

**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

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**MOTION RECORD OF THE APPLICANTS  
(RETURNABLE AUGUST 4, 2023)**

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July 26, 2023

**AIRD & BERLIS LLP**

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

**Kyle Plunkett (LSO# 61044N)**

Email: [kplunkett@airdberlis.com](mailto:kplunkett@airdberlis.com)

**Miranda Spence (LSO# 60621M)**

Email: [mspence@airdberlis.com](mailto:mspence@airdberlis.com)

**Tamie Dolny (LSO# 77958U)**

Email: [tdolny@airdberlis.com](mailto:tdolny@airdberlis.com)

**Samantha Hans (LSO# 84737H)**

Email: [shans@airdberlis.com](mailto:shans@airdberlis.com)

Tel: 416.863.1500

Fax: 416.863.1515

*Lawyers for the Applicants*

**TO: SERVICE LIST**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
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B E T W E E N :

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

**SERVICE LIST  
(as of July 26, 2023)**

PARTY	CONTACT
<p><b>AIRD &amp; BERLIS LLP</b> Brookfield Place 181 Bay Street, Suite 1800 Toronto, ON M5J 2T9</p> <p><b>Lawyers for the Applicants</b></p>	<p><b>Miranda Spence</b> Tel: 416-865-3414 Email: <a href="mailto:mspence@airdberlis.com">mspence@airdberlis.com</a></p> <p><b>Kyle Plunkett</b> Tel: 416-865-3406 Email: <a href="mailto:kplunkett@airdberlis.com">kplunkett@airdberlis.com</a></p> <p><b>Tamie Dolny</b> Tel: 647-426-2306 Email: <a href="mailto:tdolny@airdberlis.com">tdolny@airdberlis.com</a></p> <p><b>Samantha Hans</b> Tel: 437-880-6105 Email: <a href="mailto:shans@airdberlis.com">shans@airdberlis.com</a></p>
<p><b>KSV RESTRUCTURING INC.</b> 220 Bay Street, 13th Floor, PO Box 20, Toronto, ON M5J 2W4</p> <p><b>Monitor</b></p>	<p><b>Noah Goldstein</b> Tel: 416-932-6207 Email: <a href="mailto:ngoldstein@ksvadvisory.com">ngoldstein@ksvadvisory.com</a></p> <p><b>Murtaza Tallat</b> Tel: 416-932-6031 Email: <a href="mailto:mtallat@ksvadvisory.com">mtallat@ksvadvisory.com</a></p>

PARTY	CONTACT
<p><b>OSLER, HOSKIN &amp; HARCOURT LLP</b>  100 King Street West  1 First Canadian Place  Suite 6200, P.O. Box 50  Toronto, ON M5X 1B8</p> <p><b>Lawyers for the Monitor</b></p>	<p><b>Marc Wasserman</b>  Tel: 416-862-4908  Email: <a href="mailto:mwasserman@osler.com">mwasserman@osler.com</a></p> <p><b>Martino Calvaruso</b>  Tel: 416-862-6665  Email: <a href="mailto:mcalvaruso@osler.com">mcalvaruso@osler.com</a></p> <p><b>Ben Muller</b>  Tel: 416-862-5923  Email: <a href="mailto:bmuller@osler.com">bmuller@osler.com</a></p>
<p><b>GOWLING WLG (CANADA) LLP</b>  Suite 1600, 1 First Canadian Place  100 King Street West  Toronto, ON M5X 1G5</p> <p><b>Lawyers for Red White &amp; Bloom Brands Inc.</b></p>	<p><b>Virginie Gauthier</b>  Tel: 416-369-7256  Email: <a href="mailto:virginie.gauthier@gowlingwlg.com">virginie.gauthier@gowlingwlg.com</a></p> <p><b>Kate Yurkovich</b>  Tel: 416-862-4342  Email: <a href="mailto:kate.yurkovich@gowlingwlg.com">kate.yurkovich@gowlingwlg.com</a></p>
<p><b>MCCARTHY TÉTRAULT LLP</b>  66 Wellington St W Suite 5300  Toronto, ON M5K 1E6</p> <p><b>Lawyers for 1260356 Ontario Limited and Royal Group Resources Ltd.</b></p>	<p><b>Jim Janetos</b>  Tel: 416-601-7711  Email: <a href="mailto:jjanetos@mccarthy.ca">jjanetos@mccarthy.ca</a></p> <p><b>Sean Collins</b>  Tel: 403-260-3531  Email: <a href="mailto:scollins@mccarthy.ca">scollins@mccarthy.ca</a></p> <p><b>Saneea Tanvir</b>  Tel: 416-601-8181  Email: <a href="mailto:stanvir@mccarthy.ca">stanvir@mccarthy.ca</a></p>
<p><b>BENNETT JONES LLP</b>  3400 One First Canadian Place  P.O. Box 130  Toronto, ON M5X 1A4</p> <p><b>Lawyers for Ad Hoc Committee of the Convertible Debentureholders</b></p>	<p><b>Sean Zweig</b>  Tel: 416-777-6254  Email: <a href="mailto:zweigs@bennettjones.com">zweigs@bennettjones.com</a></p> <p><b>Josh Foster</b>  Tel: 416-777-7906  Email: <a href="mailto:fosterj@bennettjones.com">fosterj@bennettjones.com</a></p>
<p><b>COMPUTERSHARE TRUST COMPANY OF CANADA</b>  1500 Robert-Bourassa Boulevard, Suite 700  Montreal, QC H3A 3S8</p>	<p><b>General Manager, Corporate Trust Services</b>  Email: <a href="mailto:NoticesCTmontreal@computershare.com">NoticesCTmontreal@computershare.com</a></p>

PARTY	CONTACT
<p><b>UNIFOR LOCAL 597</b> 203 - 21 Mews Pace St. John's, NL A1B 4N2</p> <p><b>UNIFOR</b> National Office 115 Gordon Baker Road Toronto, ON M2H 0A8</p>	<p>Tel: 709-753-7191 Email: <a href="mailto:info@unifor597.ca">info@unifor597.ca</a></p> <p>Email: <a href="mailto:president@unifor.org">president@unifor.org</a></p>
<b>Landlords/Tenants</b>	
<p><b>55945 NEWFOUNDLAND AND LABRADOR LIMITED</b> Elizabeth Centre 300-55 Elizabeth Avenue St. John's, NL A1A 1W9</p>	<p><b>Sandra Case</b> Tel: 709-743-5288 Email: <a href="mailto:scase_landmark@icloud.com">scase_landmark@icloud.com</a></p>
<p><b>TONLU HOLDINGS LIMITED</b> 111 Strada Drive Woodbridge, ON L4L 5V9</p> <p>401 Vaughan Valley Boulevard Woodbridge, ON L4H 3B5</p>	<p>Tel: 905-264-4895 Email: <a href="mailto:susan@tonluproperties.ca">susan@tonluproperties.ca</a> Email: <a href="mailto:richard@tonluproperties.ca">richard@tonluproperties.ca</a></p>
<p><b>RICHELIEU HARDWARE CANADA LTD.</b> 975 Alness St. Toronto, ON M3J 2J1</p>	<p><b>Liron Tal</b> Email: <a href="mailto:ltal@decotecinc.com">ltal@decotecinc.com</a></p>
<b>Government / Securities Entities</b>	
<p><b>ATTORNEY GENERAL OF CANADA</b> Department of Justice of Canada Ontario Regional Office, Tax Law Section 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1</p>	<p>Email: <a href="mailto:AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca">AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca</a></p>
<p><b>ONTARIO MINISTRY OF FINANCE INSOLVENCY UNIT</b> 6th Floor, 33 King Street West, Oshawa, ON L1H 8H5</p>	<p>Email: <a href="mailto:Insolvency.Unit@ontario.ca">Insolvency.Unit@ontario.ca</a></p>

PARTY	CONTACT
<p><b>DEPARTMENT OF JUSTICE (BRITISH COLUMBIA)</b>  Legal Services Branch, Revenue &amp; Taxation  PO Box 9280 Stn Prov Govt  Victoria, BC V8W 9J7</p>	<p>Email: <a href="mailto:servicebc@gov.bc.ca">servicebc@gov.bc.ca</a></p>
<p><b>DEPARTMENT OF JUSTICE (MANITOBA)</b>  Civil Legal Services 730 – 405 Broadway  Winnipeg, MB R3C 3L6</p>	<p><b>Shelley Haner</b>  Tel: 202-792-6471  Email: <a href="mailto:shelley.haner@gov.mb.ca">shelley.haner@gov.mb.ca</a></p>
<p><b>MANITOBA FINANCE, TAXATION DIVISION</b>  101 - 401 York Avenue  Winnipeg MB R3C 0P8</p>	<p>Tel: 204-945-5603  Email: <a href="mailto:MBTax@gov.mb.ca">MBTax@gov.mb.ca</a></p>
<p><b>SASKATCHEWAN MINISTRY OF FINANCE</b>  Room 312, 2405  Legislative Drive  Regina, SK S4S 0B3</p>	<p>Tel: 306-787-6060  Email: <a href="mailto:fin.minister@gov.sk.ca">fin.minister@gov.sk.ca</a></p>
<p><b>MINISTRY OF JUSTICE AND ATTORNEY GENERAL (SASKATCHEWAN)</b>  Room 355, 2405  Legislative Drive  Regina, SK S4S 0B3</p>	<p>Tel: 306-787-5353  Email: <a href="mailto:jus.minister@gov.sk.ca">jus.minister@gov.sk.ca</a></p>
<p><b>ALBERTA MINISTRY OF TREASURY BOARD OF FINANCE</b>  9th Floor - 9820 107 Street  Edmonton, Alberta T5K 1E7</p>	<p>Tel: 780-310-0000  Email: <a href="mailto:jsg.servicehmq@gov.ab.ca">jsg.servicehmq@gov.ab.ca</a></p>
<p><b>ALBERTA MINISTRY OF JUSTICE</b>  Bowker Building  2nd Floor - 9833 109 Street NW  Edmonton, AB T5K 2E8</p>	<p>Tel: 780-427-2711  Email: <a href="mailto:jsg.servicehmq@gov.ab.ca">jsg.servicehmq@gov.ab.ca</a></p>
<p><b>ONTARIO SECURITIES COMMISSION</b>  20 Queen Street West, 20th Floor  Toronto, ON M5H 3S8</p>	<p><b>General Inquiries</b>  Email: <a href="mailto:inquiries@osc.gov.on.ca">inquiries@osc.gov.on.ca</a></p>
<p><b>OTC MARKETS GROUP</b>  8300 Vesey Street, 12<sup>th</sup> Floor  New York NY 10282</p>	<p><b>Cecilia Schoenbaum</b>  Tel: 212-220-1964  Email: <a href="mailto:cecilia@otcmarkets.com">cecilia@otcmarkets.com</a></p>

PARTY	CONTACT
<p><b>ALBERTA GAMING, LIQUOR AND CANNABIS COMMISSION</b>            50 Corriveau Avenue            St. Albert, AB T8N 3T5</p>	<p><b>Procurement Branch</b>            Email: <a href="mailto:procurement@aglc.ca">procurement@aglc.ca</a></p> <p><b>Craig Smitten</b>            Email: <a href="mailto:craig.smitten@aglc.ca">craig.smitten@aglc.ca</a></p> <p><b>Larysa Palyniak</b>            Email: <a href="mailto:larysa.palyniak@aglc.ca">larysa.palyniak@aglc.ca</a></p>
<p><b>HIS MAJESTY THE KING IN THE RIGHT OF THE PROVINCE OF BRITISH COLUMBIA</b>            BC Liquor Distribution Branch            3383 Gilmore Way,            Burnaby, BC V5G 4S1</p>	<p><b>Jeff Ring</b>            Tel: 604-420-8241            Email: <a href="mailto:jeffrey.ring@bcldb.com">jeffrey.ring@bcldb.com</a></p> <p>Tel: 604-252-7400            Email: <a href="mailto:cannabis.vendor@bcldb.com">cannabis.vendor@bcldb.com</a></p>
<p><b>ONTARIO CANNABIS RETAIL CORPORATION</b>            OCS Merchandising Team            1 Yonge Street            Toronto ON, M5E1E5</p>	<p><b>OCS Merchandising Team</b>            Tel: 416-214-7825            Email: <a href="mailto:cannabis.submissions@ocs.ca">cannabis.submissions@ocs.ca</a></p> <p><b>Deborah Morshead</b>            Email: <a href="mailto:deborah.morshead@ocs.ca">deborah.morshead@ocs.ca</a></p> <p><b>Kelechi Okorafor</b>            Email: <a href="mailto:kelechi.okorafor@ocs.ca">kelechi.okorafor@ocs.ca</a></p>
<p><b>MANITOBA LIQUOR AND LOTTERIES</b>            A-1555 Buffalo Place            Winnipeg, MB R3T 1L9</p>	<p>Tel: 204-957-2500            Email: <a href="mailto:contactus@mbll.ca">contactus@mbll.ca</a></p> <p><b>Julie Brokop</b>            Email: <a href="mailto:julie.brokop@mbll.ca">julie.brokop@mbll.ca</a></p> <p><b>Roger Dacquay</b>            Email: <a href="mailto:roger.dacquay@mbll.ca">roger.dacquay@mbll.ca</a></p>
<p><b>SASKATCHEWAN LIQUOR AND GAMING AUTHORITY</b>            PO Box 5054            2500 Victoria Ave.            Regina, SK S4P 3M3</p>	<p>Tel: 306-787-5563            Email: <a href="mailto:inquiry@slga.com">inquiry@slga.com</a></p> <p><b>Joanne Gasper</b>            Email: <a href="mailto:jgasper@slga.com">jgasper@slga.com</a></p>

PARTY	CONTACT
<p><b>HEALTH CANADA</b>            Controlled Substances and Cannabis Branch            180 Queen Street West            Toronto, ON M5V 3L7</p>	<p><b>Licensing and Security Division</b>            Email: <a href="mailto:HC.licensing-cannabis-licences.SC@canada.ca">HC.licensing-cannabis-licences.SC@canada.ca</a></p> <p><b>General</b>            Email: <a href="mailto:cds-sdc@hc-sc.gc.ca">cds-sdc@hc-sc.gc.ca</a></p>
<b>PPSA Registrants</b>	
<p><b>INDCOM LEASING INC.</b>            5061 Ure Street            Oldcastle, ON N0R 1L0</p>	<p>Tel: 519-737-0020            Email: <a href="mailto:credit@indcomleasing.com">credit@indcomleasing.com</a></p>
<p><b>BANK OF MONTREAL</b>            100 King Street West, 18<sup>th</sup> Floor            Toronto, ON M5X 1A3</p> <p>6th Floor, First Bank Tower            595 Burrard Street            Vancouver, BC V7X 1L7</p>	<p><b>Quinn Hinch</b>            Tel: 778-783-4676            Email: <a href="mailto:quinn.hinch@bmo.com">quinn.hinch@bmo.com</a></p>
<p><b>THE TORONTO-DOMINION BANK</b>            55 King Street West, P.O. Box 1            Toronto, ON M5K 1A2</p> <p>66 Wellington St. W. 14th Floor            TD Bank Tower            Toronto, ON M5K 1A2</p>	<p><b>Michelle Sousa</b>            Tel: 416-308-4522</p>
<p><b>EVOQUA WATER TECHNOLOGIES LTD.</b>            2045 Drew Road            Mississauga ON L5S 1S4</p>	<p><b>Sean Fallon</b>            Tel: 978-614-7233            Email: <a href="mailto:sean.fallon@evoqua.com">sean.fallon@evoqua.com</a></p>
<p><b>RYDER MATERIAL HANDLING ULC</b>            210 Annagem Blvd.            Mississauga ON L5T 2V5</p>	<p>Tel: 905-795-9311</p>
<p><b>CROWN LIFT TRUCKS ULC</b>            210 Annagem Blvd.            Mississauga ON L5T 2V5</p>	<p><b>Danny Fatigati</b>            Tel: 905-795-9311            Email: <a href="mailto:dan.fatigati@crown.com">dan.fatigati@crown.com</a></p>

PARTY	CONTACT
<b>CAM PACKAGING SYSTEMS</b> 226 Industrial Parkway North, Unit 3 Aurora, ON L4G 4C3	<b>Cheryl Laverock</b> Tel: 905-737-5400 Email: <a href="mailto:claverock@cam-systems.ca">claverock@cam-systems.ca</a>
<b>KUBOTA CANADA LTD.</b> 5900 14 <sup>th</sup> Ave Markham, ON L3S 4K4	Tel: 905-294-7477 Email: <a href="mailto:kcl_g.finance@kubota.com">kcl_g.finance@kubota.com</a>  <b>M.E. Pecoskie</b> Callaghan Farm Supply 22 Callaghan Road Lindsay, ON K9V4R4 Tel: 705-324-8686
<b>LINDE CANADA INC.</b> 1 City Centre Drive Mississauga, ON L5B 1M2  5015 Spectrum Way, Suite 500 Mississauga, ON L4W 0E4	<b>Wolfgang Laser</b> Email: <a href="mailto:Wolfgang.Laser@linde.com">Wolfgang.Laser@linde.com</a> Tel: 905-803-1600
<b>Active Litigation Parties</b>	
<b>HUNTER LIBERATORE LAW LLP</b> 2 Pardee Ave., Suite 300 Toronto, ON M6K 3H5  <b>Lawyers for Matthew Cooper</b>	<b>Janine Liberatore</b> Tel: 416-530-8057 Email: <a href="mailto:janine@hlllp.ca">janine@hlllp.ca</a>
<b>GOLDMAN HINE LLP</b> 401 Bay Street, Suite 2410 Toronto, ON M5H 2Y4  <b>MANDIN LAW</b> 401 Bay St. Suite 2410 Toronto, ON M4H 2Y4  <b>Lawyers for Amos Tayts</b>	<b>Steven Goldman</b> Tel: 416-867-9100 Email: <a href="mailto:s.goldman@goldmanhine.com">s.goldman@goldmanhine.com</a>  <b>Robert P. Hine</b> Tel: 416-867-8632 Email: <a href="mailto:r.hine@goldmanhine.com">r.hine@goldmanhine.com</a>  <b>Stephany Mandin</b> Tel: 416-867-9200 Email: <a href="mailto:smandin@mandinlaw.com">smandin@mandinlaw.com</a>



PARTY	CONTACT
<p><b>SCOTT VENTURO RUDAKOFF LLP</b>  223 – 3<sup>rd</sup> Avenue SW, Suite 1500  Calgary, AB T2P 0B4</p> <p><b>Co-Counsel for Lisa Marie Langevin, Class Action Representative</b></p>	<p><b>Daniel Horner</b>  Tel: 403-261-9043  Email: <a href="mailto:d.horner@svrlawyers.com">d.horner@svrlawyers.com</a></p>
<p><b>WADDELL PHILLIPS PROFESSIONAL CORPORATION</b>  630 – 6<sup>th</sup> Avenue SW, Suite 600  Calgary, AB T2P 0S8</p> <p><b>Co-Counsel for Lisa Marie Langevin, Class Action Representative</b></p>	<p><b>John Kingman Phillips</b>  Tel: 403-617-9868  Email: <a href="mailto:john@waddellphillips.ca">john@waddellphillips.ca</a></p>
<p><b>THOMAS GOLD PETTINGILL</b>  150 York Street #1800  Toronto, ON M5H 3S5</p> <p><b>Lawyers for Wood-Hall Logistics Inc.</b></p>	<p><b>Ian Gold</b>  Tel: 416-507-1818  Email: <a href="mailto:igold@tgplawyers.com">igold@tgplawyers.com</a></p> <p><b>Sarah Jones</b>  Tel: 316-507-1832  Email: <a href="mailto:sjones@tgplawyers.com">sjones@tgplawyers.com</a></p>
<p><b>JASWAL LAW</b>  201 City Centre Drive, Suite 200  Mississauga, ON L5B 2T4</p> <p><b>Lawyers for I-Way Transport Inc.</b></p>	<p><b>Dhanbir Jaswal</b>  Tel: 905-361-9797  Email: <a href="mailto:djaswal@jaswallaw.com">djaswal@jaswallaw.com</a></p>
<p><b>MILLER THOMSON LLP</b>  Scotia Plaza  40 King Street West, Suite 5800  Toronto, ON M5H 3S1</p> <p><b>Lawyers for Hybrid Financial Ltd.</b></p>	<p><b>Lindsay Moffatt</b>  Tel: 416-597-4317  Email: <a href="mailto:lmoffatt@millerthomson.com">lmoffatt@millerthomson.com</a></p> <p><b>Matthew Walwyn</b>  Tel: 416-597-6098  Email: <a href="mailto:mwalwyn@millerthomson.com">mwalwyn@millerthomson.com</a></p> <p><b>Eric Sherkin</b>  Tel: 416-595-8599  Email: <a href="mailto:esherkin@millerthomson.com">esherkin@millerthomson.com</a></p>

PARTY	CONTACT
<p><b>SOKOLOFF LAWYERS</b> 120 Scollard Street Toronto, ON M5R 1G2</p> <p><b>Lawyers for Shameka Martin and Annette Martin</b></p>	<p><b>Wendy H. Sokoloff</b> Tel: 416-966-4878 Email: <a href="mailto:wendy@sokoloff.ca">wendy@sokoloff.ca</a></p>
<p><b>COZEN O'CONNOR LLP</b> Bay Adelaide Centre, East Tower 22 Adelaide Street West, Suite 2730 Toronto, ON M5H 4E3</p> <p><b>Lawyers for Wellbeing Digital Sciences Inc.</b></p>	<p><b>Shane D. Hardy</b> Tel: 416-639-6678 Email: <a href="mailto:shardy@cozen.com">shardy@cozen.com</a></p> <p><b>Daniel Fiorita</b> Tel: 416-639-6695 Email: <a href="mailto:dfiorita@cozen.com">dfiorita@cozen.com</a></p>
<p><b>MILLARS LAW</b> 1886 Oxford Street West, Unit 301 London, ON N6K 0J8</p> <p><b>Lawyers for Third Eye Insights Corporation</b></p>	<p><b>Phillip M. Hunter</b> Tel: 519-657-1519 Email: <a href="mailto:phillip@millarslaw.com">phillip@millarslaw.com</a></p>
<p><b>STEWART, AULINGER &amp; COMPANY</b> 1200-805 West Broadway Vancouver, BC V5Z 1K1</p> <p><b>Lawyers for Manning Elliott LLP</b></p>	<p><b>David Moonje</b> Tel: 604-874-5551 Email: <a href="mailto:moonje@stewart-aulinger.ca">moonje@stewart-aulinger.ca</a></p>
<p><b>FRIEDMAN LAW PROFESSIONAL CORPORATION</b> 150 Ferrand Drive, Suite 800 Toronto, ON M3C 3E5</p>	<p><b>Stephen C. Nadler</b> Tel: 416-649-4466 Email: <a href="mailto:sn@friedmans.ca">sn@friedmans.ca</a></p>

## E-Service List

[mspence@airdberlis.com](mailto:mspence@airdberlis.com); [kplunkett@airdberlis.com](mailto:kplunkett@airdberlis.com); [tdolny@airdberlis.com](mailto:tdolny@airdberlis.com);  
[shans@airdberlis.com](mailto:shans@airdberlis.com); [ngoldstein@ksvadvisory.com](mailto:ngoldstein@ksvadvisory.com); [mtallat@ksvadvisory.com](mailto:mtallat@ksvadvisory.com);  
[mwasserman@osler.com](mailto:mwasserman@osler.com); [mcalvaruso@osler.com](mailto:mcalvaruso@osler.com); [bmuller@osler.com](mailto:bmuller@osler.com);  
[virginie.gauthier@gowlingwlg.com](mailto:virginie.gauthier@gowlingwlg.com); [kate.yurkovich@gowlingwlg.com](mailto:kate.yurkovich@gowlingwlg.com); [jjanetos@mccarthy.ca](mailto:jjanetos@mccarthy.ca);  
[scollins@mccarthy.ca](mailto:scollins@mccarthy.ca); [stanvir@mccarthy.ca](mailto:stanvir@mccarthy.ca); [zweigs@bennettjones.com](mailto:zweigs@bennettjones.com);  
[fosterj@bennettjones.com](mailto:fosterj@bennettjones.com); [NoticesCTmontreal@computershare.com](mailto:NoticesCTmontreal@computershare.com); [info@unifor597.ca](mailto:info@unifor597.ca);  
[president@unifor.org](mailto:president@unifor.org); [scase\\_landmark@icloud.com](mailto:scase_landmark@icloud.com); [susan@tonluproperties.ca](mailto:susan@tonluproperties.ca);  
[richard@tonluproperties.ca](mailto:richard@tonluproperties.ca); [ltal@decotecinc.com](mailto:ltal@decotecinc.com); [AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca](mailto:AGC-PGC.Toronto-Tax-Fiscal@justice.gc.ca); [Insolvency.Unit@ontario.ca](mailto:Insolvency.Unit@ontario.ca); [servicebc@gov.bc.ca](mailto:servicebc@gov.bc.ca);  
[shelley.haner@gov.mb.ca](mailto:shelley.haner@gov.mb.ca); [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca); [fin.minister@gov.sk.ca](mailto:fin.minister@gov.sk.ca);  
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[cecilia@otcmarkets.com](mailto:cecilia@otcmarkets.com); [procurement@aglc.ca](mailto:procurement@aglc.ca); [craig.smitten@aglc.ca](mailto:craig.smitten@aglc.ca);  
[larysa.palyniak@aglc.ca](mailto:larysa.palyniak@aglc.ca); [jeffrey.ring@bcldb.com](mailto:jeffrey.ring@bcldb.com); [cannabis.vendor@bcldb.com](mailto:cannabis.vendor@bcldb.com);  
[cannabis.submissions@ocs.ca](mailto:cannabis.submissions@ocs.ca); [deborah.morshead@ocs.ca](mailto:deborah.morshead@ocs.ca); [kelechi.okorafor@ocs.ca](mailto:kelechi.okorafor@ocs.ca);  
[contactus@mbl.ca](mailto:contactus@mbl.ca); [julie.brokop@mbl.ca](mailto:julie.brokop@mbl.ca); [roger.dacquay@mbl.ca](mailto:roger.dacquay@mbl.ca); [inquiry@slga.com](mailto:inquiry@slga.com);  
[jgasper@slga.com](mailto:jgasper@slga.com); [HC.licensing-cannabis-licences.SC@canada.ca](mailto:HC.licensing-cannabis-licences.SC@canada.ca); [cds-sdc@hc-sc.gc.ca](mailto:cds-sdc@hc-sc.gc.ca);  
[credit@indcomleasing.com](mailto:credit@indcomleasing.com); [quinn.hinch@bmo.com](mailto:quinn.hinch@bmo.com); [sean.fallon@evoqua.com](mailto:sean.fallon@evoqua.com);  
[dan.fatigati@crown.com](mailto:dan.fatigati@crown.com); [claverock@cam-systems.ca](mailto:claverock@cam-systems.ca); [kcl\\_g.finance@kubota.com](mailto:kcl_g.finance@kubota.com);  
[Wolfgang.Laser@linde.com](mailto:Wolfgang.Laser@linde.com); [janine@hlllp.ca](mailto:janine@hlllp.ca); [s.goldman@goldmanhine.com](mailto:s.goldman@goldmanhine.com);  
[r.hine@goldmanhine.com](mailto:r.hine@goldmanhine.com); [smandin@mandinlaw.com](mailto:smandin@mandinlaw.com); [d.horner@svrlawyers.com](mailto:d.horner@svrlawyers.com);  
[john@waddellphillips.ca](mailto:john@waddellphillips.ca); [igold@tgplawyers.com](mailto:igold@tgplawyers.com); [sjones@tgplawyers.com](mailto:sjones@tgplawyers.com);  
[djaswal@jaswallaw.com](mailto:djaswal@jaswallaw.com); [Imhoffatt@millerthomson.com](mailto:Imhoffatt@millerthomson.com); [mwalwyn@millerthomson.com](mailto:mwalwyn@millerthomson.com);  
[esherkin@millerthomson.com](mailto:esherkin@millerthomson.com); [wendy@sokoloff.ca](mailto:wendy@sokoloff.ca); [shardy@cozen.com](mailto:shardy@cozen.com); [dfiorita@cozen.com](mailto:dfiorita@cozen.com);  
[phillip@millarslaw.com](mailto:phillip@millarslaw.com); [moonje@stewart-aulinger.ca](mailto:moonje@stewart-aulinger.ca); [sn@friedmans.ca](mailto:sn@friedmans.ca)

**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

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2.	Draft Amended and Restated Initial Order, amending Initial Order dated July 25, 2023
3.	Blackline – Draft Amended and Restated Initial Order v. Initial Order
4.	Affidavit of Patricia Symmes-Rizakos sworn July 26, 2023
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	A Initial Affidavit of P. Symmes-Rizakos sworn July 24, 2023 (without exhibits)
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	C Press Release dated July 25, 2023
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# TAB 1

**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

**NOTICE OF MOTION  
(returnable August 4, 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 4, 2023 at 12:30 PM by videoconference.

**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 amended and restated initial order substantially in the form included in 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 Initial Stay Period (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 the DIP facility to \$6.6 million;
  - (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, as granted and defined in the Initial Order (term as used herein), to the 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 maximum aggregate amount to \$500,000; and
2. Such further and other relief as this Court may deem just and equitable.

**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 July 24, 2023;

***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. 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 in Canada under the trading symbol “AH”, and on the OTC Markets Group in the United States under the trading symbol “ALEAF”;
6. 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**”);
7. The Applicants understand that the Monitor is likely to be supportive of the relief sought at the Comeback Hearing;



***Extension of Stay of Proceedings***

8. Pursuant to the Initial Order, a 10-day stay of proceedings was granted (the “**Initial Stay Period**”);
9. During the Initial Stay Period, 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;
10. The Stay Extension is required to provide stability for the Applicants and to enable their restructuring;
11. It is forecasted that the Applicants will have sufficient liquidity during the Stay Extension to fund obligations and the costs of the CCAA proceedings;
12. The Applicants understand that the Monitor is likely to support this relief, and no creditor will be materially prejudiced by the Stay Extension;

***Increased Amounts to DIP Loan and DIP Lender’s Charge***

13. The Applicants seek to increase the maximum amount permitted to be drawn on the DIP Facility from the Initial Advance of \$2.27 million to \$6.6 million and correspondingly, an increase in the DIP Lender’s Charge in the same amount;
14. The Cash Flow Statement indicates that the Applicants anticipate the need for interim financing to fund these CCAA proceedings. While the Applicants reasonably required \$2.27 million of financing through the DIP Loan during the Initial Stay Period, the Cash Flow Statement indicates that the Applicants anticipate the need for interim financing of up to \$6.6 million to continue operating up to and including the Stay Extension;
15. The Monitor is supportive of the proposed authority for the Applicants to borrow up to \$6.6 million under the DIP facility and the corresponding increase to the DIP Lender’s Charge;

***Relief from Reporting Obligations and Extension of Time to Hold the AGM***

16. 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 hold the AGM;
17. In the circumstances, it is in the best interest of the Applicants and their stakeholders to incur no further expenses to maintain the currency of its securities reporting going forward and to extend the time limit to hold the AGM until after the conclusion of the CCAA proceedings, subject to further order of this Court;
18. The Applicants' resources and time are better directed towards its restructuring efforts;

***Increase to Other Charges and Priming***

19. Along with the DIP Lender's Charge, the Initial Order provided for the following Charges, which are being requested to be raised to the below and primed over other Encumbrances (term as defined in the ARIO):
  - (a) First – the Administration Charge in the amount of \$500,000 to \$1,250,000;
  - (b) Second – the DIP Lender's Charge in the amount of \$2,270,000 to \$6,600,000;  
and
  - (c) Third – the Directors' Charge in the amount of \$835,000 to \$2,850,000;
20. The relief sought regarding the Charges was limited to the amount reasonably necessary for the Aleafia Group to continue operations in the ordinary course of business during the initial 10-day stay;

21. The requested increase to the Charges reflects an amount reasonably necessary and recommended by the Monitor for the purposes of the Stay Extension;
22. The Applicants also seek priority of the Charges in the order set out above over other Encumbrances on notice to secured creditors of the Aleafia Group;

### **STATUTORY REGIME**

23. The provisions of the CCAA and the statutory, inherent and equitable jurisdiction of this Court;
24. Rules 1.04, 2.03, 3.02, 16, 37 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, along with any other relevant provisions therein;
25. Section 106 and 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C. 43, as amended, along with any other relevant provisions therein; and
26. Such further and other grounds as counsel may advise;

### **DOCUMENTARY EVIDENCE**

27. The Second Affidavit of Patricia Symmes-Rizakos sworn July 26, 2023 and the exhibits attached thereto;
28. The First Report of the Monitor, to be filed; and
29. Such further and other material as counsel may advise.

Date: July 26, 2023

**AIRD & BERLIS LLP**  
Barristers and Solicitors  
Brookfield Place  
181 Bay Street, Suite 1800  
Toronto, ON M5J 2T9

**Kyle Plunkett (LSO# 61044N)**  
Email: [kplunkett@airdberlis.com](mailto:kplunkett@airdberlis.com)

**Miranda Spence (LSO# 60621M)**  
Email: [mspence@airdberlis.com](mailto:mspence@airdberlis.com)

**Tamie Dolny (LSO#: 77958U)**  
Email: [tdolny@airdberlis.com](mailto:tdolny@airdberlis.com)

**Samantha Hans (LSO# 84737H)**  
Email: [shans@airdberlis.com](mailto:shans@airdberlis.com)

*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 4, 2023)**

**AIRD & BERLIS LLP**

Barristers and Solicitors  
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 Aleafia Group*

# TAB 2

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE	)	FRIDAY, THE 4 <sup>TH</sup>
	)	
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 Affidavit of Service of S. Hans sworn July 27, 2023,

## **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, 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 October 3, 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 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 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 <\*>, 2023, as appended as Tab "<\*>" 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.

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**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*

# TAB 3

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ~~MADAM~~ ) ~~TUESDAY~~FRIDAY, THE ~~25~~24<sup>TH</sup>  
JUSTICE ~~CONWAY~~PENNY ) DAY OF ~~JULY~~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 ~~APPLICATION~~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**") ~~dated July 24, 2023, and,~~ 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 ~~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~~no one appearing for any other party although duly served as appears from the ~~Monitor~~Affidavit of Service of S. Hans sworn July 27, 2023,

## SERVICE

1. **THIS COURT ORDERS** that the time for service ~~and filing~~ of the Notice of ~~Application~~Motion and the ~~Application~~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. ~~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.

5. ~~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 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 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.

6. ~~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 (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 ~~aggregate~~ amount ~~of \$300,000~~ 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. ~~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.

8. ~~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.

9. ~~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.

10. ~~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**

11. ~~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):~~



- (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 ~~THE~~THEIR RESPECTIVE PROPERTY**

14. ~~11. THIS COURT ORDERS~~THIS COURT ORDERS that until and including ~~August~~4October 3, 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. ~~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**

16. ~~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**

17. ~~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**

18. ~~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**

19. ~~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**

20. ~~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.

21. ~~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~~2,850,000, unless permitted by further Order of this Court, as security for the indemnity provided in paragraph ~~17~~20 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~35~~38 and ~~37~~40 herein.

22. ~~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~~20 of this Order.

## **APPOINTMENT OF MONITOR**

23. ~~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.

24. ~~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.

25. ~~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.

26. ~~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.

27. ~~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.

28. ~~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.

29. ~~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.

30. ~~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.

31. ~~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~~ 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 ~~35~~38 and ~~37~~40 hereof.

## **DIP FINANCING**

32. ~~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 6,600,000 unless permitted by further Order of this Court.



33. ~~30.~~ **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 ~~Exhibit Tab~~ “~~TTT~~” to the ~~Symmes Affidavit~~ First Report (as may be further amended from time to time, the “**DIP Term Sheet**”), to be filed.

34. ~~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.

35. ~~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~~38 and ~~37~~40 hereof.

36. ~~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.

37. ~~34.~~ **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. ~~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~~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 ~~\$835,000~~2,850,000).

39. ~~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.

40. ~~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.~~

41. ~~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.

42. ~~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.

43. ~~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.

#### 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. ~~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.

48. ~~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”).

49. ~~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).

50. ~~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.~~

51. ~~46. THIS COURT ORDERS that, notwithstanding paragraph 45 of this Order,~~ 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 ~~hereunder~~.

52. ~~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.

53. ~~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.

54. ~~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.

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. ~~50. THIS COURT ORDERS that~~ 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.

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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**  
**(~~Returnable~~ 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)**

Email: [kplunkett@airdberlis.com](mailto:kplunkett@airdberlis.com)

**Robb English (LSO#19862F)**

Email: [renglish@airdberlis.com](mailto:renglish@airdberlis.com)

**Miranda Spence (LSO# 60621M)**

**Tamie Dolny (LSO# 77958U)**

Email: [tdolny@airdberlis.com](mailto:tdolny@airdberlis.com)

**Samantha Hans (LSO# 84737H)**

Email: [shans@airdberlis.com](mailto:shans@airdberlis.com)

# TAB 4

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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.<sup>1</sup>

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.

---

<sup>1</sup> 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 SISP, 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 issue<sup>2</sup> 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.

---

<sup>2</sup> 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 26<sup>th</sup> 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*

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

**SAMANTHA HANS (LSO#: 84737H)**

DocuSigned by:  
*Patricia Symmes-Rizakos*

**PATRICIA SYMMES-RIZAKOS**

This is Exhibit "A" referred to in the Affidavit of Patricia Symmes-Rizakos  
sworn before me at Toronto, Ontario, this 26<sup>th</sup> day of July, 2023.

A handwritten signature in blue ink, appearing to read "Samantha Khan". The signature is fluid and cursive, with a large initial 'S' and a distinct 'K'.

---

*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.<sup>1</sup>

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.

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<sup>1</sup> 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)<sup>2</sup> 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).<sup>3</sup> 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.

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<sup>2</sup> 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**”)<sup>4</sup> 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

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<sup>3</sup> 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.

<sup>4</sup> 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.<sup>5</sup> 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.

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<sup>5</sup> 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.



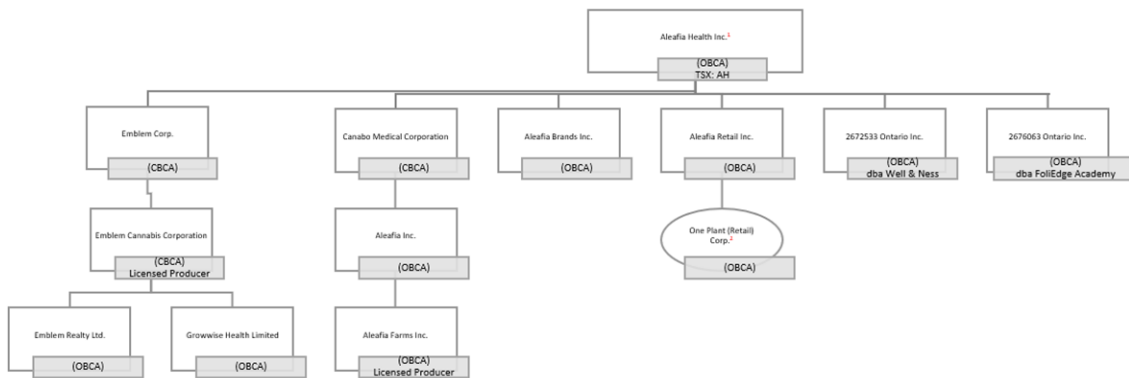
17. The CCAA filing and the eventual SISP are intended to benefit all of the Applicants’ stakeholders in Canada and abroad, including employees, customers, suppliers and contracting parties, Health Canada, and the relevant provincial cannabis regulators, among others.

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 31<sup>st</sup>. 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:<sup>6</sup>

- (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”.

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<sup>6</sup> 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
<b>Scugog Property</b>	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
<b>Grimsby Property</b>	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
<b>Paris Property</b>	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;<sup>7</sup>
- (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.

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<sup>7</sup> 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**”):

<b>Employee Designation</b>	<b>Distribution Centre</b>	<b>Grimsby Property</b>	<b>Paris Property</b>	<b>Scugog Property</b>	<b>Remote</b>	<b>NFLD Site</b>	<b>Overall Total</b>
<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
<b>Total</b>	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 31<sup>st</sup>.

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:

<b>Current Assets</b>			
	<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	
<b>Total Current Assets</b>	<b>25,848</b>	<b>36,835</b>	<b>74,656</b>
<b>Non-Current Assets</b>			
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
<b>Total Non-Current Assets</b>	<b>34,077</b>	<b>44,683</b>	<b>154,360</b>
<b>Total Assets</b>	<b>59,925</b>	<b>81,518</b>	<b>229,016</b>

**B. Liabilities**

133. Liabilities are as follows:

<b>Current Liabilities</b>			
	<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		
<b>Total Current Liabilities</b>	<b>35,641</b>	<b>72,995</b>	<b>45,041</b>
<b>Non-Current Liabilities</b>			
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
<b>Total Non-Current Liabilities</b>	<b>33,197</b>	<b>6,908</b>	<b>38,021</b>
<b>Total Liabilities</b>	<b>68,838</b>	<b>79,903</b>	<b>83,062</b>

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
<b>Total Notes Payable</b>	<b>4,765</b>
<b>Current</b>	
<b>Non-current</b>	<b>4,765</b>

**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”**.<sup>8</sup>

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”**.

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<sup>8</sup> 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:<sup>9</sup>

- (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 SISP 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

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<sup>9</sup> 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*

04B88568EC0C42B

**PATRICIA SYMMES-RIZAKOS**

This is Exhibit "B" referred to in the Affidavit of Patricia Symmes-Rizakos  
sworn before me at Toronto, Ontario, this 26<sup>th</sup> day of July, 2023.

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

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*Commissioner for Taking Affidavits*



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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MADAM ) TUESDAY, THE 25<sup>TH</sup>  
 )  
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.

  
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**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)**

**AIRD & BERLIS LLP**

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

**Kyle Plunkett (LSO# 61044N)**

Email: [kplunkett@airdberlis.com](mailto:kplunkett@airdberlis.com)

**Robb English (LSO#19862F)**

Email: [renglish@airdberlis.com](mailto:renglish@airdberlis.com)

**Tamie Dolny (LSO# 77958U)**

Email: [tdolny@airdberlis.com](mailto:tdolny@airdberlis.com)

**Samantha Hans (LSO# 84737H)**

Email: [shans@airdberlis.com](mailto:shans@airdberlis.com)

Tel: 416.863.1500

Fax: 416.863.1515

*Lawyers for the Applicants*

This is Exhibit "C" referred to in the Affidavit of Patricia Symmes-Rizakos  
sworn before me at Toronto, Ontario, this 26<sup>th</sup> day of July, 2023.

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

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*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](http://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**

[IR@Aleafiahealth.com](mailto:IR@Aleafiahealth.com)

LEARN MORE: [www.AleafiaHealth.com](http://www.AleafiaHealth.com)

This is Exhibit “D” referred to in the Affidavit of Patricia Symmes-Rizakos sworn before me at Toronto, Ontario, this 26<sup>th</sup> day of July, 2023.

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

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*Commissioner for Taking Affidavits*



SUPERIOR COURT OF JUSTICE

**COUNSEL/ENDORSEMENT SLIP**

COURT FILE NO.:

DATE: July 25th, 2023

NO. ON LIST: 1

**TITLE OF PROCEEDING:** *In the Matter of the Compromise or Arrangement of Aleafia Health Inc., et al*  
**BEFORE:** JUSTICE CONWAY

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**PARTICIPANT INFORMATION**

**For Plaintiff, Applicant, Moving Party:**

Name of Person Appearing	Name of Party	Contact Info
Robb English	Counsel for Aleafia Health	<a href="mailto:renglish@airdberlis.com">renglish@airdberlis.com</a>
Kyle Plunkett	Counsel for Aleafia Health	<a href="mailto:kplunkett@airdberlis.com">kplunkett@airdberlis.com</a>
Tamie Dolny	Counsel for Aleafia Health	<a href="mailto:tdolny@airdberlis.com">tdolny@airdberlis.com</a>
Samantha Hans	Counsel for Aleafia Health	<a href="mailto:shans@airdberlis.com">shans@airdberlis.com</a>

**For Defendant, Respondent, Responding Party:**

Name of Person Appearing	Name of Party	Contact Info
n/a		

**For Other, Self-Represented:**

Name of Person Appearing	Name of Party	Contact Info
Martino Calvaruso	Olser, Hoskin & Harcourt LLP on behalf of the Proposed Monitor	<a href="mailto:mcalvaruso@osler.com">mcalvaruso@osler.com</a>
Marc Wasserman	Olser, Hoskin & Harcourt LLP on behalf of the Proposed Monitor	<a href="mailto:mwasserman@osler.com">mwasserman@osler.com</a>
Virginie Gauthier	Gowling WLG on behalf of Red White & Bloom Brands Inc.	<a href="mailto:Virginie.gauthier@gowlingwlg.com">Virginie.gauthier@gowlingwlg.com</a>
Kate Yurkovich	Gowling WLG on behalf of Red White & Bloom Brands Inc.	<a href="mailto:Kate.yurkovich@gowlingwlg.com">Kate.yurkovich@gowlingwlg.com</a>
Sean Zweig	Bennett Jones LLP on behalf of the Ad Hoc Committee of the Convertible Debentureholders	<a href="mailto:zweigs@bennettjones.com">zweigs@bennettjones.com</a>

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## **ENDORSEMENT OF JUSTICE CONWAY:**

**All defined terms used in this Endorsement shall, unless otherwise defined, have the meanings ascribed to them in the factum of the Applicants dated July 25, 2023.**

[1] Aleafia Health Inc. (“**Aleafia Parent**”) and its Subsidiaries (collectively, the “**Aleafia Group**”) seek an initial order under the CCAA. The evidence on the application is set out in the affidavit of Patricia Symmes-Rzakos, Chief Executive Officer of Aleafia Parent, sworn July 24, 2023 and the Pre-Filing Report of the Proposed Monitor dated July 24, 2023. All factual references in this Endorsement come from those materials.

[2] This Application was brought on an urgent basis given the liquidity crisis faced by the Applicants. Short notice was provided to the secured creditors. Although counsel for most of those creditors attended the hearing today, it was acknowledged by the Applicants that if the Initial Order is granted, the comeback hearing will be a *de novo* hearing and the onus will be on the Applicants to satisfy the court that (apart from the specific charges granted in the Initial Order), the relief in an amended and restated order should be granted.

### **BACKGROUND**

[3] 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.

[4] 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. A fourth distribution centre located in Ontario, which is licensed as a processor by Health Canada, enables same-day delivery service and direct-to-retailer cannabis distribution services. 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.

[5] The Aleafia Group also employs 147 full-time employees across its various locations.

[6] As at March 31, 2023, the Aleafia Group had total approximate current and non-current assets of \$59,925,000 and total approximate current and non-current liabilities of \$68,838,000. The Applicants expect to have almost eliminated their cash on hand at the close of business yesterday and are facing an urgent liquidity crisis. There are also significant excise duty, property tax and HST obligations of the Aleafia Group.

[7] The Aleafia Group has three senior secured creditors: Red White & Bloom Brands Inc. to whom over \$15 million is currently owed; 1260356 Ontario Limited to whom approximately \$5.5 million is currently owed and Computershare Trust Company of Canada with respect to convertible debentures issued by Aleafia Parent and to whom approximately \$43 million is currently owed. Mr. Zweig attended today for the Ad Hoc Committee of those debentureholders. He said that he did not oppose the relief sought today for the initial 10 day period but put the court on notice that he anticipates raising issues at the comeback hearing, particularly with respect to the DIP Loan.

[8] In terms of unsecured obligations, the Aleafia Group has approximately \$4.7 million in outstanding notes payable, intercompany payables of approximately \$85.7 million, accounts payable of \$4.18 million and over \$520 million in contingent liabilities including ongoing litigation.

[9] The Aleafia Group has struggled with cash flow over the last year. It cannot meet its obligations as they become due. This liquidity crisis, and the need for DIP financing, has led to this urgent hearing.

## **APPLICATION FOR AN INITIAL ORDER**

### **The CCAA Applies**

[10] The CCAA applies to a “debtor company” if the total claims against it or its affiliates exceed \$5 million. The Applicants meet this test. With respect to the insolvency requirement, and as noted, the Aleafia Group has incurred net losses for the past three fiscal years. Aleafia Parent has incurred approximate net losses of \$34,604,000 for the 12 months ended on March 31, 2023, \$150,764,000 for the 12 months ended on March 31, 2022 and \$257,022,000 for the 12 months ended on March 31, 2021.

[11] In addition, as of March 31, 2023, the Applicants had a cumulative deficit of \$527.8 million with a net working capital deficit of \$5.4 million. Further, and as reflected in the Applicants’ draft consolidated balance sheet as of June 30, 2023, the total liabilities of \$74,432,000 exceed the total assets. I am satisfied that the Applicants have no liquidity and no ability to pay their obligations as they become due and are therefore insolvent.

### **The Stay of Proceedings is Appropriate**

[12] This court may grant a stay of proceedings of up to 10 days on an initial application, provided it is satisfied that: (i) such a stay is appropriate; and (ii) the Applicant has acted in good faith and with due diligence (s. 11.02(1), (3)). When exercising judicial discretion under the CCAA, the court must often be cognizant of the various interests at stake in the reorganization, which can extend beyond those of the debtor and creditors to include employees, directors, and even other parties doing business with the insolvent company.<sup>1</sup>

[13] Absent exceptional circumstances, the relief sought shall be limited to relief reasonably necessary for the ordinary course of continued operations and, whenever possible, the *status quo* should be maintained during the initial 10-day period.<sup>2</sup> This 10-day period “allows for a stabilization of operations and a negotiating window”.<sup>3</sup>

[14] I am satisfied that the Stay of Proceedings sought by the Applicants is reasonably necessary to maintain the *status quo* and to provide the breathing space that the Applicants require to continue their operations for the next 10 days, all for the benefit of their stakeholders.

### **The DIP Loan and the Charges**

[15] The Applicants require immediate DIP financing in light of their liquidity crisis. The amount of financing required over the next 10 days has been worked out with the assistance of the Proposed Monitor. I required the Applicants to amend the Initial Order to clarify that only \$2.27 million of the DIP facility will be advanced during the 10 day period. That 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.

[16] The Applicant seeks an Administration Charge of \$500,000 and a Directors’ Charge of \$835,000. The amount of those charges has been determined with guidance from the Proposed Monitor and is limited to what is necessary for the initial period. The charges and their priority are unopposed. Both charges are acceptable to me.

### **Payment of Pre-Filing Obligations**

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<sup>1</sup> *Century Services Inc v Canada (AG)*, 2010 SCC 60 at para 21.

<sup>2</sup> *Lydian International Limited (Re)*, 2019 ONSC 7473 at para 22.

<sup>3</sup> *Lydian* at para 30.

[17] The purpose of the CCAA is to permit the debtor to continue to carry on business and, where possible, avoid the social and economic costs of liquidating its assets.<sup>4</sup> To meet this purpose, this court has allowed debtor companies to pay pre-filing obligations where appropriate, particularly where failure to do so could frustrate the debtor company's ongoing operations.<sup>5</sup>

[18] The Applicants seek authorization to make payments with the oversight and consent of the Proposed Monitor, in an amount of up to \$300,000 (I required them to reduce it from \$500,000 to the minimum needed over the 10-day period). The Proposed Monitor's counsel said that it will consult with the DIP Lender and Mr. Zweig, as appropriate, on any such payments.

[19] I grant the authorization to make the pre-filing payments on those terms.

### **Additional Relief**

[20] The Proposed Monitor is acceptable to me and is appointed as Monitor.

[21] The use of the existing Cash Management System is supported by the Monitor and is acceptable to me.

### **Initial Order Granted; Comeback Hearing**

[22] At the conclusion of the hearing, I said that subject to the amendments being made as above (and some other minor changes) I would sign the Initial Order. Counsel have sent me a revised order and I have now signed it. Order to go as signed by me and sent to counsel. This order is effective from today's date and is enforceable without the need for entry and filing. I am satisfied that the relief granted in the order for the 10-day period is limited to relief that is "reasonably necessary for the continued operations of the debtor company in the ordinary course of business during that period", as required by s. 11.001 of the CCAA.

[23] **The comeback hearing is scheduled before Justice Penny on August 4, 2023 at 12:30 p.m.** The Applicants have advised that they have more work to do in developing a SISP and will not be seeking approval of a SISP as part of the relief on the comeback hearing. They will seek that approval at a subsequent hearing.

[24] I direct that all materials for this hearing be uploaded to CaseLines forthwith.

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

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<sup>4</sup> *Century Services* at paras. 15, 59.

<sup>5</sup> See *Cinram International Inc, Re*, 2012 ONSC 3767 at para. 37.

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

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

**Proceedings commenced at Toronto**

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

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**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*



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 APPLICANT  
(Returnable August 4, 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*