearing, Aleafia Parent will likely seek to be relieved of any obligation to call and hold the AGM until further Order of this Court.

268. I understand from counsel to the Aleafia Group that it is not uncommon for this type of relief to be sought and obtained in insolvency proceedings in Canada involving Applicants of this nature and, accordingly, I believe it to be reasonable in this instance as well given the status of the Aleafia Group and its intention to pursue a Court-supervised SISP and/or restructuring.

269. In addition, if the Initial Order is granted, at the Comeback Motion, the Applicants will likely seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for the Applicants to incur no further expenses in relation to any filings (including

financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the “**Securities Filings**”) that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (Ontario), and comparable statutes enacted by other provinces of Canada, and other rules, regulations and policies of the TSX. Such relief will be on notice to the applicable regulatory body.

270. In my view, incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants’ successful restructuring. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA proceedings.

I. Relief Sought After Comeback Hearing

i. Sales Process

271. After the Comeback Hearing, the Aleafia Group likely intends to return to this Court to seek approval of the SISP, which will give certainty to employees, customers, regulators, suppliers and stakeholders that the Aleafia Group will continue as a going concern when the Sales Process concludes.

272. The terms of the SISP is likely to be detailed in a separate report of the Proposed Monitor, or alternately within a supplemental affidavit, to be sworn.

273. RWB has informed Aleafia Parent and the Proposed Monitor that it is considering making an offer to purchase all or certain of the assets of the Aleafia Group in the context of the SISP.

J. Relief Sought

274. For the reasons set out herein, the Aleafia Group respectfully requests this Court grant the Initial Order.

VIII. CONCLUSION

275. In the circumstances, I believe that the CCAA proceedings are the only viable means of restructuring the Applicants’ business and operations for the benefit of their stakeholders and the relief sought in the Initial Order is limited to what is reasonably necessary to stabilize the Applicants’ business in the initial ten (10) day period.

276. The Applicants, with the assistance of their legal and financial advisors, have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for Aleafia Group's stakeholders.

SWORN BEFORE ME over video teleconference this 24th day of July, 2023 pursuant to O. Reg 431/20, Administering Oath or Declaration Remotely. The affiant was located in the City of Toronto in the Province of Ontario, while the Commissioner was located in the City of Toronto in the Province of Ontario.



DocuSigned by:
Samantha Hans

402BBD39540540A

A Commissioner for taking Affidavits (*or as may be*)

SAMANTHA HANS (LSO#: 84737H)

DocuSigned by:
Patricia Symmes-Rizakos

04B98568EC0C42B

PATRICIA SYMMES-RIZAKOS

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM
CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION,
ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., and 2676063
ONTARIO INC.

Court File No.

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

Proceedings commenced at Toronto

AFFIDAVIT OF PATRICIA SYMMES-RIZAKOS

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Lawyers for the Applicants

This is Exhibit “B” referred to in the Affidavit of Patricia Symmes-Rizakos sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Han".

Commissioner for Taking Affidavits

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**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF **ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC.**

Applicants

**AFFIDAVIT OF PATRICIA SYMMES-RIZAKOS
(Sworn July 26, 2023)**

I, **Patricia Symmes-Rizakos**, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY AS FOLLOWS:

I. INTRODUCTION

1. I am the Chief Executive Officer of Aleafia Health Inc. ("**Aleafia Parent**" and together with its Subsidiaries (as defined below), the "**Applicants**" or "**Aleafia Group**").

2. Emblem Corp. ("**Emblem**"), Emblem Cannabis Corporation ("**Emblem Cannabis**"), Emblem Realty Ltd. ("**Emblem Realty**"), Growwise Health Limited ("**Growwise**"), Canabo Medical Corporation ("**Canabo**"), Aleafia Inc. ("**Aleafia Sub**"), Aleafia Farms Inc. ("**Aleafia Farms**"), Aleafia Brands Inc. ("**Aleafia Brands**"), Aleafia Retail Inc. ("**Aleafia Retail**"), 2672533 Ontario Inc. ("**2672**") and 2676063 Ontario Inc. ("**2676**") are various subsidiaries of Aleafia Parent (individually, a "**Subsidiary**" and collectively, the "**Subsidiaries**"). Aleafia Group through Aleafia Retail also has a minority interest in a certain other non-Applicant affiliate.¹

3. I have been the Chief Executive Officer of Aleafia Parent since February 2022. As such, I have personal knowledge of the matters to which I depose in this Affidavit except where I have obtained information from others. Where I have obtained information from others, I have stated the source of my information and, in all such cases, believe such information to be true.

¹ As described further herein, this entity is One Plant (Retail) Corp.

4. The Aleafia Group is a federally licensed Canadian cannabis company providing cannabis products to five of Canada's largest provinces (Ontario, Alberta, British Columbia, Saskatchewan and Manitoba) and destined for select international medical cannabis markets. The Aleafia Group also operates a virtual cannabis clinic named "Canabo Medical Clinic", staffed by various physicians and nurse practitioners, which also provides health and wellness services across Canada; medical cannabis is largely produced through Aleafia Group's Subsidiary, Emblem Cannabis. A separate physical clinic also operates in St. John's, Newfoundland.

5. Capitalized terms used herein and not otherwise defined have the meaning ascribed to them in my affidavit sworn on July 25, 2023 (the "**Initial Affidavit**"), a copy of which is attached (without Exhibits) as **Exhibit "A"**. All references to monetary amounts in this affidavit are in Canadian dollars unless otherwise noted.

6. This affidavit is made in support of a motion by the Applicants for relief under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA**"), seeking an amended and restated initial order (the "**Amended and Restated Initial Order**") substantially in the form attached at Tab 2 of the Motion Record which, *inter alia*:

- (a) if necessary, abridges the time for service of the Notice of Motion and Motion Record and dispenses with service on any person other than those served;
- (b) extends the Stay of Proceedings (as defined below) to October 3, 2023 (the "**Stay Extension**");
- (c) grants authority for the Applicants to increase the amounts which may be borrowed by the Applicants under DIP Term Sheet;
- (d) grants an extension of the time limit to call and hold the annual general meeting of shareholders of Aleafia Parent (the "**AGM**") until after the conclusion of the CCAA proceedings, subject to further order of this Court;
- (e) grants authority for the Applicants to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the "**Securities Filings**") that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange (collectively, the "**Securities Provisions**"), and

declares that none of the directors, officers, employees, and other representatives of the Applicants or the Monitor in these CCAA proceedings (and its directors, officers, employees and representatives) shall have any personal liability for any failure by the Applicants to make the Securities Filings; and

- (f) grants the following increases to the priority Charges against the Property, which were granted in the Initial Order (as defined below):
 - (i) First – the Administration Charge increased to \$1,250,000 from \$500,000;
 - (ii) Second – the DIP Lender’s Charge increased to the maximum amount of the DIP Obligations at the relevant time up to \$6,600,000;
 - (iii) Third – the Directors’ Charge increased to \$2,850,000 from \$835,000; and
- (g) increases the critical supplier payment maximum aggregate amount to \$500,000.

7. The Initial Affidavit should be referred to for additional background about the Aleafia Group and the events leading up to these CCAA proceedings.

8. In preparing this Affidavit, I consulted with the Applicants’ legal and financial advisors and reviewed relevant documents and information concerning the Applicants’ operations, financial affairs and marketing activities. I am authorized to swear this Affidavit as the corporate representative of the Applicants.

II. BACKGROUND AND STATUS OF THE CCAA PROCEEDINGS

9. The Aleafia Group applied for urgent relief under the CCAA as a result of its insolvent status, and obtained the Initial Order on July 25, 2023 (the “**Initial Order**”). The Initial Order, a copy of which is attached hereto at **Exhibit “B”**, *inter alia*, contains the following heads of relief (terms as defined in the Initial Order):

- (a) abridging the time for service of the Application and the materials filed in support thereof, and dispensing with further service thereof;
- (b) declaring that the Applicants are parties to which the CCAA applies;

- (c) appointing KSV Restructuring Inc. as an officer of the Court to monitor the assets, business, and affairs of the Applicants (in such capacity, the “**Monitor**”);
- (d) approving the Applicants’ ability to borrow under a debtor-in-possession (“**DIP**”) credit facility pursuant to the terms of the DIP Term Sheet dated July 24, 2023 (the “**DIP Term Sheet**”) to finance their working capital requirements and other general corporate purposes, expenses and costs over the CCAA proceedings;
- (e) staying, for an initial period of not more than ten (10) days, all proceedings and remedies taken or that might be taken in respect of the Applicants, the Monitor, their directors and officers, or affecting the Applicants’ business or the Property (as defined in the Initial Order), except as otherwise set forth in the Initial Order or as otherwise permitted by law (the “**Stay of Proceedings**”);
- (f) granting the following charges (collectively, the “**Charges**”) over the Applicants’ current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (collectively, the “**Property**”):
 - (i) the Administration Charge in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants;
 - (ii) the DIP Lender’s Charge in favour of the DIP Lender; and
 - (iii) the Directors’ Charge in favour of the Directors and Officers;
- (g) approving payment to certain suppliers who are critical to the business and operations of the Aleafia Group for pre-filing expenses or to honour cheques issued to providers of goods and services prior to the Initial Order, but only with consent of the Monitor, which are necessary to facilitate the Applicants’ ongoing operations and to preserve value during the CCAA proceedings, up to a maximum aggregate amount of \$300,000; and
- (h) authorizing the Aleafia Group to continue to use the Cash Management System.

10. Copies of materials filed in the CCAA proceedings are available on the website of the Monitor at: <https://www.ksvadvisory.com/experience/case/aleafia>.

11. Following the issuance of the Initial Order, the Aleafia Group has continued its business operations in the ordinary course. Since the Initial Order was granted, the Aleafia Group has been

working with the Monitor to stabilize operations and begin its restructuring initiatives as well as engaging with stakeholders. Immediately after obtaining CCAA protection, the Applicants published a press release in order to inform its various stakeholders of the granting of the Initial Order. A copy of the press release is attached as **Exhibit “C”**.

12. The Applicants’ activities during the first two days of these proceedings, with the assistance of its advisors and the Monitor, include:

- (a) creating and implementing a communication plan to advise key stakeholders of the CCAA proceeding, including preparing an advertisement announcing the issuance of the Initial Order, and including a “Frequently Asked Questions” sheet for impacted entities;
- (b) communicating with, providing information to and answering questions of various stakeholders and employees;
- (c) meeting with employees and the Monitor to discuss expenditure and cash flow management;
- (d) engaged with discussions with the DIP Lender about the Business and next steps in the CCAA proceedings
- (e) together with the assistance of the Monitor, establishing a virtual data room in anticipation of the Amended and Restated Initial Order being granted and the Applicants seeking the approval of a SISP in the near term; and
- (f) arranging for payment to certain suppliers which are critical to the Applicants’ Business.

13. The Aleafia Group continues to work with the Monitor in good faith to respond to numerous creditor and stakeholder inquiries on a daily basis.

14. Counsel to the Applicants has also notified the various cannabis regulatory entities in the jurisdictions in which the Applicants operate their Business, advising each entity of the granting of the Initial Order and their inclusion on the Applicants’ service list.

15. In addition, in an effort to preserve the Applicants’ liquidity and limit its cash burn during the CCAA proceedings, the Applicants and the Monitor have also begun to develop materials for the eventual SISP, which will be sought at a date after this Comeback Hearing.

III. RELIEF SOUGHT AT COMEBACK HEARING

16. The First Affidavit provides the primary evidence in support of the vast majority of relief sought in the proposed Amended and Restated Initial Order. The sections below address issues that are not covered in the First Affidavit.

A. Extension of the Stay of Proceedings

17. The Applicants have acted, and are acting, in good faith and with due diligence to communicate with stakeholders. The extension of the Stay of Proceedings is necessary and appropriate in the circumstances to provide the Applicants with continued breathing space while they attempt to maximize value for the benefit of their stakeholders through the CCAA proceedings and an eventual SISP.

18. As set out above, since the granting of the Initial Order, among other things, the Applicants have reached out to several of their stakeholders, including various suppliers, the regulatory entities in each province in which the Applicants have ongoing operations, their employees, and landlords, and begun to work with the Monitor to develop the SISP.

19. I understand that the Monitor will provide comment that the cash flow of the Applicants provides sufficient liquidity during the Stay Extension to fund obligations and costs of the CCAA proceedings. Accordingly, the Applicants have acted, and are continuing to act in good faith and with due diligence in these CCAA proceedings since the granting of the Initial Order.

20. In these circumstances, I do not believe any creditor will suffer material prejudice as a result of the extension of the Stay of Proceedings. The Applicants' stakeholders will benefit from the extension of the Stay of Proceedings, and the Monitor is supportive of this relief.

B. Increase to DIP Term Sheet

21. The Applicants seek to increase the maximum amount permitted to be drawn on the DIP Term Sheet from \$2,270,000 to \$6.6 million, and a corresponding increase to the DIP Lender's Charge in the same amount. Since the DIP Lender's Charge is a function of the amount drawn on the DIP Term Sheet, increasing the maximum amount permitted to be drawn on the DIP Term Sheet is expected to result in a corresponding increase to the DIP Lender's Charge, depending on how much is ultimately drawn.

22. As set out in the Initial Affidavit, the Cash Flow Statement indicates that the Applicants anticipate the need to draw this amount under the DIP Facility in order to maintain operations and fund

these CCAA proceedings through the proposed extension of the Stay of Proceedings, to and including October 3, 2023.

23. I understand that the Monitor is supportive of this relief and will provide further comment in their report, to be filed with this Court in support of the Applicants' motion. I further understand that a copy of the amended & restated DIP Term Sheet will be provided by the Monitor at a tab of their first report, to be filed, in support of this increase.

C. Authority to Incur No Further Costs in Connection with Securities Filings and Extension of Time Limit to Hold AGM

24. The Applicants seek (a) to incur no further expenses in relation to the Securities Filings; (b) a declaration that none of the directors, officers, employees and other representatives of the Applicants or the Monitor shall have any personal liability for failure by the Applicants to make any Securities Filings that may be required by the Securities Provisions; and (c) to extend the time limit to call and hold the AGM.

25. Aleafia Parent must call an annual meeting of shareholders no later than six months after the end of its preceding financial year, which was on March 31, 2023.

26. In the circumstances, the Applicants have determined that incurring further expenses to maintain the currency of the Aleafia Parent's Securities Filings going forward on the TSX and OTCQB, and holding the AGM is not appropriate at this juncture. The Applicants' resources and time are better directed towards their restructuring efforts. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Aleafia Group will continue to be made publicly available through the materials filed in these CCAA proceedings.

27. The Applicants believe that continuing to incur the costs related to the Securities Filings is not appropriate in the circumstances. The Applicants need to focus their efforts and budget on restructuring and carrying out a SISF, which will have the oversight of the Court, if approved.

28. Finally, the language in the proposed Amended and Restated Order is sufficiently tailored to advancing these purposes, and is not overly broad. It does not prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of the Applicants failing to make any Securities Filings required by the relevant securities provisions. I am advised by the Applicants' legal counsel that the

proposed language to be contained in the Amended and Restated Initial Order has recently been approved by this Court with the input from the Ontario Securities Commission.

C. Increase to the Charges

29. Pursuant to the Initial Order, the Charges were granted in the following amounts, with the priming issue² to be revisited at the Comeback Hearing:

- (a) Administration Charge: \$500,000;
- (b) DIP Lenders' Charge: \$2,270,000;
- (c) Directors' Charge: \$835,000.

30. Along with the DIP Lenders' Charge, the Administration Charge and Directors' Charge were required to ensure the participation of the Applicants' counsel, financial advisors, and directors & officers in the ongoing CCAA proceedings.

31. In the Initial Order, the Charges were each limited to only what was reasonably necessary during the initial Stay of Proceedings. Pursuant to the Amended and Restated Initial Order, the Applicants now seek to increase the quantum of the Administration Charge, DIP Lender's Charge and Directors' Charge up to a maximum of \$1,250,000, \$6,600,000 and \$2,850,000 (plus interest, fees and costs), respectively, all in line with the Cash Flow Statement prepared by the Applicants, with the assistance of the Monitor, and to be submitted to this Court.

32. The Applicants understand that the Monitor is supportive of this relief.

D. Priming of Charges

33. The Initial Affidavit sets out the evidentiary basis for the appropriateness and necessity of the Charges (and their quantum) in the circumstances.

² The DIP Lenders' Charge was directly tied to the Initial Advance per the DIP Term Sheet (terms as defined in the Pre-Filing Report of the Proposed Monitor dated July 24, 2023). As stated in the endorsement dated July 25, 2023 associated with the Initial Order, Justice Conway stated that the amount: "includes a proportionate share of the commitment fee payable to the DIP Lender for the financing provided during the 10-day period. The DIP Charge secures only the DIP financing provided during the initial period. The secured creditors did not oppose the priming of their security for the \$2.27 million but indicated that there may be opposition to increasing that amount at the comeback hearing." A copy of this endorsement is attached hereto at **Exhibit "D"**.

34. The proposed Charges in the Amended and Restated Order rank ahead of all Encumbrances (as defined in the Amended and Restated Order). The proposed Amended and Restated Order provides that the Charges, as among them, shall be in the following order:

- (a) First – Administration Charge;
- (b) Second – DIP Lender’s Charge; and
- (c) Third – Directors’ Charge.

35. I am advised by the Applicants’ counsel, that all secured parties who may be affected by the Charges will be given notice of this motion.

E. Pre-filing Supplier Payments

36. The Applicants rely on certain critical suppliers in their day-to-day operations. To preserve their business and maintain critical relationships, the Applicants are seeking authorization to increase the payment of amounts owing for goods and services supplied to the Applicants prior to the filing date from \$300,000 up to a maximum aggregate amount of \$500,000. Such payments may only be made if the Applicants and the Monitor consent to the determination that the relevant supplier is critical to the business and operations of the relevant Applicant, or the preservation of the property of the relevant Applicant, such that payment is required to ensure ongoing supply.

37. I understand that the Monitor is supportive of this relief and is fully informed of the Applicants’ business and needs with respect to potential critical suppliers.

F. Relief Sought

38. For the reasons set out herein, the Aleafia Group respectfully requests that this Court grant the Amended and Restated Initial Order.

39. I believe that the Aleafia Group has acted and is continuing to act in good faith and with due diligence in these CCAA proceedings since the granting of the Initial Order. As described above and in the First Affidavit, the Aleafia Group has now given notice of these CCAA proceedings to key stakeholders and secured creditors, and in consultation with the Monitor, has engaged in discussions with creditors and other parties to begin the process of restructuring its affairs.

40. I swear this Affidavit in support of an application for the relief set out above, and for no improper purpose.

SWORN BEFORE ME over video teleconference this 26th day of July, 2023 pursuant to O. Reg 431/20, Administering Oath or Declaration Remotely. The affiant was located in the City of Toronto in the Province of Ontario, while the Commissioner was located in the City of Toronto in the Province of Ontario.



DocuSigned by:
Samantha Hans
402050395465461

A Commissioner for taking Affidavits (*or as may be*)

SAMANTHA HANS (LSO#: 84737H)

DocuSigned by:
Patricia Symmes-Rizakos
01888568EC0C42B

PATRICIA SYMMES-RIZAKOS

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM
CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION,
ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., and 2676063
ONTARIO INC.

Court File No. CV-23-00703350-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AFFIDAVIT OF PATRICIA SYMMES-RIZAKOS
(Sworn July 26, 2023)

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Lawyers for the Applicants

This is Exhibit "C" referred to in the Affidavit of Patricia Symmes-Rizakos
sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Khan".

Commissioner for Taking Affidavits



Court File No. CV-23-00703350-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MADAM) TUESDAY, THE 25TH
)
JUSTICE CONWAY) DAY OF JULY, 2023

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM
CORP., EMBLEM CANNABIS CORPORATION, EMBLEM
REALTY LTD., GROWWISE HEALTH LIMITED., CANABO
MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA
FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL
INC., 2672533 ONTARIO INC., and 2676063 ONTARIO INC.

(collectively, the "**Applicants**")

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day by judicial videoconference.

ON READING the affidavit of Patricia Symmes-Rizakos sworn July 24, 2023 and the Exhibits thereto (the "**Symmes Affidavit**"), and the pre-filing report of KSV Restructuring Inc., in its capacity as proposed monitor of the Applicants (in such capacity, the "**Monitor**") dated July 24, 2023, and being advised that secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for the Proposed Monitor, counsel to Red White & Bloom Brands Inc. (the "**DIP Lender**"), the Applicants' senior secured creditor and the proposed DIP Lender, and such other

parties listed on the Counsel Slip, and on reading the consent of KSV Restructuring Inc. to act as the Monitor,

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

3. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively "**Assistants**") currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

4. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Symmes Affidavit or, with the consent of the Monitor and the DIP Lender, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be

entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any plan of compromise or arrangement (the “**Plan**”) with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

5. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on, or after the date of this Order, subject to compliance with the Cash Flow Projections (as defined in the DIP Term Sheet):

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing expenses;
- (b) with the consent of the Monitor, amounts owing for goods and services actually supplied to the Applicants prior to the date of this Order by third party suppliers, up to a maximum aggregate amount of \$300,000, if such third party is critical to the Business and ongoing operations of the Applicants; and
- (c) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

6. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, and subject to the Definitive Documents (as defined below), the Applicants shall be entitled, but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and

- (b) payment for goods or services actually supplied to the Applicants on or following the date of this Order.

7. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order;
- (c) any taxes, duties or other payments required under the Cannabis Legislation (as defined below) (collectively, "**Cannabis Taxes**"), but only where such Cannabis Taxes are accrued or collected after the date of this Order, or where such Cannabis Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (d) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

8. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the applicable Applicant and the landlord from time to time ("**Rent**"), for the

period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

9. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. **THIS COURT ORDERS** that each of the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents, have the right to operate the Business in the ordinary course pending the return hearing on the Comeback Date (as defined below).

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

11. **THIS COURT ORDERS** that until and including August 4, 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor or their respective representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

12. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the

Applicants or the Monitor, or their respective representatives acting in such capacities, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

13. **THIS COURT ORDERS** that during the Stay Period, no Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, security services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as a director or officer of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of such director's or officer's gross negligence or wilful misconduct.

18. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$835,000, unless permitted by further Order of this Court, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

19. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the

benefit of the Directors' Charge to the extent that they do not have coverage under any director's and officer's insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

APPOINTMENT OF MONITOR

20. **THIS COURT ORDERS** that KSV Restructuring Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their respective shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements and the Applicants' compliance with the Cash Flows (as defined in the DIP Term Sheet), including the management and deployment/use of any funds advanced by the DIP Lender to the Applicants under the DIP Term Sheet;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel on a weekly basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings, including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the

- Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (e) monitor all payments, obligations and any transfers as between the Applicants;
 - (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
 - (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
 - (h) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property, nor be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act* S.C. 2018, c.16, as amended, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, as amended, the *Excise Act, 2001*, S.C. 2002, c. 22, as amended, the *Ontario Cannabis Licence Act*, S.O. 2018, c. 12, Sched. 2, as amended, the *Ontario Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1, as amended, the *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, as amended, the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, as amended, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, as amended, the *Alberta Gaming, Liquor and Cannabis Act*, R.S.A. 2000, c. G-1, as amended, the *Alberta Gaming, Liquor and Cannabis Regulation*, Alta. Reg. 143/996, as amended, *The Cannabis Control (Saskatchewan) Act*, S.S. 2018, c. C-2.111, as amended, *The Cannabis Control (Saskatchewan) Regulations*, RRS, c. C-2.111 Reg 1, as amended, the *Manitoba The Liquor, Gaming and Cannabis Control Act*, C.C.S.M. c. L153, as amended, the *Manitoba Cannabis Regulation*, M.R. 120/2018, as amended, the *Newfoundland and Labrador Cannabis Control Act*, S.N. 2018, c. C-4.1, as amended, the *Newfoundland and Labrador Cannabis Control Regulations*, Nfld. Reg. 93/18, as amended, the

Newfoundland and Labrador *Cannabis Licensing and Operations Regulations*, Nfld. Reg. 94/18, as amended, or other such applicable federal, provincial or other legislation or regulations (collectively, the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity for any purpose whatsoever.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants, including, without limitation, the DIP Lender, with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its respective employees and representatives acting in such capacities shall incur any liability or obligation as a result of the appointment of the Monitor or the carrying out by it of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings, whether incurred prior to, on, or subsequent to the date of this Order. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis or on such other terms as the parties may agree, and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor and counsel to the Applicants, retainers in the approximate amount of \$75,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

27. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$500,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

DIP FINANCING

29. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under an interim credit facility from the DIP Lender in order to finance the

Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$2,270,000 under this Order unless permitted by further Order of this Court.

30. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the DIP Term Sheet between the Applicants and the DIP Lender dated as of July 24, 2023, as appended as Exhibit "TTT" to the Symmes Affidavit (as may be amended from time to time, the "**DIP Term Sheet**"), filed.

31. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, with the DIP Term Sheet, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents (collectively, the "**DIP Obligations**") as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

32. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property as security for the DIP Obligations, which DIP Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 35 and 37 hereof.

33. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon at least four (4) business days' written notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies

against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

34. **THIS COURT ORDERS** that the DIP Lender shall be treated as unaffected in any Plan filed by the Applicants under the CCAA, or any proposal filed by any of the Applicants under the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

35. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$500,000);

Second – DIP Lender's Charge (to the maximum amount of the DIP Obligations at the relevant time); and

Third – Directors' Charge (to the maximum amount of \$835,000).

36. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered,

recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person; other than any Person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or such other applicable legislation that has not been served with notice of this Order.

38. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Charges, or further Order of this Court.

39. **THIS COURT ORDERS** that the Charges and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into

of the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and

- (c) the payments made by the Applicants pursuant to this Order or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Applicant's interest in such real property leases.

SERVICE AND NOTICE

41. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in *The Globe and Mail* National Edition a notice containing the information prescribed under the CCAA, and (ii) within five (5) days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against any of the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder; provided that the Monitor shall not be required to make the claims, names and addresses of individuals who are creditors publicly available unless otherwise ordered by this Court.

42. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further

orders that a Case Website shall be established in accordance with the Protocol with the following URL: <https://www.ksvadvisory.com/insolvency-cases/case/aleafia> (the “**Website**”).

43. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2175 (SOR/DORS).

44. **THIS COURT ORDERS** that the Monitor shall maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the “**Service List**”). The Monitor shall post the Service List, as may be updated from time to time, on the case Website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor nor its counsel shall have any liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

GENERAL

45. **THIS COURT ORDERS** that any interested party that wishes to amend or vary this Order shall be entitled to appear or bring a motion before this Court on August 4, 2023, at 12:30PM (Toronto Time) or such other date as may be set by this Court upon the granting of this Order (the “**Comeback Date**”), provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges and priorities set forth in paragraphs 35 and 37 hereof with respect to any fees, expenses and disbursements incurred, or advances made under the DIP loan, as applicable and in accordance with paragraph 29, until the date this Order may be amended, varied or stayed.

46. **THIS COURT ORDERS** that, notwithstanding paragraph 45 of this Order, each of the Applicants, the DIP Lender or the Monitor may, from time to time, apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their respective powers and duties under this Order or in the interpretation of this Order hereunder.

47. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

48. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Germany or in Australia, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

49. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

50. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36*, AS AMENDED AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC. et al.

Applicants

Court File No. CV-23-00703350-00CL

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

Proceedings commenced at Toronto

**INITIAL ORDER
(Returnable July 25, 2023)**

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Lawyers for the Applicants

This is Exhibit "D" referred to in the Affidavit of Patricia Symmes-Rizakos
sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Han".

Commissioner for Taking Affidavits

Aleafia Health Obtains Creditor Protection to Pursue Restructuring and Sale Process

TORONTO, July 25, 2023 -- Aleafia Health Inc. (TSX:AH, OTCQB:ALEAF) (“**Aleafia**” or the “**Corporation**”) announces today that the Corporation and certain of its Canadian subsidiaries, Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited, Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc., and 2676063 Ontario Inc. (collectively, the “**Aleafia Group**”) have been granted an order (the “**Initial Order**”) from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) under the *Companies’ Creditors Arrangement Act* (the “**CCAA**”), in order to restructure their business and financial affairs.

On July 14, 2023, Aleafia announced the mutual termination of the binding letter agreement (the “**Letter Agreement**”) entered into between Red White & Bloom Brands Inc. (“**RWB**”) and Aleafia on June 6, 2023 in respect of the proposed business combination transaction. In addition, pursuant to an assignment of indebtedness and security dated June 6, 2023, NE SPC II LP assigned to RWB, all indebtedness of Aleafia and certain of its affiliates in connection with the loan agreement made as of December 24, 2021, as amended on March 28, 2022, June 17, 2022, April 26, 2023, May 15, 2023, and May 31, 2023 (the “**Aleafia Senior Secured Loan Agreement**”). Aleafia is currently in breach of certain covenants under the Aleafia Senior Secured Loan Agreement, RWB has not waived any outstanding breaches and, on July 24, 2023, RWB issued demand letters and notices to enforce security under Section 244 of the *Bankruptcy and Insolvency Act* (Canada).

In light of, among other things, financial pressures resulting from obligations owing to creditors (including under the Aleafia Senior Secured Loan Agreement), challenging factors impacting the cannabis industry and the termination of the Letter Agreement, and after careful consideration of all available alternatives and consultation with legal and financial advisors, the board of directors of each member of the Aleafia Group determined that it was in the best interest of the Aleafia Group and its stakeholders to seek creditor protection under the CCAA.

The Initial Order provides for, among other things: (i) a stay of proceedings in favour of the Aleafia Group; (ii) the approval of debtor-in-possession financing (“**DIP Financing**”) in accordance with the DIP Term Sheet (as described below); and (iii) the appointment of KSV Restructuring Inc. as monitor of the Aleafia Group (in such capacity, the “**Monitor**”). The DIP Loan (as described below) is anticipated to fund the operations of the Aleafia Group in the ordinary course through the duration of the CCAA proceedings.

The stay of proceedings and DIP Financing will provide the Aleafia Group with the time and stability required to consider potential restructuring transactions and maximize the value of its assets for the benefit of its creditors and other stakeholders. This may include the sale of all or substantially all of the business or assets of the Aleafia Group through a court-supervised sale process. In that regard, the Aleafia Group intends to seek Court approval to launch a sale and investment solicitation process for its business and assets (the “**SISP**”) promptly following the Initial Order. The SISP is expected to be administered by the Monitor, with the assistance of the Aleafia Group. Additional details in respect of the SISP will be disclosed shortly.

In order to fund the CCAA proceedings and other short-term working capital requirements, Aleafia has executed a DIP term sheet with RWB dated as of July 24, 2023 (the “**DIP Term Sheet**”) pursuant to which RWB has agreed to advance DIP Financing in the amount of \$6,600,000 (the “**DIP Loan**”). The continued availability of the DIP Loan is conditional on, among other things, certain conditions being satisfied, including the Initial Order remaining in effect.

It is anticipated that the Toronto Stock Exchange (“**TSX**”) will halt trading of the Corporation’s common shares and, as a result of having filed for protection under the CCAA, will place the Corporation under delisting review. There can be no assurance as to the outcome of such review or the continued qualification for listing on the TSX.

Additional information regarding the CCAA proceedings – including all of the Court materials filed in the CCAA proceedings – may be found at the Monitor’s website: <https://www.ksvadvisory.com/insolvency-cases/case/aleafia>

About Aleafia:

The Corporation is a federally licensed Canadian cannabis company offering cannabis products in Canadian adult-use and medical markets and in select international markets, including Australia and Germany. The Corporation operates a virtual medical cannabis clinic staffed by physicians and nurse practitioners which provide health and wellness services across Canada.

The Corporation owns three licensed cannabis production facilities and operates a strategically located distribution centre all in the province of Ontario, including the largest, outdoor cannabis cultivation facility in Canada. The Corporation produces a diverse portfolio of cannabis and cannabis derivative products including dried flower, pre-roll, milled, vapes, oils, capsules, edibles, sublingual strips and topicals.

Cautionary Statement Regarding Forward-Looking Information

This news release includes certain “forward-looking statements” under applicable Canadian securities legislation that are not historical facts. Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results,

performance, prospects, and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements in this news release include, but are not limited to, Aleafia's objectives and intentions, the availability of DIP Financing, the outcome of the CCAA proceedings and the SISP, and the trading and listing of the Corporation's common shares on the TSX. Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties and other factors which may cause actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic and social uncertainties; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; delay or failure to receive board, shareholder or regulatory approvals; future cannabis pricing; cannabis cultivation yields; costs of inputs; its ability to market products successfully to its anticipated clients; reliance on key personnel and contracted relationships with third parties; the ability to complete any future potential transactions in connection with the SISP in CCAA proceedings and the terms and conditions thereof; the availability of DIP Financing; the application of federal, state, provincial, county and municipal laws; the impact of increasing competition; those additional risks set out in Aleafia's public documents filed on SEDAR at www.sedar.com, including its annual information form for the financial year ended March 31, 2023; and other matters discussed in this news release related to the CCAA proceedings and the SISP. Although Aleafia believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. Except where required by law, Aleafia disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

For Investor & Media Relations

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This is Exhibit "E" referred to in the Affidavit of Patricia Symmes-Rizakos
sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Khan". The signature is written in a cursive style with a large initial 'S' and a long, sweeping tail.

Commissioner for Taking Affidavits



Court File No.: CV-23-00703350-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE) FRIDAY, THE 4TH
)
JUSTICE PENNY) DAY OF AUGUST, 2023
)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM
CORP., EMBLEM CANNABIS CORPORATION, EMBLEM
REALTY LTD., GROWWISE HEALTH LIMITED., CANABO
MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA
FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL
INC., 2672533 ONTARIO INC., and 2676063 ONTARIO INC.

(collectively, the "**Applicants**")

AMENDED AND RESTATED INITIAL ORDER

(amending Initial Order dated July 25, 2023)

THIS MOTION, made by the Applicants, for an order amending and restating the initial order of Justice Conway issued on July 25, 2023 pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day by judicial videoconference.

ON READING the affidavit of Patricia Symmes-Rizakos sworn July 24, 2023 and the Exhibits thereto (the "**Initial Symmes Affidavit**"), the affidavit of Patricia Symmes-Rizakos sworn July 26, 2023 and the Exhibits thereto, the pre-filing report of KSV Restructuring Inc. ("**KSV**"), in its capacity as proposed monitor of the Applicants dated July 24, 2023, and the First Report of KSV, in its capacity as monitor (in such capacity, the "**Monitor**"), to be filed (the "**First Report**"), on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants,

counsel for the Monitor, counsel to Red White & Bloom Brands Inc. (the “**DIP Lender**”), and such other parties listed on the Counsel Slip, no one appearing for any other party although duly served as appears from the Affidavits of Service of S. Hans, as filed,

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

2. **THIS COURT ORDERS AND DECLARES** that each of the Applicants is a company to which the CCAA applies.

PLAN OF ARRANGEMENT

3. **THIS COURT ORDERS** that each of the Applicants shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their respective current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to utilize the central cash management system currently in place as described in the Symmes Affidavit or, with

the consent of the Monitor and the DIP Lender, replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as defined below) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under any Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled but not required to pay the following expenses whether incurred prior to, on, or after the date of this Order, subject to compliance with the Cash Flow Projections (as defined in the DIP Term Sheet (as defined below)):

- (a) all outstanding and future wages, salaries, employee and pension benefits, vacation pay and employee expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements, and all other payroll and benefits processing expenses;
- (b) with the consent of the Monitor, amounts owing for goods and services actually supplied to the Applicants prior to the date of this Order by third party suppliers, up to a maximum amount not to exceed \$500,000, if such third party is critical to the Business and ongoing operations of the Applicants; and
- (c) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, and subject to the Definitive Documents (as defined below), the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants on or following the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order;
- (c) any taxes, duties or other payments required under the Cannabis Legislation (as defined below) (collectively, "**Cannabis Taxes**"), but only where such Cannabis Taxes are accrued or collected after the date of this Order, or where such Cannabis Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order; and
- (d) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants.

9. **THIS COURT ORDERS** that until a real property lease is disclaimed in accordance with the CCAA, the Applicants shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the applicable Applicant and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

11. **THIS COURT ORDERS** that each of the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the Definitive Documents and with the approval of the Monitor, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations, and to dispose of redundant or non-material assets not exceeding \$250,000 in any one transaction or \$1,000,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and
- (c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court,

all of the foregoing to permit the Applicants to proceed with an orderly restructuring of the Business.

12. **THIS COURT ORDERS** that the applicable Applicant shall provide each relevant landlord with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes such Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the applicable Applicant, or by further Order of this Court upon application by the applicable Applicant on at least two (2) days notice to such landlord and any such secured creditors. If any Applicant disclaims a lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer of the lease shall be without prejudice to such Applicant's claim to the fixtures in dispute.

13. **THIS COURT ORDERS** that if a notice of disclaimer is delivered pursuant to Section 32 of the CCAA, then: (a) during the notice period prior to the effective time of the disclaimer, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the applicable Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the applicable Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith

NO PROCEEDINGS AGAINST THE APPLICANTS OR THEIR RESPECTIVE PROPERTY

14. **THIS COURT ORDERS** that until and including September 1, 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicants or the Monitor or their respective representatives acting in such capacities, or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect

of the Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

15. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicants or the Monitor, or their respective representatives acting in such capacities, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

16. **THIS COURT ORDERS** that during the Stay Period, no Person shall accelerate, suspend, discontinue, fail to honour, alter, interfere with, repudiate, rescind, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

17. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, security services, payroll services, insurance, transportation services, utility or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with, suspending or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or

charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

18. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

19. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of any of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

20. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as a director or officer of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of such director's or officer's gross negligence or wilful misconduct.

21. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$2,850,000, unless permitted by further Order of

this Court, as security for the indemnity provided in paragraph 20 of this Order. The Directors' Charge shall have the priority set out in paragraphs 38 and 40 herein.

22. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer or indemnitor shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any director's and officer's insurance policy or indemnity from a non-Applicant, or to the extent that such coverage or such indemnity is insufficient to pay amounts indemnified in accordance with paragraph 20 of this Order.

APPOINTMENT OF MONITOR

23. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their respective shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

24. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements and the Applicants' compliance with the Cash Flows (as defined in the DIP Term Sheet), including the management and deployment/use of any funds advanced by the DIP Lender to the Applicants under the DIP Term Sheet;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

- (c) assist the Applicants, to the extent required by the Applicants, in their dissemination, to the DIP Lender and its counsel on a weekly basis of financial and other information as agreed to between the Applicants and the DIP Lender which may be used in these proceedings, including reporting on a basis to be agreed with the DIP Lender;
- (d) advise the Applicants in their preparation of the Applicants' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than weekly, or as otherwise agreed to by the DIP Lender;
- (e) monitor all payments, obligations and any transfers as between the Applicants;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) perform such other duties as are required by this Order or by this Court from time to time.

25. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property, nor be deemed to take possession of the Property, pursuant to any provision of any federal, provincial or other law respecting, among other things, the manufacturing, possession, processing and distribution of cannabis or cannabis products including, without limitation, under the *Cannabis Act* S.C. 2018, c.16, as amended, the *Controlled Drugs and Substances Act*, S.C. 1996, c. 19, as amended, the *Excise Act, 2001*, S.C. 2002, c. 22, as amended, the *Ontario Cannabis Licence Act*, S.O. 2018, c. 12, Sched. 2, as amended, the *Ontario Cannabis Control Act*, S.O. 2017, c. 26, Sched. 1, as amended, the *Ontario Cannabis Retail Corporation Act*, 2017, S.O. 2017, c. 26, as amended, the *British Columbia Cannabis Control and Licensing Act*, S.B.C. 2018, c. 29, as amended, the *British Columbia Cannabis Distribution Act*, S.B.C. 2018, c. 28, as amended, the *Alberta Gaming, Liquor and Cannabis Act*, R.S.A. 2000, c. G-1, as amended, the *Alberta Gaming, Liquor and*

Cannabis Regulation, Alta. Reg. 143/996, as amended, *The Cannabis Control (Saskatchewan) Act*, S.S. 2018, c. C-2.111, as amended, *The Cannabis Control (Saskatchewan) Regulations*, RRS, c. C-2.111 Reg 1, as amended, the Manitoba *The Liquor, Gaming and Cannabis Control Act*, C.C.S.M. c. L153, as amended, the Manitoba *Cannabis Regulation*, M.R. 120/2018, as amended, the Newfoundland and Labrador *Cannabis Control Act*, S.N. 2018, c. C-4.1, as amended, the Newfoundland and Labrador *Cannabis Control Regulations*, Nfld. Reg. 93/18, as amended, the Newfoundland and Labrador *Cannabis Licensing and Operations Regulations*, Nfld. Reg. 94/18, as amended, or other such applicable federal, provincial or other legislation or regulations (collectively, the "**Cannabis Legislation**"), and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof within the meaning of any Cannabis Legislation or otherwise, and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation or rule of law or equity for any purpose whatsoever.

26. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

27. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the Applicants, including, without limitation, the DIP Lender, with information provided by the

Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

28. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, neither the Monitor nor its respective employees and representatives acting in such capacities shall incur any liability or obligation as a result of the appointment of the Monitor or the carrying out by it of the provisions of this Order, including under any Cannabis Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

29. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings, whether incurred prior to, on, or subsequent to the date of this Order. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants on a bi-weekly basis or on such other terms as the parties may agree, and, in addition, the Applicants are hereby authorized to pay to the Monitor, counsel to the Monitor and counsel to the Applicants, retainers in the approximate amount of \$75,000 to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

30. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,250,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these

proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

DIP FINANCING

32. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under an interim credit facility from the DIP Lender in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$6,600,000 unless permitted by further Order of this Court.

33. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the Amended and Restated DIP Term Sheet between the Applicants and the DIP Lender dated as of July 24, 2023, as appended as Appendix "B" to the First Report (as may be further amended from time to time, the "**DIP Term Sheet**"), to be filed.

34. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, with the DIP Term Sheet, the "**Definitive Documents**"), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Definitive Documents (collectively, the "**DIP Obligations**") as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

35. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property as security for the DIP Obligations, which DIP Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 and 40 hereof.

36. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon at least four (4) business days' written notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

37. **THIS COURT ORDERS** that the DIP Lender shall be treated as unaffected in any Plan filed by any of the Applicants under the CCAA, or any proposal filed by any of the Applicants under the *Bankruptcy and Insolvency Act* (Canada)(the "**BIA**"), with respect to any advances made under the Definitive Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

38. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge and the DIP Lender's Charge (collectively, the "**Charges**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$1,250,000);

Second – DIP Lender's Charge (to the maximum amount of the DIP Obligations at the relevant time); and

Third – Directors' Charge (to the maximum amount of \$2,850,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

41. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges unless the Applicants also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Charges, or further Order of this Court.

42. **THIS COURT ORDERS** that the Charges and the Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into of the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

43. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Applicant's interest in such real property leases.

CORPORATE MATTERS

44. **THIS COURT ORDERS** that Aleafia Health Inc. be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

RELIEF FROM REPORTING AND FILING OBLIGATIONS

45. **THIS COURT ORDERS** that the decision by the Applicant to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), R.S.O. c. S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange and OTCQB® (collectively, the "**Securities Legislation**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in Section 11.1(2) of the CCAA

as a consequence of the Applicant failing to make any Securities Filings required by the Securities Provisions.

46. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants, nor the Monitor shall have any personal liability for any failure by the Applicant to make any Securities Filings required by the Securities Legislation during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have against the directors, officers, employees and other representatives of the Applicant of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicant. For greater certainty, nothing in this Order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue or maintain cease trader orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the Court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SERVICE AND NOTICE

47. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in *The Globe and Mail* National Edition a notice containing the information prescribed under the CCAA, and (ii) within five (5) days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, or cause to be sent, in the prescribed manner, a notice to every known creditor who has a claim against any of the Applicants of more than \$1,000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder; provided that the Monitor shall not be required to make the claims, names and addresses of individuals who are creditors publicly available unless otherwise ordered by this Court.

48. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

[protocol/](#)) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <https://www.ksvadvisory.com/insolvency-cases/case/aleafia> (the “**Website**”).

49. **THIS COURT ORDERS** that the Applicants and the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicants' creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2175 (SOR/DORS).

50. **THIS COURT ORDERS** that the Monitor shall maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the “**Service List**”). The Monitor shall post the Service List, as may be updated from time to time, on the case Website as part of the public materials in relation to this proceeding. Notwithstanding the foregoing, the Monitor nor its counsel shall have any liability in respect of the accuracy of or the timeliness of making any changes to the Service List.

GENERAL

51. **THIS COURT ORDERS** that each of the Applicants, the DIP Lender or the Monitor may, from time to time, apply to this Court to amend, vary or supplement this Order or for advice and directions in the discharge of their respective powers and duties under this Order or in the interpretation of this Order.

52. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property.

53. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Germany or in

Australia, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

54. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

55. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order; provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges and priorities set forth in paragraphs 38 and 40 hereof with respect to any fees, expenses and disbursements incurred, or advances made under the DIP loan, as applicable, until the date this Order may be amended, varied or stayed.

56. **THIS COURT ORDERS** that the Initial Order is hereby amended and restated pursuant to this Order, and this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36*, AS AMENDED, AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC. et al.

Applicants

Court File No. CV-23-00703350-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

AMENDED & RESTATED INITIAL ORDER
(amending Initial Order dated July 25, 2023)

AIRD & BERLIS LLP

Brookfield Place
181 Bay Street
Suite 1800
Toronto, ON M5J 2T9

Kyle Plunkett (LSO# 61044N)
Miranda Spence (LSO# 60621M)
Tamie Dolny (LSO# 77958U)
Samantha Hans (LSO# 84737H)

Tel: 416.863.1500
Fax: 416.863.1515

Lawyers for the Applicants

This is Exhibit "F" referred to in the Affidavit of Patricia Symmes-Rizakos
sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Khan".

Commissioner for Taking Affidavits

Licence No. - N° de licence
LIC-VTQAQTTMOL-2023

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Aleafia Farms Inc.

Licensed Site / Lieu autorisé :
378 SOUTH SERVICE ROAD
GRIMSBY, ON, CANADA, L3M 5A5

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis For the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means To sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis Afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques Vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autre activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Building 1

Effective date of the licence:

This licence is effective as of **June 7, 2023**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **7 juin 2023**

Expiry date of the licence:

This licence expires on **June 13, 2024**

Date d'expiration de la licence:

La présente licence expire le **13 juin 2024**



Director, Licencing and Security, Controlled Substances and Cannabis Branch

Directeur, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Licence No. - N° de licence
LIC-GYAJNCME6L-2020-1

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Aleafia Farms Inc.

Licensed Site / Lieu autorisé :
2540 REGIONAL ROAD 19
BLACKSTOCK, ON, CANADA, L0B 1B0

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis For the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means To sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis Afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques Vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis
Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autres activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

- Barn #1
- Barn #2
- Barn #3
- Barn #4
- Barn #5
- Building 1
- Outdoor Drying Room-Storage Room

Outdoor Area(s) / Zone(s) extérieure(s)

The cultivation, propagation and harvesting of cannabis are authorized in the following outdoor area(s) / La culture, la multiplication et la récolte de cannabis sont autorisées dans les zone(s) extérieure(s) suivante(s) :

- Outdoor Grow Area 1
- Outdoor Grow Area 2
- Outdoor Grow Area 3
- Outdoor Grow Area 4
- Outdoor Grow Area 5

Acting Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Effective date of the licence:

This licence is effective as of **December 9, 2020**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **9 décembre 2020**

Expiry date of the licence:

This licence expires on **October 9, 2023**

Date d'expiration de la licence:

La présente licence expire le **9 octobre 2023**



Licence No. - N° de licence
LIC-0CNINOV9QK-2023

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Emblem Cannabis Corporation

Licensed Site / Lieu autorisé :
20 WOODSLEE AVENUE
PARIS, ON, CANADA, N3L 3N6

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis For the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means To sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis Afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques Vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».

Standard Processing

Transformation standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To produce cannabis, other than obtain it by cultivating, propagating or harvesting it To sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte Vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.

Acting Director, Licencing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Conditions	Conditions
The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.

Sale for Medical Purposes

Vente à des fins médicales

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To sell cannabis products in accordance with section 27 and Part 14, Division 1 of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Vendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du Règlement sur le cannabis

Conditions	Conditions
N/A	nd

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autre activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Building 1
Building 2

Effective date of the licence:

This licence is effective as of **January 19, 2023**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **19 janvier 2023**

Expiry date of the licence:

This licence expires on **January 20, 2028**

Date d'expiration de la licence:

La présente licence expire le **20 janvier 2028**

Acting Director, Licencing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Licence No. - N° de licence
LIC-28X6T94W2Y-2021-1

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Emblem Cannabis Corporation

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses:

- Research

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes :

- Recherche

Site and authorized activities

Site et activités autorisées

Site	Activities	Activités
20 WOODSLEE AVENUE PARIS, ON, CANADA, N3L 3N6	<ul style="list-style-type: none"> • to possess cannabis for the purpose of research • to produce cannabis for the purpose of research 	<ul style="list-style-type: none"> • aux fins de recherche, avoir du cannabis en sa possession • aux fins de recherche, produire du cannabis

Conditions

Conditions

This licence is restricted, in addition to all other applicable conditions, in that all research conducted under this licence is based on the Research Protocol "Sensory Assessment Studies of Cannabis Research Products" provided to Health Canada on November 5, 2020.	Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que toute la recherche effectuée sous cette licence est basée sur le protocole de recherche «Sensory Assessment Studies of Cannabis Research Products», fourni à Santé Canada le 5 novembre 2020.
The maximum quantity of cannabis to be stored for the purpose of research at the address indicated on this licence is: < 1 kg of dried cannabis (or equivalent) at any given time.	La quantité maximale de cannabis pour des fins de recherche qui peut être entreposé au lieu à l'adresse indiquée sur cette licence, pour les protocoles de recherche mentionnés ci-dessus, est de < 1 kg de cannabis en tout temps.
The researcher may only possess and produce cannabis if such possession and production is to use in accordance with the research protocol submitted.	Le chercheur peut seulement posséder et produire du cannabis que si cette possession et cette production sont pour une utilisation en conformité au protocole de recherche soumis.
With respect to research involving the administration or distribution of cannabis to human research subjects for assessments of taste, sight, smell or touch of cannabis, in addition to any other conditions listed in this licence, the researcher must meet the requirements set out in the document entitled <i>Appendix: Additional conditions for licensed researchers administering or distributing cannabis to human research subjects</i> .	En ce qui a trait aux recherches qui nécessitent l'administration ou la distribution de cannabis à des sujets de recherche humains à fins d'évaluation de goût, d'apparence, d'odeur ou de propriétés tactiles du cannabis, en plus de tout autres conditions indiquées sur la licence, le chercheur doit rencontrer les exigences énoncées dans le document intitulé <i>Annexe: Conditions additionnelles pour des titulaires de licence de recherche qui administrent ou distribuent du cannabis à des sujets de recherche humains</i> .
All record keeping requirements pertaining to this research licence must be met in accordance with Part 11 of the <i>Cannabis Regulations</i> .	Toutes les exigences relatives à la tenue des dossiers de cette licence de recherche doivent être satisfaites conformément à la partie 11 du <i>Règlement sur le cannabis</i> .
At the end of the research, all cannabis must be destroyed in accordance with s.43 of the <i>Cannabis Regulations</i> unless distributed in a manner authorized by the <i>Cannabis Regulations</i> .	À la fin de la recherche, tout cannabis doit être détruit en conformité avec l'article 43 du <i>Règlement sur le cannabis</i> à moins d'être distribué d'une manière autorisée par le <i>Règlement sur le cannabis</i> .

Effective date of the licence:

This licence is effective as of **April 29, 2021**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **29 avril 2021**

Expiry date of the licence:

This licence expires on **April 7, 2026**

Date d'expiration de la licence:

La présente licence expire le **7 avril 2026**



Licence No. - N° de licence
LIC-CTHF6SVA0C-2021-2

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Emblem Cannabis Corporation

Licensed Site / Lieu autorisé :
85 BASALTIC ROAD
UNIT A
VAUGHAN, ON, CANADA, L4K 1G4

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Processing

Transformation standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To produce cannabis, other than obtain it by cultivating, propagating or harvesting it To sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte Vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled " <i>Mandatory cannabis testing for pesticide active ingredients - Requirements</i> ".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « <i>Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences</i> ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; and fresh cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; et cannabis frais.
The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; and fresh cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; et cannabis frais.

Sale for Medical Purposes

Vente à des fins médicales

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To sell cannabis products in accordance with section 27 and Part 14, Division 1 of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Vendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du Règlement sur le cannabis

Conditions	Conditions
N/A	nd

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autres activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Distribution center

Acting Director, Licencing and Security, Controlled Substances and Cannabis Branch

Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



Effective date of the licence:

This licence is effective as of **June 10, 2022**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **10 juin 2022**

Expiry date of the licence:

This licence expires on **February 12, 2024**

Date d'expiration de la licence:

La présente licence expire le **12 février 2024**

Acting Director, Licencing and Security, Controlled Substances and Cannabis Branch
Directeur par intérim, Licences et sécurité, Direction générale des substances contrôlées et du cannabis



October 7, 2022

Aleafia Farms Inc.
A-85 Basaltic Road
Concord ON L4K 1G4
Attention: Pinghua Zhu

Dear PINGHUA ZHU:

Subject: Renewal of Cannabis Licence under the Excise Act, 2001

We have reviewed your cannabis licence renewal application, and are pleased to inform you that your cannabis licence under the Excise Act, 2001 has been renewed effective October 17, 2022.

Cannabis licence number

The following licence number should be recorded on all correspondence with the CRA:

88009 9247

Each of the physical business locations included in the licence application has been provided with a separate account number as follows:

Location	Account Identifier	Account Type	Premises Address
1	RD0001	Filing	2540 Shirley Ave. Blackstock, ON L0B 1B0
2	RD0002	Filing	378 South Service Rd Grimsby, ON L3M 5A5

Acknowledgement of Security

A person renewing a cannabis licence under the Act is required to maintain security in a form satisfactory to the CRA and in an amount determined by the Regulations Respecting Excise Licences and Registrations. Please ensure your posted security remains valid, and is sufficient to ensure payment of the amount referred to in paragraph 160(b) of the Act (highest duty payable on your B300 excise duty return for any month). If you have questions in regards to the security requirement, please contact our office.

Renewal of Cannabis Licence

Information related to renewing a cannabis licence is provided in Excise Duty Notice EDN52, Obtaining and Renewing a Cannabis Licence. Subject to meeting the requirements for maintaining a cannabis licence, the licence will remain in effect for the period specified in the licence.

The expiry date for your licence will be October 16, 2024. In order to renew the cannabis licence, a completed Form L300, Cannabis Licence Application must be submitted to your regional office not later than 30 days before the expiry date.

Obligations of a Cannabis Licensee

Changes to Information

The CRA must be informed of any changes to the name, legal entity, business or mailing address, location of books and records or changes to any other information provided in the licence application form. The CRA must also be informed if your business/operations have been discontinued or sold.

Books and Records

All cannabis licensees are required to maintain adequate books and records and provide access to those books and records to excise officers. Denied access to books and records could result in a suspension or the cancellation of a cannabis licence.

Filing of Returns

A form B300, Cannabis Duty and Information Return, for each filing division under your cannabis licence must be filed for each calendar month whether or not any duty is payable. Your returns are due at the end of the month following the calendar month for the production being reported. It should be noted that a licensee who fails to file a return for a reporting period as and when required will be subject to penalty. Similarly, if payment is not made as and when required, a licensee will be subject to interest on the late payment.

Electronic filing of the monthly B300 Cannabis Duty and Information Return, the B301 Application for a Refund of Cannabis Duty, as well as other account information, such as account transactions and balances, licence status and account maintenance activities, is available at canada.ca/my-cra-business-account. Electronic filing of returns provides immediate confirmation that your return has been received by the CRA. Enrollment can be completed online, and further information is available at canada.ca/my-cra-business-account or by phone at 1-800-959-5525.

Monthly excise cannabis returns may also be printed from our website at canada.ca/cannabis-excise so that they may be completed and submitted by mail. Please note that should a return and any payment due not be filed or received within the time limits, penalty and interest charges may be applied in accordance with the Act.

Methods of Destruction and Analysis

As a reminder, methods for destruction and analysis of cannabis products must be approved by the Minister. Any changes to the previously approved methods must be submitted in writing to the Regional Manager for Excise Duty for approval, prior to implementation of the revised procedures.

Although we reserve the right to be present during any destruction, mandatory notification and witnessing of destruction is not required for regular, routine destruction. However, unusual



destruction or the destruction of packaged goods returned from a purchaser are required to be reported and may require witnessing of the destruction by an officer.

Should you have any questions or require clarification regarding the above information, please do not hesitate to contact Zaigham Butt at 905-869-4410. For general information regarding the excise duty on cannabis products please go to canada.ca/cannabis-excise or call 1-866-330-3304 to make an enquiry. To request a ruling or technical interpretation on cannabis excise duty, please email cannabis@cra-arc.gc.ca.

Sincerely,

Dan Reggio

Digitally signed by Dan Reggio
Date: 2022.10.07 14:53:52 -04'00'

Dan Reggio
Ontario Regional Manager
Excise Duties and Taxes
Legislative Policy and Regulatory Affairs

Canada Revenue
AgencyAgence du revenu
du Canada

Emblem Cannabis Corporation
85 Basaltic Road, Unit A
Concord ON L4K 1G4

Case Number: 85043941
Business Number: 85070 8975

Attention: Joanne Zhu

October 14, 2022

Dear Joanne Zhu:

RE: Renewal of Cannabis Licence under the Excise Act, 2001

We have reviewed your cannabis licence renewal application, and are pleased to inform you that your cannabis licence under the *Excise Act, 2001* has been renewed effective **October 17, 2022**.

The following licence number should be recorded on all correspondence with the CRA:

85070 8975 RD0002
20 Woodslee Avenue
Paris ON N3L 3N6

85070 8975 RD0005
85 Basaltic Road, Unit A
Concord ON L4K 1G4

Acknowledgement of Security

A person renewing a cannabis licence under the Act is required to maintain security in a form satisfactory to the Canada Revenue Agency and in an amount determined by the *Regulations Respecting Excise Licences and Registrations*. Please ensure your posted security remains valid, and is sufficient to ensure payment of the amount referred to in paragraph 160(b) of the Act (highest duty payable on your B300 excise duty return for any month). If you have questions in regards to the security requirement, please contact our office.

Renewal of Cannabis Licence

Information related to renewing a cannabis licence is provided in Excise Duty Notice EDN52, Obtaining and Renewing a Cannabis Licence. Subject to meeting the requirements for maintaining a cannabis licence, the licence will remain in effect for the period specified in the licence.

The expiry date for your cannabis licence will be **October 16, 2023**. In order to renew the cannabis licence, a completed Form L300, Cannabis Licence Application must be submitted to your regional office not later than 30 days before the expiry date.

Excise Duties and Taxes
Legislative Policy and Regulatory Affairs
55 Bay St. N.
Hamilton, ON L8R 3P7
Telephone 1-866-330-3304
Fax: 1-905-572-4608

Maintaining and Renewing a Licence Issued under the Act

A holder of a licence issued under the Act who wishes to maintain or renew their excise licence must continue to meet certain conditions imposed under the Act. Pursuant to paragraph 2(2)(e) of the Regulations Respecting Excise Licences and Registrations (Regulations) a licensee must maintain sufficient financial resources to conduct their business in a responsible manner.

In order to demonstrate that you have sufficient financial resources to conduct business in a responsible manner in accordance with section 2 of the Regulations, we require that you agree to a payment arrangement with the CRA to repay the arrears balances listed below. If you fail to fulfill your obligations under that payment arrangement, the CRA may consider that you have insufficient financial resources to conduct your business in a responsible manner.

As of today's date, you have arrears balances for the following accounts maintained with the CRA:

- a. RD0002 - **\$820,154.80** (in respect of obligations under the *Excise Act, 2001*) call Mathieu Durocher in Collections at 1-833-940-3580.
- b. RT0001 - **\$1,079,064.96** (in respect of obligations under the *Excise Tax Act*) call at 1-800-675-6183.
- c. RP0001 - **\$1,225.16** (in respect of obligations under the *Income Tax Act, Employment Insurance Act, Canada Pension Plan and/or Quebec Pension Plan*) call collections at 1-800-675-6183.
- d. RC0001 - **\$3,014.56** (in respect of obligations under the *Income Tax Act*) call collections at 1-800-675-6183.

Please contact the appropriate Collections area to make payment arrangements. Failure to meet the eligibility criteria for a licence is grounds for the CRA to suspend or cancel an excise licence pursuant to the Regulations. If your licence is suspended or cancelled, you will no longer be authorized to conduct any activities, including production or possession of the goods, for which the licence was issued.

Obligations of a Cannabis Licensee

Changes to Information

The CRA must be informed of any changes to the name, legal entity, business or mailing address, location of books and records or changes to any other information provided in the licence application form. The CRA must also be informed if your business/operations have been discontinued or sold.



Books and Records

All cannabis licensees are required to maintain adequate books and records and provide access to those books and records to excise officers. Denied access to books and records could result in a suspension or the cancellation of a cannabis licence.

Filing of Returns

A form B300, Cannabis Duty and Information Return for each filing division under your cannabis licence must be filed for each calendar month whether or not any duty is payable. Your returns are due at the end of the month following the calendar month for the production being reported. It should be noted that a licensee who fails to file a return for a reporting period as and when required will be subject to penalty. Similarly, if payment is not made as and when required, a licensee will be subject to interest on the late payment.

Electronic filing of the monthly B300 Cannabis Duty and Information Return, the B301 Application for a Refund of Cannabis Duty, as well as other account information, such as account transactions and balances, licence status and account maintenance activities, is available at canada.ca/my-cra-business-account. Electronic filing of returns provides immediate confirmation that your return has been received by the CRA. Enrollment can be completed online, and further information is available at canada.ca/my-cra-business-account or by phone at 1-800-959-5525.

Monthly excise cannabis returns may also be printed from our website at canada.ca/cannabis-excise so that they may be completed and submitted by mail. Please note that should a return and any payment due not be filed or received within the time limits, penalty and interest charges may be applied in accordance with the Act.

Methods of Destruction and Analysis

As a reminder, methods for destruction and analysis of cannabis products must be approved by the Minister. Any changes to the previously approved methods must be submitted in writing to the Regional Manager for Excise Duty for approval, prior to implementation of the revised procedures.

Mandatory notification and witness of destruction is not required for regular, routine destruction. However, unusual destruction or the destruction of packaged goods returned from a purchaser are required to be reported and may require witnessing of the destruction by an officer.

Should you have any questions or require clarification regarding the above information, please do not hesitate to contact Amy Gunter at (289) 237-4439. For general information regarding the excise duty on cannabis products please go to canada.ca/cannabis-excise. To request a ruling or interpretation or make a technical enquiry on cannabis excise duty, please call 1-866-330-3304 or email cannabis@cra-arc.gc.ca.

Sincerely,

CARDWELL
KATHERINE



Digitally signed by
CARDWELL KATHERINE
Date: 2022.10.20 10:06:16
-04'00'

Katherine Cardwell, CPA, CGA
Ontario Regional Manager
Excise Duties and Taxes
Legislative Policy and Regulatory Affairs

Encl: Supplementary Licensing Letter

Canada Revenue
AgencyAgence du revenu
du Canada

Emblem Cannabis Corporation
85 Basaltic Road, Unit A
Concord ON L4K 1G4

Case Number: 85043941
Business Number: 85070 8975

Attention: Joanne Zhu

October 14, 2022

Dear Joanne Zhu:

Re: Validity of Cannabis Licence under Excise Act, 2001

We are pleased to inform you that your cannabis licence under the Act has been renewed effective **October 17, 2022** and will expire on **October 16, 2023**.

Your account information is as follows

85070 8975 RD0002
20 Woodslee Avenue
Paris ON N3L 3N6

85070 8975 RD0005
85 Basaltic Road, Unit A
Concord ON L4K 1G4

Should you have any questions regarding the status of this licence, please contact our enquires line at 1-866-330-3304.

Sincerely,

CARDWELL Digitally signed by
CARDWELL KATHERINE
KATHERINE Date: 2022.10.20
10:15:48 -04'00'

Katherine Cardwell, CPA, CGA
Ontario Regional Manager
Excise Duties and Taxes
Legislative Policy and Regulatory Affairs

Excise Duties and Taxes
Legislative Policy and Regulatory Affairs
55 Bay St. N.
Hamilton, ON L8R 3P7
Telephone 1-866-330-3304
Fax: 1-905-572-4608

Canada

This is Exhibit "G" referred to in the Affidavit of Patricia Symmes-Rizakos
sworn before me at Toronto, Ontario, this 11th day of August, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Han".

Commissioner for Taking Affidavits

STALKING HORSE ASSET PURCHASE AND SUBSCRIPTION AGREEMENT

ALEAFIA HEALTH INC.

-AND-

EMBLEM CANNABIS CORPORATION

-AND-

CANABO MEDICAL CORPORATION

-AND-

ALEAFIA FARMS INC.

-AND-

ALEAFIA RETAIL INC.

AS COMPANIES

-AND-

RED WHITE & BLOOM BRANDS INC.

-AND-

RWB (PV) CANADA INC.

AS PURCHASER

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THIS STALKING HORSE ASSET PURCHASE AND SUBSCRIPTION AGREEMENT is made as of August 10, 2023

BETWEEN:

ALEAFIA HEALTH INC. (“Aleafia Health”)

-and-

EMBLEM CANNABIS CORPORATION (“ECC”)

-and-

CANABO MEDICAL CORPORATION (“Canabo”)

-and-

ALEAFIA FARMS INC. (“Aleafia Farms”),

-and-

ALEAFIA RETAIL INC. (“Aleafia Retail”, and collectively with ECC, Canabo and Aleafia Farms, the “Companies”)

-and-

RED WHITE & BLOOM BRANDS INC. (“RWB”),

-and-

RWB (PV) CANADA INC. (“Purchaser”)

RECITALS:

- A. Aleafia Health, through certain of its wholly-owned subsidiaries, is a federally licensed Canadian cannabis company, operating pursuant to the *Cannabis Act* (Canada) and applicable provincial and municipal legislation in Ontario, Alberta, British Columbia, Saskatchewan and Manitoba, as well as providing virtual health and wellness services across Canada through a virtual cannabis clinic (the “**Business**”).
- B. On July 25, 2023, the Applicants (as hereinafter defined) commenced proceedings under the CCAA (as hereinafter defined) before the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”) to, among other things, seek creditor protection for, and certain relief in respect of, the Applicants (as hereinafter defined).
- C. The Applicants plan to obtain an order (the “**SISP Order**”) from the CCAA Court approving, among other things, the SISP (as hereinafter defined).
- D. Pursuant to the SISP, the Purchaser has been selected as the stalking horse bidder and as such, the Purchaser has agreed to (i) acquire certain assets from Aleafia Health, and (ii) subscribe for, and each of the Companies have agreed to issue, the Purchased Shares

on and pursuant to the terms set forth herein if Purchaser becomes the successful bidder pursuant to the SISP.

NOW THEREFORE, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement,

"126" means 1260356 Ontario Limited, a corporation duly constituted under the laws of the Province of Ontario.

"126 Loan Amount" means cash in an amount sufficient to satisfy the outstanding obligations of the Applicants to 126 pursuant to the 126 Mortgage in the approximate amount of \$5,444,106 as of July 31, 2023.

"126 Mortgage" means that certain mortgage/charge of land registered against title to real property owned by Aleafia Farms and municipally known as 2560 Regional Road 19, Scugog, Ontario in favour of 126 pursuant to Instrument No. DR2098410 on February 8, 2022. For greater certainty, **"126 Mortgage"** does not include any other security granted by any Applicant to 126, all of which shall form part of the Excluded Liabilities.

"Administration Charge" has the meaning given to it in the Initial Order.

"Administrative Expense Amount" means cash in the amount of \$400,000, which shall be paid to the Monitor on the Closing Date and held by the Monitor, for the benefit of Persons entitled to be paid the Administrative Expense Costs, subject to the terms hereof.

"Administrative Expense Costs" means the reasonable and documented costs and expenses for services performed by the Monitor and its legal counsel after the Closing Date in connection with the CCAA Proceedings, the administration of such proceedings to their conclusion and this Agreement, including any bankruptcy of the remaining Applicants, to the extent such amount has not been pre-funded under the DIP Credit Facility Term Sheet prior to the Closing Date.

"Affiliate" means, with respect to any specified Person, any other Person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise). For greater certainty, an Affiliate of a Person shall include such Person's investment funds and managed accounts and any funds managed or directed by the same investment advisor.

"Agreement" means this stalking horse subscription agreement and all attachments and Exhibits, in each case as the same may be supplemented, amended, restated or replaced from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this stalking horse subscription agreement and all attached Schedules and

Exhibits, and unless otherwise indicated, references to Articles, Sections, Schedules and Exhibits are to Articles, Sections, Schedules and Exhibits in this stalking horse subscription agreement.

“**Aleafia**” means Aleafia Inc., a corporation duly constituted under the laws of the Province of Ontario.

“**Aleafia Brands**” means Aleafia Brands Inc., a corporation duly constituted under the laws of the Province of Ontario.

“**Aleafia Farms**” means Aleafia Farms Inc. a corporation duly constituted under the laws of the Province of Ontario.

“**Aleafia Farms Purchased Shares**” has the meaning given to such term in Section 2.1(c).

“**Aleafia Health**” means Aleafia Health Inc., a corporation duly constituted under the laws of the Province of Ontario.

“**Aleafia Retail**” means Aleafia Retail Inc., a corporation duly constituted under the laws of the Province of Ontario.

“**Aleafia Retail Purchased Shares**” has the meaning given to such term in Section 2.1(d).

“**Applicable Law**” means any transnational, domestic or foreign, federal, provincial, territorial, state, local or municipal (or any subdivision of any of them) law (including common law and civil law), statute, ordinance, rule, regulation, restriction, limit, by-law (zoning or otherwise), judgment, order, direction or any consent, exemption, Transaction Regulatory Approval, or any other legal requirements of, or agreements with, any Governmental Authority, that applies in whole or in part to the transactions contemplated by this Agreement, the members of the Applicants, the Purchaser, the Business, or any of the Purchased Shares, the Purchased IP or the Retained Liabilities.

“**Applicants**” means, collectively, Aleafia Health, Emblem, ECC, Emblem Realty, Growwise, Canabo, Aleafia, Aleafia Farms, Aleafia Brands, Aleafia Retail, 2672533 Ontario Inc., and 2676063 Ontario Inc., and from and after the time Residual Co. becomes an applicant under the Initial Order, “**Applicants**” shall include Residual Co.

“**Approval and Vesting Order**” means an order of the CCAA Court in a form to be mutually agreed upon by the Purchaser and the Applicants, each acting reasonably.

“**Articles of Amendment**” means, to the extent required, articles of amendment or reorganization in respect of each of the Companies’ authorized and issued capital to create a new class of shares of each such entity, as applicable, and effecting such other changes to the articles of each of the Companies, as applicable, in order to consummate the transactions pursuant to this Agreement, such articles of amendment to be in form and substance satisfactory to the Purchaser, acting reasonably.

“**Back-up Bid**” has the meaning given to such term in the SISF.

“**Business**” has the meaning given to such term in Recital A.

“Business Day” means any day, other than a Saturday or Sunday, on which the principal commercial banks in Toronto, Ontario are open for commercial banking business during normal banking hours.

“Canabo” means Canabo Medical Corporation, a corporation duly constituted under the federal laws of Canada.

“Canabo Purchased Shares” has the meaning given to such term in Section 2.1(b).

“Cash Consideration” has the meaning given to such term in Section 3.1(e).

“Causes of Action” means any action, claim, cross claim, third party claim, damage, judgment, cause of action, controversy, demand, right, action, suit, obligation, liability, debt, account, defense, offset, power, privilege, license, lien, indemnity, interest, guaranty, or franchise of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, contingent or non-contingent, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, matured or unmatured, suspected or unsuspected, in contract or in tort, at law or in equity, or pursuant to any other theory of law or otherwise, of the Purchased Entities against any Person, in each case based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Closing Time (which Causes of Action for the avoidance of doubt shall be retained by the applicable Purchased Entity on Closing).

“CCAA” means the *Companies’ Creditors Arrangement Act (Canada)*, as amended.

“CCAA Charge Amount” means cash in an amount sufficient to satisfy the amounts owing in respect of obligations secured by the CCAA Charges (without duplication to amounts satisfied as Administrative Expense Costs or by the Priority Payment Amount).

“CCAA Charges” means the Administration Charge and the Directors’ Charge.

“CCAA Court” has the meaning given to such term in Recital B.

“CCAA Proceedings” means the proceedings commenced under the CCAA by the Applicants pursuant to the Initial Order.

“CCAA Process Expense Amount” means cash in an amount of the Administrative Expense Amount and the CCAA Charge Amount.

“Claims” means any and all demands, claims, liabilities, actions, causes of action, counterclaims, expenses, costs, damages, losses, suits, debts, sums of money, refunds, accounts, indebtedness, rights of recovery, rights of set-off, rights of recoupment and liens of whatever nature (whether direct or indirect, absolute or contingent, asserted or unasserted, secured or unsecured, matured or not yet matured due or to become due, accrued or unaccrued or liquidated or unliquidated) and including all costs, fees and expenses relating thereto.

“Closing” means the completion of the purchase of the Purchased Shares and Purchased IP and the transactions in accordance with the provisions of this Agreement.

“Closing Date” means a date no later than five (5) Business Days after the conditions set forth in Article 7 have been satisfied or waived, other than the conditions set forth in Article 7 that by their

terms are to be satisfied or waived at the Closing (or such other date agreed to by the Parties in writing); provided that, if there is to be a Closing hereunder, then the Closing Date shall be no later than the Outside Date.

“**Closing Documents**” means all contracts, agreements, certificates and instruments required by this Agreement to be delivered at or before the Closing.

“**Closing Time**” means 10:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“**Companies**” means, collectively, ECC, Canabo, Aleafia Farms and Aleafia Retail.

“**Credit Bid Consideration**” has the meaning given to such term in Section 3.1(b).

“**Credit Bid Releases**” means a full and final release of all Applicants of their respective obligations under the Senior Loan Agreement and the DIP Facility Term Sheet, which shall be in form and substance satisfactory to the Applicants and the Monitor, each acting reasonably.

“**DIP Facility**” means the credit facility in the maximum principal amount of \$6,600,000 made available by RWB to the Applicants pursuant to the DIP Facility Term Sheet.

“**DIP Facility Term Sheet**” means the Amended and Restated DIP Facility Term Sheet effective as of July 24, 2023 among Aleafia Health, ECC and Aleafia Farms, as borrowers, and all other Applicant entities, as guarantors, and RWB as DIP lender, as such agreement may be amended, restated, supplemented and/or otherwise modified from time to time in accordance with the terms thereof.

“**Directors Charge**” has the meaning given to it in the Initial Order.

“**EA**” means the *Excise Act, 2001* (Canada).

“**ECC**” means Emblem Cannabis Corporation, a corporation duly constituted under the federal laws of Canada.

“**ECC Purchased Shares**” has the meaning given to such term in Section 2.1(a).

“**Emblem**” means Emblem Corp., a corporation duly constituted under the federal laws of Canada.

“**Emblem Realty**” means Emblem Realty Ltd., a corporation duly constituted under the laws of the Province of Ontario.

“**Encumbrance**” means any security interest (whether contractual, statutory or otherwise), lien, prior claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage, trust (including any statutory, deemed or constructive trust), option or adverse claim or encumbrance of any nature or kind.

“**Environment**” means the ambient air, all layers of the atmosphere, all water including surface water and underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, living organisms and organic and inorganic matter, and includes indoor spaces.

“**Environmental**” means of, relating to, or pertaining to the Environment.

“Environmental Disclosure” has the meaning given to such term in Section 9.4(j)

“Environmental Investigations” has the meaning given to such term in Section 9.2(d).

“Equity Interests” means any capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or nonvoting, whether preferred, common or otherwise, and including share appreciation, contingent interest or similar rights) of a Person.

“ETA” means Part IX of the *Excise Tax Act* (Canada).

“Excluded Assets” has the meaning given to such term in Section 2.3.

“Excluded Contracts” means contracts of the Purchased Entities as specified on Schedule 2.3(c)(d), as such schedule may be supplemented or modified in accordance with Section 2.3(f).

“Excluded Leases” means those leases of the Purchased Entities as specified in Schedule 2.3(c)(d), as such schedule may be supplemented or modified in accordance with Section 2.3(f).

“Excluded Liabilities” has the meaning given to such term in Section 2.5.

“Expense Reimbursement” has the meaning given to such term in Section 9.1.

“Filing Date” means July 25, 2023.

“Final Order” means with respect to any order or judgment of the CCAA Court, or any other court of competent jurisdiction, with respect to the subject matter addressed in the CCAA Proceedings or the docket of any court of competent jurisdiction, that such order or judgment has not been vacated, set aside, reversed, stayed, modified or amended, and as to which the applicable periods to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal, leave to appeal, or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken or filed, or as to which any appeal has been taken or any petition for certiorari or leave to appeal that has been timely filed has been withdrawn or resolved in a manner acceptable to the Companies and the Purchaser, each acting reasonably, by the highest court to which the order or judgment was appealed or from which leave to appeal or certiorari was sought or the new trial, reargument, or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

“Fundamental Representations and Warranties of Companies” means the representations and warranties of each of the Companies and Aleafia Health included in Sections 4.1 [Due Authorization and Enforceability of Obligations], 4.2 [Existence and Good Standing] and 4.3 [Absence of Conflicts].

“GAAP” means generally accepted accounting principles as set out in the *CPA Canada Handbook – Accounting* for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

“Governmental Authority” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or

any other geographic or political subdivision of any of them, or (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“Grimsby Property” means the lands and premises municipally known as 378 South Service Road, Grimsby, Ontario and legally described under PIN 46033-0368 (LT) as 1STLY: PT LT 1 CON 1 NORTH GRIMSBY DESIGNATED AS PT 2 30R13028 & PT 18 30R13499; 2NDLY PT LT A EAST GORE NORTH GRIMSBY DESIGNATED AS PTS 4, 5, 8, 9, 10 30R13028; S/T RO437966; SUBJECT TO AN EASEMENT IN GROSS OVER PART LOT A, EAST GORE, NORTH GRIMSBY, PART 4, 30R13028 AS IN NR529869; TOWN OF GRIMSBY

“Growwise” means Growwise Health Limited, a corporation duly constituted under the laws of the Province of Ontario.

“GST/HST” means all goods and services tax and harmonized sales tax imposed under the ETA.

“Guaranteed Obligations” has the meaning given to such term in Article 8(a).

“Implementation Steps” has the meaning given to such term in Section 2.8(b).

“Initial Order” means the Amended and Restated Initial Order dated August 4, 2023 granted by the CCAA Court pursuant to the CCAA, as may be further amended and restated from time to time.

“Intercompany Claim” means any claim that may be asserted against any of the Purchased Entities by or on behalf of any other Purchased Entity.

“IP Assignment Agreement” means an intellectual property assignment agreement to be entered into between Aleafia Health and the Purchaser, assigning all of Aleafia Health’s right, title and interest throughout the world in and to the Purchased IP to the Purchaser.

“Licences” means, collectively, the following:

(a) ECC:

- (i) On August 26, 2015, Health Canada issued producer’s Licence number 10-MM0167 to ECC (the **“Paris Licence”**), re-issued under LIC-0CNIN0V9QK in November of 2018, as was later amended, expanded and re-authorized. The Paris Licence has a current term ending on January 20, 2028;
- (ii) On April 29, 2021, Health Canada issued a research license number under Licence number LIC-28X6T94W2Y (the **“Paris Research Licence”**) to ECC. The Paris Research Licence has a current term ending on April 7, 2026;
- (iii) On February 12, 2021, Health Canada issued Licence LIC-CTHF6SVA0C to ECC to operate the distribution centre, which expires on February 12, 2024 and authorizes cannabis storage and the fulfilment of orders to other Licence holders, medical patients and adult-use provincial wholesalers;

- (iv) Effective October 17, 2022, Canada Revenue Agency renewed Licence numbers 85070 8975 RD0002 and 85070 8975 RD0005 held by ECC, which are currently set to expire on October 16, 2023.

- (b) Aleafia Farms:
 - (i) On October 13, 2017, Health Canada issued Licence number LIC-GYAJNCME6L to Aleafia Farms (the “**Scugog Licence**”), as was variously renewed, re-authorized and amended. The Scugog Licence has a current term ending on October 9, 2023;
 - (ii) On March 13, 2020, Health Canada issued Licence LIC-VTQAQTTMOL to Aleafia Farms, which expires on June 13, 2024;
 - (iii) Effective October 17, 2022, Canada Revenue Agency renewed Licence number 88009 9247 held by Aleafia Farms, which is currently set to expire October 16, 2024; and

- (c) Any and all other permits, licences, authorizations, consents, concessions, exemptions, leases, grants, permits, rights, privileges, approvals or other evidence of authority from any Governmental Authority and related to the Business and that has been issued to, granted to, conferred upon, or otherwise created for, any Purchased Entity, relating to authorizations or otherwise to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law.

“**Material Adverse Effect**” means any change, effect, event, occurrence, state of facts or development that has had a material adverse effect on: (i) the Business, assets, liabilities, financial conditions or results of operations of the Purchased Entities, taken as a whole; or (ii) prevents the ability of any of the Purchased Entities to perform their obligations under, or to consummate the transactions contemplated by, this Agreement, but excluding any such change, effect, event, occurrence, state of facts or development attributable to or arising from: (A) general economic or business conditions; (B) Canada, the U.S. or foreign economies, or financial, banking or securities markets in general, or other general business, banking, financial or economic conditions (including: (I) any disruption in any of the foregoing markets; (II) any change in the currency exchange rates; or (III) any decline or rise in the price of any security, commodity, contract or index); (C) acts of God or other calamities, pandemics (including COVID-19 and any Governmental Authorities response thereto), national or international political or social conditions, including the engagement and/or escalation by the U.S. or Canada in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the U.S. or Canada or any of their territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the U.S. or Canada; (D) the identity of the Purchaser or its Affiliates; (E) conditions affecting generally the industry in which any of the Purchased Entities participate; (F) the public announcement of, entry into or pendency of, actions required or contemplated by or performance of obligations under, this Agreement or the transactions contemplated by this Agreement, or the identity of the Parties; (G) changes in Applicable Laws or the interpretation thereof; (H) any change in GAAP or other accounting requirements or principles; (I) national or international political, labor or social conditions; (J) the failure of the Purchased Entities to meet or achieve the results set forth in any internal projections (but not the underlying facts giving rise to such failure unless such facts are otherwise excluded pursuant to the clauses contained in this definition); or (K) any change resulting from compliance with the terms of, or any

actions taken (or not taken) by any Party pursuant to or in accordance with, this Agreement; provided that the exceptions set forth in clauses (A), (B), (C), (E), (G), (H) or (I) shall not apply to the extent that such event is disproportionately adverse to the Purchased Entities, taken as a whole, as compared to other companies in the industries in which the Purchased Entities operate.

“Monitor” means KSV Restructuring Inc., as Court-appointed monitor of the Applicants in the CCAA Proceedings, and not in its personal or corporate capacity.

“Monitor’s Certificate” means the certificate delivered to the Purchaser, and filed with the CCAA Court, by the Monitor certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor, in its sole discretion, from each of the Companies, Aleafia Health and the Purchaser that all conditions to Closing have been satisfied or waived by the applicable Parties and the transactions contemplated by this Agreement have been completed.

“Order” means any order of the Court made in the CCAA Proceedings, or any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

“Outside Date” has the meaning given to such term in Section 11.1(c).

“Paris Property” means the lands and premises municipally known as 20 Woodslee Avenue, Paris, Ontario and legally described under PIN 23040-0546 (LT) as FIRSTLY: PART LOT 30 CONCESSION 2 SOUTH DUMFRIES PARTS 1 2 AND 3 2R5663; SECONDLY: PART LOT 30 CONCESSION 2 SOUTH DUMFRIES PARTS 1 AND 2 2R7264; COUNTY OF BRANT

“Parties” means the Companies, Aleafia Health and the Purchaser collectively, and **“Party”** means any of the Companies, Aleafia Health or the Purchaser, as the context requires.

“Permitted Encumbrances” means the Encumbrances listed in Schedule 1.1(a) .

“Person” includes an individual, partnership, firm, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, entity, corporation, unincorporated association, or organization, syndicate, committee, court appointed representative, the government of a country or any political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality, or department of such government or political subdivision, or any other entity, howsoever designated or constituted, including any Taxing Authority, and the trustees, executors, administrators, or other legal representatives of an individual, and for greater certainty includes any Governmental Authority.

“Post-Closing Straddle Tax Period” has the meaning given to such term in Section 9.5(c).

“Pre-Closing Straddle Tax Period” has the meaning given to such term in Section 9.5(c).

“Priority Payment Amount” means an amount equal to those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the CCAA.

“Property” has the meaning given to such term in Schedule 1.1(a).

“Purchase Price” has the meaning given to such term in Section 3.1.

“Purchased Entities” means ECC, Growwise, Canabo, Aleafia Retail and Aleafia Farms, and **“Purchased Entity”** means any one of them.

“Purchased IP” means (i) any and all of Aleafia Health’s registered or unregistered proprietary rights, including rights licensed or leased by Aleafia Health, anywhere in the world provided under patent law, copyright law, trademark law, design patent or industrial design law, trade secret law, plant breeders rights law, or any other statutory provision or common law principle that provides a right in either intellectual property or the expression or use of intellectual property, including, without limitation, patents and inventions, copyrights and works of authorship, whether or not copyrightable, and the trademarks, however depicted, listed in Schedule 1.1(b) hereto, all registrations and applications and all issuances, extensions and renewals thereof, all goodwill and reputation associated with the foregoing, any and all legal actions and rights and remedies at law or in equity for past infringements of the foregoing, and all rights to file for, obtain and maintain registrations for the foregoing; and (ii) any and all domain names registered on behalf of Aleafia Health including the domains listed in Schedule 1.1(b) hereto.

“Purchased Shares” has the meaning given to such term in Section 2.1(b).

“Purchaser” has the meaning given to such term in the preamble to this Agreement.

“Residual Co.” means a company to be formed by an Applicant, or one of the Applicants, that is not a Purchased Entity, such entity in form satisfactory to the Purchaser, acting reasonably, prior to the Closing; provided, that (i) no such entity shall be a flow through entity for Canadian purposes unless approved by the Purchaser; and (ii) if required by the Purchaser or the Applicants, each acting reasonably, or the Monitor, in order to effect the transactions contemplated herein a tax efficient manner mutually agreed upon by the Parties, or allow the Monitor to better administer the CCAA Proceedings following the Closing Date, there may need to be more than one “Residual Co.”, and, in that case, the term “Residual Co.” shall refer to any or all such entities, as the context requires.

“Restructuring Period Claim” means any Claim owed by any Applicant arising out of the restructuring, disclaimer, resiliation, termination or breach by such Applicant on or after the Filing Date, of any contract, lease or other agreement, whether written or oral.

“Restructuring Period D&O Claim” means any Claim against one or more of the directors and/or officers of the Applicants, arising after the Filing Date, whether or not such right or Claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any assessments and any right or ability of any Person to advance a Claim for contribution, indemnity or otherwise against any of such directors and/or officers with respect to any matter, action, cause or chose in action, whether existing at present or arising or commenced in the future, for which any such director or officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a director or officer.

“Retained Liabilities” has the meaning given to such term in Section 2.4.

“RWB” means Red White & Bloom Brands Inc.

“Scugog Property” means the lands and premises municipally known as 2560 Regional Road 19, Scugog, Ontario and legally described under PIN 26764-0137 (LT) as PT LT 2, CON 2, CARTWRIGHT; BEING PT 1, 40R3687 AND PT 1, 40R25294; TOWNSHIP OF SCUGOG

“Senior Loan Agreement” means that certain loan agreement dated as of December 24, 2021 between each of Aleafia Health, ECC and Aleafia Farms, as borrowers, each of ECC, Canabo and Aleafia, as guarantors, and NE SPC II LP, as lender, as amended on March 28, 2022, June 17, 2022, April 26, 2023, May 15, 2023 and May 31, 2023, as such loan agreement and all security and ancillary documents granted in favour of NE SPC II LP was assigned by NE SPC II LP to RWB pursuant to an assignment of indebtedness and security agreement dated as of June 6, 2023, as the same may have been further amended from time to time.

“SISP” means the Sale and Investment Solicitation Process approved by the SISP Order, as may be amended by the CCAA Court from time to time, which must be acceptable to the Purchaser, acting reasonably, and substantially in the form of the Sale and Investment Solicitation Process attached hereto as Schedule 1.1(c).

“SISP Order” has the meaning ascribed to it in Recital C.

“Stalking Horse Bid” has the meaning given to such term in the SISP.

“Straddle Period” has the meaning given to such term in Section 9.5(c).

“Straddle Period Tax Returns” has the meaning given to such term in Section 9.5(d).

“Successful Bid(s)” has the meaning given to such term in the SISP.

“Successful Bidder(s)” has the meaning given to such term in the SISP.

“Tax” and **“Taxes”** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever (including withholding on amounts paid to or by any Person) imposed by any Taxing Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Taxing Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, GST/HST, value added, consumption, sales, use, excise, stamp, withholding, business, franchising, escheat, property, development, occupancy, employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and Canada, Ontario, and other government pension plan premiums or contributions.

“Tax Act” means the *Income Tax Act* (Canada) and shall also include a reference to any applicable and corresponding provisions under the income tax laws of a province or territory of Canada, as applicable.

“Tax Return” means any return, declaration, report, statement, information statement, form, election, amendment, claim for refund, schedule or attachment thereto or other document filed or required to be filed with a Taxing Authority with respect to Taxes.

“Taxing Authorities” means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, and any Canadian or other Governmental Authority exercising taxing authority or power, and **“Taxing Authority”** means any one of the Taxing Authorities.

“Terminated Employees” means those individuals currently employed by a Purchased Entity who have not been offered employment by the Purchaser prior to Closing, or who shall be terminated by the applicable Purchased Entity effective as of the Closing Date, such individuals deemed to be Terminated Employees pursuant to Section 9.6(c).

“Transaction Regulatory Approvals” means any material license, permits approvals and/or grants required from any Governmental Authority or under any Applicable Laws relating to the business and operations of the Purchased Entities or the Purchaser that would be required to be obtained in order to permit the Companies and the Purchaser to complete the transactions contemplated by this Agreement and for the Purchased Entities to carry on the Business following the Closing Date.

1.2 Statutes

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended, re-enacted or replaced.

1.3 Headings, Table of Contents, etc.

The provision of a table of contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and do not affect the interpretation of this Agreement. The recitals to this Agreement are an integral part of this Agreement.

1.4 Gender and Number

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.5 Currency

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian dollars. References to “\$” are to Canadian dollars.

1.6 Certain Phrases

In this Agreement (i) the words “including”, “includes” and “include” and any derivatives of such words mean “including (or includes or include) without limitation” and (ii) the words “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”. The expression “Article”, “Section” and other subdivision followed by a number, mean and refer to the specified Article, Section or other subdivision of this Agreement.

1.7 Invalidity of Provisions

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon (i) such a determination of invalidity or

unenforceability or (ii) any change in Applicable Law or other action by any Governmental Authority which materially detracts from the legal or economic rights or benefits, or materially increases the obligations, of any Party or any of its Affiliates under this Agreement, the Parties shall negotiate to modify this Agreement in good faith so as to effect the original intent of the Parties as closely as possible in an acceptable manner so that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

1.8 Entire Agreement

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement among the Parties, and set out all the covenants, promises, warranties, representations, conditions and agreements among the Parties in connection with the subject matter of this Agreement, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral among the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

1.9 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by all Parties hereto, and provided that such amendment is consented to by the Monitor. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.10 Governing Law; Jurisdiction and Venue

This Agreement, the rights and obligations of the Parties under this Agreement, and any Claim or controversy directly or indirectly based upon or arising out of this Agreement or the transactions contemplated by this Agreement (whether based on contract, tort or any other theory), including all matters of construction, validity and performance, shall in all respects be governed by, and interpreted, construed and determined in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties consent to the exclusive jurisdiction and venue of the CCAA Court for the resolution of any such disputes arising under this Agreement. Each Party agrees that service of process on such Party as provided in Section 13.7 shall be deemed effective service of process on such Party.

1.11 Incorporation of Schedules and Exhibits

Any schedule or exhibit attached thereto, and any schedule or exhibit attached to this Agreement, is an integral part of this Agreement.

1.12 Accounting Terms

All accounting terms used in this Agreement are to be interpreted in accordance with GAAP unless otherwise specified.

1.13 Non-Business Days

Whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment will be made or such action will be taken on or not later than the next succeeding Business Day.

1.14 Computation of Time Periods

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the first day of the period is not counted, but the day of its expiry is counted.

ARTICLE 2 SUBSCRIPTION AND ASSET PURCHASE

2.1 Agreement to Subscribe for and Issue Purchased Shares

- (a) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, ECC shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of ECC from treasury, to be specified by the Purchaser at least seven (7) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**ECC Purchased Shares**").
- (b) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, Canabo shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Canabo from treasury, to be specified by the Purchaser at least seven (7) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**Canabo Purchased Shares**").
- (c) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, Aleafia Farms shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Aleafia Farms from treasury, to be specified by the Purchaser at least seven (7) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**Aleafia Farms Purchased Shares**").
- (d) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, Aleafia Retail shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Aleafia Retail from treasury, to be specified by the Purchaser at least seven (7) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares

shall be free and clear of all Encumbrances (the “**Aleafia Retail Purchased Shares**”, and together with the ECC Purchased Shares, the Canabo Purchased Shares and the Aleafia Farms Purchased Shares, the “**Purchased Shares**”).

- (e) Pursuant to the Approval and Vesting Order and, if required, the Articles of Amendment, in accordance with the Implementation Steps, all Equity Interests of each of ECC, Canabo, Aleafia Farms and Aleafia Retail as applicable, outstanding prior to the issuance of the Purchased Shares, other than the Purchased Shares, shall be cancelled, without consideration, and the Purchased Shares shall represent 100% of the outstanding Equity Interests in each of ECC, Canabo, Aleafia Farms and Aleafia Retail after such cancellation and issuance.
- (f) For the avoidance of doubt, upon the Closing and after the completion of the Implementation Steps, each of the Purchased Entities shall be wholly owned, directly or indirectly, by the Purchaser.

2.2 Agreement to Purchase the Purchased IP

Subject to the terms and conditions of this Agreement, effective as and from the Closing Time, Aleafia Health shall sell, assign and transfer the Purchased IP to the Purchaser (or as the Purchaser may direct), and the Purchaser shall Purchase the Purchased IP from Aleafia Health, free and clear of all Encumbrances and liabilities, with the result that the Purchaser shall become the owner of the Purchased IP and Aleafia Health shall agree to irrevocably and perpetually waive any and all moral rights and other non-assignable rights throughout the world which Aleafia Health may now or at any time possess in respect of the works comprised within the Purchased IP, to the full extent permitted by applicable laws.

2.3 Excluded Assets

Notwithstanding any provision of this Agreement to the contrary, as of the Closing, the assets of the Purchased Entities shall not include any of the following assets, together with any other assets as set forth on Schedule 2.3 (collectively, the “**Excluded Assets**”):

- (a) the Cash Consideration;
- (b) the Tax records and returns, and books and records pertaining thereto and other documents, in each case, that primarily or solely relate to any of the Excluded Liabilities or Excluded Assets, provided that the applicable Purchased Entity may take copies of all Tax records and books and records pertaining to such records to the extent necessary or useful for the carrying on of the Business after Closing, including the filing of any Tax Return;
- (c) the Excluded Contracts;
- (d) the Excluded Leases;
- (e) any rights which accrue to Residual Co. under the transaction documents; and
- (f) any other asset, including contracts and leases, identified by the Purchaser to the Companies in writing as an Excluded Asset at least seven (7) days prior to the

hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.

2.4 Retained Liabilities

Pursuant to this Agreement and the Approval and Vesting Order, as of the Closing Time, in accordance with Section 2.7 hereof, the only obligations and liabilities of the Purchased Entities shall consist of only the items specifically set forth below (collectively, the "**Retained Liabilities**"); provided, for the avoidance of doubt, that the Retained Liabilities of any Purchased Entity pursuant to this Section 2.4 shall continue to be liabilities of the applicable Purchased Entity as of the Closing:

- (a) all post-filing Claims set out in Schedule 2.4;
- (b) all liabilities of the Purchased Entities arising from and after Closing;
- (c) Tax liabilities of the Purchased Entities for any period, or the portion thereof, beginning on or after the Closing Date; and
- (d) those specific Retained Liabilities set forth in Schedule 2.4.

2.5 Excluded Liabilities

Except as expressly retained pursuant to, or specifically contemplated by, Section 2.4, all Claims and all debts, obligations and liabilities of the Purchased Entities or any predecessors thereof, of any kind or nature, shall be assigned to, and become the sole obligation of, Residual Co. pursuant to the terms of the Approval and Vesting Order and this Agreement, and, as of the Closing, the Purchased Entities shall not have any obligation, duty, or liability of any kind whatsoever, except as expressly retained pursuant to Section 2.4, whether accrued, contingent, known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, unliquidated, absolute, accrued, contingent or otherwise, and whether due or to become due, and such liabilities or obligations shall be the sole responsibility of Residual Co., including *inter alia*, the non-exhaustive list of those certain liabilities set forth in Schedule 2.5 and any and all liability relating to any change of control provision that may arise in connection with the change of control contemplated by the transactions hereunder and to which the Purchased Entities may be bound as at Closing, all liabilities relating to or under the Excluded Contracts, the Excluded Leases and Excluded Assets, liabilities for employees whose employment with the Purchased Entities is terminated on or before Closing, including the Terminated Employees, the Restructuring Period Claims, and the Restructuring Period D&O Claims (collectively, the "**Excluded Liabilities**"). Purchaser may, with the consent of the Companies and the Monitor, which consent shall not be unreasonably withheld, amend the clarifying items listed in Schedule 2.5 as specifically enumerated Excluded Liabilities at least seven (7) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.

2.6 Transfer of Excluded Liabilities to Residual Co.

On the Closing Date, pursuant to the terms of the Approval and Vesting Order, the Purchased Entities shall assign and transfer the Excluded Liabilities to Residual Co., and Residual Co. shall assume the Excluded Liabilities for the consideration set out in Section 2.7. All of the Excluded

Liabilities shall be discharged from the Purchased Entities as of the Closing, pursuant to the Approval and Vesting Order.

2.7 Transfer of Excluded Assets to Residual Co.

On the Closing Date, pursuant to the terms of the Approval and Vesting Order and in consideration for Residual Co. assuming the Excluded Liabilities pursuant to Section 2.6 of this Agreement, the Purchased Entities shall assign and transfer the Excluded Assets to Residual Co., and the Excluded Assets shall vest in Residual Co. pursuant to the Approval and Vesting Order.

2.8 Pre-Closing and Closing Reorganization

- (a) The specific mechanism for implementing the Closing, payment of the Credit Bid Consideration and Cash Consideration, and the structure of the transactions contemplated by this Agreement shall be structured in a tax efficient manner mutually agreed upon by the Parties, each acting reasonably.
- (b) On or prior to the Closing Date, Aleafia Health shall effect, or cause any other Applicant to effect, the transaction steps and pre-closing reorganization (collectively, the “**Implementation Steps**”) as set forth on a schedule to be agreed upon by Aleafia Health, the Companies and the Purchaser, each acting reasonably, and in consultation with the Monitor, at least seven (7) days prior to the hearing of the Applicants’ motion to the CCAA Court seeking the Approval and Vesting Order; provided that in no event will the Implementation Steps described in Schedule 2.8(b) be materially prejudicial to the interests of the Purchaser or the Purchased Entities under the other sections of this Agreement. The Implementation Steps may include, without limitation, the formation of new entities required to implement the transactions contemplated by this Agreement in a tax efficient manner, consistent with Section 2.8(a).
- (c) The Implementation Steps, including the compromises and releases to be effective on the Closing Date, shall occur, and be deemed to have occurred in the order, manner and at such time to be set out in Schedule 2.8(b).
- (d) If the Purchaser is the Successful Bidder, the timing and/or sequence of the Implementation Steps and the Closing on the Closing Date may be altered at the request of the Purchaser, acting reasonably, and after consultation with the Monitor.

ARTICLE 3 PURCHASE PRICE AND RELATED MATTERS

3.1 Purchase Price

The total aggregate consideration payable by the Purchaser for the Purchased Shares and Purchased IP (the “**Purchase Price**”) is equal to:

- (a) a release of all amounts outstanding and obligations payable by the Applicants under the Senior Loan Agreement and all related loan and security documentation,

which amount as of July 31, 2023 is \$15,230,687, including the principal amount of such claim, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith;

- (b) a release of all amounts outstanding and obligations payable by the Applicants as of the Closing Date pursuant to the DIP Facility Term Sheet and all related loan and security documentation, including the principal amount of such claims and interest accrued as of the Closing Date, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any unpaid fees and expenses associated therewith (the amounts in (a) and (b) together, the “**Credit Bid Consideration**”);
- (c) the CCAA Process Expense Amount;
- (d) the 126 Loan Amount; and
- (e) the Priority Payment Amount (the amounts in (c), (d) and (e) together, the “**Cash Consideration**”).

3.2 Satisfaction of Purchase Price

The Credit Bid Consideration shall be paid and satisfied on the Closing Date by the Purchaser releasing the Applicants from repayment of all amounts owing in connection with the Credit Bid Consideration pursuant to the Credit Bid Releases.

The Cash Consideration shall be paid and satisfied on the Closing Date by the Purchaser paying the Cash Consideration to the Purchased Entities, it being understood that, in the order and manner contemplated by the Implementation Steps, in connection with the Closing, the Cash Consideration will be transferred from the Purchased Entities to Residual Co. as an Excluded Asset in accordance with Section 2.3 hereof.

3.3 Taxes

- (a) The Parties agree that:
 - (i) the Purchase Price is exclusive of all applicable Taxes and the Purchaser shall be liable for and shall pay any and all applicable Taxes pertaining to the acquisition of the Purchased IP;
 - (ii) the Purchaser shall pay any applicable Taxes on the acquisition of the Purchased IP in addition to the Purchase Price, either to the Monitor on behalf of Aleafia Health, as vendor, or directly to the appropriate Governmental Authority, as required by Applicable Law;
 - (iii) if applicable, Aleafia Health and the Purchaser shall jointly elect under section 167 of the EA that no HST will be payable pursuant to the EA with respect to the purchase and sale of the Purchased IP under this Agreement, and the Purchaser shall file such election no later than the due date for the Purchaser’s HST returns for the first reporting period in which HST would, in the absence of filing such election, become payable in connection with the purchase and sale of the Purchased IP under this

Agreement. Notwithstanding this election, in the event it is determined by a Governmental Authority that there is liability of the Purchaser to pay, or of Aleafia Health to collect and remit, HST in respect of the purchase and sale of the Purchased IP hereunder, the Purchaser shall forthwith pay such HST to the applicable Governmental Authority and the Purchaser shall indemnify and save harmless Aleafia Health from any such payments, penalties and interest which may be payable by or assessed against Aleafia Health (or its representatives, agents, employees, directors or officers) under the EA in respect thereof.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF COMPANIES AND ALEAFIA HEALTH

Each of Aleafia Health and the Companies represents and warrants on behalf of itself and its subsidiaries who are Purchased Entities, to the Purchaser, as follows, and acknowledges that the Purchaser is relying upon the following representations and warranties in connection with its purchase of the Purchased Shares, in the case of the Companies, and the Purchased IP, in the case of Aleafia Health:

4.1 Due Authorization and Enforceability of Obligations

Subject to the granting of the Approval and Vesting Order, this Agreement has been duly authorized, executed and delivered by it, and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.2 Existence and Good Standing

Each of Aleafia Health and the Purchased Entities is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and (i) has all requisite power and authority to execute and deliver this Agreement and (ii) has taken all requisite corporate or other action necessary for it to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transaction contemplated hereunder.

4.3 Absence of Conflicts

The execution and delivery of this Agreement by each of Aleafia Health and the Companies and the completion by each of Aleafia Health and the Companies of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, (subject to the receipt of any Transaction Regulatory Approvals and the granting of the Approval and Vesting Order) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under the certificate of incorporation, articles, by-laws or other constituent documents of any Applicant. Subject to the granting of the Approval and Vesting Order, the execution, delivery and performance by each of Aleafia Health and the Companies does not and will not violate any Order.

4.4 Approvals and Consents

The execution and delivery of this Agreement by each of Aleafia Health and the Companies, the completion by each of Aleafia Health and the Companies of its respective obligations hereunder and the consummation by each of the Companies of the transactions contemplated herein, do not and will not require any consent or approval or other action, with or by, any Governmental Authority, other than as contemplated by the applicable Transaction Regulatory Approvals and the entry of the Approval and Vesting Order by the CCAA Court.

4.5 No Actions

There is not, as of the date hereof, pending or, to any of Aleafia Health's and the Companies' knowledge, threatened against any Applicant or any of its properties, nor has any Applicant received any written notice in respect of, any Claim, potential Claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body, other than the CCAA Court, that, would prevent either of Aleafia Health and the Companies from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

4.6 Subsidiaries

Schedule 4.6 sets forth a complete and correct list of the name and jurisdiction of organization of each Purchased Entity.

4.7 Tax

Schedule 4.6 sets forth a complete and correct list of the name, jurisdiction of organization and Tax registrations of each Purchased Entity. Each Purchased Entity is validly registered for the collection and payment of all Taxes as required under Applicable Law. All Taxes reported on the Tax Returns and any related notices of assessment or reassessment of each Purchased Entity for all of the Purchased Entity's Tax periods ending on or prior to the Closing Date have been duly and timely paid, except as otherwise disclosed to the Purchaser with respect to certain pre-filing amounts outstanding in respect of excise Tax, GST/HST. Each Purchased Entity has withheld and has duly and timely remitted, or shall duly and timely remit, to the appropriate Taxing Authority all Taxes required by Applicable Law to be withheld or deducted.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to each of the Companies and Aleafia Health as follows, and acknowledges that the Companies and Aleafia Health are relying upon the following representations and warranties in connection with the sale of the Purchased Shares and the Purchased IP:

5.1 Due Authorization and Enforceability of Obligations

This Agreement has been duly authorized, executed and delivered by the Purchaser, and, assuming the due authorization, execution and delivery by it, this Agreement constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other

similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

5.2 Existence and Good Standing

Purchaser is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated by this Agreement.

5.3 Absence of Conflicts

The execution and delivery of this Agreement by the Purchaser and the completion by the Purchaser of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, or any of its properties or assets, (subject to the receipt of any applicable Transaction Regulatory Approvals) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, by-laws or other constituent documents.

5.4 Approvals and Consents

The execution and delivery of this Agreement by the Purchaser, the completion by the Purchaser of its obligations hereunder and the consummation by the Purchaser of the transactions contemplated herein, do not and will not require any consent, approval or other action, with or by, any Governmental Authority, other than as contemplated by the applicable Transaction Regulatory Approvals and the granting of the Approval and Vesting Order by the CCAA Court.

5.5 No Actions

There is not, as of the date hereof, pending or, to the Purchaser's knowledge, threatened against it or any of its properties, nor has the Purchaser received notice in respect of, any Claim, potential Claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body, other than the CCAA Court, that, would prevent it from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

5.6 Credit Bid and Cash Consideration; Availability of Funds

- (a) The Purchaser has executed, on or prior to the date hereof, the requisite instruction letters to fully authorize the Purchaser, and the Purchaser is duly authorized, to, among other things, deliver the Credit Bid Consideration in connection with the consummation of the Closing hereunder, which instruction letters shall have been delivered by the Purchaser to the Companies.
- (b) RWB has, and the Purchaser will have on Closing, sufficient unrestricted funds and financial capacity to consummate the transactions contemplated by this Agreement, including payment of the Cash Consideration.

5.7 Residence

Purchaser is not a non-resident of Canada within the meaning of the Tax Act.

ARTICLE 6 AS IS, WHERE IS

The Purchaser acknowledges and agrees that it has conducted to its satisfaction an independent investigation and verification of the Business, the Purchased Shares, the Purchased IP, the Retained Liabilities and all related operations of the Purchased Entities, and, based solely thereon and the advice of its financial, legal and other advisors, has determined to proceed with the transactions contemplated by this Agreement. The Purchaser has relied solely on the results of its own independent investigation and verification and, except for the representations and warranties of the Companies and Aleafia Health expressly set forth in Article 4, the Purchaser understands, acknowledges and agrees that all other representations, warranties, conditions and statements of any kind or nature, expressed or implied (including any relating to the future or historical financial condition, results of operations, prospects, assets or liabilities of the Purchased Entities or the Business, or the quality, quantity or condition of the Purchased Shares or the Purchased IP) are specifically disclaimed by each of the Companies and Aleafia Health, the other Purchased Entities, their respective financial and legal advisors and the Monitor and its legal counsel. THE PURCHASER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANIES AND ALEAFIA HEALTH EXPRESSLY AND SPECIFICALLY SET FORTH IN Article 4: (A) THE PURCHASER IS ACQUIRING THE PURCHASED SHARES AND THE PURCHASED IP ON AN "AS IS, WHERE IS" BASIS; AND (B) NONE OF THE COMPANIES, ALEAFIA HEALTH, THE OTHER APPLICANTS, THE MONITOR OR ANY OTHER PERSON (INCLUDING ANY REPRESENTATIVE OF EITHER OF THE COMPANIES, ALEAFIA HEALTH, THE OTHER APPLICANTS OR THE MONITOR WHETHER IN ANY INDIVIDUAL, CORPORATE OR ANY OTHER CAPACITY) IS MAKING, AND THE PURCHASER IS NOT RELYING ON, ANY REPRESENTATIONS, WARRANTIES, CONDITIONS OR OTHER STATEMENTS OF ANY KIND WHATSOEVER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO ANY MATTER CONCERNING THE PURCHASED ENTITIES, THE BUSINESS, THE PURCHASED SHARES, THE PURCHASED IP, THE RETAINED LIABILITIES, THE EXCLUDED ASSETS, THE EXCLUDED LIABILITIES, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THE AGREEMENT, OR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION PROVIDED TO (OR OTHERWISE ACQUIRED BY) THE PURCHASER OR ANY OF ITS RESPECTIVE REPRESENTATIVES, INCLUDING WITH RESPECT TO MERCHANTABILITY, PHYSICAL OR FINANCIAL CONDITION, DESCRIPTION, FITNESS FOR A PARTICULAR PURPOSE, OR IN RESPECT OF ANY OTHER MATTER OR THING WHATSOEVER, INCLUDING ANY AND ALL CONDITIONS, WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, PURSUANT TO ANY APPLICABLE LAWS IN ANY JURISDICTION, WHICH THE PURCHASER CONFIRMS DO NOT APPLY TO THIS AGREEMENT, AND ARE HEREBY WAIVED IN THEIR ENTIRETY BY THE PURCHASER.

ARTICLE 7 CONDITIONS

7.1 Conditions for the Benefit of the Purchaser and Companies

The respective obligations of the Purchaser and each of the Companies and Aleafia Health to consummate the transactions contemplated by this Agreement are subject to the satisfaction of, or compliance with, at or prior to the Closing Time, each of the following conditions:

- (a) *No Law* – no provision of any Applicable Law and no Order preventing or otherwise frustrating the consummation of the purchase of the Purchased Shares and the Purchased IP or any of the other transactions pursuant to this Agreement shall be in effect;
- (b) *Final Orders* – each of the SISP Order and the Approval and Vesting Order shall have been issued and entered and shall be Final Orders;
- (c) *Successful Bid* – this Agreement will be the Successful Bid (as determined pursuant to the SISP); and
- (d) *Transaction Regulatory Approvals* – the Parties shall have received the required Transaction Regulatory Approvals set forth in Schedule 7.1(d), and all such Transaction Regulatory Approvals shall be in full force and effect, except for Transaction Regulatory Approvals that need not be in full force and effect prior to Closing.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of each of the Companies and the Purchaser. Any condition in this Section 7.1 may be waived by any of the Companies, Aleafia Health and by the Purchaser, in whole or in part, without prejudice to any of their respective rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver will be binding on any of the Companies, Aleafia Health or the Purchaser, as applicable, only if made in writing.

7.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver by the Purchaser of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the Purchaser):

- (a) *Performance of Covenants* – the covenants contained in this Agreement to be performed or complied with by each of the Companies and / or Aleafia Health at or prior to the Closing Time shall have been performed or complied with in all material respects as at the Closing Time;
- (b) *Truth of Representations and Warranties* – (i) the Fundamental Representations and Warranties of each of the Companies and Aleafia Health shall be true and correct in all respects as of the Closing Date, as if made at, and as of, such date (except for *de minimus* inaccuracies) and (ii) all other representations and warranties of the Companies and Aleafia Health contained in Article 4 shall be true and correct in all respects as of the Closing Date, as if made at, and as of, such

date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not, in the aggregate, have a Material Adverse Effect (and, for this purpose, any reference to “material”, “Material Adverse Effect” or other concepts of materiality in such representation and warranties shall be ignored);

- (c) *Officer's Certificates* – The Purchaser shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.2(a) (*Performance of Covenants*) and 7.2(b) (*Truth of Representations and Warranties*), signed for and on behalf of each of the Companies and Aleafia Health by an executive officer of each of the Companies and Aleafia Health or other Persons acceptable to the Purchaser, without personal liability, in each case in form and substance reasonably satisfactory to the Purchaser;
- (d) *No Material Adverse Effect* – since the date hereof, no change effect, event, occurrence, state of facts or development shall have occurred that resulted in, or would reasonably be expected to result in, a Material Adverse Effect;
- (e) *Companies' Deliverables* – each of the Companies and Aleafia Health shall have delivered to the Purchaser all of the deliverables contained in Section 12.2 in form and substance reasonably satisfactory to the Purchaser;
- (f) *Implementation Steps* – Aleafia Health shall have completed, or caused any of the Applicants to have completed, the Implementation Steps that are required to be completed prior to Closing, in form and substance reasonably acceptable to the Purchaser, acting reasonably;
- (g) *Terminated Employees* - the applicable Purchased Entity shall have terminated the employment of the Terminated Employees, and all liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of or damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements, shall be Excluded Liabilities which, pursuant the Approval and Vesting Order, shall be assigned and transferred as against the applicable Purchased Entity to, and assumed by, Residual Co.
- (h) *Licence Condition* - the Licences are in good standing and will continue in good standing, and not be suspended or terminated, following the Closing Date, which shall be satisfied upon, among other things, evidence from the applicable Governmental Authority that such Licences are in good standing and will not be suspended or terminated by such Governmental Authority as a result of any events, or amounts owing by any Applicants, relating to the period preceding the Closing Date.
- (i) *Licence Holder Retention* – the Purchaser shall be satisfied that the employees of the Purchased Entities who hold the Licences will accept the Purchaser's offers of employment pursuant to Section 9.6.
- (j) *Updated Financial Information* – in contemplation of the Purchaser's identification of any Excluded Asset or Excluded Liability in accordance with Sections 2.3(f) and

2.5, respectively, Aleafia Health and the Purchased Entities shall provide the Purchaser with current consolidated financial statements for each of the Applicants at least ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.

- (k) *Environmental Condition* – the Purchaser, acting reasonably, shall be satisfied that the Environmental Disclosure and/or the Environmental Investigation does not reveal the potential for material Environmental liability for the Purchaser upon Closing.
- (l) *Ownership of Domains* – to the extent any of the domains identified in Schedule 1.1(b) hereto are owned or otherwise registered on behalf of any Person other than Aleafia Health or any of the Purchased Entities, Aleafia Health shall, or shall cause the registration and ownership of such domain(s) to be transferred to Aleafia Health or such other Purchased Entity as identified by the Purchaser by no later than ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.

7.3 Conditions for the Benefit of Companies

The obligation of each of the Companies and Aleafia Health to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver where applicable by the Companies and Aleafia Health of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of each of the Companies and Aleafia Health, as applicable):

- (a) *Truth of Representations and Warranties* – the representations and warranties of the Purchaser contained in Article 5 will be true and correct in all respects on and as of the date of this Agreement and on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not reasonably be expected to have a material and adverse effect on Purchaser's ability to consummate the transactions contemplated by this Agreement;
- (b) *Performance of Covenants* – the covenants contained in this Agreement to be performed by the Purchaser at or prior to the Closing Time shall have been performed in all material respects as at the Closing Time;
- (c) *Officer's Certificate* – Each of the Companies and Aleafia Health shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.3(a) and 7.3(b) signed for and on behalf of the Purchaser without personal liability by an executive officer of the Purchaser or other Persons acceptable to the Companies, acting in a commercially reasonable manner, in each case, in form and substance satisfactory to the Companies and Aleafia Health, acting in a commercially reasonable manner; and
- (d) *Purchaser Deliverables* – Purchaser shall have delivered to each of the Companies and Aleafia Health all of the deliverables contained in Section 12.3 in form and substance satisfactory to the Companies and Aleafia Health, acting in a commercially reasonable manner.

ARTICLE 8 GUARANTEE

- (a) RWB hereby irrevocably, absolutely and unconditionally guarantees to Aleafia Health and the Companies (i) the due and punctual performance, when and as due, of all obligations, covenants and agreements of Purchaser (and any Affiliates to which this Agreement is assigned pursuant to Section 13.6) to be performed on or prior to the Closing Date arising under or pursuant to this Agreement and (ii) the punctual payment of all sums or amounts to be paid by the Purchaser (and such Affiliates) on or prior to the Closing Date under and in accordance with the terms of this Agreement, including the payment obligations set forth in Section 3.1 (the matters set forth in clauses (i) and (ii), collectively, the **"Guaranteed Obligations"**).
- (b) If the Purchaser (of its Affiliates) fails to perform any of the Guaranteed Obligations, then RWB shall itself be jointly and severally liable for the Guaranteed Obligations and shall perform or take whatever steps as may be necessary to procure performance of the same.
- (c) Nothing herein shall be construed as imposing greater obligations or liabilities on RWB than for which the Purchaser itself (or its Affiliates themselves) would be liable under this Agreement or obliging RWB to indemnify and hold harmless Aleafia Health and the Companies against any losses, costs, or expenses for which the Purchaser itself would not be liable under this Agreement, except as set forth in this Article 8.
- (d) The obligations of the Companies under this Agreement shall conclusively be deemed to have been created, contracted, or incurred in reliance upon this Article 8 and all dealings between the Aleafia Health and the Companies, on the one hand, and the Purchaser (or its Affiliates), on the other hand, shall likewise be conclusively presumed to have been consummated in reliance upon this Article 8.
- (e) The guarantee by RWB contained herein shall remain in full force and effect and shall continue to be enforceable by the Companies until the (i) consummation of the Closing and the payment in full by the Purchaser of any and all amounts required to be paid by Purchaser pursuant to this Agreement, including the Cash Consideration or (ii) the earlier valid termination of this Agreement pursuant to Section 11.1, upon which this guarantee and the obligations of RWB pursuant to this Article 8 shall terminate automatically and be of no further force or effect without the need for any further action by any Person and RWB shall stand discharged of all of its obligations under this guarantee. RWB's obligations under this Article 8 shall not be terminated, modified, affected or impaired by reason of any relief or discharge of Purchaser (or its Affiliates) from any Purchaser's (or its Affiliates') respective obligations in bankruptcy or similar proceedings, or by liquidation or dissolution. Notwithstanding anything contained herein, the guarantee shall remain in full force and effect and shall continue to be enforceable by the Companies in the event of any willful breach of this Agreement by the Purchaser (or its Affiliates) or RWB.
- (f) Except as otherwise set forth in this Agreement, the liability of RWB under this Article 8 shall be unlimited and unconditional, and this Article 8 shall be a continuing guarantee.

- (g) RWB hereby makes the representations and warranties set forth in Article 5 as to itself, and such representations and warranties shall apply mutatis mutandis as if RWB were substituted for the Purchaser therein. The Parties agree that RWB shall be entitled to, and RWB does not waive, any defenses to the payment or performance of the Guaranteed Obligations that are available to the Purchaser under this Agreement.

ARTICLE 9 ADDITIONAL AGREEMENTS OF THE PARTIES

9.1 Expense Reimbursement

In consideration for Purchaser's expenditure of time and money (including professional fees) in connection with the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, Purchaser shall be entitled to an Expense Reimbursement of up to \$500,000 (the "**Expense Reimbursement**"). The Expense Reimbursement is subject to Court approval and shall be approved in the SISP Order and shall be payable to the Purchaser out of the sale proceeds derived from, and upon completion of, a Successful Bid other than the Stalking Horse Bid. Each of the Companies, Aleafia Health and the Purchaser acknowledges and agrees that the Expense Reimbursement (i) represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of non-completion of this Agreement, and (ii) is not intended to be punitive in nature nor to discourage competitive bidding with respect to the SISP. The Expense Reimbursement shall be paid joint and severally by the Companies and Aleafia Health to the Purchaser without deduction or withholding for Taxes unless required by Applicable Law.

9.2 Access to Information and Properties

- (a) Until the Closing Time, each of the Companies and Aleafia Health, with oversight of the Monitor, shall give to the Purchaser's personnel engaged in the transactions contemplated by this Agreement and their accountants, legal advisers, consultants, financial advisors and representatives during normal business hours reasonable access to its premises and to all of the books, records, and other information relating to the Business, and shall furnish them with all such information relating to the Business, the Applicants, the Retained Liabilities and the list of employees as Purchaser may reasonably request in connection with the transactions contemplated by this Agreement, such requests to be made to the Monitor; provided that such access shall be conducted at Purchaser's expense, in accordance with Applicable Law and under supervision of the Monitor or the applicable Company's or Aleafia Health's senior management and in such a manner as to maintain confidentiality, and the Companies and Aleafia Health will not be required to provide access to or copies of any such books and records if: (i) the provision thereof would cause applicable Company to be in contravention of any Applicable Law; (ii) breach the terms of the SISP Order; or (iii) making such information available would: (1) result in the loss of any lawyer-client or other legal privilege; or (2) cause applicable Company to be found in contravention of any Applicable Law, or contravene any fiduciary duty or agreement (including any confidentiality agreement to which either of the Companies, Aleafia Health or any of their Affiliates are a party). Notwithstanding anything in this Section 9.2 to the contrary, any such investigation shall be conducted upon reasonable advance

notice and in such manner as does not materially disrupt the conduct of the Business or the possible sale thereof to any other Person.

- (b) Following the Closing, the Purchaser shall make all books and records of the Applicants reasonably available to the Monitor and any trustee in bankruptcy of any of the Applicants upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such Party's expense, permit the Monitor and any trustee in bankruptcy of the Applicants to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that Purchaser shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the Purchased Entities and their Affiliates, as determined by the Applicants, acting reasonably.
- (c) Following the Closing, the Applicants shall make all books and records comprising Excluded Assets reasonably available to the Monitor and any trustee in bankruptcy of any of the Applicants upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such Party's expense, permit the Monitor and any trustee in bankruptcy of the Applicants to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that such Applicant shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the Applicants and their Affiliates, as determined by the Applicants, acting reasonably.
- (d) The Companies shall provide access to the Property, and permit the Purchaser to conduct its own Environmental investigations, inspections and tests of the Property, including any surface or subsurface testing, drilling and sampling, and any other invasive testing (the "**Environmental Investigations**").

9.3 Regulatory Approvals and Consents

- (a) The Parties shall use commercially reasonable efforts to apply for and obtain any Transaction Regulatory Approvals as soon as reasonably practicable and no later than the time limits imposed by Applicable Laws, in accordance with Section 9.3(b), in each case at the sole cost and expense of the Companies and Aleafia Health.
- (b) The Parties shall use commercially reasonable efforts to apply for and obtain the Transaction Regulatory Approvals and shall co-operate with one another in connection with obtaining such Transaction Regulatory Approvals. Without limiting the generality of the foregoing, the Parties shall: (i) give each other reasonable advance notice of all meetings or other oral communications with any Governmental Authority relating to the Transaction Regulatory Approvals, as applicable, and provide as soon as practicable but in any case, if any, within the required time, any additional submissions, information and/or documents requested by any Governmental Authority necessary, proper or advisable to obtain the Transaction Regulatory Approvals; (ii) not participate independently in any such meeting or other oral communication without first giving the other Party (or

their outside counsel) an opportunity to attend and participate in such meeting or other oral communication, unless otherwise required or requested by such Governmental Authority; (iii) if any Governmental Authority initiates an oral communication regarding the Transaction Regulatory Approvals, promptly notify the other Party of the substance of such communication; (iv) subject to Applicable Laws relating to the exchange of information, provide each other with a reasonable advance opportunity to review and comment upon and consider in good faith the views of the other in connection with all written communications (including any filings, notifications, submissions, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) made or submitted by or on behalf of a Party with a Governmental Authority regarding the Transaction Regulatory Approvals as applicable; and (v) promptly provide each other with copies of all written communications to or from any Governmental Authority relating to the Transaction Regulatory Approvals as applicable.

- (c) Each of the Parties may, as advisable and necessary, reasonably designate any competitively or commercially sensitive material provided to the other under this Section 9.3 as "Outside Counsel Only Material", provided that the disclosing Party also provides a redacted version to the receiving Party. Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and, subject to any additional agreements between the Parties, will not be disclosed by such outside legal counsel to employees, officers or directors of the recipient unless express written permission is obtained in advance from the source of the materials or its legal counsel.
- (d) The obligations of either Party to use its commercially reasonable efforts to obtain the Transaction Regulatory Approvals does not require either Party (or any Affiliate thereof) to undertake any divestiture of any business or business segment of such Party, to agree to any material operating restrictions related thereto or to incur any material expenditure(s) related therewith, unless agreed to by the Parties. In connection with obtaining the Transaction Regulatory Approvals, no Purchased Entity shall agree to any of the foregoing items without the prior written consent of the Purchaser.

9.4 Covenants Relating to this Agreement

- (a) Each of the Parties shall perform all obligations required to be performed by the applicable Party under this Agreement, co-operate with the other Parties in connection therewith and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, from the date hereof until the Closing Date, each Party shall and, where appropriate, shall cause each of its Affiliates to:
 - (i) negotiate in good faith and use its commercially reasonable efforts to take or cause to be taken all actions and to do, or cause to be done, all things necessary, proper or advisable to satisfy the conditions precedent to the obligations of such Party hereunder (including, where applicable, negotiating in good faith with the applicable Governmental Authorities and/or third Persons in connection therewith), and to cause the fulfillment at the earliest practicable date of all of the conditions precedent to the other

Party's obligations to consummate the transactions contemplated hereby;
and

- (ii) not take any action, or refrain from taking any action, or permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.
- (b) From the date hereof until the Closing Date, Purchaser hereby agrees, and hereby agrees to cause its representatives to, keep the Companies and Aleafia Health informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by each of the Companies, Aleafia Health or the Monitor, as to the Purchaser's progress in terms of the satisfaction of the conditions precedent contained herein.
- (c) From the date hereof until the Closing Date, each Company hereby agrees, and hereby agrees to cause its representatives to, keep Purchaser informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by the Purchaser or the Monitor, as to the applicable Company's progress in terms of the satisfaction of the conditions precedent contained herein.
- (d) Each of the Companies, Aleafia Health and the Purchaser agree to execute and deliver such other documents, certificates, agreements and other writings, reasonably necessary for the consummation of the transactions contemplated by this Agreement, and to take such other actions to consummate or implement as soon as reasonably practicable, the transactions contemplated by this Agreement.
- (e) From the date hereof until the Closing Date, the Companies and Aleafia Health hereby agree, and hereby agree to cause their representatives to, promptly notify the Purchaser of (i) any event, condition, or development that has resulted in the inaccuracy in a material respect or material breach of any representation or warranty, covenant or agreement contained in this Agreement, or (ii) any Material Adverse Effect occurring from and after the date hereof prior to the Closing Date.
- (f) Each of the Companies, Aleafia Health and the Purchaser agree to use commercially reasonable efforts to timely prepare and file all documentation and pursue all steps reasonably necessary to obtain any material third-party consents and approvals, including without limitation the Transaction Regulatory Approvals, as may be required in connection with the transaction contemplated by this Agreement.
- (g) Aleafia Health shall, and in cooperation with the Purchaser, take all such action and do or cause to be done all such things as are reasonably necessary in order to (a) transfer or otherwise vest all domain names included in the Purchased IP, together with any applicable registrant and account holder agreements, passwords and registrations, to or in the Purchaser, (b) have the Purchaser recorded, or otherwise permit the Purchaser to be recorded, as the registrant or account holder in the applicable domain name registry, and (c) permit the Purchaser to administer the corresponding registrations and accounts.

- (h) Each of the Companies and Aleafia Health agree to use best efforts to timely prepare and file all documentation and pursue all steps necessary to renew (i) any of the Licences held by ECC or Aleafia Farms that are currently set to expire before January 1, 2024; and (ii) any security clearances required in connection with the maintenance of any of the Licences held by ECC or Aleafia Farms.
- (i) Each of the Companies and Aleafia Health agree to use commercially reasonable efforts to promptly provide all documentation, copies of agreements and information reasonably required by the Purchaser to complete and finalize the Schedules to this Agreement. Such information and documentation shall be provided to the Purchaser on an ongoing basis following execution of this Agreement and in any event shall be provided to the Purchaser no later than ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.
- (j) Within fifteen (15) days of the date hereof, each of the Companies shall provide to the Purchaser, all Environmental information and Environmental records regarding or related to any real property currently or previously owned or leased by any of the Companies, including all Environmental reports, audits, policies, correspondence, permits, approvals and agreements (the "**Environmental Disclosure**").
- (k) Within fifteen (15) days of the date hereof, Aleafia Health shall provide to the Purchaser confirmation of the registered owner of each of the domains listed in Schedule 1.1(B) attached hereto.
- (l) If Purchaser is the Successful Bidder, at the request of the Purchaser, the Companies shall proceed with the liquidation, winding-up, dissolution and/or amalgamation of any of the Purchased Entities designated by the Purchaser on or prior to the Closing Date.

9.5 Tax Matters

- (a) The Purchaser, the Purchased Entities and Aleafia Health agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Shares, the Purchased IP and the Retained Liabilities as is reasonably necessary for the preparation and filing of any Tax Return, claim for refund or other required filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution of any suit or other proceedings relating to Tax matters and for the answer to any governmental or regulatory inquiry relating to Tax matters. Purchaser, each of the Purchased Entities and Aleafia Health also agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Entities, the Purchased Shares, the Purchased IP and the Retained Liabilities as is reasonably necessary for Purchaser to acquire them in a tax efficient manner for both the Purchaser and the Purchased Entities.
- (b) Purchaser, each of the Purchased Entities and Aleafia Health shall each be responsible for the preparation of their own statements required to be filed under

the Tax Act, the ETA, the EA and other Tax forms and returns in accordance with Applicable Law.

- (c) For all purposes under this Agreement for which it is necessary to apportion Taxes in a period which includes (but does not end on) the Closing Date (a “**Straddle Period**”), all real property Taxes, personal property Taxes and similar ad valorem obligations shall be apportioned between the period up to and including the Closing Date (such portion of such Straddle Period, the “**Pre-Closing Straddle Tax Period**”) and the taxable period after the Closing Date (such portion of such Straddle Period, the “**Post-Closing Straddle Tax Period**”), on a per diem basis. Except as otherwise provided herein, with respect to the Purchased Shares, each applicable Purchased Entity shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Pre-Closing Straddle Tax Period, and the Purchaser shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Post-Closing Straddle Tax Period. For all purposes under this Agreement, in the case of any Tax based upon or related to receipts, sales, use, payroll, or withholding, in respect of any Straddle Period, the portion of such Tax allocable to the Pre-Closing Straddle Tax Period shall be deemed to be the amount that would be payable if the relevant Straddle Period ended on and included the Closing Date. To the extent such closing of the books method is not incorporated under the law of a jurisdiction for particular types of entities, allocations of income among the periods shall be made to replicate the closing of the books method to the maximum extent possible.
- (d) The Purchaser shall (a) cause each Purchased Entity, as applicable, to prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns for each Purchased Entity for all Tax periods ending on or prior to the Closing Date and for which Tax Returns have not been filed as of such date; and (b) cause each Purchased Entity, as applicable, to duly and timely make or prepare all Tax Returns required to be made or prepared by them and to duly and timely file all Tax Returns required to be filed by them for periods beginning before and ending after the Closing Date. All such Tax Returns in clauses (a) and (b) of this Section 9.5(d) constitute the “**Straddle Period Tax Returns**”. Each Company, Purchased Entity, the Monitor and the Purchaser shall co-operate reasonably with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of any Straddle Period Tax Return and the Purchaser shall preserve (or cause the applicable Purchased Entities to preserve) such data and other information until the expiration of any applicable limitation period under Applicable Law with respect to Taxes. The Purchaser will use commercially reasonable best efforts to provide drafts of all Straddle Period Tax Returns required to be prepared by the Purchaser or the Purchased Entities to the then remaining Applicants and the Monitor in advance of their filing with the relevant Taxing Authority. The Purchaser, the then remaining Applicants and the Monitor shall, subject only to Applicable Law, cooperate in considering any amendments to such Tax Returns as the then remaining Applicants and the Monitor may request. The Purchaser shall, unless otherwise agreed to by the then remaining Applicants and the Purchaser in writing, cause each Purchased Entity to make an election pursuant to subsection 256(9) of the Tax Act in respect of the taxation year ending as a result of the acquisition of control of it by the Purchaser.

9.6 Employee Matters

- (a) The Purchaser may, in as many separate instances as it may require, notify the Companies that the Purchaser wishes to interview any employees or contractors or consultants of the Purchased Entities, and upon receipt of a request thereof, the Companies will use all commercially reasonable efforts to facilitate such interviews as soon as reasonably practicable. The Purchaser may, but is not obligated to, in the name of the applicable Purchased Entity, make conditional (upon Closing) continued or new (as applicable) offers of employment on such terms as it may determine in its absolute and sole discretion.
- (b) The Purchaser shall make commercially reasonable efforts to make such offers in writing on or prior to the date that is ten (10) days prior to the anticipated Closing Date, provided that such offers shall be made no later than five (5) days prior to the anticipated Closing Date, and leave such offers open for acceptance up to and including one (1) day prior to the Closing Date, provided that the Purchaser notifies the Companies, in writing, on or prior to the date that is five (5) days prior to the anticipated Closing Date, of the list of individuals to whom it has made or intends to make offers of employment.
- (c) In the event:
 - (i) no conditional offer of employment is made to an employee of the Purchased Entities; or
 - (ii) an employee who receives an offer of employment rejects such offer in writing or fails to accept such offer of employment up to and including two (2) days prior to the Closing Date,

such employee shall be deemed to be a "Terminated Employee" and the applicable Purchased Entity shall terminate such Terminated Employee effective upon the Closing Date.

9.7 Administrative Expense Amount

- (a) On the Closing Date, the Administrative Expense Amount shall be paid to the Monitor, which the Monitor shall hold for the benefit of Persons entitled to be paid the Administrative Expense Costs.
- (b) From time to time after the Closing Date, the Monitor may pay, from the Administrative Expense Amount, the Administrative Expense Costs, in each case to the Persons entitled to receive payment of these amounts, in its sole discretion and without further authorization from the Purchased Entities or Purchaser. Any unused portion of the Administrative Expense Amount after payment or reservation for all Administrative Expense Costs, as determined by the Monitor, in its sole discretion, shall be transferred by the Monitor to the Purchaser, or as directed by it.
- (c) Notwithstanding the foregoing or anything else contained herein or elsewhere, each of the Companies, Aleafia Health and the Purchaser acknowledges and agrees that: (i) the Monitor's obligations under this Agreement are and shall remain

limited to those specifically set out in this Section 9.7; and (ii) Monitor is acting solely in its capacity as the CCAA Court-appointed Monitor of the Applicants pursuant to the Initial Order and not in its personal or corporate capacity, and the Monitor has no liability in connection with this Agreement whatsoever, in its personal or corporate capacity or otherwise, save and except for and only to the extent of the Monitor's gross negligence or intentional fault.

- (d) The Parties acknowledge that the Monitor may rely upon the provisions of this Section 9.7 notwithstanding that the Monitor is not a party to this Agreement.

The provisions of Sections 9.7(c) and (d) above shall survive the termination or non-completion of the transactions contemplated by this Agreement.

ARTICLE 10 INSOLVENCY PROVISIONS

10.1 Court Orders and Related Matters

- (a) From and after the date of this Agreement and until the Closing Date, the Companies and Aleafia Health shall deliver to the Purchaser drafts of any and all pleadings, motions, notices, statements, applications, schedules, and other papers to be filed or submitted by any of the Applicants in connection with or related to this Agreement, including with respect to the Approval and Vesting Order, for Purchaser's prior review at least two (2) days in advance of service and filing of such materials (or where circumstances make it impracticable to allow for two (2) days' review, with as much opportunity for review and comment as is practically possible in the circumstances). Each of the Companies and Aleafia Health acknowledge and agree (i) that any such pleadings, motions, notices, statements, applications, schedules, or other papers shall be in form and substance satisfactory to the Purchaser, acting reasonably, and (ii) to consult and cooperate with Purchaser regarding any discovery, examinations and hearing in respect of any of the foregoing, including the submission of any evidence, including witnesses testimony, in connection with such hearing.
- (b) Notice of the motions seeking the issuance of the Approval and Vesting Order shall be served or be caused to be served by the Applicants on all Persons required to receive notice under Applicable Law and the requirements of the CCAA, the CCAA Court, and any other Person determined necessary by the Applicants or Purchaser, acting reasonably.
- (c) As soon as practicable if Purchaser is selected or deemed to be the Successful Bidder in accordance with the SISP, the Applicants shall file a motion seeking the issuance of the Approval and Vesting Order.
- (d) Notwithstanding any other provision herein, it is expressly acknowledged and agreed that in the event that the Approval and Vesting Order has not been issued and entered by the CCAA Court by October 17, 2023 or such later date agreed to in writing by the Purchaser, acting reasonably, Purchaser, may terminate this Agreement.

- (e) If the Approval and Vesting Order relating to this Agreement is appealed or a motion for leave to appeal, rehearing, reargument or reconsideration is filed with respect thereto, each of the Applicants agree (subject to the available liquidity of each of the Applicants) to take all action as may be commercially reasonable and appropriate to defend against such appeal, petition or motion.
- (f) Each of the Companies and Aleafia Health acknowledge and agree, that the Approval and Vesting Order shall provide that, on the Closing Date and concurrently with the Closing, the Purchased Shares and the Purchased IP shall be transferred to the Purchaser free and clear of all Encumbrances, other than Permitted Encumbrances.

ARTICLE 11 TERMINATION

11.1 Termination

This Agreement may be terminated at any time prior to Closing as follows:

- (a) by mutual written consent of each of the Companies, Aleafia Health and the Purchaser;
- (b) by the Purchaser or the Companies and Aleafia Health, if (i) this Agreement is not the Successful Bid or the Back-up Bid (as determined pursuant to the SISP); or (ii) this Agreement is the Back-up Bid and the transaction contemplated by the Successful Bid is closed;
- (c) by the Purchaser or the Companies and Aleafia Health, if Closing has not occurred on or before November 22, 2023 or such later date agreed to by each of the Companies, Aleafia Health and the Purchaser in writing in consultation with the Monitor (the “**Outside Date**”), provided that the terminating Party is not in breach of any representation, warranty, covenant or other agreement in this Agreement which would prevent the satisfaction of the conditions in Article 7 by the Outside Date;
- (d) by the Purchaser or the Companies and Aleafia Health, if at any time after the date hereof any of the conditions in Article 7 is not capable of being satisfied by the applicable dates required in Article 7 of this Agreement or if not otherwise required, by the Outside Date;
- (e) by the Purchaser, pursuant to Section 10.1(d);
- (f) by the Purchaser, upon the appointment of a receiver, trustee in bankruptcy or similar official in respect of any Applicant or any of the property of any Applicant, other than with the prior written consent of the Purchaser;
- (g) by the Purchaser or the Companies and Aleafia Health, upon the termination, dismissal or conversion of the CCAA Proceedings;

- (h) by the Purchaser or the Companies and Aleafia Health, upon dismissal of the motion for the Approval and Vesting Order (or if any such order is stayed, vacated or varied without the consent of the Purchaser);
- (i) by the Purchaser or the Companies and Aleafia Health, if a court of competent jurisdiction, including the CCAA Court or other Governmental Authority has issued an Order or taken any other action to restrain, enjoin or otherwise prohibit the consummation of Closing and such Order or action has become a Final Order;
- (j) by the Companies and Aleafia Health, if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.3, as applicable, by the Outside Date, and such violation or breach has not been waived by the Companies and Aleafia Health, or cured by the Purchaser within ten (10) Business Days after written notice thereof from the Companies and Aleafia Health, unless any Company or Aleafia Health is in material breach of its obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.2, as applicable, by the Outside Date; and
- (k) by the Purchaser, if there has been a material violation or breach by any of the Companies or Aleafia Health of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.2, as applicable, by the Outside Date, and such violation or breach has not been waived by the Purchaser, or cured by the applicable Company and/or Aleafia Health within ten (10) Business Days after written notice thereof from the Purchaser, unless the Purchaser is in material breach of its obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.3, as applicable, by the Outside Date.

The Party desiring to terminate this Agreement pursuant to this Section 11.1 (other than pursuant to Section 11.1(a)) shall give written notice of such termination to the other Party or Parties, as applicable, specifying in reasonable detail the basis for such Party's exercise of its termination rights.

11.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 11.1, this Agreement shall become void and of no further force or effect without liability of any Party to any other Party to this Agreement except that: (i) Section 9.1, Sections 9.7(c) and 9.7(d), this Section 11.2, Section 13.1, Section 13.3, Section 13.5, Section 13.6, Section 13.7 and Section 13.8 shall survive; and (ii) no termination of this Agreement shall relieve any Party of any liability for any wilful breach by it of this Agreement, or impair the right of any Party to compel specific performance by any other Party of its obligations under this Agreement in accordance with Section 13.3.

ARTICLE 12 CLOSING

12.1 Location and Time of the Closing

The Closing shall take place at the Closing Time on the Closing Date at the offices of Gowling WLG (Canada) LLP in Toronto, or at such other location as may be agreed upon by the Parties.

12.2 Companies' Deliveries at Closing

At Closing, each of the Companies and Aleafia Health, as applicable, shall deliver to the Purchaser the following:

- (a) a true copy of each of the Approval and Vesting Order and the SISP Order, each of which shall be final;
- (b) a certificate of a senior officer or director of each of the Companies and Aleafia Health (in such capacity and without personal liability) in form and substance reasonably satisfactory to the Purchaser: (i) certifying that the board of directors of the applicable Company and Aleafia Health, has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (ii) certifying as to the incumbency and signatures of the officers and directors of the applicable Company and Aleafia Health;
- (c) the certificates contemplated by Section 7.2(c);
- (d) confirmation of the due incorporation and organization of Residual Co. on the terms set forth herein;
- (e) evidence of completion of the Implementation Steps;
- (f) evidence of the filing of the Articles of Amendment, as applicable;
- (g) executed copy of the IP Assignment Agreement; and
- (h) all other documents as reasonably requested by the Purchaser in good faith.

12.3 Purchaser's Deliveries at Closing

At Closing, the Purchaser shall deliver to the Companies and Aleafia Health or, in the case of the amount described in 11.3(b), to the Monitor:

- (a) the Credit Bid Releases;
- (b) the Cash Consideration;
- (c) a certificate of a senior officer or director of the Purchaser (in such capacity and without personal liability), in form and substance reasonably satisfactory to the Companies and Aleafia Health: (i) certifying that the board of directors has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (ii) certifying as to the incumbency and signature of the authorized signatory of the Purchaser executing this Agreement and the other transaction documents contemplated herein, as applicable;

- (d) the certificate contemplated by Section 7.3(c); and
- (e) all other documents required to effect to the transaction contemplated by this Agreement, as reasonably requested by the Companies and / or Aleafia Health in good faith.

12.4 Monitor

When all conditions to Closing set out in Article 7 have been satisfied and/or waived by the Companies, Aleafia Health or the Purchaser, as applicable, the Companies, Aleafia Health and the Purchaser, or their respective counsel, shall each deliver to the Monitor written confirmation, in form and substance satisfactory to the Monitor, that all conditions to Closing have been satisfied or waived, subject to the Monitor's delivery of the Monitor's Certificate to the Purchaser in accordance with the Approval and Vesting Order. Upon receipt of such written confirmation, the Monitor shall: (i) issue forthwith its Monitor's Certificate in accordance with the Approval and Vesting Order; and (ii) file as soon as practicable a copy of the Monitor's Certificate with the CCAA Court (and shall provide a true copy of such filed certificate to each of the Companies, Aleafia Health and the Purchaser). The Parties hereby acknowledge and agree that the Monitor will be entitled to file the Monitor's Certificate with the CCAA Court without independent investigation upon receiving written confirmation from the Companies, Aleafia Health and the Purchaser that all conditions to Closing have been satisfied or waived, and the Monitor will have no liability whatsoever to any of the Companies, Aleafia Health or Purchaser or any other Person as a result of filing the Monitor's Certificate.

12.5 Simultaneous Transactions

All actions taken and transactions consummated at the Closing shall be deemed to have occurred in the manner and sequence set forth in the Implementation Steps and the Approval and Vesting Order (subject to the terms of any escrow agreement or arrangement among the Parties relating to the Closing), and no such transaction shall be considered consummated unless all are consummated.

12.6 Further Assurances

As reasonably required by a Party in order to effectuate the transactions contemplated by this Agreement, Purchaser and each of the Applicants shall execute and deliver at (and after) the Closing such other documents, and shall take such other actions, as are necessary or appropriate, to implement and make effective the transactions contemplated by this Agreement.

ARTICLE 13 GENERAL MATTERS

13.1 Confidentiality

After the Closing Time, the remaining Applicants shall maintain the confidentiality of all confidential information relating to the Business and the Purchased Entities, except any disclosure of such information and records as may be required by Applicable Law. If any remaining Applicant, or any of their respective representatives, becomes legally compelled by deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar judicial or administrative process, to disclose any such information, such party shall, or shall cause its representative to, provide the Purchaser with reasonably prompt prior oral or written notice of such requirement

(including any report, statement, testimony or other submission to such Governmental Authority) to the extent legally permissible and reasonably practicable, and cooperate with Purchaser, at Purchaser's expense, to obtain a protective order or similar remedy to cause such information not to be disclosed; provided that in the event that such protective order or other similar remedy is not obtained, the applicable Applicant shall, or shall cause its representative to, furnish only that portion of such information that has been legally compelled, and shall, or shall cause such representative to, exercise its commercially reasonable efforts to obtain assurance that confidential treatment will be accorded to such disclosed information. The remaining Applicants shall instruct their representatives having access to such information of such obligation of confidentiality and shall be responsible for any breach of the terms of this Section 13.1 by any of their representatives.

13.2 Public Notices

No press release or other announcement concerning the transactions contemplated by this Agreement shall be made by any of the Applicants or Purchaser without the prior consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed); provided, however, that subject to the last sentence of this Section 13.2, any Party may, without such consent, make such disclosure if the same is required by Applicable Law (including the CCAA Proceedings) or by any stock exchange on which any of the securities of such Party or any of its Affiliates are listed, or by any insolvency or other court or securities commission, or other similar Governmental Authority having jurisdiction over such Party or any of its Affiliates, and, if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other Party to the extent legally permissible and reasonably practicable, and if such prior notice is not legally permissible or reasonably practicable, to give such notice reasonably promptly following the making of such disclosure. Notwithstanding the foregoing: (i) this Agreement may be filed by either Party, as applicable: (A) with the CCAA Court; and (B) on their respective profiles on www.sedarplus.ca; and (ii) the transactions contemplated in this Agreement may be disclosed by the Companies and Aleafia Health to the CCAA Court. The Parties further agree that:

- (a) the Monitor may prepare and file reports and other documents with the CCAA Court containing references to the transactions contemplated by this Agreement and the terms of such transactions; and
- (b) the Applicants, the Purchaser and their respective professional advisors may prepare and file such motions, affidavits, materials, reports and other documents with the CCAA Court containing references to the transactions contemplated by this Agreement and the terms of such transactions as may reasonably be necessary to complete the transactions contemplated by this Agreement or to comply with their obligations in connection therewith.

Purchaser shall be afforded an opportunity to review and comment on such materials prior to their filing; provided in the case of reports or other documents prepared or to be filed by the Monitor with the CCAA Court the Purchaser shall be entitled to review only factual information contained therein relating to the terms of the transactions contemplated in this Agreement. The Parties may issue a joint press release announcing the execution and delivery of this Agreement, in form and substance mutually agreed to them.

13.3 Injunctive Relief

- (a) The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek specific performance, injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, and to enforce compliance with the terms of this Agreement, without any requirement for the securing or posting of any bond in connection with the obtaining of any such specific performance, injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.
- (b) Each Party hereby agrees not to raise any objections to the availability of the equitable remedies provided for herein and the Parties further agree that by seeking the remedies provided for in this Section 13.3, a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement.
- (c) Notwithstanding anything herein to the contrary herein, under no circumstances shall a Party be permitted or entitled to receive both monetary damages and specific performance and election to pursue one shall be deemed to be an irrevocable waiver of the other.

13.4 Survival

None of the representations, warranties, covenants (except the covenants in Article 2, Article 3, Article 13 and Sections 9.2(b), and 9.5 to the extent they are to be performed after the Closing) of any of the Parties set forth in this Agreement, in any Closing Document to be executed and delivered by any of the Parties (except any covenants included in such Closing Documents, which, by their terms, survive Closing) or in any other agreement, document or certificate delivered pursuant to or in connection with this Agreement or the transactions contemplated hereby shall survive the Closing.

13.5 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, security holder, Affiliate, agent, lawyer or representative of the respective Parties, in such capacity, shall have any liability for any obligations or liabilities of the Purchaser, either of the Companies or Aleafia Health, as applicable, under this Agreement, or for any causes of action based on, in respect of or by reason of the transactions contemplated hereby.

13.6 Assignment; Binding Effect

No Party may assign its right or benefits under this Agreement without the consent of each of the other Parties, except that without such consent Purchaser may, upon prior notice to each of the Companies and Aleafia Health, assign this Agreement, or any or all of its rights and obligations hereunder, to one or more of its Affiliates; provided that no such assignment or direction shall relieve Purchaser or RWB of its obligations hereunder, including with respect to the Guaranteed Obligations. This Agreement shall be binding upon and enure to the benefit of the Parties and their respective permitted successors and permitted assigns. Although not Parties to this

Agreement, the Monitor and its respective Affiliates and advisors shall have the benefits expressed to be conferred upon them in this Agreement, including in Article 6, Section 9.7 and Section 12.4 (in respect of the Monitor) hereof. Subject to the preceding sentence, nothing in this Agreement shall create or be deemed to create any third Person beneficiary rights in any Person not a Party to this Agreement.

13.7 Notices

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (i) the date of personal delivery; (ii) the date of transmission by email, with confirmed transmission and receipt (if sent during normal business hours of the recipient, if not, then on the next Business Day); (iii) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (iv) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by email will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

(a) If to the Purchaser at:

RWB (PV) CANADA INC.
c/o Red White & Bloom Brands Inc.
789 West Pender Street, Suite 810
Vancouver, British Columbia
V6C 1H2

Attention: Eddie Mattei
Email: eddie.mattei@redwhitebloom.com

and to:

Gowling WLG (Canada) LLP
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, ON M5X 1G5

Attention: Virginie Gauthier, Kate Yurkovich
Email: virginie.gauthier@gowlingwlq.com;
kate.yurkovich@gowlingwlq.com

(b) If to the Companies and Aleafia Health at:

Aleafia Health Inc.
c/o Aird & Berlis LLP
Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Canada
M5J 2T9

Attention: Tricia Symmes / Mike Paris
Email: triciasymmes@AleafiaHealth.com / mikeparis@aleafiahealth.com

and to:

Aird & Berlis LLP
Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Canada
M5J 2T9

Attention: Kyle Plunkett
Email: kplunkett@airdberlis.com

and to:

KSV Restructuring Inc.
222 Bay Street, 13th Floor
Toronto ON M5J 2W4

Attention: Noah Goldstein
Email: ngoldstein@ksvadvisory.com

Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

13.8 Counterparts; Electronic Signatures

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by electronic signature which, for all purposes, shall be deemed to be an original signature.

[Signature pages to follow]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ALEAFIA HEALTH INC.

DocuSigned by:

Patricia Symmes-Rizakos

01B88568EC0C42B...

Per:

Name: Patricia Symmes-Rizakos

Title: Chief Executive Officer

I have the authority to bind the corporation.

EMBLEM CANNABIS CORPORATION

DocuSigned by:

Patricia Symmes-Rizakos

01B88568EC0C42B...

Per:

Name: Patricia Symmes-Rizakos

Title: Director

I have the authority to bind the corporation.

CANABO MEDICAL CORPORATION

DocuSigned by:

Patricia Symmes-Rizakos

01B88568EC0C42B...

Per:

Name: Patricia Symmes-Rizakos

Title: Director

I have the authority to bind the corporation.

ALEAFIA FARMS INC.

DocuSigned by:

Patricia Symmes-Rizakos

01B88568EC0C42B...

Per:

Name: Patricia Symmes-Rizakos

Title: Director

I have the authority to bind the corporation.

ALEAFIA RETAIL INC.

DocuSigned by:

Patricia Symmes-Rizakos

01B88568EC0C42B...

Per:

Name: Patricia Symmes-Rizakos

Title: Director

I have the authority to bind the corporation.

RWB (PV) CANADA INC.

Per:

Name:

Title:

I have the authority to bind the corporation.

**RED WHITE & BLOOM BRANDS INC., solely
for the purposes of Section 5.6, Article 8
and Article 13 herein**

Per:

Name:

Title:

I have the authority to bind the corporation.

ALEAFIA FARMS INC.

Per:

Name:

Title:

I have the authority to bind the corporation.

ALEAFIA RETAIL INC.

Per:

Name:

Title:

I have the authority to bind the corporation.

RWB (PV) CANADA INC.



Per:

Name: Eddie Mattei

Title: CFO

I have the authority to bind the corporation.

**RED WHITE & BLOOM BRANDS INC., solely
for the purposes of Section 5.6, Article 8
and Article 13 herein**



Per:

Name: Eddie Mattei

Title: CFO

I have the authority to bind the corporation.

**SCHEDULE 1.1(A)
PERMITTED ENCUMBRANCES**

REAL PROPERTY

REAL PROPERTY GENERAL ENCUMBRANCES

With respect to the Grimsby Property, Scugog Property and Paris Property (together “the Property”, and each a “Property”):

1. The reservations, limitations, provisos and conditions expressed in the original grant from the Crown.
2. Any registered or unregistered easements, servitudes, rights-of-way, licences, or restrictions, in favour of any governmental authority or public utility, that run with the land and other encumbrances and/or agreements with respect thereto including, without limiting the generality of the foregoing, easements, rights-of-way and agreements for sewers, drains, gas and water mains or electric light and power or telephone, telecommunications or cable conduits, poles, wires and cables).
3. Any encroachments, minor defects or irregularities indicated on any survey of the Property;
4. Any subdivision agreements, site plan agreements, development agreements and any other agreements with the municipality, region, publicly regulated utilities or other governmental authorities having jurisdiction registered on title to the Property.

SPECIFIC ENCUMBRANCES

Grimsby Property

- Instrument No. RO437966 registered on October 15, 1981 and being an Agreement re: Easement to The Corporation of the Town of Grimsby.
- Instrument No. NR529869 registered on December 12, 2019 and being a Transfer Easement for Aleafia Farms Inc. to Grimsby Power Incorporated.
- Instrument No. NR262008 registered on February 16, 2011 and being a Bylaw for Public Highway from The Regional Municipality of Niagara.
- Instrument No. NR384106 registered on June 19, 2015 and being a Notice from The Corporation of the Town of Grimsby.

Scugog Property

- Instrument No. N32525 registered on March 13, 1967 and being an Order designating areas of subdivision control under The Planning Act.
- Instrument No. DR685199 registered on February 4, 2008 and being an Application (General) amending the legal description from Audrey Gwendoline Metcalf.

Paris Property

- Instrument No. A331750 registered on August 13, 1987 and being an Agreement to the Town of Paris.
- Instrument No. A462029 registered on September 25, 1995 and being an Agreement re: Site Plan to Town of Paris.
- Instrument No. LT22629 registered on June 18, 2001 and being a Notice Agreement from The Corporation of the County of Brant.
- Instrument No. LT22633 registered on June 18, 2001 and being a Notice Agreement from The Corporation of the County of Brant.
- Instrument No. BC3838 registered on September 20, 2002 and being a Notice Agreement from The Corporation of the County of Brant.

Instrument No. BC328156 registered on November 7, 2017 and being a Notice from Emblem Cannabis Corporation to The Corporation of the County of Brant.

**SCHEDULE 1.1(b)
INTELLECTUAL PROPERTY**

Canadian Trademark Applications and Registrations

Date of Search: July 21, 2023

No	Mark	Details
Aleafia Health Inc.		
1	ALEAFIA HEALTH SCIENCE SEEDING WELLNESS Design 	Reg No.: TMA1109543 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
2	N&N Design 	App No.: 2148922 Status: FORMALIZED Filing Date: 2021-11-22 Owner: Aleafia Health Inc.
3	NITH & GRAND	App No.: 2079596 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.

No	Mark	Details
4	Leaf Design 	Reg No.: TMA1109544 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
5	ALEAFIA	Reg No.: TMA1095537 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
6	ALEAFIA MEDICAL CANNABIS CARE Design 	Reg No.: TMA1095540 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
7	ALEAFIA MEDICAL CANNABIS CARE	Reg No.: TMA1095541 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
8	ALEAFIA Design 	Reg No.: TMA1095539 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.

No	Mark	Details
9	A Design 	Reg No.: TMA1095538 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
10	NOON & NIGHT	App No.: 2081049 Status: FORMALIZED Filing Date: 2021-01-29 Owner: Aleafia Health Inc.
11	SUNDAY MARKET	App No.: 2079600 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.
12	WELL & NESS	App No.: 1947909 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
13	ALEAFIA HEALTH Design 	Reg No.: TMA1109545 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
14	DIVVY	App No.: 2079598 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.

No	Mark	Details
15	Icon Design 	App No.: 1947908 Status: SEARCHED Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
16	KESARA WELLNESS Design 	App No.: 1947907 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
17	FOLIEDGE ACADEMY Design 	App No.: 1947904 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
18	DIVVY CANNABIS CO.	App No.: 2079599 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.
19	BOGART'S KITCHEN	App No.: 2079597 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.

No	Mark	Details
20	WE GROW TOGETHER	App No.: 1962713 Status: FORMALIZED Filing Date: 2019-05-14 Owner: Aleafia Health Inc.
21	SCIENCE SEEDING WELLNESS	App No.: 1962712 Status: FORMALIZED Filing Date: 2019-05-14 Owner: Aleafia Health Inc.
22	W & N	App No.: 1947910 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
23	Crest Design 	App No.: 1947905 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
24	NITH & GRIND	Reg No.: TMA1179414 Status: REGISTERED Reg. Date: 2023-05-10 Owner: Aleafia Health Inc.
25	ALEAFIA CAMPUS Design 	Reg No.: TMA1109542 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
26	ALEAFIA CAMPUS	Reg No.: TMA1109541 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.

No	Mark	Details
27	ALEAFIA HEALTH	Reg No.: TMA1109546 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
28	everso	App No.: 1962492 Status: FORMALIZED Filing Date: 2019-05-13 Owner: Aleafia Health Inc.
29	KESARA WELLNESS	App No.: 1947906 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
30	FOLIEDGE ACADEMY	App No.: 1947903 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.

Foreign Trademark Applications and Registrations

Date of Search: July 21, 2023

No	Mark	Details
Aleafia Health Inc.		
31	A ALEAFIA HEALTH SCIENCE SEEDING WELLNESS 	Jurisdiction: Australia Reg No.: 2010171 Status: REGISTERED Reg. Date: 2019-05-17 Owner: Aleafia Health Inc.
32	ALEAFIA HEALTH	Jurisdiction: Australia Reg No.: 2010170 Status: REGISTERED Reg. Date: 2019-05-17 Owner: Aleafia Health Inc.
33	everso	Jurisdiction: Australia Reg No.: 2009082 Status: REGISTERED Reg. Date: 2019-05-14 Owner: Aleafia Health Inc.

No	Mark	Details
34	eversor	Jurisdiction: Germany Reg No.: 302019011831 Status: REGISTERED Reg. Date: 2019-08-28 Owner: Aleafia Health Inc.
35	ALEAFIA HEALTH	Jurisdiction: Germany Reg No.: 302019012527 Status: REGISTERED Reg. Date: 2019-10-24 Owner: Aleafia Health Inc.
36	Aleafia Health SCIENCE SEEDING WELLNESS 	Jurisdiction: Germany Reg No.: 302019012528 Status: REGISTERED Reg. Date: 2019-10-24 Owner: Aleafia Health Inc.
37	FOLIEDGE ACADEMY	Jurisdiction: Germany Reg No.: 302019019962 Status: REGISTERED Reg. Date: 2021-08-25 Owner: Aleafia Health Inc.
38		Jurisdiction: Germany Reg No.: 302019020063 Status: REGISTERED Reg. Date: 2021-08-09 Owner: Aleafia Health Inc.
39	FOLIEDGE ACADEMY 	Jurisdiction: Germany Reg No.: 302019020134 Status: REGISTERED Reg. Date: 2021-08-05 Owner: Aleafia Health Inc.

DOMAINS

Domain Name	Status	Expiration Date	Auto-renew	Lock	Nameservers
aleafia.ca	Active	2022-10-13	On	Locked	ns63.domaincontrol.com ns64.domaincontrol.com
aleafia.health	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafia.me	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.ca	Active	2022-10-15	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
aleafiahealth.com	Active	2022-03-27	On	Locked	ns-797.awsdns-35.net ns-1036.awsdns-01.org ns-1759.awsdns-27.co.uk ns-481.awsdns-60.com
aleafiahealth.info	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.life	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.me	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.net	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.org	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealthinc.ca	Active	2022-10-15	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
aleafiahealthinc.com	Active	2022-10-15	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
alefiainc.ca	Active	2022-10-13	On	Locked	ns63.domaincontrol.com ns64.domaincontrol.com
alefiainc.com	Active	2022-01-11	On	Locked	ns-1191.awsdns-20.org ns-409.awsdns-51.com ns-1950.awsdns-51.co.uk ns-903.awsdns-48.net
alefialabs.ca	Active	2023-02-15	On	Locked	ns75.domaincontrol.com ns76.domaincontrol.com
alefiatech.ca	Active	2023-02-15	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
alefiatech.com	Active	2023-02-15	On	Locked	ns57.domaincontrol.com ns58.domaincontrol.com
alefiatechlabs.ca	Active	2023-02-15	On	Locked	ns57.domaincontrol.com ns58.domaincontrol.com
alefiatechlabs.com	Active	2023-02-15	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com

assurehome.delivery	Active	2023-04-03	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
assurehomedelivery.ca	Active	2023-04-03	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
assurehomedelivery.com	Active	2023-04-03	On	Locked	ns-581.awsdns-08.net ns-1180.awsdns-19.org ns-1927.awsdns-48.co.uk ns-211.awsdns-26.com
asterixx.ca	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.co	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.info	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.net	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.org	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
canabo.ca	Active	2021-08-17	On	Locked	ns-2035.awsdns-62.co.uk ns-108.awsdns-13.com ns-1007.awsdns-61.net ns-1473.awsdns-56.org
canabocorp.com	Active	2022-04-02	On	Locked	ns67.domaincontrol.com ns68.domaincontrol.com
canabomedicalclinic.ca	Active	2022-10-30	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
canabomedicalclinic.com	Active	2021-10-30	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
canabomedicalclinic.org	Active	2021-10-30	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
cmclinic.ca	Active	2022-06-03	On	Locked	ns11.domaincontrol.com ns12.domaincontrol.com
cmclinic.org	Active	2022-06-03	On	Locked	ns45.domaincontrol.com ns46.domaincontrol.com
cmclinics.ca	Active	2022-06-03	On	Locked	ns39.domaincontrol.com ns40.domaincontrol.com
cmclinics.org	Active	2022-06-03	On	Locked	ns11.domaincontrol.com ns12.domaincontrol.com
collectivecannabis.ca	Active	2022-09-12	On	Locked	ns75.domaincontrol.com ns76.domaincontrol.com
emblemacademy.ca	Active	2022-07-19	On	Locked	ns69.domaincontrol.com ns70.domaincontrol.com
emblemanswers.ca	Active	2022-10-15	On	Locked	ns63.domaincontrol.com ns64.domaincontrol.com
emblemanswers.com	Active	2022-10-15	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
emblemcan.co	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com

emblemcannabis.ca	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcannabis.com	Active	2022-01-11	On	Locked	aragorn.ns.cloudflare.com lola.ns.cloudflare.com
emblemcannabis.info	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcannabis.net	Active	2022-01-11	On	Locked	ns1.mediatemple.net ns2.mediatemple.net
emblemcannabis.org	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcannabishop.com	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcorp.com	Active	2021-07-28	On	Locked	ns61.domaincontrol.com ns62.domaincontrol.com
emblemcorp.de	Active	2022-06-21	On	Unlocked	ns81.domaincontrol.com ns82.domaincontrol.com
emblemexperience.ca	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.com	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.info	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.net	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.org	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemgermany.com	Active	2022-06-21	On	Locked	ns35.domaincontrol.com ns36.domaincontrol.com
emblemgermany.de	Active	2022-06-21	On	Unlocked	ns81.domaincontrol.com ns82.domaincontrol.com
emblemgermanygmbh.de	Active	2022-06-21	On	Unlocked	ns81.domaincontrol.com ns82.domaincontrol.com
emblemmed.ca	Active	2022-02-09	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
emblemmed.com	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.ca	Active	2022-02-09	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
emblemmedical.co	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.com	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.net	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.org	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com

emblempharma.ca	Active	2022-02-09	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
emblempharma.co	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.com	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.net	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.org	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
eversocannabis.ca	Active	2021-12-10	On	Locked	ns19.domaincontrol.com ns20.domaincontrol.com
eversocannabis.com	Active	2021-12-10	On	Locked	ns19.domaincontrol.com ns20.domaincontrol.com
eversocannabis.net	Active	2021-12-10	On	Locked	ns19.domaincontrol.com ns20.domaincontrol.com
gettangled.ca	Active	2022-02-08	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
gettangled.co	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
gettangled.info	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
gettangled.net	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
gettangled.org	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
itsjustaplant.ca	Active	2022-04-16	On	Locked	ns59.domaincontrol.com ns60.domaincontrol.com
iwillchangewellness.com	Active	2023-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
kesara.ca	Active	2022-12-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
kesarawellness.ca	Active	2022-12-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
kesarawellness.com	Active	2022-12-20	On	Locked	ns-455.awsdns-56.com ns-859.awsdns-43.net ns-1212.awsdns-23.org ns-1973.awsdns-54.co.uk
kesarawellness.life	Active	2022-12-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
KINDCANN.ORG	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
KINDCANNMM.CA	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
KINDCANNMM.COM	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
KINDMEDICALMARIJUANA.COM	Active	2022-06-08	On	Locked	ns61.domaincontrol.com ns62.domaincontrol.com

KINDMM.CA	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
KINDMM.COM	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
lenustra.com	Active	2022-12-13	On	Locked	ns-1505.awsdns-60.org ns-1774.awsdns-29.co.uk ns-82.awsdns-10.com ns-742.awsdns-28.net
nithandgrand.ca	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithandgrand.com	Active	2022-10-27	On	Locked	ns-1521.awsdns-62.org ns-759.awsdns-30.net ns-1939.awsdns-50.co.uk ns-212.awsdns-26.com
nithandgrand.info	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithandgrand.net	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithandgrand.org	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithgrand.ca	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithgrand.com	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
revelcannabis.ca	Active	2024-02-20	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
revlcannabis.ca	Active	2024-02-20	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
revlcannabis.com	Active	2024-02-20	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
syml.ca	Active	2022-01-15	On	Locked	ns-124.awsdns-15.com ns-1375.awsdns-43.org ns-948.awsdns-54.net ns-1894.awsdns-44.co.uk
symlcannabis.ca	Active	2022-02-13	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
symlcannabis.co	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
symlcannabis.com	Active	2022-02-13	On	Locked	ns1.mediatemple.net ns2.mediatemple.net
symlcannabis.net	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
symlcannabis.org	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
symbolcannabis.ca	Active	2022-05-01	On	Locked	ns25.domaincontrol.com ns26.domaincontrol.com
symbolcannabis.co	Active	2022-05-01	On	Locked	ns25.domaincontrol.com ns26.domaincontrol.com
symbolcannabis.com	Active	2022-05-01	On	Locked	ns1.mediatemple.net ns2.mediatemple.net

tanglecannabis.ca	Active	2022-02-13	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
tanglecannabis.co	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
tanglecannabis.com	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
tanglecannabis.net	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
tanglecannabis.org	Active	2022-02-13	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
thesundaymarket.ca	Active	2023-01-20	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
thesundaymarket.com	Active	2022-07-05	On	Locked	ns-1744.awsdns-26.co.uk ns-865.awsdns-44.net ns-1206.awsdns-22.org ns-228.awsdns-28.com
well-ness.life	Active	2023-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
well-ness.me	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellandness.ca	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellandness.com	Active	2022-08-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
wellandness.info	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellandness.life	Active	2023-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellandness.me	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellandness.net	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellandness.org	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
wellnext.health	Active	2022-05-21	On	Locked	ns59.domaincontrol.com ns60.domaincontrol.com
wellnext.online	Active	2022-05-21	On	Locked	ns45.domaincontrol.com ns46.domaincontrol.com

**SCHEDULE 1.1(C)
SALE AND INVESTMENT SOLICITATION PROCESS**

See attached.

Bidding Procedures for the Sale and Investment Solicitation Process

Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) made on July 25, 2023 (as amended and restated, the “**Initial Order**”), Aleafia Health Inc., Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited, Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc. and 2676063 Ontario Inc. (collectively, the “**Applicants**” or the “**Aleafia Group**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**” and the proceedings thereunder, the “**CCAA Proceedings**”), and KSV Restructuring Inc. (“**KSV**”) was appointed monitor of the Applicants (in such capacity, the “**Monitor**”).

On August 15, 2023, the Court granted an order (the “**SISP Order**”), authorizing the Monitor, with the assistance of the Aleafia Group’s management team, to undertake a sale and investment solicitation process (“**SISP**”) for the sale of the Aleafia Group’s (i) property, assets and undertaking or shares in the capital of one or more of the Applicants (collectively, the “**Property**”) and (ii) business operations (the “**Business**”). The SISP will be conducted by the Monitor in the manner set forth herein and in accordance with the SISP Order.

Among other things, the SISP Order also: (a) approved the procedures set out in this Schedule (the “**Bidding Procedures**”) for the solicitation of offers or proposals (each, a “**Bid**”) for the acquisition of the Property and the Business or some portion thereof; and (b) approved the form of stalking horse agreement (as same may be amended from time to time pursuant to its terms and the SISP Order, the “**Stalking Horse Agreement**”) to be entered into between each of Aleafia Health Inc., Emblem Cannabis Corporation, Canabo Medical Corporation, Aleafia Farms Inc. and Aleafia Retail Inc., as vendors, and (PV) Canada Inc.² (a wholly-owned subsidiary of the DIP Lender, the “**Stalking Horse Bidder**”), as purchaser, for the purposes of serving as the stalking horse bid in the SISP (the “**Stalking Horse Bid**”). For the avoidance of doubt, the implementation of the transactions contemplated by the Stalking Horse Agreement is conditional upon the Stalking Horse Bid being selected as the Successful Bid (as defined below) in accordance with the Bidding Procedures and Court approval of the Stalking Horse Agreement and the transactions contemplated therein on a subsequent motion to be brought by the Applicants following the completion of the SISP.

Defined Terms

1. Capitalized terms used in these Bidding Procedures and not otherwise defined herein have the meanings given to them in Appendix “A” hereto.

² Stalking Horse Agreement and Implementation Steps contemplate the assignment/pledge of the DIP and Senior Loans and security to the Purchaser.

Bidding Procedures

Opportunity

2. The SISP is intended to solicit interest in and opportunities for a sale of, or investment in, all or part of the Aleafia Group's Property and Business (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, refinancing, recapitalization or other form of reorganization of the business and affairs of one or more entity comprising the Aleafia Group as a going concern, or a sale of all, substantially all or one or more components of the Aleafia Group's Property and Business as a going concern or otherwise.
3. Any sale of the Property or investment in the Business will be on an "*as is, where is*" basis and without surviving representations or warranties of any kind, nature, or description by the Monitor, the Aleafia Group or any of their respective agents, advisors or estates, and, in the event of a sale, all of the right, title and interest of the Aleafia Group in and to the Property to be acquired will be sold free and clear of, *inter alia*, all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein and thereon pursuant to Court orders, except as otherwise provided in such Court orders and definitive documents.
4. The Stalking Horse Agreement constitutes a Binding Offer (as defined below) by the Stalking Horse Bidder (which constitutes a Binding Offer Bidder (as defined below)) for all purposes and at all times under this SISP and will serve as the Stalking Horse Bid for purposes of this SISP and the Bidding Procedures and have the right to participate in the Auction (as defined below), if any. Notwithstanding the Stalking Horse Agreement and proposed transactions therein, all interested parties are encouraged to submit bids based on any form of Opportunity that they may elect to advance pursuant to the SISP, including as a Sale Proposal (as defined below), a Partial Sale Proposal (as defined below) or an Investment Proposal (as defined below). A copy of the Stalking Horse Agreement will be made available to all Qualified Bidders (as defined below) and a form of such agreement, to be uploaded to the VDR (as defined below), may be used as the basis for any Binding Offer made in the SISP.
5. The Bidding Procedures describe the manner in which prospective bidders may gain access to due diligence materials concerning the Aleafia Group, the Property and the Business, the manner in which bidders may participate in the SISP, the requirement of and the receipt and negotiation of bids received, the ultimate selection of a Successful Bidder (as defined below) and the requisite approvals to be sought from the Court in connection therewith.

Subject to paragraph 18 below, the Monitor, in consultation with the Aleafia Group, may at any time and from time to time, modify, amend, vary or supplement the Bidding Procedures, without the need for obtaining an order of the Court or providing notice to Qualified Bidders, Binding Offer Bidders, the Successful Bidder or the Back-Up Bidder (as defined below) provided that such modification, amendment, variation or supplement is expressly limited to changes that do not alter, amend or prejudice the rights of such bidders (including the rights of the Stalking Horse Bidder, except with the authorization of the Stalking Horse Bidder) and are necessary or useful in order to give effect to the

substance of the SISP, the Bidding Procedures or the SISP Order. Notwithstanding the foregoing, the dates or time limits indicated in the table contained below may be extended by the Monitor, as the Monitor deems necessary or appropriate, and with the consent of the DIP Lender, acting reasonably, or by order of the Court.

The Monitor will post on the Monitor’s website and serve on the service list maintained in the CCAA Proceedings, as soon as practicable, any such modification, amendment, variation or supplement to these Bidding Procedures and inform the bidders impacted by such modifications.

In the event of a dispute as to the interpretation or application of the SISP Order or these Bidding Procedures, the Court will have exclusive jurisdiction to hear and resolve such dispute. For the avoidance of doubt, all bidders shall be deemed to have consented to the jurisdiction of the Court in connection with any disputes relating to the SISP, including the qualification of bids, the construction and enforcement of the SISP, and closing of the Successful Bid, as applicable.

A summary of the key dates pursuant to the SISP is as follows:

Milestone	Date
Commence solicitation of interest from parties, including delivering NDA and Teaser Letter, and upon execution of NDA (each as defined below), Confidential Information Memorandum and access to VDR	No later than two (2) Business Days after the granting of the SISP Order
Binding Offer Deadline (as defined below)	October 2, 2023 at 5:00 p.m. EST
<i>If no Binding Offers are received other than Stalking Horse Bid</i>	
Selection of Stalking Horse Bid as Successful Bid	October 3, 2023
Approval Motion (as defined below)	October 10, 2023 or the earliest date available thereafter
Closing of Stalking Horse Bid	As soon as possible but no later than November 22, 2023
<i>If Binding Offers selected other than Stalking Horse Bid</i>	
Deadline to notify Qualified Bidders	No later than October 6, 2023

Auction, if needed	October 9, 2023
Selection of Successful Bid and Back-Up Bidder, if needed	October 9, 2023 or such later date immediately thereafter if the Auction is not completed in one day
Approval Motion	No later than October 17, 2023
Closing of the Successful Bid	As soon as possible but no later than November 22, 2023

Solicitation of Interest: Notice of the SISP

6. As soon as reasonably practicable, but, in any event, by no later than two (2) Business Days after the granting of the SISP Order:
 - (a) The Monitor, in consultation with the Aleafia Group, will prepare a list of potential bidders, including (i) parties that have approached the Applicants or the Monitor indicating an interest in the Opportunity, (ii) strategic and financial parties who the Monitor, in consultation with the Aleafia Group, believe may be interested in purchasing all or part of the Business or the Property or investing in the Aleafia Group pursuant to the SISP, and (iii) parties that showed an interest in the Aleafia Group and/or their Property prior to the date of the SISP Order including by way of the previous, out-of-court strategic review process, in each case whether or not such party has submitted a letter of intent or similar document (collectively, the “**Known Potential Bidders**”);
 - (b) a notice of the SISP (and such other relevant information which the Monitor, in consultation with the Aleafia Group, considers appropriate) (the “**Notice**”) will be published by the Monitor in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor;
 - (c) the Aleafia Group will issue a press release setting out the information contained in the Notice and such other relevant information which the Monitor and the Applicants determine is appropriate; and
 - (d) the Monitor, with the assistance of the Aleafia Group, will prepare (i) a process summary (the “**Teaser Letter**”) describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) a non-disclosure agreement in form and substance satisfactory to the Monitor and Aleafia Group and their respective counsel, which shall enure to the benefit of any purchaser of the Business or Property or any part thereof (an “**NDA**”).
7. The Monitor will cause the Teaser Letter and NDA to be sent to each Known Potential Bidder by no later than two (2) Business Days after the granting of the SISP Order, and to any other party who requests a copy of the Teaser Letter and NDA or who is identified to

the Monitor as a potential bidder as soon as reasonably practicable after such request or identification, as applicable.

Virtual Data Room

8. A confidential virtual data room (the “**VDR**”) in relation to the Opportunity will be made available by the Aleafia Group and the Monitor to Potential Bidders (as defined below) that have executed the NDA. The VDR will be made available as soon as practicable. The Monitor, in consultation with the Aleafia Group, may establish or cause the Aleafia Group to establish separate VDRs (including “**clean rooms**”), if the Aleafia Group reasonably determines that doing so would further the Aleafia Group’s and any Potential Bidder’s compliance with applicable antitrust and competition laws, or would prevent the distribution of commercially sensitive competitive information. The Monitor may also, in consultation with the Aleafia Group, limit the access of any Potential Bidder to any confidential information in the VDR where the Monitor, in consultation with the Aleafia Group, reasonably determines that such access could negatively impact the SISF, the ability to maintain the confidentiality of the information, the Business, the Property or their value.

Qualified Bidders and Delivery of Confidential Information Memorandum

9. Any party who wishes to participate in the SISF (a “**Potential Bidder**”) must provide to the Monitor and counsel to the Aleafia Group, at the addresses specified in Appendix “B” hereto (including by email transmission), an NDA executed by it, acceptable to the Monitor, in consultation with the Aleafia Group, and written confirmation of the identity of the Potential Bidder, the contact information for such Potential Bidder and full disclosure of the direct and indirect principals of the Potential Bidder.
10. A Potential Bidder (who has delivered the executed NDA and letter as set out above) will be deemed a “**Qualified Bidder**” if the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISF. All Qualified Bidders will receive a Confidential Information Memorandum prepared by the Monitor and will be granted access to the VDR. For the avoidance of doubt, the Stalking Horse Bidder is, and will be deemed to be, a Qualified Bidder.
11. The Monitor will prepare and send to each Qualified Bidder a Teaser Letter and provide a copy of the Stalking Horse Agreement, and any material amendment thereto. The Aleafia Group, the Monitor and their respective advisors make no representation or warranty as to the information contained in the VDR, Teaser Letter, Confidential Information Memorandum or otherwise made available pursuant to the SISF.
12. At any time during the SISF, the Monitor may, in its reasonable judgment, and in consultation with the Aleafia Group, eliminate a Qualified Bidder from the SISF, in which case such bidder will be eliminated from the SISF and will no longer be a “Qualified Bidder” for the purposes of the SISF.

13. Potential Bidders must rely solely on their own independent review, diligence, investigation and/or inspection of all information and of the Property and Business in connection with their participation in the SISP and any transaction they enter into with one or more of the entities comprising the Aleafia Group.

Due Diligence

14. The Monitor and the Aleafia Group, shall, subject to competitive and other business considerations, afford each Qualified Bidder such access to due diligence materials and information relating to the Property and Business as the Monitor, in consultation with the Aleafia Group, may deem appropriate. Due diligence access may include management presentations, access to the VDR, on-site inspections, and other matters which a Qualified Bidder may reasonably request and as to which the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, may agree. Any access or interactions with the Aleafia Group's management and personnel shall be coordinated through, and involve a representative of, the Monitor.
15. The Monitor will designate one or more representatives of the Monitor to be solely responsible for coordinating and responding to all requests for information and due diligence access from Qualified Bidders and the manner in which such requests must be communicated. Neither the Monitor, nor the Aleafia Group through the Monitor, will be obligated to furnish any information relating to the Property or Business to any person other than to Qualified Bidders. Further, and for the avoidance of doubt, selected due diligence materials may be withheld from certain Qualified Bidders if the Monitor, in consultation with the Aleafia Group, determines such information to represent proprietary or sensitive competitive information.

Formal Binding Offers

16. Any Qualified Bidder (other than the Stalking Horse Bidder) that wishes to make a formal offer with respect to its offer to (A) acquire all or substantially all of the Property or Business, whether through an asset purchase, a share purchase or a combination thereof (either one, a "**Sale Proposal**") or a portion of the Property or the Business (a "**Partial Sale Proposal**"); or (B) make an investment in, restructure, recapitalize or refinance the Aleafia Group or the Business or a portion thereof (an "**Investment Proposal**") must submit a binding offer (a "**Binding Offer**"): (a) in the case of a Sale Proposal, in the form of a template purchase agreement provided in the VDR, along with a marked version showing edits to the original form of the template provided in the VDR and otherwise with a marked version compared to the Stalking Horse Agreement; or (b) in the case of an Investment Proposal, a plan or restructuring support agreement in form and substance satisfactory to the Monitor, in consultation with the Aleafia Group (the "**Binding Offer Bidder**"), in each case to the Monitor, no later 5 p.m. EST on October 2, 2023 (the "**Binding Offer Deadline**").
17. A Binding Offer will be considered if it:

- (a) provides net cash proceeds on closing via provisions that meet the following requirements, that are not less than the aggregate total of: (A) the amount of cash payable under the Stalking Horse Agreement together with the amount of all secured indebtedness, liabilities and obligations owing by the Aleafia Group to the DIP Lender (both in respect of its outstanding pre-filing secured loans and advances under the DIP Facility), plus (B) the amount of cash payable to cover the Expense Reimbursement (as defined in the Stalking Horse Agreement), plus (C) a minimum overbid amount of \$200,000, plus (D) the amount of cash payable to repay in full all of the secured indebtedness, liabilities and obligations owing by the Aleafia Group to 1260356 Ontario Limited (the amounts set forth in this paragraph 17(a), the “**Minimum Purchase Price**”); provided, however, that the Monitor may, in its reasonable judgment, and in consultation with the Aleafia Group, deem this criterion satisfied if the Sale Proposal, Partial Sale Proposal or the Investment Proposal, together with one or more other non-overlapping Sale Proposal, Partial Sale Proposal or Investment Proposal, in the aggregate, meet or exceed the Minimum Purchase Price and such Minimum Purchase Price is payable in full in cash on closing (such bids, “**Aggregated Bids**”, and each an “**Aggregated Bid**”) (the amount of the Minimum Purchase Price will be confirmed by the Monitor with Potential Bidders);
- (b) is submitted on or before the Binding Offer Deadline by a Qualified Bidder;
- (c) is made by way of binding, definitive transaction document(s) that is/are executed by the Binding Offer Bidder;
- (d) is a Binding Offer: (i) to purchase all, substantially all, or a portion of the Property or the Business; and/or (ii) to make an investment in, restructure, recapitalize or refinance the Aleafia Group or the Business or a portion thereof, on terms and conditions reasonably acceptable to the Monitor and the Aleafia Group;
- (e) identifies all executory contracts of the Aleafia Group that the Binding Offer Bidder will assume and clearly describes, for each contract or on an aggregate basis, how all monetary defaults and non-monetary defaults will be remedied, as applicable;
- (f) is not subject to any financing condition, diligence condition or internal or board approval;
- (g) is unconditional, other than upon the receipt of the Approval Order(s) (as defined below) and satisfaction of any other conditions expressly set forth in the Binding Offer;
- (h) contains or identifies the key terms and provisions to be included in any Approval Order, including whether such order will be a “reverse vesting order”;
- (i) contains the Binding Offer Bidder’s proposed treatment of employees of the applicable Aleafia Group entities (for example, anticipated employment offers and treatment of post-employment benefits);

- (j) includes acknowledgments and representations of the Binding Offer Bidder that it:
 - (i) has had an opportunity to conduct any and all due diligence regarding the Opportunity prior to making its Binding Offer; (ii) has relied solely upon its own independent review, investigation and/or inspection of any documents and/or the Property and/or the Business in making its Binding Offer; (iii) did not rely upon any written or oral statements, representations, warranties, or guarantees whatsoever, whether express, implied, statutory or otherwise, regarding the Opportunity or the completeness of any information provided in connection therewith, other than as expressly set forth in the Binding Offer or other transaction document submitted with the Binding Offer; and (iv) promptly will commence any governmental or regulatory review of the proposed transaction by the applicable competition, antitrust or other applicable governmental authorities, including those regulating the cannabis sector;
- (k) provides for (i) net cash proceeds on closing that are not less than the Minimum Purchase Price; unless it is a part of a bid that qualifies as an Aggregated Bid, as the case may be, in which case the total net cash proceeds of the Aggregated Bids will be not less than the Minimum Purchase Price; and (ii) evidence satisfactory to the Monitor of funds available to pay the Minimum Purchase Price on closing including written evidence of a firm, irrevocable commitment for financing or other evidence of ability to pay the Minimum Purchase Price on closing;
- (l) is accompanied by a letter that confirms that the Binding Offer: (i) may be accepted by the Aleafia Group by countersigning the Binding Offer, and (ii) is irrevocable and capable of acceptance until the earlier of (A) two (2) Business Days after the date of closing of the Successful Bid; and (B) the Outside Date (as defined below);
- (m) provides for any anticipated corporate, licensing, securityholder, Health Canada, legal or other regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (n) does not provide for any break or termination fee, expense reimbursement or similar type of payment, it being understood and agreed that no bidder will be entitled to any bid protections;
- (o) in the case of a Sale Proposal or Partial Sale Proposal, includes:
 - (i) the specific purchase price in Canadian dollars and a description of any non-cash consideration;
 - (ii) a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - (iii) a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and

- (iv) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - (p) in the case of an Investment Proposal, includes:
 - (i) a description of how the Binding Offer Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration;
 - (ii) the aggregate amount of the equity and/or debt investment to be made in the Business or the Applicants in Canadian dollars;
 - (iii) the underlying assumptions regarding the pro forma capital structure;
 - (iv) a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and
 - (v) a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction;
 - (q) prior to entering the Auction, the Binding Offer Bidder will be required to deliver to the Monitor a deposit in the amount of not less than 10% of the cash purchase price payable on closing or total new investment contemplated, as the case may be (the “**Deposit**”);
 - (r) is accompanied by an acknowledgement that (i) if the Binding Offer Bidder is selected as the Successful Bidder, that the Deposit will be non-refundable subject to approval of the Successful Bid by the Court and the terms described in paragraph 27 below; and (ii) if the Binding Offer Bidder is selected as the Back-Up Bidder, that the Deposit will be held and dealt with as described in paragraph 27 below;
 - (s) contemplates and reasonably demonstrates a capacity to consummate a closing of the transaction set out therein on the date that is twenty-one (21) days from the date of the issuance of the Approval Order approving such bid, or such earlier date as is practical for the parties to close the contemplated transaction, following the satisfaction or waiver of the conditions to closing (the “**Target Closing Date**”) and in any event no later than November 22, 2023 (the “**Outside Date**”); and
 - (t) such other information as reasonably requested or identified as being necessary or required by the Monitor, in consultation with the Aleafia Group.
18. The Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, may waive strict compliance with any one or more of the requirements specified above (with the exception of the requirements contained in paragraphs 17(a) and 17(k), which cannot

be waived without the prior written consent of the DIP Lender) and consider such non-compliant Binding Offer. For the avoidance of doubt, the completion of any Binding Offer shall be subject to the approval of the Court.

19. In the circumstance that a Binding Offer, including one or more Binding Offers comprising an Aggregated Bid, does not provide for net cash proceeds on closing that are at least equal to the Minimum Purchase Price, the Monitor will consult with the DIP Lender and, with the consent of the DIP Lender, may elect that such Binding Offer nevertheless be considered as a potential Successful Bid and be entitled to participate in the Auction.

Selection of Successful Bid

20. The Monitor, in consultation with the Aleafia Group, may, following the receipt of any Binding Offer, including one or more Binding Offers comprising an Aggregated Bid, seek clarification with respect to any of the terms or conditions of such Binding Offer and/or request and negotiate one or more amendments to such Binding Offer prior to determining if the Binding Offer should be considered.
21. The Monitor and the Aleafia Group, will (i) review and evaluate each relevant Binding Offer, valued upon numerous factors as referenced above, including factors affecting the speed, certainty and value of the transaction (including any licensing, Health Canada, regulatory or legal approvals, assignments or third party contractual arrangements required to close the transactions); (ii) pursuant to paragraph 22(j) below, (A) identify the highest and otherwise best Binding Offer (the “**Successful Bid**”, and the Binding Offer Bidder making such Successful Bid, the “**Successful Bidder**”), and (B) the next highest and otherwise second best Binding Offer (the “**Back-Up Bid**”, and the Binding Offer Bidder making such Back-Up Bid, the “**Back-Up Bidder**”). Provided that the Ad Hoc Committee of Convertible Debentureholders confirms in writing that (i) it has not submitted or participated in the submission of a Binding Offer, and (ii) it is not affiliated or communicating with any Binding Offer Bidder, the Ad Hoc Steering Committee and counsel to the Ad Hoc Committee of Convertible Debentureholders shall be entitled to receive copies of each Binding Offer submitted by the Binding Offer Deadline on a confidential basis pursuant to one or more NDAs satisfactory to the Monitor as soon as reasonably practicable following receipt thereof.
22. In the event that no Binding Offer is selected (other than the Stalking Horse Bid), the Aleafia Group will promptly seek Court approval of the Stalking Horse Agreement and the transactions contemplated therein. In the event there is at least one Binding Offer in addition to the Stalking Horse Bid, the Successful Bid will be identified through an auction in accordance with the procedure set out below.
23. In the event that an auction (the “**Auction**”) is required in accordance with the terms of these Bidding Procedures, it will be conducted in accordance with the procedures set forth in this paragraph:
 - (a) The Auction will commence at a time to be designated by the Monitor, on October 9, 2023, and may, in the discretion of the Monitor, be held virtually via

videoconference, teleconference or such other reasonable means as the Monitor deems appropriate. The Monitor will consult with the parties permitted to attend the Auction to arrange for the Auction to be so held. Subject to the terms hereof, the Monitor, in consultation with the Aleafia Group, may postpone the Auction.

- (b) The identity of each Binding Offer Bidder participating in the Auction will be disclosed, on a confidential basis, to other Binding Offer Bidders participating in the Auction.
- (c) Except as otherwise permitted in the Monitor's discretion, only the Aleafia Group, the Monitor and the Binding Offer Bidders, and, in each case, their respective professionals and representatives, will be permitted to attend the Auction. Only Binding Offer Bidders (including, for greater certainty, the Stalking Horse Bidder) are eligible to participate in the Auction.
- (d) Binding Offer Bidders will participate in the Auction through a duly authorized representative.
- (e) Except as otherwise set forth herein, the Monitor may waive and/or employ and announce at the Auction additional rules, including rules to facilitate the participation of parties participating in an Aggregated Bid, that are reasonable under the circumstances for conducting the Auction, provided that such rules are:
 - (i) not inconsistent with the Initial Order, the SISP, the Bidding Procedures, the CCAA, or any order of the Court issued in connection with the CCAA Proceedings;
 - (ii) disclosed to each Binding Offer Bidder; and
 - (iii) designed, by the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, to result in the highest and otherwise best offer.
- (f) The Monitor may arrange for the actual bidding at the Auction to be transcribed or recorded. Each Binding Offer Bidder participating in the Auction will designate a single individual to be its spokesperson during the Auction.
- (g) Each Binding Offer Bidder participating in the Auction must confirm on the record, at the commencement of the Auction and again at the conclusion of the Auction, that it has not engaged in any collusion with the Aleafia Group or any other person, without the consent of the Monitor, regarding the SISP, that has not been disclosed to all other Binding Offer Bidders. For greater certainty, communications between the Stalking Horse Bidder and either the Aleafia Group or the Monitor with respect to and in preparation of the Stalking Horse Agreement, the SISP and the Bidding Procedures, prior to the issuance of the SISP Order and the commencement of the SISP will not represent collusion nor communications prohibited by this paragraph.
- (h) Prior to the Auction, the Monitor will identify the highest and best of the Binding Offers received and such Binding Offers will constitute the opening bid for the purposes of the Auction (the "**Opening Bid**"). Subsequent bidding will continue in minimum increments valued at not less than \$200,000 cash in excess of the Opening Bid. Each Binding Offer Bidder will provide evidence of its financial

wherewithal and ability to consummate the transaction at the increased purchase price. Further, in the event that an Aggregated Bid qualifies to participate in the Auction, modifications to the bidding requirements may be made by the Monitor, in consultation with the Aleafia Group, to facilitate bidding by the participants in the Aggregated Bid.

- (i) All Binding Offer Bidders will have the right, at any time, to request that the Monitor announce, subject to any potential new bids, the then-current highest and best bid and, to the extent requested by any Binding Offer Bidder, use reasonable efforts to clarify any and all questions such Binding Offer Bidder may have regarding the Monitor's announcement of the then-current highest and best bid.
 - (j) Each participating Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. The Monitor and the Aleafia Group shall determine which Binding Offer Bidders have submitted (i) the highest and otherwise best Binding Offer of the Auction, which shall be the Successful Bid, and (ii) the next highest and otherwise second best Binding Offer of the Auction, which shall be the Back-Up Bid. At such time and upon the conclusion of the bidding, the Auction will be closed, and the Binding Offer Bidder with the highest and otherwise best Binding Offer of the Auction will be the Successful Bidder. The Binding Offer Bidder with the next highest and otherwise second best Binding Offer of the Auction will be the Back-Up Bidder.
 - (k) Upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Successful Bidder and the Back-Up Bidder, if any, shall each deliver to the Monitor and the Aleafia Group, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the motion material for the hearing to consider the Approval Motion.
 - (l) Any bids submitted after the conclusion of the Auction will not be considered.
 - (m) The Monitor, in consultation with the Aleafia Group, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions.
24. The Successful Bid and the Back-Up Bid, if any, will be selected by no later than 5:00 p.m. (Eastern Time) on October 9, 2023 (or such later date immediately thereafter if the Auction is conducted and not completed in one day) and the completion and execution of definitive documentation in respect of the Successful Bid and the Back-Up Bid, as applicable, must be finalized and executed no later than October 9, 2023 (or such later date immediately thereafter if the Auction is conducted and not completed in one day) which definitive documentation will be conditional only upon the receipt of the Approval Order(s) and the express conditions set out therein and will provide that the Successful Bidder will use all reasonable efforts to close the proposed transaction by no later than the Target Closing

Date, or such longer period as may be agreed to by the Monitor, in consultation with the Aleafia Group and the Successful Bidder, subject to the terms hereof. In any event, the Successful Bid must be closed by no later than the Outside Date. If a Back-Up Bid is identified in accordance with the SISP, then such Back-Up Bid shall remain open until the date (the “**Back-Up Bid Outside Date**”) on which the transaction contemplated by the Successful Bid is consummated or such earlier date as the Monitor, in consultation with the Aleafia Group, determines. If the transactions contemplated by the Successful Bid have not closed by the Outside Date or the Successful Bid is terminated for any reason prior to the Outside Date, the Aleafia Group and the Monitor may elect to, or by further order of the Court, seek to complete the transactions contemplated by the Back-Up Bid, and will promptly seek to close the transaction contemplated by the Back-Up Bid. The Back-Up Bid will be deemed to be the Successful Bid and the Aleafia Group will be deemed to have accepted the Back-Up Bid only when the Aleafia Group and the Monitor have made such election.

Approval of Successful Bid

25. The Aleafia Group will apply to the Court (the “**Approval Motion**”) for one or more orders: (i) approving the Successful Bid and authorizing the taking of such steps and actions and completing such transactions as are set out therein or required thereby (such order shall also approve the Back-Up Bid(s), if any, should the Successful Bid not close for any reason); and (ii) granting a vesting order and/or reverse vesting order to the extent that such relief is contemplated by the Successful Bid so as to vest title to any purchased assets and/or shares in the name of the Successful Bidder and/or vesting unwanted assets and liabilities out of one or more of the Aleafia Group (collectively, the “**Approval Order(s)**”). The Approval Motion will be held on a date to be scheduled by the Aleafia Group and confirmed by the Court upon application by the Aleafia Group. With the consent of the Monitor and the Successful Bidder, the Approval Motion may be adjourned or rescheduled by the Aleafia Group without further notice, by an announcement of the adjourned date at the Approval Motion or in a notice to the service list maintained in the CCAA Proceedings prior to the Approval Motion. The Aleafia Group will consult with the Monitor and the Successful Bidder regarding the motion material to be filed by the Aleafia Group for the Approval Motion.
26. All Binding Offers (other than the Successful Bid but including the Back-Up Bid) will be deemed rejected on and as of the date of the closing of the Successful Bid, with no further or continuing obligation of the Aleafia Group or the Monitor to any unsuccessful Binding Offer Bidders.

Deposits

27. The Deposit(s):
 - (a) will, upon receipt from the Binding Offer Bidder(s), be retained by the Monitor and deposited in a non-interest-bearing trust account;
 - (b) received from the Successful Bidder and the Back-Up Bidder, if any, will:

- (i) be applied to the purchase price to be paid by the applicable Successful Bidder or Back-Up Bidder whose Successful Bid or Back-Up Bid, as applicable, is the subject of the Approval Order(s), upon closing of the approved transaction; and
 - (ii) otherwise be held and refunded in accordance with the terms of the definitive documentation in respect of any Successful Bid or Back-Up Bid, provided that (i) all such documentation will provide that the Deposit will be fully refunded to the Back-Up Bidder on the Back-Up Bid Outside Date; and (ii) all such documentation will provide that the Deposit will be retained by the Aleafia Group and forfeited by the Successful Bidder, if the Successful Bid fails to close by the Outside Date, and such failure is attributable to any failure or omission of the Successful Bidder to fulfil its obligations under the terms of the Successful Bid; and
 - (c) received from the Binding Offer Bidder(s) that are not the Successful Bid or the Back-Up Bidder will be fully refunded, to the Binding Offer Bidder(s) that paid the Deposit(s) as soon as practical following the closing of the Successful Bid.
28. Notwithstanding anything to the contrary herein, the Stalking Horse Bidder will not be required to provide a Deposit.

“As is, Where is”

29. Any sale (or sales) of the Property or the Business or portions thereof will be on an “**as is, where is**” basis except for representations and warranties that are customarily provided in purchase agreements for a company subject to CCAA proceedings. Any such representations and warranties provided for in the definitive documents will not survive closing.

Free of Any and All Claims and Interests

30. In the event of a sale, to the extent permitted by law, all of the rights, title and interests of the Aleafia Group in and to the Property or the Business to be acquired will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests thereon and there against (collectively, the “**Claims and Interests**”) pursuant to section 36(6) of the CCAA, such Claims and Interests to attach to the net proceeds of the sale of such Property or Business and/or excluded assets, as applicable (without prejudice to any claims or causes of action regarding the priority, validity or enforceability thereof), except to the extent otherwise set forth in the relevant transaction documents with a Successful Bidder.

Credit Bidding

31. The Stalking Horse Bidder will be entitled pursuant to the Stalking Horse Agreement, including for greater certainty as part of the Auction, as the case may be, to credit bid or retain as Retained Liabilities all or part of the existing secured obligations owing to it, including all interest, costs and fees to which the Stalking Horse Bidder is entitled pursuant

to its relevant loan, interim financing, debenture, promissory note and/or security agreements with the Aleafia Group.

32. Any other secured party of the Applicants may include as part of a Binding Offer under this SISP all or part of its existing secured obligations owing to it as a credit bid for the Business and the Property. For the avoidance of doubt, a secured party, including, without limitation, the Stalking Horse Bidder, may only make a credit bid in relation to the Property subject to such secured party's valid and enforceable security (in each case, the "**Encumbered Assets**"). To the extent that a secured party wishes to submit a Binding Offer for Property that does not form part of the Encumbered Assets (the "**Unencumbered Assets**"), such secured party shall specify a cash purchase price allocated to the Unencumbered Assets while making a credit bid for the Encumbered Assets that are included in such Binding Offer.

Confidentiality

33. For greater certainty, other than as required in connection with any Auction or Approval Motion and subject to paragraph 21, neither the Aleafia Group nor the Monitor will disclose: (i) the identity of any Potential Bidder or Qualified Bidder (other than the Stalking Horse Bidder); or (ii) the terms of any bid, Sale Proposal, Investment Proposal or Binding Offer (other than the Stalking Horse Agreement), to any other bidder or any of its affiliates (provided that disclosure may be made to the DIP Lender when expressly contemplated by the SISP, such as in the event that no single Binding Offer provides for net cash proceeds that are at least equal to the Minimum Purchase Price), except to the extent the Monitor, with the consent of such applicable parties is seeking to combine separate bids into Aggregated Bids. Potential Bidders, Qualified Bidders (including the Stalking Horse Bidder) and each of their respective affiliates shall not communicate with, or contact, directly or indirectly, any other Potential Bidder, Qualified Bidder or their respective affiliates, or any secured creditors of members of the Aleafia Group, including the Ad Hoc Committee of Convertible Debentureholders, without the express written consent of the Monitor, and such communications or discussions are to take place under the supervision of the Monitor.

Further Orders

34. At any time during the SISP, the Aleafia Group or the Monitor may apply to the Court for advice and directions with respect to any aspect of this SISP including, but not limited to, the continuation of the SISP or with respect to the discharge of its powers and duties hereunder.

Additional Terms

35. In addition to any other requirement of the SISP:
 - (a) The Aleafia Group and the Monitor, as applicable, will at all times prior to the selection of a Successful Bid use commercially reasonable efforts to facilitate a competitive bidding process in the SISP including, without limitation, by actively soliciting participation by all persons who would be customarily identified as

potential bidders in a process of this kind or who may be reasonably proposed by any of the Aleafia Group' stakeholders as a potential bidder.

- (b) Any consent, approval or confirmation to be provided by the Stalking Horse Bidder, the DIP Lender, the Aleafia Group and/or the Monitor is ineffective unless provided in writing and any approval required pursuant to the terms hereof is in addition to, and not in substitution for, any other approvals required by the CCAA or as otherwise required at law in order to implement a Successful Bid. For the avoidance of doubt, a consent, approval or confirmation provided by email will be deemed to have been provided in writing for the purposes of this paragraph.
 - (c) Prior to seeking Court approval for any transaction or bid contemplated by this SISP, the Monitor will provide a report to the Court on the SISP process, parts of which may be filed under seal, including in respect of any and all bids received.
36. This SISP does not, and will not be interpreted to create any contractual or legal relationship between the Aleafia Group and any other party, other than as specifically set forth in the NDA or any other definitive agreement executed.
37. Notwithstanding anything to the contrary herein, the Monitor shall have no liability whatsoever to any person or entity, including without limitation any Potential Bidder, Qualified Bidder, Binding Offer Bidder, Successful Bidder or any other creditor or stakeholder, or any Applicant, as a result of implementation or otherwise in connection with this SISP, except to the extent that any such liabilities result from the gross negligence or wilful misconduct of the Monitor, as determined by the Court, and all such persons or entities shall have no claim against the Monitor in respect of the SISP for any reason whatsoever.
38. Participants in the SISP are responsible for all costs, expenses and liabilities incurred by them in connection with the submission of any Binding Offer, due diligence activities, and any other negotiations or other actions whether or not they lead to the consummation of a transaction.

APPENDIX A

DEFINED TERMS

“**Ad Hoc Committee of the Convertible Debentureholders**” means the ad hoc group of holders of Aleafia Health Inc.’s secured convertible debentures issued under the amended and restated debenture indenture providing for the issue of certain convertible debentures dated as of June 27, 2022 between Aleafia Health Inc. and Computershare Trust Company of Canada, as the trustee, as supplemented by: (i) the first supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series A Secured Convertible Debentures Due June 30, 2024); (ii) the second supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series B Secured Convertible Debentures Due June 30, 2026); and (iii) the third supplemental indenture dated as of June 27, 2022 (providing for the issue of 8.50% Series C Secured Debentures Due June 30, 2028).

“**Ad Hoc Steering Committee**” means the three member committee elected by the Ad Hoc Committee of the Convertible Debentureholders to represent and advance the interests of the Ad Hoc Committee of the Convertible Debentureholders.

“**Business Day**” means a day on which banks are open for business in Toronto but does not include a Saturday, Sunday or statutory holiday in the Province of Ontario.

“**DIP Lender**” means Red White & Bloom Brands Inc. and its successors and permitted assigns.

“**Retained Liabilities**” has the meaning given to it in the Stalking Horse Agreement.

APPENDIX "B"

The Monitor:

KSV Restructuring Inc.
150 King Street West, Suite 2308
Toronto, ON M5H 1J9

Attention: Noah Goldstein and Eli Brenner

Email: ngoldstein@ksvadvisory.com / ebrenner@ksvadvisory.com

with copies to:

Osler, Hoskin & Harcourt LLP
100 King Street West
1 First Canadian Place
Suite 6200, P.O. Box 50
Toronto, ON M5X 1B8

Attention: Marc Wasserman and Martino Calvaruso

Email: mwasserman@osler.com / mcalvaruso@osler.com

The Applicants

Aleafia Group
c/o Aird & Berlis LLP
Brookfield Place, 181 Bay St. #1800
Toronto, ON M5J 2T9

Attention: Kyle Plunkett and Mel Cole

Email: kplunkett@airdberlis.com / mcole@airdberlis.com

**SCHEDULE 2.3
EXCLUDED ASSETS**

- Equity Interests of Aleafia Health and any other Applicants that are not a Purchased Entity.

SCHEDULE 2.3(C)(D)
EXCLUDED CONTRACTS AND EXCLUDED LEASES

- Any and all of the Applicants' existing directors and officers insurance policies.
- Any and all loan and security documents between any of the Purchased Entities and 126.
- All leases and contracts that will be terminated pursuant to disclaimer notice pursuant to Section 32 CCAA.
- The amended and restated debenture indenture dated as of June 27, 2022 between Aleafia Health and Computershare Trust Company of Canada, as indenture trustee, as supplemented by: (a) the first supplemental indenture providing for the issuance of the 8.50% Series A Secured Convertible Debentures due June 30, 2024, (b) the second supplemental indenture providing for the issuance of the 8.50% Series B Secured Debentures due June 30, 2026 and (c) the third supplemental indenture providing for the issuance of the 8.50% Series C Secured Convertible Debentures due June 30, 2028, and any and all loan and security documents related thereto to which any of the Purchased Entity is a party to.
- The collective bargaining agreement between Canabo Medical Corp., a division of Aleafia Health Inc., as employer, and UNIFOR, Local 597, as union, with a term of September 27, 2022 – December 31, 2024 (as such agreement may have been amended, restated, supplemented or modified from time to time).

**SCHEDULE 2.4
RETAINED LIABILITIES**

- Stub-period post-filing Claims contemplated by the DIP but not paid yet on the Closing Date.

**SCHEDULE 2.5
EXCLUDED LIABILITIES**

- Intercompany Claims
- Unsecured promissory notes issued to Royal Group Resources Ltd.
- All pre-filing Claims and any liabilities arising from the termination of leases or other contracts.
- All pre-filing Claims, including without limitation any amounts owing in respect of pre-filing excise Tax, GST/ HST.
- All liabilities owing to any Terminated Employees in respect of the termination of employment of such Terminated Employee, including all amounts owing on account of damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements.
- All liabilities of any of the Companies, the Purchased Entities or Aleafia Health in connection with the amended and restated debenture indenture dated as of June 27, 2022 between Aleafia Health and Computershare Trust Company of Canada, as indenture trustee, as supplemented by: (a) the first supplemental indenture providing for the issuance of the 8.50% Series A Secured Convertible Debentures due June 30, 2024, (b) the second supplemental indenture providing for the issuance of the 8.50% Series B Secured Debentures due June 30, 2026 and (c) the third supplemental indenture providing for the issuance of the 8.50% Series C Secured Convertible Debentures due June 30, 2028, and any and all loan and security documents related thereto to which any of the Purchased Entity is a party to.

SCHEDULE 2.8(B)
IMPLEMENTATION STEPS¹

1. If requested by the Purchaser no less than seven (7) days before the Closing Date, the applicable Companies shall obtain director and shareholder approval of the requested amendments to their respective articles as contemplated by the Articles of Amendment and cause such Articles of Amendment to be filed with the applicable Governmental Authority no later than two (2) days prior to the Closing Date.
2. At least three (3) Business Days prior to the Closing Date, the Companies shall form Residual Co. in accordance with the terms contained herein, in form satisfactory to the Purchaser, acting reasonably, and the directors thereof shall not include the directors or related parties of the Purchaser, and no such entity shall be a flow through entity for Canadian or U.S. tax purposes unless approved by the Purchaser.
3. At least one (1) Business Day prior to the Closing Date, the Purchaser and RWB shall have entered into an assignment of indebtedness and security agreement, pursuant to which the Senior Loan Agreement, DIP Facility Term Sheet and all security and ancillary documents granted in favour of RWB in connection with each of the Senior Loan Agreement and DIP Facility Term Sheet shall be assigned to the Purchaser.
4. On the Closing Date, all employees deemed to be Terminated Employees pursuant to Section 9.6 will be terminated by the applicable Purchased Entity.
5. At Closing, the Excluded Assets and the Excluded Liabilities will transferred from the Purchased Entities to Residual Co. and Residual Co. shall assume the Excluded Liabilities in consideration of the transfer of the Excluded Assets.
6. At Closing, the Purchaser will deliver the Purchase Price by delivering the Credit Bid Releases to the Applicants and the Cash Consideration to the Purchased Entities (provided that such Purchase Price shall not be applied until the occurrence of (7), below).
7. The outstanding Equity Interests in the Companies will be cancelled and the Purchaser will subscribe for the Purchased Shares.

¹ The Implementation Steps and the timing thereof are to be developed in accordance with Section 2.8 and are intended to include or reflect the concepts included below.

**SCHEDULE 4.6
SUBSIDIARIES**

	Name	Jurisdiction of Incorporation	Tax Registration Number
1.	Emblem Cannabis Corporation	Federal (Canada)	85070 8975 RC0002
2.	Growwise Heath Limited	Ontario	81060 7390 RC0001
3.	Canabo Medical Corporation	Federal (Canada)	81275 5635 RC0001
4.	Aleafia Farms Inc.	Ontario	88009 9247 RC0001
5.	Aleafia Retail Inc.	Ontario	72490 7688 RC0001

Additional Entity

	Name	Jurisdiction of Incorporation
6.	One Plant (Retail) Corp.	Ontario

SCHEDULE 7.1(D)
TRANSACTION REGULATORY APPROVALS

Any consent, approval and / or grant upon change of control of either of the Companies or any of the Purchased Entities as required under Cannabis Laws. For the purposes hereof “**Cannabis Laws**” shall mean (i) the *Cannabis Licence Act, 2018*, S.O. 2018, c.12, Sched. 2, the *Cannabis Act, S.C. 2018, c. 16* (Canada), the *Cannabis Control Act, 2017*, S.O. 2017, c. 26, Schedule 1 (Ontario), and any other applicable governing legislation and the regulations thereunder, all as may be amended, supplemented or replaced from time to time and those which regulate the sale or distribution of cannabis (in various forms), cannabinoid product or paraphernalia commonly associated with cannabis and/or related cannabinoid products; and (ii) any and all other applicable provincial or municipal laws or regulations governing the cultivation, manufacture, production, storage, marketing or sale of cannabis that may be in effect from time to time.

53851503.6
53851503.13

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM
CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED, CANABO MEDICAL CORPORATION,
ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., and 2676063
ONTARIO INC.

Court File No. CV-23-00703350-00CL

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

Proceedings commenced at Toronto

**AFFIDAVIT OF PATRICIA SYMMES-RIZAKOS
(Sworn August 11, 2023)**

AIRD & BERLIS LLP

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Lawyers for the Applicants

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED
AND IN THE MATTER OF THE COMPROMISE OR ARRANGEMENT OF ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED, CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., and 2676063 ONTARIO INC.

Court File No.: CV-23-00703350-00CL

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

Proceedings commenced at Toronto

**MOTION RECORD OF THE APPLICANTS
(Returnable August 22, 2023)**

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