



August 17, 2023

**Second Report of
KSV Restructuring Inc.
as CCAA Monitor 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.**

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF 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.

SECOND REPORT OF KSV RESTRUCTURING INC. AS
MONITOR

AUGUST 17, 2023

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on July 25, 2023 (the "Initial Order"), Aleafia Health Inc. ("AHI"), Emblem Corp. ("Emblem Corp"), 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") (collectively the "Applicants" and each an "Applicant") were granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") and KSV Restructuring Inc. was appointed monitor of the Applicants (in such capacity, the "Monitor").
2. AHI, directly or indirectly, wholly-owns each of the other Applicants (each subsidiary of AHI individually a "Subsidiary" and together the "Subsidiaries", and collectively with AHI, the "Aleafia Group") and has a 9.9% interest in a non-Applicant affiliate, One Plant (Retail) Corp. ("One Plant" or the "Non-Applicant Party"), which operates a chain of cannabis retail stores.
3. Pursuant to the terms of the Initial Order, among other things, the Court:
 - a) granted a stay of proceedings in favour of each of the Applicants to and including August 4, 2023 (the "Stay Period");

- b) approved the terms of a debtor-in-possession credit facility (the “DIP Facility”) in the maximum principal amount of \$2.27 million until the comeback motion on August 4, 2023 (the “Comeback Motion”) to be made available to the Applicants pursuant to a DIP term sheet (as amended and restated, the “DIP Term Sheet”) dated July 24, 2023 between certain of the Applicants, as borrowers and guarantors, and Red White & Bloom Brands Inc., as lender (“RWB”, and in such capacity, the “DIP Lender”);
 - c) granted the following charges on the Applicants’ current and future assets, property and undertaking (collectively, the “Property”):
 - i. a charge in the amount of \$500,000 to secure the fees and disbursements of the Applicants’ legal counsel, as well as the fees and disbursements of the Monitor and its independent legal counsel (the “Administration Charge”);
 - ii. a charge up to the maximum amount of the DIP Obligations (as defined in the Initial Order) at the relevant time in favour of the DIP Lender (the “DIP Lender’s Charge”); and
 - iii. a charge in the amount of \$835,000 in favour of the directors and officers of the Applicants (the “Directors’ Charge”, and collectively with the DIP Lender’s Charge and the Administration Charge, the “Charges”); and
 - d) authorized the Applicants to pay certain pre-filing obligations to critical third-party suppliers, up to a maximum of \$300,000 in the aggregate, subject to obtaining the Monitor’s consent.
4. On August 4, 2023, the Court issued an Amended and Restated Initial Order (the “ARIO”). The ARIO is attached as Appendix “A”. Pursuant to the ARIO, among other things:
- a) the Stay Period was extended from August 4, 2023, until and including September 1, 2023;
 - b) the Applicants were granted authority to borrow up to \$6,600,000 under the DIP Facility from the original maximum amount of \$2,270,000;
 - c) the quantum of each of the priority Charges against the Property was increased, as set out below:
 - i. the Administration Charge was increased to \$1,250,000;
 - ii. the DIP Lender’s Charge was increased to the maximum amount of the DIP Obligations at the relevant time, which captures the Applicants’ increased ability to borrow under the DIP Facility of up to \$6,600,000; and
 - iii. the Directors’ Charge was increased to \$2,850,000;

- d) AHI was relieved from: (i) any obligations to call and hold its annual general meeting of shareholders; and (ii) certain other reporting obligations under applicable securities law; and
 - e) the maximum aggregate amount that the Applicants were authorized to pay critical third-party suppliers for certain pre-filing obligations was increased from \$300,000 to \$500,000, which payments remain subject to the Monitor's consent.
5. As further described herein, since the Comeback Motion, the Monitor has worked with the Applicants, the Ad Hoc Committee (as defined below) and RWB to settle the Ad Hoc Committee's concerns related to the terms of the proposed sale and investment solicitation process (the "SISP"), such that the Ad Hoc Committee has agreed to not oppose the Applicants' motion seeking approval of the SISP, including the approval of the bid from RWB and an affiliate serving as the "Stalking Horse Bid" in the SISP.

1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:
 - a) detail the status of the Applicants' Health Canada and cannabis excise licences (collectively, the "Licences");
 - b) detail the proposed SISP;
 - c) summarize the terms of a Stalking Horse Asset Purchase and Subscription Agreement (the "Stalking Horse Agreement") entered into between AHI, Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail, RWB and RWB (PV) Canada Inc., a wholly-owned subsidiary of RWB (in such capacity, the "Stalking Horse Bidder") solely for the purpose of constituting the "Stalking Horse Bid" under the SISP;
 - d) report on the Applicants' cash flow projection for the period August 14, 2023 to October 31, 2023 (the "Updated Cash Flow Forecast");
 - e) discuss the reasons why the Monitor believes that the Stay Period should be extended from September 1, 2023 to and including October 31, 2023; and
 - f) recommend that the Court issue an order (the "SISP Order"), among other things:
 - ordering that the "status quo" be preserved and maintained in respect of the Licences until the end of the Stay Period;
 - approving the SISP;
 - approving the Stalking Horse Agreement as the "Stalking Horse Bid" in the SISP, including the expense reimbursement of up to \$500,000 (the "Expense Reimbursement") contemplated therein; and
 - extending the Stay Period from September 1, 2023 to and including October 31, 2023.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the Applicants' unaudited financial information, books and records and discussions with the Applicants' management and legal counsel.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence. The Monitor does not accept any responsibility to any third party for any reliance they may place on the Applicants' financial information herein.
3. An examination of the Updated Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicants' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Updated Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

2.0 Background

1. The Aleafia Group is a federally licensed Canadian cannabis organization which operates two primary lines of business, being: (i) cannabis production and resale; and (ii) virtual cannabis clinics. The Aleafia Group sells cannabis products primarily through three core sales channels: adult-use, medical and international. The Aleafia Group's corporate chart is provided at Exhibit "A" of the Affidavit of Patricia Symmes-Rizakos, Chief Executive Officer of AHI and a director of all the Subsidiaries, sworn July 24, 2023, in support of the CCAA application (the "Symmes-Rizakos Affidavit").

2.1 Applicants

1. The Applicants are comprised of AHI and all of its directly or indirectly wholly-owned Subsidiaries. A high-level description of the business of the Applicants is provided below:

AHI

- a) Prior to the CCAA, AHI's common shares were 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". Each of the other Applicants are either directly or indirectly wholly-owned by AHI.

- b) AHI is a holding company providing back-office and administrative support to the Subsidiaries. AHI's registered office is in Toronto, Ontario. The operations of the Aleafia Group are substantially conducted through its Subsidiaries.

Emblem Cannabis, Emblem Corp. and Emblem Realty

- a) Emblem Cannabis is the primary operating entity of the Aleafia Group, and all cannabis sales in the medical, adult-use, international and wholesale market flow through Emblem Cannabis.
- b) Emblem Cannabis is a licensed producer of cannabis in accordance with the *Cannabis Act*, S.C. 2018, c. 16 and its associated regulations ("Cannabis Act") and operates from: (i) an owned 56,000 square foot licensed cannabis cultivation and packaging facility located in Paris, Ontario (the "Paris Facility") that is capable of producing over 40,000 kgs of cannabis product in edible, oil, capsule, sublingual, vape cartridge and bath/body formats annually, and represents the hub of the Aleafia Group's cannabis product development; and (ii) a leased distribution centre for its medical cannabis delivery service in Concord, Ontario (the "Distribution Centre").
- c) The Paris Facility produces all the cannabis that is sold by the Applicants in the medical and international sales channels, and a small portion of the product that is sold in the recreational sales channel. Emblem Cannabis sells its medical use cannabis products under the "Emblem" brand.
- d) The Aleafia Group currently plans to cut costs by shutting down the Distribution Centre and transferring all site activities to the Paris Facility, which transition will be fully complete by October 2023.
- e) Emblem Cannabis is a wholly-owned subsidiary of Emblem Corp. Apart from its interest in Emblem Cannabis, Emblem Corp. otherwise has no material assets or business operations. Emblem Realty is a wholly-owned subsidiary of Emblem Cannabis and has no material assets and does not carry on any active business operations.

Aleafia Farms, Aleafia Brands, Aleafia Retail and Aleafia Sub

- a) Aleafia Farms is the operating entity of the Aleafia Group that produces the primary flower supply for pre-roll and product formats of cannabis.
- b) Aleafia Farms is a licensed producer of cannabis in accordance with the Cannabis Act and operates from (i) an owned and licensed 86-acre outdoor cannabis cultivation facility located in Scugog, Ontario (the "Port Perry Facility"), which is also Canada's largest outdoor cannabis cultivation facility; and (ii) an owned and licensed 160,000 square foot greenhouse facility located in Grimsby, Ontario (the "Grimsby Facility"), containing moving container benches, irrigation and quality analysis tools.
- c) The Port Perry Facility produces the bulk of the cannabis product that is sold under the recreational sales channels, which is primarily sold under the "Divvy Cannabis" brand.

- d) The Grimsby Facility is not actively growing any cannabis. On June 23, 2023, Aleafia Farms entered into an agreement of purchase and sale (the “Grimsby APS”) with Siva Selven, a third-party purchaser, on behalf of a company to be later incorporated (the “Grimsby Purchaser”) in respect of the Grimsby Facility; however, the Grimsby Purchaser failed to pay the deposit under the Grimsby APS, and, accordingly, on or around July 6, 2023, counsel to Aleafia Farms provided a formal notice of default to the Grimsby Purchaser. As further discussed herein, the Applicants and the Monitor may revise the SISF to allow for the separate remarketing and sale of the Grimsby Facility.
- e) Each of Aleafia Brands and Aleafia Retail are currently operationally inactive and have no significant assets. Both entities do not carry on any active business operations, other than Aleafia Retail’s investment in One Plant, the Non-Applicant Party, of which Aleafia Retail holds approximately 9.9% of the issued and outstanding shares.
- f) Aleafia Sub is an active subsidiary and earns certain of its revenue through provision of medical cannabis clinic services.

Growwise

- a) Growwise historically operated as the research branch of the Aleafia Group for the purposes of general education regarding medical cannabis use. The Monitor understands that Growwise is not currently active and is not generating any revenue.

Canabo

- a) Canabo operates as the virtual medical arm of the Aleafia Group and connects patients to medical marijuana clinics across Canada for virtual and phone appointments through physician referral services. In addition to its virtual operations, Canabo operates a direct-to-patient medical business from a leased location in St. John’s, Newfoundland (the “Newfoundland Facility”). The Newfoundland Facility is staffed by, among others, physicians that are independent contractors.
- b) The Monitor understands that all of the eight employees located at the Newfoundland Facility, seven of whom are unionized, were given working notices of termination in late June of 2023, which become effective at the end of the summer 2023. Canabo will continue to operate the Newfoundland Facility with the contractor physicians and other remote employees.

2672 and 2676

- a) 2672 and 2676 are both currently operationally inactive and have no significant assets and do not carry on any active business operations.

2. Upon the commencement of the CCAA proceedings, the Applicants collectively employed or engaged approximately 151 individuals (one as a contractor with the remainder as employees). The Applicants do not maintain a pension plan. Aside from the unionized employees at the Newfoundland Facility, whom were all provided notices of termination, none of the Applicants' other employees are unionized.
3. The Symmes-Rizakos Affidavit and the Pre-Filing Report of the Monitor dated July 24, 2023 (the "Pre-Filing Report"), each provide further background information with respect to the Applicants' business and operations, as well as the reasons the Applicants filed for CCAA protection. The Symmes-Rizakos Affidavit and the Pre-Filing Report, as well as other materials and reports filed and orders made in the CCAA proceedings, are available on the Monitor's website at the following link: <https://www.ksvadvisory.com/experience/case/aleafia>.

3.0 Creditors

3.1 Secured Creditors

3.1.1 RWB

1. RWB manufactures, processes and distributes cannabis products in the USA. RWB is a public company listed on the Canadian Securities Exchange. The President of RWB is Colby De Zen.
2. RWB is a secured lender to the Applicants through a loan agreement dated December 24, 2021, as amended, which was originally as between (i) NE SPC II LP, as lender ("NE SPC"), (ii) AHI, Emblem Cannabis and Aleafia Farms, as borrowers (collectively, the "Borrowers"); and (iii) Emblem Corp, Canabo and Aleafia Sub, as guarantors (collectively, the "Guarantors" and together with the Borrowers, the "RWB Credit Parties"), and which was assigned by NE SPC to RWB pursuant to an assignment agreement dated June 6, 2023 (collectively, the "RWB Loan Agreement").
3. The RWB Loan Agreement provides for a revolving credit facility in the maximum principal amount of \$7 million (subject to borrowing base calculations) and a non-revolving term loan facility in the maximum amount of \$12 million (together, the "RWB Facilities"). As of July 31, 2023, the outstanding indebtedness owing under the RWB Facilities was approximately \$15.2 million (interest and costs continue to accrue).
4. The Monitor understands that the security granted by the RWB Credit Parties in respect of the RWB Facilities includes, among other things, six general security agreements from each of the RWB Credit Parties in favour of NE SPC (as assigned to RWB), each dated December 24, 2021, in respect of the personal property assets of the RWB Credit Parties, and charges on the Paris Facility and Grimsby Facility (but not the Port Perry Facility and the personal property located at or arising from the Port Perry Facility). As among RWB, 126 and Computershare, as trustee for the Debentureholders (each as defined herein), the Monitor further understands that RWB holds first ranking security on the personal property assets of the RWB Credit Parties (except all personal property located at or arising from the Port Perry Facility) and first ranking charges on the Paris Facility and Grimsby Facility.

5. Osler, Hoskin & Harcourt LLP, the Monitor's independent legal counsel, and its local provincial agent in Nova Scotia and Newfoundland, conducted a review of the security granted by the RWB Credit Parties in respect of the RWB Facilities and have provided to the Monitor with written opinions that provide, subject to standard qualifications and assumptions customary in rendering security opinions of this nature, that the security granted by the RWB Credit Parties in respect of the RWB Facilities constitute valid and enforceable security perfected by registration in the applicable Canadian provinces.
6. As noted above, RWB is also the DIP Lender to the Applicants. As of the date of this Report, the Applicants have drawn approximately \$1.63 million under the DIP Facility.

3.1.2 1260356 Ontario Limited.

1. 1260356 Ontario Limited ("126") is a secured lender to the Applicants pursuant to a credit agreement dated August 20, 2021 (as amended on December 24, 2021 and August 26, 2022) between 126, as lender, and AHI, as borrower (collectively, the "126 Loan Agreement"). The Monitor has been advised that certain directors of 126 are members of the De Zen family.
2. As of the date of the Initial Order, the outstanding indebtedness owing to 126 was approximately \$5.6 million (interest and costs continue to accrue).
3. The Monitor understands that the security granted by AHI in connection with the 126 Loan Agreement includes, among other things, a general security agreement dated August 26, 2022, in respect of the personal property assets of AHI, and that certain Subsidiaries have granted guarantees and security in connection with the 126 Loan Agreement, including charges on the Port Perry Facility, the Paris Facility and the Grimsby Facility. As among RWB, 126 and Computershare, as trustee for the Debentureholders, the Monitor further understands that 126 has a first-ranking charge on the Port Perry Facility and all personal property located at or arising from the Port Perry Facility, and a second-ranking charge (behind RWB) on the other personal property assets of AHI and its Subsidiary guarantors, and on the Paris Facility and Grimsby Facility.

3.1.3 Debentureholders

1. On June 27, 2019, AHI 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 (collectively, the "Debentures" and the holders thereof, the "Debentureholders") pursuant to a debenture indenture dated June 27, 2019 between AHI and Computershare Trust Company of Canada ("Computershare"), as supplemented (the "Debenture Agreements"). 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 and were to mature on June 27, 2022.
2. The Debentureholders have formed an ad hoc committee (the "Ad Hoc Committee") that the Monitor understands represents the interest of over 50% of the value of the Debentures. The Ad Hoc Committee is represented by Bennett Jones LLP ("Bennett Jones").

3. As described in more detail in the Symmes-Rizakos Affidavit, AHI struggled to make interest payments due under the Debenture Agreements. The Monitor understands that the defaults under the Debenture Agreements resulted ultimately in a forbearance agreement effective January 31, 2022 between AHI and Debentureholders representing approximately 62% of the principal amount of 2019 Debentures pursuant to which the Debentureholders, among other considerations, agreed to (i) forbear in enforcing their rights or remedies against AHI 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 AHI expeditiously and in good faith to negotiate a transaction to, among other matters, amend the terms of the 2019 Debentures.
4. Shortly thereafter, on April 22, 2022, AHI and representatives of certain holders of 2019 Debentures came to an agreement in principle to amend certain key commercial terms of the 2019 Debentures, and by June 27, 2022, AHI entered into an amended and restated debenture indenture with Computershare on the following terms:

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

5. The Monitor understands that the security granted by AHI in respect of the Debenture Agreements includes, among other things, a general security agreement dated June 27, 2022, in respect of personal property assets of AHI, and that certain Subsidiaries have granted guarantees and security in connection with the Debentures, including charges on the Port Perry Facility, the Paris Facility and the Grimsby Facility. As among RWB, 126 and Computershare, as trustee for the Debentureholders, the Monitor further understands that the Debentures have a second-ranking charge on the Port Perry Facility and the personal property located at or arising from the Port Perry Facility (behind 126) and have a third-ranking charge (behind RWB and 126) on the other personal property assets of AHI and its Subsidiary guarantors, and on the Paris Facility and Grimsby Facility.
6. As at the date of the Initial Order, the amount outstanding under the Debentures was approximately \$42.9 million (interest and costs continue to accrue).

3.1.4 Other Secured Creditors and Tax Claims

1. Apart from the three principal secured creditors noted above, a number of other parties have registrations under the *Personal Property Security Act* (Ontario) as against the Applicants, primarily in connection with various equipment leases.
2. Based on the Applicants' books and records, as at the date of the Initial Order, certain of the Applicants owed property taxes on the owned premises as reflected in the table below:

Applicant	Facility	Amount (\$)
Emblem Cannabis	Paris Facility	375,000
Aleafia Farms	Grimsby Facility	27,500
Aleafia Farms	Port Perry Facility	42,000

3. Furthermore, based on the Applicants' books and records, as of May 31, 2023, Emblem Cannabis owed approximately \$2.5 million to the Canada Revenue Agency ("CRA") in respect of GST/HST obligations. However, the Monitor understands that certain of the Applicants also hold significant GST/HST receivables from the CRA, in the aggregate amount of approximately \$2.1 million.

3.2 Unsecured Creditors and Other Claims

1. Per the Applicants' books and records, the Applicants' unsecured obligations as of the date of the Initial Order totalled approximately \$27.3 million and are summarized in the table below.

(\$000s; unaudited) Applicant ¹	Excise Taxes	Trade and other vendors	Promissory Note	CEWS	Total
AHI	-	1,207	4,765	-	5,973
Aleafia Farms	-	1,107	-	-	1,107
Emblem Corp.	-	45	-	-	45
Growwise	-	2	-	-	2
Emblem Cannabis.	10,100	6,804	-	3,200	20,104
Aleafia Inc.	-	4	-	-	4
Canabo	-	24	-	-	24
Total	10,100	9,193	4,765	3,200	27,259

2. As provided in the table above, the Applicants' unsecured obligations consist primarily of:
 - a) approximately \$10.1 million owing to CRA in respect of excise taxes, which are owed exclusively by Emblem Cannabis. The Monitor understands that the CRA holds a cash deposit of approximately \$800,000 in respect of the excise taxes. Since the date of the Initial Order, the Applicants have paid approximately \$660,000 in respect of excise tax, which represented the normal course amounts for June 2023, payable in July 2023;
 - b) approximately \$9.2 million owing to trade and other vendors in respect of goods and services provided to the Applicants, some of which are critical to the Applicants' operations. Since the date of the Initial Order, the Applicants have paid approximately \$135,000 in critical vendor arrears, which payments were approved by the Monitor in accordance with the Initial Order;
 - c) approximately \$4.8 million owing to Royal Group Resources Inc., an entity the Monitor understands is controlled by the De Zen family, in respect of three unsecured promissory notes issued by AHI totalling \$4.5 million at a fixed 12.75% interest rate, all due and payable on December 31, 2024 (the "RGR Promissory Notes"); and
 - d) approximately \$3.2 million owing in respect of a Notice of Determination issued on or about June 30, 2023 in respect of the Canada Emergency Wage Subsidy.

¹ Per the Applicants' books and records, Aleafia Sub, Emblem Realty, 2672 and 2676 do not have any unsecured obligations.

- The amounts in the above table do not reflect any intercompany balances. In addition, the amounts presented in the table above do not include severance and termination obligations owing by the Applicants to their former employees.

4.0 Licences

- The Licences held by each of Emblem Cannabis and Aleafia Farms are summarized in the table below:

Category	Entity	Address	Expiry Date
Health Canada	Aleafia Farms	378 South Service Road, Grimsby ON	June 13, 2024
Health Canada	Aleafia Farms	2540 Regional Road 19, Blackstock ON	October 9, 2023
Health Canada	Emblem Cannabis	20 Woodslee Avenue, Paris ON	January 20, 2028
Health Canada	Emblem Cannabis	20 Woodslee Avenue, Paris ON	April 7, 2026
Health Canada	Emblem Cannabis	85 Basaltic Road, Unit A, Vaughan ON	February 12, 2024
Cannabis Excise	Aleafia Farms	378 South Service Road, Grimsby ON; 2540 Shirley Avenue, Blackstock ON	October 16, 2024
Cannabis Excise	Emblem Cannabis	20 Woodslee Avenue, Paris ON; 85 Basaltic Road, Unit A, Concord ON	October 16, 2023

- As detailed in the table above, two Licences are set to expire in October 2023 (the “Expiring Licences”). The Monitor understands that the CRA has advised the Applicants that Emblem Cannabis is not eligible to renew its Expiring Licence during CCAA proceedings, given the requirements set out in section 2(2)(c)(ii) of the *Regulations Respecting Excise Licences and Registrations*, SOR/2003-115, which require a licensee to have sufficient financial resources to conduct its business in a responsible manner.
- In order to operate its business in the normal course, the Applicants require the Expiring Licences to remain in good standing. If any of the Licences were to expire prior to the completion of a SISP transaction, it would likely result in material degradation of the value of the Applicants’ business.
- The October 2023 expiry dates do not provide the Monitor with sufficient time to conduct the SISP and the Applicants with sufficient time to complete a transaction. Accordingly, pursuant to the proposed SISP Order, the Applicants are seeking an order to require that the “status quo” be preserved and maintained in respect of the Licences until the end of the Stay Period, in order to allow the Applicants an opportunity to carry on operations in the normal course while the SISP is conducted.
- The Monitor is supportive of this relief, as it will preserve the value of the Applicants’ business operations and it is in the best interest of the Applicants’ stakeholders. It is also consistent with the overall objective of insolvency proceedings, which is to provide a framework for a debtor company to continue to operate in the normal course while contemporaneously carrying out a process to restructure and/or complete a going-concern transaction. The Monitor understands that similar relief to stay regulators from rescinding or revoking licences was recently granted in the *Bankruptcy and Insolvency Act* proposal proceedings of Tantalus Labs Ltd., as well as in prior CCAA proceedings involving various oil and gas licences held by debtor restructuring companies.

6. On August 16, 2023, the Monitor sent email correspondence to the CRA's excise duties and taxes representatives advising of the "status quo" relief with respect to the Licences that the Applicants were seeking pursuant to the proposed SISP Order, and hopes to engage with the CRA in the near term regarding same. The Monitor also notes that the Applicants served the motion record seeking approval of the SISP Order on both the Attorney General of Canada and Health Canada's licensing and security division.

5.0 SISP and Stalking Horse²

5.1 Proposed Transaction

1. Prior to the commencement of these CCAA proceedings, RWB was the proposed acquirer of the Aleafia Group pursuant to a binding letter agreement dated June 6, 2023 between RWB and AHI (the "Letter Agreement"), whereby RWB agreed to acquire all of the common shares of the Aleafia Group in a business combination transaction to be implemented through a plan of arrangement (the "Proposed Transaction").
2. The Proposed Transaction, which was approved by AHI's board, also required approval by a certain requisite majority of holders of the Debentureholders. On or about June 28, 2023, counsel to the Aleafia Group received written correspondence from counsel to the Ad Hoc Committee, advising that the Proposed Transaction, which sought to preserve value for AHI's junior stakeholders but paid the Debentureholders \$6 million of their \$42.9 million claim, would not be approved. The Proposed Transaction was valued at approximately \$35.9 million.
3. As described in more detail in the Symmes-Rizakos Affidavit, RWB and AHI subsequently exchanged various correspondence concerning the details of the Proposed Transaction but were unable to reach a deal.
4. On July 13, 2023, counsel to the Ad Hoc Committee sent a letter (the "July 13th Letter") to counsel to the Applicants and counsel to RWB. The July 13th Letter advised that the Proposed Transaction was not in the best interest of the Debentureholders and noted that it was beneficial to economic stakeholders that are junior to the Debentureholders. A copy of the July 13th Letter is attached as Appendix "A" to the Pre-Filing Report.
5. On July 14, 2023, RWB and AHI publicly announced the mutual termination of the Proposed Transaction. The Applicants subsequently prepared for a CCAA application, with a view of completing a transaction in the context of a Court-supervised process, including protections of the stay of proceedings.

² Capitalized terms in this Section 5 have the meanings provided to them in the Stalking Horse Agreement or the SISP, as applicable, unless otherwise defined herein. The summaries provided herein of the Stalking Horse Agreement and the SISP are for convenience purposes only and readers are strongly encouraged to review the Stalking Horse Agreement and SISP themselves.

5.2 Background

1. At the Comeback Motion, the Applicants advised the Court that they were in the process of designing the terms of the SISP, including considering an offer from RWB to act as a “stalking horse” in the SISP. Also at the Comeback Motion, counsel to the Ad Hoc Committee expressed concerns regarding the proposed SISP and advised that they may oppose the Applicants’ motion seeking approval of the SISP.
2. Following the Comeback Motion, counsel to the Ad Hoc Committee advised the Applicants, the Monitor and RWB that, subject to their review of the Applicants’ motion materials seeking approval of the SISP, the Ad Hoc Committee intended to oppose such motion and examine several parties in connection with the proposed SISP, including Ms. Symmes, Lu Galasso, a member of the board of AHI, Colby De Zen and Eddie Mattei, the Chief Financial Officer of RWB. The potential opposition and cross examinations would have resulted in significant delays and additional costs to the CCAA proceedings. In addition, counsel to the Ad Hoc Committee also advised that they intended to bring a motion to have their professional fees paid under the DIP Facility given, among other things, that the Proposed Transaction had provided for significant recoveries to the Debentureholders.
3. The Applicants, together with the Monitor and RWB, negotiated a resolution with the Ad Hoc Committee, which would result in the Ad Hoc Committee agreeing to not oppose the Applicants’ motion seeking approval of the SISP, including the approval of the bid from RWB and an affiliate serving as the “Stalking Horse Bid” in the SISP. The resolution provides for, among other things:
 - a) significant controls and oversight for the Monitor as part of the SISP;
 - b) no break fees payable to RWB or its affiliate in the event it is not the successful bidder in the SISP; and
 - c) the payment of professional fees to Bennett Jones of up to \$250,000 (plus HST) in connection with its representation of the Debentureholders. The Applicants will not pay any professional fees to Bennett Jones in connection with any opposition to any motions in these CCAA proceedings.
4. The Monitor supports this resolution as it provides for an unopposed motion, which will significantly reduce the costs and timeline of the CCAA proceedings and allow for the immediate commencement of the SISP.

5.3 SISP

1. The purpose of the SISP is to solicit interest in and opportunities for a sale of, or investment in, all or part of the Aleafia Group’s Property and Business (the “Opportunity”), while providing a degree of certainty to the Applicants and their stakeholders of a going concern transaction.
2. Subject to Court approval, the Monitor will be primarily responsible for the marketing and sale process with respect to the Aleafia Group’s Property and Business.
3. The key aspects of the proposed SISP are summarized below; however, interested parties are strongly encouraged to review the full terms of the SISP. A copy of the SISP document is included as Schedule “A” to the proposed SISP Order.

4. A summary of the key dates in the proposed SISP are as follows:

Milestone	Key Dates
Distribution of Teaser Letter and NDA	No later than August 24, 2023
Binding Offer Deadline	October 2, 2023
Auction (if any)	October 10, 2023
Approval and Vesting Order hearing (if Successful Bid is the Stalking Horse Bid) ³	October 10, 2023 ⁴
Approval and Vesting Order hearing (if Successful Bid is not the Stalking Horse Bid) ³	October 18, 2023
Closing of the Successful Bid	No later than November 22, 2023

5. Given the above timeline, the Monitor commenced preparations for the SISP prior to the motion to approve the SISP, with the objective of completing the process expediently and without delay, and minimizing the costs of the CCAA process where possible. The marketing materials advise all prospective bidders that the SISP, including the Stalking Horse Agreement, remains subject to Court approval.

5.4 Grimsby Facility

1. The Applicants, the Monitor, RWB and the Debentureholders are discussing modifications to the SISP to permit the standalone sale of the Grimsby Facility. To the extent that there are any such modifications to the SISP, the Applicants and/or the Monitor will provide notice of such amendments to the service list in the CCAA proceedings.

5.5 Marketing Process

1. In connection with the SISP's commencement, as soon as practicable, but, in any event, by no later than two (2) Business Days after the granting of the SISP Order:
- the Monitor, with the assistance of the Aleafia Group, will prepare a list of potential bidders who it believes may be interested in acquiring the Aleafia Group's Property or Business, including parties that have expressed interest in the Opportunity to the Aleafia Group or the Monitor (each a "Known Potential Bidder");
 - the Monitor will publish a "Notice" of the SISP in one or more trade industry and/or insolvency-related publications as may be considered appropriate by the Monitor;
 - the Aleafia Group will issue a press release setting out the information contained in the Notice and such other relevant information which the Monitor and the Aleafia Group determine is appropriate; and

³ The Court dates are subject to Court availability.

⁴ Due to the original auction date provided for in the SISP of October 9, 2023 falling on Thanksgiving, the Applicants intend to revise this date to October 10, 2023, before the Honourable Court.

- d) the Monitor, with the assistance of the Aleafia Group, will prepare (i) a Teaser Letter describing the Opportunity, outlining the process under the SISP and inviting recipients of the Teaser Letter to express their interest pursuant to the SISP; and (ii) an NDA in form and substance satisfactory to the Monitor and Aleafia Group.
2. In accordance with the SISP timeline, the Monitor will send the Teaser Letter and NDA to each Known Potential Bidder by no later than two (2) Business Days following the granting of the SISP Order. The Teaser Letter and an NDA will also be made available to any other party (i) upon their request or (ii) who is subsequently identified by the Aleafia Group or the Monitor as a potential bidder.

5.6 Qualified Bidders

1. Any interested party that wishes to participate in the SISP (each a "Potential Bidder") must provide the Monitor and the Aleafia Group with (i) an executed NDA and (ii) written confirmation of the identity of the Potential Bidder, including full disclosure of the direct and indirect principals of the Potential Bidder. The Monitor, in consultation with the Aleafia Group, may also require that Potential Bidders provide evidence of their financial wherewithal to consummate a sale or investment pursuant to the SISP. A Potential Bidder (who has delivered the executed NDA and letter as set out above) will be deemed a "Qualified Bidder" if the Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, determines such person is likely, based on the availability of financing, experience and other considerations, to be able to consummate a sale or investment pursuant to the SISP.
2. Qualified Bidders will be provided access to a confidential virtual data room (the "VDR") and a Confidential Information Memorandum prepared by the Monitor. As noted above, as of the date of this Report, a number of parties have already been provided access to the VDR to commence diligence.

5.7 Binding Offers

1. To be "Binding Offers", bids must, among other things, meet the following requirements:
 - a) bids must be submitted by no later than 5:00pm (Toronto time) on October 2, 2023, being the Binding Offer Deadline;
 - b) bids must provide net cash proceeds on closing that are not less than the aggregate total of (the "Minimum Purchase Price"):
 - i. the amount of cash payable under the Stalking Horse Agreement together with the amount of all secured indebtedness, liabilities and obligations owing by the Aleafia Group to RWB (both in respect of its outstanding pre-filing secured loans and advances under the DIP Facility), plus;
 - ii. the amount of cash payable to cover the Expense Reimbursement (as described further below), plus;
 - iii. a minimum overbid of \$200,000; and

- iv. the amount of cash payable to repay in full all of the secured indebtedness, liabilities and obligations owing by the Aleafia Group to 126;

provided, however, the Monitor may, in its reasonable judgement, and in consultation with the Aleafia Group, deem this criterion satisfied if the Sale Proposal, Partial Sale Proposal or Investment Proposal, together with one or more other non-overlapping Sale Proposal, Partial Sale Proposal or Investment Proposal, in the aggregate, meet or exceed the Minimum Purchase Price.

- c) bids must provide for a deposit equal to at least 10% of the cash purchase price payable on closing or total new investment contemplated in the bid, which shall be delivered to the Monitor prior to the Auction;
- d) bids must be made by way of a binding, definitive transaction document that is/are executed by the Binding Offer Bidder;
- e) bids must not include a provision making the offer conditional on obtaining financing or any internal or board approval or on the outcome of unperformed due diligence;
- f) bids must not provide for any break or termination fee, expense reimbursement or similar type of payment, with it being understood that no bidder (other than the Stalking Horse Bidder) will be entitled to any bid protections;
- g) bids must provide for any anticipated corporate, licensing, securityholder, Health Canada, legal or other regulatory approvals required to close the transaction, and an estimate of the anticipated time frame and any anticipated impediments for obtaining such approvals;
- h) bids must provide evidence of a commitment for financing or other evidence of ability to consummate the proposed transaction prior to the November 22, 2023 (the maturity date of the DIP Facility), being the Outside Date;
- i) bids must be accompanied by a letter that confirms that the Binding Offer may be accepted by the Aleafia Group by countersigning the Binding Offer, and is irrevocable and capable of acceptance until the earlier of two (2) Business Days after the closing of the Successful Bid, or the Outside Date;
- j) in the case of a Sale Proposal (or Partial Sale Proposal), bids must include, among other things:
 - i. a description of the Property that is expected to be subject to the transaction and any of the Property expected to be excluded;
 - ii. a specific indication of the sources of capital for the Binding Offer Bidder and the structure and financing of the transaction; and
 - iii. a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction; and

- k) in the case of an Investment Proposal, bids must include, among other things:
 - i. a description of how the Binding Offer Bidder proposes to structure the proposed investment, restructuring, recapitalization, refinancing or reorganization, and a description of any non-cash consideration and the aggregate amount of equity and/or debt investment to be made; and
 - ii. a description of those liabilities and obligations (including operating liabilities) which the Binding Offer Bidder intends to assume and which such liabilities and obligations it does not intend to assume and are to be excluded as part of the transaction.
2. The Monitor, in its reasonable judgment, and in consultation with the Aleafia Group, may waive strict compliance with any one or more of the requirements to be a “Binding Offer”, including those specified above, except for the requirements regarding the Minimum Purchase Price, a waiver of which would also require the consent of the DIP Lender.
3. Pursuant to the SISP, the Stalking Horse Bidder is deemed to be a Binding Offer Bidder and the Stalking Horse Bid is deemed to be a Binding Offer.

5.8 Auction and Successful Bid Selection

1. Following the Binding Offer Deadline, the Aleafia Group and the Monitor will: (a) review and evaluate each Binding Offer based on the criteria provided in paragraph 16 of the SISP; (b) identify the highest or otherwise best bid (the “Successful Bid”, and the Binding Offer Bidder making such Successful Bid, the “Successful Bidder”); and (c) identify the next highest or otherwise second best bid (the “Back-Up Bid”, and the Binding Offer Bidder making such Back-Up Bid, the “Back-Up Bidder”).
2. If no Binding Offers are submitted by the Binding Offer Deadline, the Stalking Horse Bidder will be the Successful Bidder.
3. If one or more Binding Offers (other than the Stalking Horse Agreement) is received, the Aleafia Group will proceed with an auction process (the “Auction”) in accordance with the SISP, as summarized below, *inter alia*:
 - a) the Monitor will notify the Binding Offer Bidders that are invited to participate in the Auction by no later than October 6, 2023;
 - b) the Auction that will be conducted virtually via videoconference, teleconference or such other reasonable means as the Monitor deems appropriate, at a time designated by the Monitor, on October 10, 2023;
 - c) the identity of each Binding Offer Bidder participating in the Auction will be disclosed, on a confidential basis, to other Binding Offer Bidders participating in the Auction;
 - d) prior to the Auction, the Monitor will identify the highest and best of the Binding Offers received and such Binding Offers will constitute the opening bid for the purposes of the Auction (the “Opening Bid”). Subsequent bidding will continue in minimum increments valued at not less than \$200,000 cash in excess of the Opening Bid;

- e) each Binding Offer Bidder will be given reasonable opportunity to submit an overbid at the Auction to any then-existing overbids. The Auction will continue until the bidding has concluded and there is one remaining Binding Offer Bidder. The Aleafia Group and the Monitor shall determine which Binding Offer Bidders have submitted the (i) highest and otherwise best Binding Offer of the Auction, which shall be the Successful Bid; and (ii) the next highest and otherwise second-best Binding Offer of the Auction;
- f) the Monitor, in consultation with the Applicants, shall be at liberty to modify or to set additional procedural rules for the Auction as it sees fit, including to conduct the Auction by way of written submissions; and
- g) upon selection of a Successful Bidder and a Back-Up Bidder, if any, the Monitor will require the Successful Bidder and the Back-Up Bidder, if any, to each deliver, as soon as practicable, an amended and executed transaction document that reflects their final bid and any other modifications submitted and agreed to during the Auction, prior to the filing of the motion material for the Approval Motion hearing.

5.9 The Stalking Horse Agreement

1. A copy of the Stalking Horse Agreement is attached as Exhibit “G” to the Affidavit of Patricia Symmes-Rizakos sworn August 11, 2023 in support of the proposed SISP Order.
2. The Monitor understands that on April 14, 2023, AHI established an independent committee to evaluate the Stalking Horse Agreement. The Stalking Horse Agreement has been recommended by the independent committee and approved by the board of AHI.⁵
3. The Stalking Horse Agreement contemplates a reverse vesting transaction, pursuant to which RWB will acquire all of the shares of Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail and certain intellectual property assets of AHI as part of the transaction, and all Excluded Assets and Excluded Liabilities will be transferred to newly incorporated corporations (i.e., Residual Cos, which may be an Applicant that is not a Purchased Entity). The reason for using the reverse vesting structure is to preserve the cannabis Licences.
4. The key terms and conditions of the Stalking Horse Agreement are provided below.
 - **Vendors:** AHI, Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail
 - **Purchaser:** RWB (PV) Canada Inc.
 - **Guarantor:** RWB

⁵ Board members Carlo Sistilli and Lu Galasso recused themselves from voting to approve the Stalking Horse Agreement.

- **Transaction Structure:** Asset purchase and reverse vesting structure - the shares of the Purchased Entities (as defined below) and the Purchased IP (as defined below) of AHI will be acquired by the Purchaser and all the Excluded Assets and Excluded Liabilities of the Purchased Entities will be transferred to Residual Co.
- **Purchased Shares:** the Purchaser will subscribe for all of the newly issued common shares in the share capital of Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail. Through Emblem Cannabis, the Purchaser will also acquire Growwise, which is a wholly-owned subsidiary of Emblem Cannabis (collectively, the “Purchased Entities”).
- **Purchased IP:** certain intellectual property owned, licensed or leased by AHI, as set out specifically in Schedule 1.1(b) of the Stalking Horse Agreement.
- **Purchase Price:** the purchase price shall be the aggregate of:
 - a) the Credit Bid Consideration, being:
 - i. a release of all amounts outstanding and obligations payable by the Applicants under the RWB Loan Agreement and all related loan and security documentation, which amount as of July 31, 2023 was approximately \$15,230,687, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith; and
 - ii. a release of all amounts outstanding and obligations payable by the Applicants as of the Closing Date pursuant to the DIP Term Sheet and all related loan and security documentation including principal and interest to Closing Date, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith; and
 - b) the Cash Consideration, being:
 - i. the CCAA Process Expense Amount, constituting: (1) the Administrative Expense Amount, meaning cash in the amount of \$400,000 to be paid to the Monitor on Closing to be used to pay the fees of the Monitor and its counsel from Closing to the completion of these CCAA proceedings, including any bankruptcy of the remaining Applicants; and (2) the CCAA Charge Amount, being cash in an amount sufficient to satisfy the amounts owing in respect of obligations secured by the Administration Charge and Directors’ Charge;
 - ii. the 126 Loan Amount, meaning cash in an amount sufficient to satisfy the outstanding obligations of the Applicants to 126 under the 126 Loan Agreement, which as at July 31, 2023 was approximately \$5,444,106; and
 - iii. the Priority Payment Amount, consisting of cash sufficient to pay those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the CCAA.

The Monitor estimates the purchase price set forth in the Stalking Horse Agreement to be in the range of approximately \$25 million to \$29 million.⁶

- **Retained Liabilities:** include:
 - a) all post-filing Claims set out in Schedule 2.4 of the Stalking Horse Agreement;
 - b) all liabilities of the Purchased Entities arising from and after Closing;
 - c) Tax liabilities of the Purchased Entities for any period, or the portion thereof, beginning on or after the Closing Date; and
 - d) those specific Retained Liabilities set forth in Schedule 2.4 of the Stalking Horse Agreement, which include the stub-period post-filing Claims contemplated by the DIP Facility but not paid before Closing.

- **Excluded Liabilities:** all liabilities of the Purchased Entities other than the Assumed Liabilities, including the non-exhaustive list of Excluded Liabilities detailed in Schedule 2.5 of the Stalking Horse Agreement, which includes:
 - Intercompany Claims;
 - the RGR Promissory Notes;
 - all pre-filing claims and any liabilities arising from the termination of leases or other contracts;
 - all pre-filing claims, including without limitation any amounts owing in respect of pre-filing excise Tax, GST/HST;
 - all liabilities owing to any Terminated Employees in respect of the termination of employment of such Terminated Employee; and
 - all liabilities of any of the Vendors or Purchased Entities in connection with the Debenture Agreements.

- **Excluded Assets:** include:
 - a) the Cash Consideration;
 - b) the Tax records and returns, and books and records pertaining thereto and other documents, in each case, that primarily or solely relate to any of the Excluded Liabilities or Excluded Assets;

⁶ This estimated purchase price range is based on the Applicants' financial statements and most recent DIP Facility budget and is for illustrative purposes only. The actual purchase price on closing may be materially different from the illustrative purchase price range included herein.

- c) the Excluded Contracts and Excluded Leases, as detailed in Schedule 2.3(c)(d) of the Stalking Horse Agreement, which includes the collective bargaining agreement between Canabo, as employer, and UNIFOR, Local 597, as union;
 - d) any rights which accrue to Residual Co. under the transaction documents;
 - e) any other asset identified by the Purchaser as an Excluded Asset at least seven days prior to the hearing of the Applicants' motion to the Court seeking the Approval and Vesting Order; and
 - f) those assets specifically listed in Schedule 2.3 of the Stalking Horse Agreement, which include Equity Interests of any Applicants that are not the Purchased Entities.
- **Transfers to Residual Co.:** on the Closing Date, prior to the sale of the Purchased Shares, each Purchased Entity shall transfer to Residual Co.:
 - a) the Excluded Assets; and
 - b) the Excluded Liabilities.
 - **Representations and Warranties:** consistent with the standard terms of an insolvency transaction (i.e. on an "as is, where is" basis, with limited representations and warranties).
 - **Target Closing Date:** means a date no later than five (5) Business Days after the conditions set forth in Article 7 of the Stalking Horse Agreement have been satisfied or waived, other than those conditions that by their terms are to be satisfied or waived at the Closing (or such other date agreed to by the Parties in writing), provided that if there is to be a Closing Date, it shall be no later than the Outside Date.
 - **Outside Date:** November 22, 2023.
 - **Material Conditions:** includes, among other things:⁷
 - a) the SISP Order and the Approval and Vesting Order shall have been issued by the Court and shall not have been stayed, varied, or vacated (or any such appeal shall have been dismissed with no further appeal therefrom);
 - b) the Stalking Horse Bid shall be the Successful Bid in the SISP;
 - c) no provision of any Applicable Law and no Order preventing or otherwise frustrating the consummation of the purchase of the Purchased Shares and the Purchased IP or any of the other transactions pursuant to the Stalking Horse Agreement shall be in effect;

⁷ Any of the below conditions as set out in Section 7.1 of the Stalking Horse Agreement may be waived by any of the Vendors and by the Purchaser, in whole or in part, without prejudice to any of their respective rights of termination in the event of non-fulfillment of any other condition in whole or in part.

- d) the Parties shall have received the required Transaction Regulatory Approvals set forth in Schedule 7.1(d) of the Stalking Horse Agreement, including any consent, approval and / or grant upon change of control of either of AHI or any of the Purchased Entities as required under Cannabis Laws;
 - e) the Licences shall be in good standing, and not be suspended or terminated, following the Closing Date, which shall be satisfied upon evidence from the applicable Governmental Authority that such Licences are in good standing and will not be suspended or terminated by such Governmental Authority as a result of any events, or amounts owing by any Applicants, relating to the period preceding the Closing Date;
 - f) the applicable Purchased Entity shall have terminated the employment of the Terminated Employees, and all liabilities owing to any such Terminated Employees in respect of such termination shall be Excluded Liabilities which shall be assigned and transferred as against the applicable Purchased Entity to and assumed by Residual Co.; and
 - g) the Purchaser shall be satisfied that the employees of the Purchased Entities who hold the Licences will accept the Purchaser's offers of employment pursuant to Section 9.6 of the Stalking Horse Agreement.
- **Termination:** the Stalking Horse Agreement can be terminated, among other things:
 - a) upon mutual written consent of the Vendors and the Purchaser;
 - b) by the Purchaser or the Vendors, if (i) the Stalking Horse Agreement is not the Successful Bid or the Back-up Bid (as determined pursuant to the SISP); or (ii) the Stalking Horse Agreement is the Back-up Bid and the transaction contemplated by the Successful Bid is closed;
 - c) if Closing has not occurred by the Outside Date, being November 22, 2023, or such other date as the Vendors and Purchaser may agree to in writing; and
 - d) by the Purchaser, on the one hand, or the Vendors, on the other hand, if there has been a material violation or breach by the other Party of any agreement, covenant, representation or warranty which would prevent the satisfaction of, or compliance with, the applicable Closing conditions by the Outside Date, and such violation or breach has not been waived or cured within ten (10) Business Days of a Party providing notice to the other Party of such breach.

5.9.1 Bid Protections

1. The Stalking Horse Agreement includes an Expense Reimbursement of up to \$500,000 in respect of legal, diligence and other costs incurred by the Purchaser in respect of the SISP, including drafting and negotiating the Stalking Horse Agreement.
2. The purpose of the Expense Reimbursement is to provide the Purchaser with a means to recover its costs and expenses incurred in connection with the Stalking Horse Agreement if it is not the Successful Bidder or upon certain events of termination of the Stalking Horse Agreement.
3. The Stalking Horse Agreement does not include a break fee.
4. The Monitor is of the view that the Expense Reimbursement represents a fair and reasonable estimate of the costs that will be incurred by the Purchaser as a result of non-completion of the Stalking Horse Agreement and is not intended to be punitive in nature nor to discourage competitive bidding with respect to the SISP.
5. Bid protections in the context of sale processes are generally around 2.5%-5% of the purchase price, and the bid protections in this case represent approximately 1.7%-2% of the purchase price. A copy of a stalking horse break fee and expense reimbursement analysis of other insolvency proceedings current as to June 19, 2023, is attached at Appendix "B".⁸

5.9.2 Considerations Regarding the Stalking Horse Agreement

1. The Monitor considered whether the Purchaser's offer warrants it being a stalking horse bid in the SISP, as opposed to the Purchaser simply participating as a bidder in the SISP.
2. The Monitor's considerations included that the Stalking Horse Agreement should provide comfort to the Applicants' customers, employees and other stakeholders that a going concern transaction will be completed. Moreover, the Stalking Horse Agreement is only being approved as the stalking horse, and not as the Successful Bidder, at this time. Additionally, the Stalking Horse Agreement does not contain a break fee, and the Monitor's view is that the Expense Reimbursement is reasonable in the circumstances.

5.10 SISP Recommendation

1. Accordingly, the Monitor recommends that this Court issue an order approving the SISP and the Stalking Horse Agreement in connection therewith, for the following reasons:
 - a) the SISP provides for a wide marketing of the Applicants' business and will test the market for the Business and Property for the benefit of all stakeholders. Furthermore, the SISP provides flexibility by inviting potential investors or purchasers to submit either a Sale Proposal, Partial Sale Proposal or an Investment Proposal;

⁸ Sourced from Insolvency Insider.

- b) the SISP will be carried out by and under the oversight of the Monitor, to ensure fairness and transparency. The Monitor has significant experience in conducting sales processes of this nature, including in the cannabis market;
- c) the Monitor has reviewed the proposed SISP and Stalking Horse Agreement and recommends that they be approved as they will assist the Applicants in maximizing value;
- d) stalking horse sale processes are a recognized mechanism in restructuring proceedings to maximize recoveries, while creating stability for the debtor company's business. Both of these goals will assist the Applicants in their ongoing value maximization process;
- e) the SISP provides an opportunity to complete a transaction with greater value than the Stalking Horse Agreement, which benefits all stakeholders;
- f) it is in the best interests of the Applicants' stakeholders that the Stalking Horse Agreement be preserved in order to have the opportunity to maximize value and to protect downside risk in the event that a superior offer is not submitted;
- g) the duration of the SISP is sufficient in the Monitor's view to allow interested parties to perform diligence and submit offers;
- h) the DIP Lender is supportive of the SISP;
- i) the Monitor is of the view that the Expense Reimbursement is reasonable in the circumstances and reflects the costs of the Purchaser to prepare the Stalking Horse Agreement and to negotiate the SISP and other related motion materials. The Monitor is of the view that the Expense Reimbursement will not discourage interested parties from submitting offers in the SISP; and
- j) the Ad Hoc Committee has agreed to not oppose the Applicants' motion to approve the SISP and the Stalking Horse Bid.

6.0 Cash Flow

1. The Applicants prepared the Updated Cash Flow Forecast to and including October 31, 2023 (the "Period"). The Updated Cash Flow Forecast and the Applicants' statutory report on the cash flow prepared pursuant to Section 10(2)(b) of the CCAA are attached as Appendix "C".
2. Pursuant to the terms of the ARIO, the Applicants were authorized to borrow up to \$6.6 million under the DIP Facility. As of the date of this Report, the Applicants have borrowed approximately \$1.63 million, and accordingly, still have sufficient liquidity under the DIP Facility to fund their operations during the proposed Stay Period.
3. Based on the Monitor's review of the Updated Cash Flow Forecast, the assumptions appear reasonable. The Monitor's statutory report on the Updated Cash Flow Forecast is attached as Appendix "D".

7.0 Stay Extension

1. The Stay Period currently expires on September 1, 2023. The Applicants are requesting an extension of the Stay Period until and including October 31, 2023, to align with the expiry of the Stay Period with the key dates under the SISP.
2. The Monitor is supportive of this request for the following reasons:
 - a) in the Monitor's view, the Applicants are acting in good faith and with due diligence;
 - b) it will allow the Applicants to assist the Monitor in conducting the SISP;
 - c) the Updated Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to fund their business during the extended Stay Period;
 - d) no creditor will be materially prejudiced if the extension is granted; and
 - e) as of the date of this Report, the Monitor is not aware of any party opposed to an extension of the Stay Period.

8.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief detailed in Section 1.1(1)(f) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS MONITOR 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.
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

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

AMENDED AND RESTATED INITIAL ORDER

(amending Initial Order dated July 25, 2023)

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

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

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

SERVICE

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

APPLICATION

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

PLAN OF ARRANGEMENT

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

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

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

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

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

NO PROCEEDINGS AGAINST THE APPLICANTS OR THEIR RESPECTIVE PROPERTY

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

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

31. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, and the Applicants' counsel shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$1,250,000 as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these

proceedings. The Administration Charge shall have the priority set out in paragraphs 38 and 40 hereof.

DIP FINANCING

32. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to obtain and borrow under an interim credit facility from the DIP Lender in order to finance the Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$6,600,000 unless permitted by further Order of this Court.

33. **THIS COURT ORDERS THAT** such credit facility shall be on the terms and subject to the conditions set forth in the Amended and Restated DIP Term Sheet between the Applicants and the DIP Lender dated as of July 24, 2023, as appended as Appendix "B" to the First Report (as may be further amended from time to time, the "**DIP Term Sheet**"), to be filed.

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

35. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "**DIP Lender's Charge**") on the Property as security for the DIP Obligations, which DIP Lender's Charge shall be in the aggregate amount of the DIP Obligations outstanding at any given time under the Definitive Documents. The DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs 38 and 40 hereof.

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

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;
- (b) upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon at least four (4) business days' written notice to the Applicants and the Monitor, may exercise any and all of its rights and remedies against the Applicants or the Property under or pursuant to the Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicants and set off and/or consolidate any amounts owing by the DIP Lender to the Applicants against the obligations of the Applicants to the DIP Lender under the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

First – Administration Charge (to the maximum amount of \$1,250,000);

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

Third – Directors’ Charge (to the maximum amount of \$2,850,000).

39. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be effective as against the Property and shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

40. **THIS COURT ORDERS** that each of the Charges (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

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

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

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the Definitive Documents shall create or be deemed to constitute a breach by the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into of the Definitive Documents, the creation of the Charges, or the execution, delivery or performance of the Definitive Documents; and
- (c) the payments made by the Applicants pursuant to this Order or the Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

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

CORPORATE MATTERS

44. **THIS COURT ORDERS** that Aleafia Health Inc. be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

RELIEF FROM REPORTING AND FILING OBLIGATIONS

45. **THIS COURT ORDERS** that the decision by the Applicant to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario), R.S.O. c. S.5 and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange and OTCQB® (collectively, the "**Securities Legislation**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in Section 11.1(2) of the CCAA

as a consequence of the Applicant failing to make any Securities Filings required by the Securities Provisions.

46. **THIS COURT ORDERS** that none of the directors, officers, employees, and other representatives of the Applicants, nor the Monitor shall have any personal liability for any failure by the Applicant to make any Securities Filings required by the Securities Legislation during the Stay Period, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have against the directors, officers, employees and other representatives of the Applicant of a nature described in section 11.1(2) of the CCAA as a consequence of such failure by the Applicant. For greater certainty, nothing in this Order is intended to or shall encroach on the jurisdiction of any securities regulatory authorities (the “**Regulators**”) in the matter of regulating the conduct of market participants and to issue or maintain cease trader orders if and when required pursuant to applicable securities law. Further, nothing in this Order shall constitute or be construed as an admission by the Regulators that the Court has jurisdiction over matters that are within the exclusive jurisdiction of the Regulators under the Securities Legislation.

SERVICE AND NOTICE

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

48. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service->

[protocol/](#)) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL <https://www.ksvadvisory.com/insolvency-cases/case/aleafia> (the “**Website**”).

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

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

GENERAL

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

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

53. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Germany or in

Australia, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

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

55. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order; provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges and priorities set forth in paragraphs 38 and 40 hereof with respect to any fees, expenses and disbursements incurred, or advances made under the DIP loan, as applicable, until the date this Order may be amended, varied or stayed.

56. **THIS COURT ORDERS** that the Initial Order is hereby amended and restated pursuant to this Order, and this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

A handwritten signature in blue ink, appearing to read "Perry J.", is written over a horizontal line.

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
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Suite 1800
Toronto, ON M5J 2T9

Kyle Plunkett (LSO# 61044N)
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Lawyers for the Applicants

Appendix “B”



Stalking Horse Break Fee Analysis
Current as at June 19, 2023

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	APA in Document Library?	Note
1194038 Alberta Ltd.	2262576 Alberta Ltd.	Receivership	EY	5-Jun-23	Alberta	Real Estate	125,000			4,375,000	2.8%	No (but available at Appendix D of the First Report)	
GreenSpace Brands Inc.	2762454 Ontario Inc.	Ontario	PwC	5-Apr-23	Ontario	Food & Accommodation	150,000	-	150,000	~9 million, plus certain assumed liabilities and other amounts	1.70%	No	
FlexiTy Solutions Inc. and FlexiTy Holdings Inc.	BHG-BC Holdings Ltd	NOI	Farber	29-Mar-23	Ontario	Technology	-	-	-	11.1 million		No, but available at Exhibit AA of Motion Record dated March 30,	
LoyaltyOne Co. (dba AIR MILES*)	BMO	CCAA	KSV	10-Mar-23	Ontario	Other	3 million	1 million	4 million	US 160 million	2.50%	No, but available in Motion Record dated March 13, 2023	
DCL Corporation	Pigments Holdings, Inc.	CCAA	A&M	21-Dec-22	Ontario	Distribution	-	-	-	\$166.2 million to \$170.9 million	0.00%	No, but available at Exhibit "D" to the Third Davido Affidavit	
11157353 Canada Corporation	ReFlourish Capital Limited	NOI	EY	14-Feb-23	Ontario	Cannabis	20,000	25,000	45,000	400,000 euros		No, but available in Application Record dated February 15, 2023	
Tehama Inc.	14667913 Canada Inc.	CCAA	Deloitte	7-Feb-23	Ontario	Technology	-	-	-	2.8 million credit bid, plus assumed liabilities, for total consideration of approximately 3 million		Yes	



Stalking Horse Break Fee Analysis
Current as at June 19, 2023

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	APA in Document Library?	Note
Trichome Financial Corp.	L5 Capital Inc.	CCAA	KSV	12-Dec-22	Ontario	Cannabis	-	200,000	200,000	5,000,000 and certain deferred consideration payable pursuant to secured limited recourse promissory notes	4.00%	No (but available in Third Report dated February 22, 2023)	
Westoak Naturals Inc.	Avena Foods Limited	Receivership	BDO	9-Nov-22	Ontario	Distribution	30,000	25,000	55,000	1,000,000 credit bid plus the costs of the receivership	5.50%	No	
Robus Resources Inc.	Robus Equity Acquisition Corporation, as nominee of Blue Fin Group LLP and Robus Services LLC	Receivership	A&M	8-Dec-22	Alberta	Oil & Gas	182,000		182,000	USD\$9,100,000	2.00%	No	
The Flowr Corporation et al.	1000343100 Ontario Inc.	CCAA	EY	31-Oct-22	Ontario	Cannabis	185,000		185,000	\$3,888,888.88 plus the Closing DIP Loan (as defined below) and Assumed Liabilities	4.76%	No	
Solvaqua Inc.	2464525 Alberta Ltd.	Receivership	MNP	1-Oct-22	Alberta	Other	175,000		175,000	A cash payment sufficient to cover various security interests, a CRA claim and a holdback, plus the payment of the balance of the purchase price being \$2.5 million, to be paid by way of set-off against (as a non-cash credit reduction of) the Arnaki Claim.	7.00%	Y	
Cannapiece Group Inc. et al.	Cardinal Advisory Limited	CCAA	BDO	8-Nov-22	Ontario	Cannabis	175,000	25,000	200,000	\$3.5 million cash, plus Assumed Liabilities, if any	5.70%	Yes	



Stalking Horse Break Fee Analysis
Current as at June 19, 2023

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	APA in Document Library?	Note
ISS Communications Inc.	Elektrophoenix GmbH	NOI	Grant Thornton	17-Oct-22	Ontario	Technology	USD \$200,000	USD \$200,000	USD \$250,000	USD \$5 million, a portion of which will be comprised of a "credit bid" of amounts owing under the DIP Term Sheet	5.00%	Yes	
Go-To Developments Holdings Inc.	2357616 Ontario Inc.	Receivership	KSV	8-Aug-22	Ontario	Real Estate	-	60,000	60,000	9.5 million or greater	1.00%	No	
Just Energy Group	The DIP lenders and one of their affiliates	CCAA	FTI	4-Aug-22	Ontario	Oil & Gas	US\$14.66 million	-	US\$14.66 million	US\$184.9 million in cash, plus up to an additional \$10 million, a credit bid of US\$252.7 million, plus the assumption of certain liabilities	3.40%	No	
Zenabis Group	2657408 Ontario Inc.	CCAA	EY	16-Jun-22	Quebec	Cannabis	-	750,000	750,000	Unclear - confidential	Unclear	No	
Freshlocal Solutions Inc.	Third Eye Capital Corporation	CCAA	EY	17-Jun-22	British Columbia	Retail	Unclear - confidential	Unclear - confidential	Unclear - confidential	Unclear - confidential	2.50%	No	
Cura-Can Health Corp. and its wholly-owned subsidiary The Clinic Network Canada Inc.	Avonlea-Drewry Holdings Inc.	Receivership	KPMG	14-Mar-22	Alberta	Cannabis	325,000		325,000	Approximately \$6,750,000 of which \$6,500,000 will be credited against the indebtedness owing to the purchaser	4.8	Yes	
Jam Hospitality Inc. et al.	2424115 Alberta Ltd.	Receivership	PwC		Alberta	Food & Accommodation	500,000			18.5 million		No	



Stalking Horse Break Fee Analysis
Current as at June 19, 2023

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	APA in Document Library?	Note
Balanced Energy Oilfield Services Inc. et al.	XDI Energy Solutions Inc.	Receivership	FTI	21-Mar-22	Alberta	Oil & Gas	250,000			(i) CA \$11,250,000 in cash; (ii) such amount as it required to pay out and satisfy, in full, the first charge held by Laurentian Bank over certain equipment	Unclear	Yes (term sheet)	
BlackRock Metals Inc. et al.	OMF Fund II H Ltd. and Investissement Québec	CCAA	Deloitte	22-Dec-21	Quebec	Mining	2.5 million		2.5 million	Credit bid of \$90,759 M	2.75	Yes	
Behr Technologies Inc.	13486826 Canada Inc.	NOI	Farber	19-Jan-22	Ontario	Technology	75,000		75,000	Purchase price comprised of a credit bid of \$1,000,000 in debt owing under the DIP Facility plus cash in a to-be-determined amount for priority payables	Unclear	Yes	
Harte Gold Corp.	1000025833 Ontario Inc.	CCAA	FTI	15-Dec-21	Ontario	Mining	-	-	-	-	0	No	
McEwan Enterprises Inc.	2864785 Ontario Corp.	CCAA	A&M		Ontario	Food & Accommodation	390,000		390,000	(A) \$2,200,000, plus (B) an amount equal to Cure Costs, plus (C) the assumption of the Assumed Obligations by the Purchaser	Unclear	No	
Junction Craft Brewing Inc.	1000003509 Ontario Limited	NOI	Richter	5-Nov-21	Ontario	Food & Accommodation	50,000	25,000	75,000	400,000 cash plus the assumption of certain liabilities	Unclear	Yes	
Nimbus Water Systems Inc.	2752837 Ontario Inc.	Receivership	BDO	6-Sep-21	Ontario	Professional Services	250,000	50,000	300,000	13,000,000	2.31%	Yes	



Stalking Horse Break Fee Analysis
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O2 Industries Inc.	2841551 Ontario Limited	Receivership	RSM	2021	Ontario	Healthcare	-	-	-	-	0.00%	Yes	
Turuss (Canada) Industry Co. Ltd.	Westmount Park Investments Inc.	Receivership	MNP	13-Apr-21	Ontario	Manufacturing	Combined break fee and expense reimbursement amount of \$175,000	Combined break fee and expense reimbursement amount of \$175,000	175,000	6,500,000	2.69%	Yes	
Salt Bush Energy Ltd.	Ironbark Energy Ltd.	NOI	Deloitte	2-Feb-21	Alberta	Oil & Gas	50,000	25,000	75,000	Unclear	Unclear	Yes	
Allied Track Services Inc.	2806401 Ontario Inc.	NOI	KSV	21-Jan-21	Ontario	Professional Services	-	-	-	104,800,000	0.00%	Yes	
Family Fitness Inc.	BTA Real Estate Group Inc.	Receivership	A&M	15-Jan-21	Saskatchewan	Other	40,000		40,000	800,000 plus the assumption of assumed liabilities	5.00%	Yes	
Avenir Sports Entertainment Limited	Avina Acquisition Corp.	Receivership	KSV	15-Dec-20	Alberta	Entertainment	186,000		186,000	4,650,000	4.00%	Yes	
Urthecast Corp. (TSX:UR)	Antarctica Infrastructure Partners, LLC, an affiliate of Antarctica Capital LLC	CCAA	EY	15-Oct-20	British Columbia	Technology	2,070,000	1,000,000	3,070,000	69,000,000	4.45%	No	



Stalking Horse Break Fee Analysis
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Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	APA in Document Library?	Note
110-112 Avenue Road; 114 Avenue Road and 116 Avenue Road	SC Land Inc.	Receivership	RSM	9-Oct-20	Ontario	Financial Services	-	385,000	385,000	16,100,000	2.39%	Yes	
Fun and Fitness Trampolines Inc.	2786323 Ontario Inc.	NOI	Crowe Soberman Inc.	26-Oct-20	Ontario	Entertainment	10,000	-	10,000	Purchase price confidential	Unclear - purchase price confidential	Yes	
Muskoka Grown	Arthur Zwingenberger, in trust for a corporation to be formed under the laws of the Province of Ontario, and 2685164 Ontario Inc.	NOI	Farber	27-Jul-20	Ontario	Cannabis	-	113,000	113,000	11,961,394	<1%	Yes	
Wire IE (Canada) Inc.	Crown Capital Private Credit Fund, LP	NOI	Farber	20-Jul-20	Ontario	Technology	-	200,000	200,000	\$9.5 million plus the assumption or satisfaction of certain liabilities	-%		
Bow River Energy Ltd.	2270943 Alberta Ltd.	CCAA	BDO	17-Jul-20	Alberta	Oil & Gas	175,000	-	175,000	4,290,221	4.08%	Y	
Cirque du Soleil	Spectacle Bidco LP	CCAA	EY	15-Jul-20	Quebec	Media	-	-	-	US\$1,215 million	-%	Y	APA is called Exhibit 23a in the Document Library
Dominion Diamond Mines	Washington Diamond Investments Holdings II, LLC	CCAA	FTI	21-May-20	Alberta	Mining	US2,522,000	US2,250,000	4,772,000	US\$126.1 million in cash, plus up to US\$5.0 million in respect of any incremental amounts outstanding, plus the assumption of certain liabilities	2.0%	N	
Penady (Barrie) Ltd.	Choice Properties Limited Partnership	Receivership	RSM	2-Jun-20	Ontario	Real Estate	-	400,000	400,000	Unclear - credit bid	Unclear	Y (unsigned copy)	



Stalking Horse Break Fee Analysis
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James E. Wagner Cultivation Corporation	Trichome Financial Corp.	CCAA	KSV	31-Mar-20	Ontario	Cannabis	-	100,000	100,000	11,700,000	0.9%	Y	
Traverse Energy Ltd.	Barrel Oil Corp.	Receivership	EY	5-Feb-20	Alberta	Oil & Gas	97,500	-	97,500	3,250,000	3.0%	Y	
Viafoura Inc.	Intericap Equity Inc.	NOI	KSV	22-Jan-20	Ontario	Technology	25,000	45,000	70,000	1,491,000	4.7%	Y	
Waves E-Gaming Inc.	Amulka Ventures Inc.	Receivership	Dodick Landau	16-Jan-20	Ontario	E-gaming	-	-	-	370,000	0.0%	Y	
Trade Secret Web Printing Inc.	B&Y Property Holdings Inc.	NOI	Crowe Soberman Inc.	13-Dec-19	Ontario	Printing	-	50,000	50,000	1,800,000	2.8%	Y	
Clover Leaf Seafoods	Certain affiliates of FCF Co. Ltd	CCAA	Alvarez & Marsal	21-Nov-19	Ontario	Distribution	US \$27.75 million	US \$2.5 million	\$30.25 million	US \$925.6 million to \$930.6 million	3.0%	Y	6
3070 Ellesmere Developments Inc.	CoStone Development Inc. and Campus Suites Inc.	NOI	Crowe Soberman Inc.	19-Aug-19	Ontario	Real Estate	400,000		400,000	16,000,000	2.5%	Y	
Orbcare Inc.	iGan Partners Inc.	NOI	MNP	8-Aug-19	Ontario	Technology	60,000		60,000	1,200,000	5.0%	N	
Octopus Holdings Ltd.	East Winds Caribbean Limited Partnership	Receivership	Hardie & Kelly	3-Jun-19	Alberta	Hospitality	-	-	-	2,600,000	0.0%	Y	
Argex Titanium Inc.	Mr. Mazen Alnaimi and other investors	NOI	PwC	21-Jun-19	Quebec	Technology					5.0%	Y	5
Strategic Oil & Gas Ltd.	GMT Exploration Zama Inc.	CCAA	KPMG	3-May-19	Alberta	Oil & Gas	75,000		75,000	1,500,000	5.0%	Y	
Strategic Oil & Gas Ltd.	GMT Exploration Zama Inc.	CCAA	KPMG	3-May-19	Alberta	Oil & Gas	75,000		75,000	1,500,000	5.0%	Y	
Divestco Inc.	2179602 Alberta Ltd.	CCAA	Grant Thornton	19-Mar-19	Alberta	Oil & Gas	425,000	-	425,000	15,410,517	2.8%	Y	



**Stalking Horse Break Fee Analysis
Current as at June 19, 2023**

Debtor	Purchaser	Proceeding Type	Trustee	APA date	Jurisdiction	Industry	A Termination Fee	B Expense Reimbursement	C = A + B Total Break Fee ("BF")	Estimated Transaction Value ("TV")	BF as a % of TV	APA in Document Library?	Note
Versaccounts Limited	Seattle Atlantic, Inc.	NOI	Farber	23-Jan-19	Ontario	Technology	25,000	25,000	50,000	250,000	20.0%	Y	
Vari-Form Inc.	11032569 Canada Inc.	CCAA	PwC	7-Jan-19	Ontario	Automotive	1,500,000	-	1,500,000	50,000,000	3.0%	Y	4
Stantive Technologies Group Inc.	2671682 Ontario Inc.	NOI	EY	14-Dec-18	Ontario	Technology	93,000	25,000	118,000	5,400,000	2.2%	Y	
1033803 Ontario Inc., operating as Forma-Con Construction and Forma Finishing	2657897 Ontario Inc.	Receivership	KSV	6-Dec-18	Ontario	Real Estate	-	-	-	16,500,000	0.0%	Y	
Ladacor AMS Ltd., Nomads Pipeline Consulting Ltd., and 2367147 Ontario Inc.	Sioux Lookout First Nations Health Authority	Receivership	A&M	16-Oct-18	Alberta	Real Estate			125,000	5,000,000	2.5%	Y	3
Purewal Blueberry Farms	0801226 B.C. Ltd.	CCAA	FTI	10-Oct-18	British Columbia	Agriculture			275,000	8,000,000	3.4%	Y	3
2301132 Ontario and 2309840 Ontario	E. Manson Investments Limited	NOI	KSV	5-Oct-18	Ontario	Real Estate	175,000	50,000	125,000	6,700,000	1.9%	Y	
Aralez Pharmaceuticals Inc.	Nuvo Pharmaceuticals Inc.	CCAA	Richter	18-Sep-18	Ontario	Pharmaceutical	2,187,500	575,000	2,762,500	62,500,000	4.4%	Y	
1760184 Ontario Ltd. (Surface Heat Treat &	Rampart Steel Treating Ltd.	NOI	Farber	18-Jun-18	Ontario	Manufacturing	42,500		42,500	850,000	5.0%	Y	1, 3
3291745 Nova Scotia	3308949 Nova Scotia Limited	Receivership	KSV	14-Jun-18	Nova Scotia	Real Estate	100,000	25,000	125,000	3,225,000	3.9%	Y	
Discovery Air	Various	CCAA	KSV	21-Mar-18	Ontario	Aviation	-	-	-	-	0.0%	Y	2

Notes

- Purchase price equal to the sum of \$191,000 in cash plus 90% of the inventory value as at the closing date, plus the purchaser's agreement to the AR collection agreement appended to the APA. Estimated TV is reported in Farber's first report.
- Four separate stalking horse agreements were entered into for various of the debtor's business units. The stalking horse bidder in each agreement is a corporation related to the debtor's 95.5% shareholder and most significant secured creditors. The purchase price in each case is in the form of a credit bid or assumption of debt. No break fees are contemplated in any of the stalking horse agreements.
- APA did not split break fee between termination fee and expense reimbursement amounts
- Estimated transaction value consists only of the cash portion of the purchaser's bid.
- Estimated transaction value equal to an amount sufficient to satisfy i) repayment of the amounts secured by the administration charge; ii) repayment of the DIP loan; iii) payment of amounts secured by KERF charge; and iv) funding of a proposal which will provide for payment of, among other things, the outstanding secured debentures and preferred claims.

Appendix “C”

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 "Applicant")
Projected Statement of Cash Flow
For the Period Ending October 31, 2023
(Unaudited; \$CAD, Thousands)

Notes	Week Ending											Total	
	18-Aug-23	25-Aug-23	1-Sep-23	8-Sep-23	15-Sep-23	22-Sep-23	29-Sep-23	6-Oct-23	13-Oct-23	20-Oct-23	31-Oct-23		
<i>Receipts</i>													
1													
Recreational Sales	2	4	260	105	134	504	193	150	150	491	749	733	3,473
Medical Sales	3	212	212	212	212	212	212	212	212	212	212	212	2,331
Other Collections	4	-	-	175	33	-	-	175	-	-	-	-	383
<i>Total Receipts</i>		215	472	492	379	716	405	537	362	703	961	945	6,188
<i>Disbursements</i>													
<i>Operating Costs:</i>													
Excise Taxes	5	-	-	(560)	-	-	-	-	(550)	-	-	-	(1,110)
HST Payments	6	-	(150)	-	-	-	(150)	-	-	-	-	(150)	(450)
Inventory Purchases	7	(164)	(203)	(255)	(335)	(139)	(480)	(312)	(442)	(181)	(315)	(312)	(3,136)
Payroll and Benefits	8	-	(166)	(375)	(120)	(366)	(145)	-	(528)	-	(435)	(50)	(2,184)
Rent	9	-	-	(96)	-	-	-	-	-	-	-	-	(96)
Insurance		-	-	(96)	-	-	-	(96)	-	(306)	-	(96)	(594)
Operating Expenses	10	(78)	(96)	(236)	(91)	(88)	(91)	(215)	(91)	(80)	(83)	(284)	(1,433)
Contingency		(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(165)
<i>Total Operating Disbursements</i>		(257)	(630)	(1,634)	(561)	(608)	(881)	(638)	(1,625)	(582)	(847)	(907)	(9,169)
<i>Net Cash Flow Before the Undemoted</i>		(42)	(158)	(1,141)	(182)	108	(476)	(101)	(1,263)	122	114	37	(2,981)
CCAA Restructuring Costs	11	(450)	(750)	-	(175)	(175)	(175)	(175)	(175)	(225)	(225)	-	(2,525)
Pre-filing settlement payments	12	(165)	(90)	(15)	(15)	-	-	-	-	-	-	-	(285)
DIP Fees	13	-	(130)	-	-	-	-	-	-	-	-	-	(130)
<i>Net Cash Flow</i>		(657)	(1,128)	(1,156)	(372)	(67)	(651)	(276)	(1,438)	(103)	(111)	37	(5,921)
Opening Cash Balance		1,360	703	475	719	347	980	330	1,754	316	482	370	1,360
Net cash flow		(657)	(1,128)	(1,156)	(372)	(67)	(651)	(276)	(1,438)	(103)	(111)	37	(5,921)
DIP Financing	14	-	900	1,400		700		1,700		269			4,969
Closing Cash Balance		703	475	719	347	980	330	1,754	316	482	370	408	408
DIP Loan Balance, excluding accrued interest		1,631	2,531	3,931	3,931	4,631	4,631	6,331	6,331	6,600	6,600	6,600	6,600

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")

Notes to Projected Statement of Cash Flow

For the Period Ending October 31, 2023

(Unaudited; \$CAD, Thousands)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Applicants a for the period August 14, 2023 to October 31, 2023 (the "Period") in respect of their proceedings under the Companies' Creditors Arrangement Act ("CCAA").

Hypothetical Assumptions

2. Represents collections on sales of all cannabis related-products in the recreational channels.
3. Represents collections on sales of all cannabis related-products in the medical channels.
4. Primarily represents collections on sales of cannabis-related products in the wholesale and international markets.

Probable Assumptions

5. Represents monthly excise tax remittances paid in the normal course. The Applicants have advised that the owe approximately \$8.8 million in excise tax arrears. It is assumed that the arrears will not be paid during the CCAA proceedings.
6. Represents monthly harmonized sales tax paid in the normal course. The Applicants have advised that they owe approximately \$2.5 million in sales tax arrears. It is assumed that the arrears will not be paid during the CCAA proceedings.
7. Represents cannabis and cannabis-related product purchases.
8. Includes payroll for all of the Applicants' employees. Hourly employees are paid bi-weekly and salaried employees are paid twice a month.
9. Represents occupancy costs including rent for the Applicants' leased head-office premises in Concord, Ontario. It is assumed that the Applicants will be vacating their head office by October 1, 2023.
10. Represents general operating costs, including sales and marketing, administrative costs, overhead costs and other sundry items.
11. Includes the estimated payments to the Monitor, its counsel, the Applicants' counsel and the counsel and financial advisor to the DIP Lender. The projected payment in the week ending August 25, 2023 also includes a settlement payment to the counsel to the Ad Hoc Committee of debentureholders.
12. Represents projected payments of pre-filing balances to critical vendors in order to secure ongoing supply during the Period.
13. Represents the remaining commitment fee payable under the DIP Facility. The commitment fee will be added to the DIP Facility.
14. Reflects projected DIP funding to be provided by the DIP Lender, as defined and pursuant to the terms of the DIP Term Sheet.

COURT FILE NO.: CV-23-00703350-00CL
ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
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.**

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT
(paragraph 10(2)(b) of the CCAA)

The management 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") have developed the assumptions and prepared the attached statement of projected cash flow as of the 17th day August, 2023 for the period August 14, 2023 to October 31, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 17th day of August, 2023.

**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.**

DocuSigned by:

Matthew Sale

Per: Matthew Sale
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Appendix “D”

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
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.

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow 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") as of the 17th day August, 2023, consisting of a weekly projected cash flow statement for the period August 14, 2023 to October 31, 2023 ("Cash Flow") has been prepared by the management of the Applicants for the purpose described in Note 1, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Applicants. We have reviewed the support provided by management for the probable and hypothetical assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 17th day of August, 2023.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS MONITOR 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.**

**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. et al.**

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

SECOND REPORT OF THE MONITOR

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Counsel for KSV Restructuring Inc., in its capacity as Monitor
of Aleafia Health Inc. et al. and not in its personal capacity