



October 25, 2023

**Third 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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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.

THIRD REPORT OF KSV RESTRUCTURING INC.

OCTOBER 25, 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" or "Aleafia Health"), 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. ("KSV") 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") 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 dated July 24, 2023 (as amended and restated, the “DIP Term Sheet”) 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 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. At the Comeback Motion, the Court issued an Amended and Restated Initial Order (the “ARIO”). Pursuant to the ARIO, among other things:
- a) the Stay Period was extended from August 4, 2023, to and including September 1, 2023;
 - b) the Applicants were granted authority to borrow up to \$6.6 million under the DIP Facility from the original maximum amount of \$2.27 million;
 - 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 \$1.25 million;
 - 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 \$6.6 million; and
 - iii. the Directors’ Charge was increased to \$2.85 million;
 - 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. On August 22, 2023, the Court issued an order (the "SISP Order"), which, among other things:
- a) approved a sale and investment solicitation process (the "SISP") for the purpose of soliciting interest in, and opportunities for the sale of, or investment in, the assets and business operations of the Applicants, to be conducted by the Monitor;
 - b) approved a Stalking Horse Asset Purchase and Subscription Agreement (the "Original Stalking Horse Agreement") between AHI, Emblem Cannabis, Canabo, Aleafia Farms and Aleafia Retail, as sellers, and RWB and RWB (PV) Canada Inc., a wholly-owned subsidiary of RWB solely for the purpose of constituting the "Stalking Horse Bid" under the SISP (in such capacity, the "Stalking Horse Bidder" or the "Purchaser"), as purchaser, including an expense reimbursement (the "Expense Reimbursement") of up to \$500,000 contemplated therein;
 - c) ordered that the "status quo" be preserved and maintained in respect of the Applicants' Health Canada and cannabis Licences (as defined below) until the end of the Stay Period; and
 - d) extended the Stay Period to and including October 31, 2023.
6. To date, the Monitor has filed with this Court the following reports in these proceedings: (i) the Pre-Filing Report dated July 24, 2023 (the "Pre-Filing Report"), (ii) the First Report dated August 1, 2023 (the "First Report"), and (iii) the Second Report dated August 17, 2023 (the "Second Report" and, together with the Pre-Filing Report and the First Report, the "Prior Reports"). The Prior Reports, together with all other court materials filed in these proceedings, are available on the Monitor's website at the following link: <https://www.ksvadvisory.com/experience/case/aleafia> (the "Case Website").

1.1 Purposes of this Report

1. The purposes of this report (the "Report") are to:
- a) summarize the results of the SISP, including the results of the marketing process for the Applicants' business and Property and standalone marketing process for the facility located at 378 South Service Rd., Grimsby, Ontario (the "Grimsby Facility");
 - b) summarize the terms of the Amended and Restated Stalking Horse Agreement (as defined below), and provide the Monitor's recommendation regarding Court approval of the transactions contemplated by the Amended and Restated Stalking Horse Agreement (the "RWB Transactions");

- c) summarize the terms of an Agreement of Purchase and Sale dated September 29, 2023 (the “Grimsby APS”) between Aleafia Farms, as vendor, and Siva Selven (for a company to be later incorporated) (the “Grimsby Purchaser”), as purchaser, and provide the Monitor’s recommendation regarding Court approval of the sale of the Grimsby Facility as contemplated by the Grimsby APS (the “Grimsby Transaction”);
- d) summarize the terms of a proposed key employee retention plan (“KERP”);
- e) report on the Applicants’ cash flow projection for the period October 23, 2023 to November 30, 2023 (the “Updated Cash Flow Forecast”);
- f) summarize and discuss the terms of an amendment to the DIP Term Sheet pursuant to which the maximum principal amount of the DIP Facility is to be increased from \$6.6 million to \$8 million (the “DIP Amendment”);
- g) discuss the proposed distributions to the DIP Lender from the proceeds of the Grimsby Transaction (the “Grimsby Distribution”) to paydown the DIP Facility;
- h) discuss the reasons why the Monitor believes that the Stay Period should be extended from October 31, 2023 to and including November 30, 2023; and
- i) recommend that the Court issue the following orders:
 - i. an Approval and Reverse Vesting Order (the “RWB ARVO”), among other things:
 - approving the Amended and Restated Stalking Horse Agreement and the RWB Transactions and authorizing and directing the Companies (as defined below) and AHI to take such additional steps and execute such additional documents as necessary or desirable for the completion of the RWB Transactions; and
 - granting a release in favour of certain parties to these CCAA proceedings and/or the Amended and Restated Stalking Horse Agreement;
 - ii. an Approval and Vesting Order (the “Grimsby AVO”), among other things:
 - approving the Grimsby APS and the Grimsby Transaction and authorizing and directing Aleafia Farms to take such additional steps and execute such additional documents as necessary or desirable for the completion of the Grimsby Transaction and for the conveyance of the Purchased Assets (as defined in the Grimsby APS) to the Grimsby Purchaser;
 - authorizing the Grimsby Distribution to the DIP Lender, as further detailed herein; and
 - providing that the Monitor shall not incur any liability in connection with the distributions contemplated in the proposed order, whether in its personal capacity or in its capacity as Monitor;

- iii. an Order (the “Ancillary Relief Order”), among other things:
- authorizing and empowering the Monitor to exercise the Enhanced Powers (as defined below) following delivery of the Monitor’s Closing Certificate (as defined in the RWB ARVO);
 - approving the KERP and granting the Applicants’ request that the unredacted copy of the KERP set forth in Confidential Appendix “3” be sealed;
 - approving the DIP Amendment and granting the Applicants the authority to borrow up to \$8 million under the DIP Facility;
 - providing that priority granted to the DIP Lender’s Charge pursuant to the ARIO shall apply to all amounts advanced to the Applicants pursuant to the DIP Amendment and that the DIP Lender’s Charge be 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 \$8 million;
 - extending the Stay Period to and including November 30, 2023;
 - sealing Confidential Appendix “1” and Confidential Appendix “2” until the closing of the RWB Transactions and the Grimsby Transaction, respectively; and
 - approving the Monitor’s activities described in Prior Reports and in this Report.

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 sworn July 24, 2023, in support of the CCAA application (the "Initial 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 these CCAA proceedings, 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". As a result of the commencement of these CCAA proceedings, the trading of AHI's common shares has been suspended. 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 an owned 56,000 square foot licensed cannabis cultivation and packaging facility located in Paris, Ontario (the "Paris Facility"). The Paris Facility 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.
- 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) As at the date of the Initial Order, Emblem Cannabis also operated from a leased distribution centre for its medical cannabis delivery service in Concord, Ontario (the “Distribution Centre”). The Distribution Centre also served as AHL’s head office. As noted in the Prior Reports, the Aleafia Group planned to cut costs by shutting down the Distribution Centre and transferring all site activities to the Paris Facility, which transition was completed on September 15, 2023. Pursuant to a Lease Termination and Surrender Agreement dated September 20, 2023 (the “Surrender Agreement”) between Emblem, as tenant, AHL, as indemnifier, and 85 Basaltic Holdings ULC (the “Distribution Centre Landlord”), as landlord, Emblem surrendered its interest in the lease for the Distribution Centre in exchange for a termination payment of \$111,820.34 from the Distribution Centre Landlord.
- 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) the Grimsby Facility, which is an owned and licensed 160,000 square foot greenhouse 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. As described in the Prior Reports, the Aleafia Group had been actively marketing the Grimsby Facility prior to the commencement of these CCAA proceedings. As discussed further herein, the Applicants are seeking Court approval of a standalone sale transaction for 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, 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 eight employees located at the Newfoundland Facility, seven of whom were unionized, were given working notices of termination in late June 2023, which terminations have since become effective. Canabo continues 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, 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. As the terminations of the unionized employees at the Newfoundland Facility have become effective, none of the Applicants' employees are unionized.
3. The Initial Symmes-Rizakos Affidavit and 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 Initial 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 Case Website.

3.0 Creditors

3.1 Secured Creditors

3.1.1 RWB

1. RWB manufactures, processes and distributes cannabis products in the United States. RWB is a public company listed on the Canadian Securities Exchange.

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 at September 30, 2023, the outstanding indebtedness owing under the RWB Facilities was approximately \$16 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 Trust Company of Canada (“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 (“Osler”), 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 has 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 the maximum amount available under the DIP Facility (\$6.6 million).

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”, and the facility therein, the “126 Facility”). Emblem Cannabis, Aleafia Farms, Emblem, Canabo and Aleafia Sub (collectively, the “126 Guarantors” and, together with AHI, the “126 Obligor”) have guaranteed the indebtedness, liabilities and obligations of AHI under the 126 Loan Agreement. The Monitor has been advised that certain directors of 126 are members of the De Zen family.

2. The 126 Loan Agreement provides for a single advance in the aggregate principal amount of \$10 million. As at September 30, 2023, the outstanding indebtedness owing to 126 was approximately \$6.1 million (interest and costs continue to accrue).
3. The Monitor understands that the security granted by AHI and its Subsidiaries in connection with the 126 Loan Agreement includes, among other things, six general security agreements from each of the 126 Obligors in favour of 126, each dated August 26, 2022, in respect of the personal property assets of the 126 Obligors, and 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 the 126 Obligors, and on the Paris Facility and Grimsby Facility.
4. Osler conducted a review of the security granted by the 126 Obligors in respect of the 126 Facility and has provided to the Monitor with a written opinion that provides, subject to standard qualifications and assumptions customary in rendering security opinions of this nature, that the security granted by the 126 Obligors in respect of the 126 Facility constitute valid and enforceable security perfected by registration in the Province of Ontario.

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, 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. 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

3. 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).

- On October 24, 2023, counsel for the ad hoc group of Debentureholders sent a letter (the “AHG Letter”) to counsel to the Applicants and counsel to the Monitor requesting an adjournment of the Applicants’ hearing returnable October 27, 2023. Counsel for the ad hoc group of Debentureholders also requested that the Monitor attach a copy of the AHG Letter to this Report. A copy of the AHG Letter is attached as Appendix “A”.

3.1.4 Other Secured Creditors and Tax Claims

- 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.
- 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

- 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

- Per the Applicants’ books and records, the Applicants’ unsecured obligations as of the date of the Initial Order totaled approximately \$27.3 million, as 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

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

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 commencement of these proceedings, the Applicants have paid approximately \$1.6 million of excise taxes to the CRA (\$660,000 in respect of excise taxes that were owing, but current, as at the date of the Initial Order, and \$940,000 of which represented post-filing amounts paid in the ordinary course);
 - 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 \$195,000 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 totaling \$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. The Monitor understands that the Applicants have filed a Notice of Objection with the CRA in respect of this amount.
3. 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. The Monitor notes that a shareholder of AHI (on behalf of other shareholders) has contacted the Monitor to allege concerns regarding certain pre-filing financing transactions and other activities involving the Applicants and certain of their stakeholders. These assertions relate to the period prior to these CCAA proceedings. The Monitor considered the shareholders' position and the facts of the situation, including the Monitor's review of the pre-filing debt and security and the outcome of the SISP, in preparing this Report and its recommendations herein.

4.0 SISP

4.1 Marketing Process

1. A detailed summary of the SISP was provided in the Monitor's Second Report and is not repeated herein.
2. Subsequent to the date of the Second Report (but prior to the granting of the SISP Order), the Monitor, RWB and the Debentureholders modified the terms of the SISP to permit a standalone sale of the Grimsby Facility. The results of the standalone marketing process for the Grimsby Facility (the "Grimsby Sale Process") are discussed in Section 6 below.

3. A summary of the SISP marketing process in respect of the Applicants' business and Property is as follows:
 - a) following the issuance of the SISP Order, the Monitor distributed an interest solicitation letter to potential purchasers and investors detailing the acquisition opportunity ("Teaser Letter");
 - b) the Teaser Letter was sent to 343 prospective purchasers, comprising of Canadian and international operators, financial groups, real estate groups and other strategic parties;
 - c) notice of the SISP was published in Insolvency Insider during September 2023;
 - d) attached to the Teaser Letter was a form of confidentiality agreement ("NDA") that bidders were required to sign to obtain: (i) a Confidential Information Memorandum ("CIM") prepared by the Monitor, with the assistance of the Applicants; and (ii) access to a virtual data room (the "VDR") that was managed by the Monitor;
 - e) the CIM contained further detailed financial and other information about the Aleafia Group and the VDR contained historical and projected financial information and other information, including copies of regulatory licenses and permits and all material contracts and agreements. A soft copy of a form of template purchase agreement was also made available in the VDR;
 - f) the SISP provided that bids must, among other things, provide net cash proceeds on closing that are not less than the aggregate total of:
 - i. the amount of cash payable under the Original 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, plus;
 - iii. a minimum overbid of \$200,000, plus;
 - iv. the amount of cash payable to repay in full all of the secured indebtedness, liabilities and obligations owing by the Aleafia Group to 126; and
 - g) the bidding procedures provided that potential bidders would be required to submit an offer which would, among other things, clearly indicate if the offer is to acquire all, substantially all or a portion of the Property and/or business of the Applicants, or to make an investment in, restructure, reorganize or refinance the Applicants' business and/or one or more of AHI and its Subsidiaries.
4. Pursuant to the SISP Order, the deadline to submit a binding offer was October 2, 2023 (the "Binding Offer Deadline"). Several parties requested an extension to the Binding Offer Deadline. On October 1, 2023, the Monitor, after consulting with the DIP Lender, caused a notice to be sent to the Service List in these CCAA proceedings advising that the Binding Offer Deadline would be extended to October 6, 2023.

4.2 SISP Results

1. A summary of the results of the SISP in respect of the Applicants' business and Property is as follows:
 - a) 16 parties executed an NDA and were provided with a copy of the CIM, as well as access to the VDR; and
 - b) four parties submitted offers on or before the Binding Offer Deadline for all or parts of the business or Property of the Applicants.
2. A summary of such offers (the "SISP Offer Summary") is set forth in Confidential Appendix "1". The Monitor's recommendation with respect to sealing this information is provided in Section 9 below.
3. Notwithstanding that several offers were received by the Binding Offer Deadline, these offers included certain conditions that were contrary to the terms of the SISP, including diligence conditions. The Applicants and the Monitor reviewed the binding offers received and the Monitor engaged with the bidders in an attempt to address the deficiencies in their bids. However, in all cases, these attempts did not result in meaningful improvement in the bids.
4. Accordingly, on October 10, 2023, counsel to the Monitor advised counsel to RWB that the Original Stalking Horse Agreement had been selected to be the Successful Bid (as defined in the SISP) in the SISP.

5.0 RWB Transactions²

1. On October 24, 2023, Emblem Cannabis, Canabo and Aleafia Retail (collectively, the "Companies") and AHI, as sellers, and RWB and the Purchaser, as purchaser, entered into an amendment and restatement to the Original Stalking Horse Agreement (the "Amended and Restated Stalking Horse Agreement").
2. The Amended and Restated Stalking Horse Agreement contemplates a reverse vesting transaction, pursuant to which RWB, through the Purchaser, will acquire, directly or indirectly, all of the shares of Emblem Cannabis, Canabo, Aleafia Sub, Aleafia Farms, Growwise 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 one or more newly incorporated corporations (i.e., a Residual Co., which may be another Applicant that is not a Purchased Entity (as defined below)). As described in greater detail below, the reason for using the reverse vesting structure is to preserve the Licences.

² Capitalized terms in this Section have the meaning provided to them in the Amended and Restated Stalking Horse Agreement unless otherwise defined herein. The summary provided herein of the Amended and Restated Stalking Horse Agreement is for convenience purposes only and readers are strongly encouraged to review the Amended and Restated Stalking Horse Agreement.

3. The following constitutes a summary description of the Amended and Restated Stalking Horse Agreement only. Reference should be made directly to the Amended and Restated Stalking Horse Agreement for all of its terms and conditions. A copy of the Amended and Restated Stalking Horse Agreement is attached as Exhibit “A” to the Supplemental Affidavit of Patricia Symmes-Rizakos sworn October 24, 2023 in support of the Applicants’ motion returnable October 27, 2023. A blackline of the Amended and Restated Stalking Horse Agreement against the Original Stalking Horse Agreement is attached as Appendix “B”.
4. The key terms and conditions of the Amended and Restated Stalking Horse Agreement are provided below.
 - **Vendors:** AHI, Emblem Cannabis, Canabo and Aleafia Retail
 - **Purchaser:** RWB (PV) Canada Inc.
 - **Guarantor:** RWB
 - **Transaction Structure:** asset purchase, share subscription and reverse vesting structure - the shares of the Purchased Entities and the Purchased IP 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 the Companies. Through Emblem Cannabis and Canabo, the Purchaser will also acquire Growwise, Aleafia Sub and Aleafia Farms, which are wholly-owned subsidiaries of Emblem Cannabis, Canabo and Aleafia Sub, respectively (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 Amended and Restated 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 September 30, 2023 was approximately \$16 million, 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 unpaid 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 September 30, 2023 was approximately \$6.1 million; 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.
- **Retained Liabilities:** include:
 - a) all post-filing Claims set out in Schedule 2.4 of the Amended and Restated 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 Amended and Restated Stalking Horse Agreement, which consist of the KERP and 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 Retained Liabilities, including the non-exhaustive list of Excluded Liabilities detailed in Schedule 2.5 of the Amended and Restated 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;
- all liabilities of any of the Companies, the Purchased Entities or Aleafia Health in connection with the Debenture Agreements;
- all liabilities of the Companies, the Purchased Entities or Aleafia Health to 126; and
- any liabilities or obligations of any of the Companies, the Purchased Entities or Aleafia Health to any customer, including any Governmental Authority, and including any Person owned or controlled by a Governmental Authority, related to or arising out of, any products returned to a Purchased Entity by any such customer, where such liabilities or obligations have arisen or arise in respect of products delivered prior to the Closing Date; provided however, that, the foregoing shall not reduce, transfer or extinguish any liability or obligation that a Purchased Entity may have following the Closing to repossess and/or destroy any such products, at the cost of the Purchaser, if any, and, for certainty, the Monitor, the remaining Applicants and Residual Co. shall have no liability or obligation to repossess or destroy any such products or for the costs of the destruction thereof, and all such liabilities and obligations shall not constitute an Excluded Liability.
- **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;
 - c) the Excluded Contracts and Excluded Leases, as detailed in Schedule 2.3(c)(d) of the Amended and Restated Stalking Horse Agreement, which includes the collective bargaining agreement between Canabo, as employer, and UNIFOR, Local 597, as union, and the Distribution Agreement in respect of cannabis-infused hot sauce products between Emblem Cannabis, as purchaser, and Heartbeat Hot Sauce Inc., as supplier, dated as of August 6, 2021;
 - 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 RWB ARVO; and
 - f) those assets specifically listed in Schedule 2.3 of the Amended and Restated Stalking Horse Agreement, which consist of Equity Interests of any Applicants that are not the Purchased Entities, and the Grimsby Property.

- **Transfers to Residual Co.:** on the Closing Date, prior to the sale of the Purchased Shares, each Purchased Entity shall transfer and/or assign 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 Amended and Restated 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:³
 - a) the RWB ARVO 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) 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 Amended and Restated Stalking Horse Agreement shall be in effect;
 - c) the Parties shall have received the required Transaction Regulatory Approvals set forth in Schedule 7.1(d) of the Amended and Restated 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;

³ Any of the below conditions as set out in Section 7.1 of the Amended and Restated 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 Licences⁴ 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;
 - e) 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
 - f) 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 Amended and Restated Stalking Horse Agreement.
- **Termination:** the Amended and Restated Stalking Horse Agreement can be terminated, among other things:
 - a) upon mutual written consent of the Companies, Aleafia Health and the Purchaser;
 - b) 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
 - c) 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.

⁴ "Licences" means, collectively, the following:

(a) ECC: (i) On August 26, 2015, Health Canada issued producer's Licence number 10-MM0167 to ECC, re-issued under LIC-0CNINOV9QK in November of 2018, as was later amended, expanded and re-authorized; (ii) On April 29, 2021, Health Canada issued a research license number under Licence number LIC-28X6T94W2Y; (iii) On February 12, 2021, Health Canada issued Licence LIC-CTHF6SVAOC to ECC to operate the distribution centre, which authorizes cannabis storage and the fulfilment of orders to other Licence holders, medical patients and adult-use provincial wholesalers; (iv) Effective October 17, 2022, Canada Revenue Agency renewed Licence numbers 85070 8975 RD0002 and 85070 8975 RD0005 held by ECC;

(b) Aleafia Farms: (i) On October 13, 2017, Health Canada issued Licence number LIC-GYAJNCME6L to Aleafia Farms, as was variously renewed, re-authorized and amended; (ii) On March 13, 2020, Health Canada issued Licence LIC-VTQAQTTMOL to Aleafia Farms; (iii) Effective October 17, 2022, Canada Revenue Agency renewed Licence number 88009 9247 held by Aleafia Farms; and

(c) Any and all other permits, licences, authorizations, consents, concessions, exemptions, leases, grants, permits, rights, privileges, approvals or other evidence of authority from any Governmental Authority and related to the Business and that has been issued to, granted to, conferred upon, or otherwise created for, any Purchased Entity, relating to authorizations or otherwise to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law.

5.1 RWB Transactions Recommendation

1. The Monitor recommends that the Court issue the RWB ARVO, approving the Amended and Restated Stalking Horse Agreement and granting the related relief set forth therein, for the following reasons:
 - a) in the Monitor's view, the SISP was commercially reasonable and conducted in accordance with the SISP Order, including the timelines set forth therein, which allowed the opportunity for the market to be broadly canvassed and provided an opportunity for parties to perform due diligence. The bids received, both individually and in aggregate, provided cash consideration that did not exceed the minimum cash purchase price required by the SISP and a number included certain conditions that were contrary to the terms of the SISP; accordingly, the Stalking Horse Bid was deemed to be the "Successful Bid" in the SISP;
 - b) the RWB Transactions provide for the greatest recovery available in the circumstances and will be more beneficial to creditors of the Applicants than a sale or disposition in a bankruptcy given that the Applicants have nominal tangible Property, and accordingly, their liquidation value is negligible relative to their secured obligations;
 - c) the Transaction provides a going-concern solution for the Applicants. It contemplates the continuation of the Applicants' operations and preserves employment for a majority of the Applicants' employees on terms and conditions that are substantially similar to their existing terms;
 - d) the RWB AVRO contains many terms and conditions customary of "reverse vesting orders" granted by this Court in other CCAA proceedings, including provisions insulating and releasing the acquired entities, their current directors and officers and the purchasing entities from certain pre-closing obligations of the CCAA debtors. In particular, the RWB AVRO also includes a release in favour of the current directors and officers of the Applicants, among others, of any claims that may be asserted against them in connection with the unpaid taxes or duties relating to the Purchased Entities' cannabis excise Licences for the period prior to the commencement of the CCAA proceedings. In the view of the Monitor, having considered the facts of the situation, each of the beneficiaries of the releases set forth in the RWB AVRO have, in some meaningful way, contributed to the RWB Transactions. The Monitor also understands that the release in favour of the Applicants' directors and officers is necessary to allow for the release of the Directors' Charge, which in turn is necessary to allow the RWB Transactions to close. Accordingly, the Monitor is of the view that the proposed releases are reasonable, and not overly broad, in the circumstances, and supports the relief requested in connection therewith; and
 - e) the Monitor does not believe that further time spent marketing the Applicants' business and Property will result in a superior transaction. Moreover, the Applicants do not have the funding required to continue their business and operations, nor these CCAA proceedings, during any further marketing process, as the DIP Lender has advised that it is not willing to continue to fund the Applicants if the RWB Transactions are not completed.

5.2 Reverse Vesting Order Considerations

1. The Monitor believes it is necessary and appropriate for the RWB Transactions to be completed pursuant to a reverse vesting order (“RVO”). In forming its view, the Monitor considered the issues raised by this Court in the CCAA proceedings of *Payslate Inc.* and the considerations in the *Harte Gold* case, which are set out below.

a) *Why is an RVO necessary in this case?*

Preserving the Purchased Entities’ Licences is the principal factor driving the Purchaser’s requirement that the RWB Transactions be completed through an RVO. An RVO provides the opportunity for the Purchased Entities’ Licences to be preserved without the additional cost, delay, complexity and uncertainty involved in the Purchaser obtaining newly issued cannabis licences to allow it to take possession and control of the cannabis assets of the Purchased Entities. The Monitor understands that this would not be feasible in the circumstances, given the timeline to obtain licences from the various regulators which regulate the Purchased Entities’ businesses and the availability of funding beyond the Closing Date (to the date that such licences could be obtained). The Monitor understands that the Purchaser is not prepared to acquire the business under an alternative structure.

In addition, the cost of drafting a plan of compromise or arrangement (“Plan”), convening a meeting of creditors to vote on the Plan and conducting a claims process would be wasteful in the circumstances as RWB and 126 are the Applicants’ “fulcrum” creditors. The Monitor understands that RWB and 126 would not fund such a process, and the associated delay and uncertainty on the Applicants’ business resulting from a Plan process would likely further impair value. The RWB ARVO provides the certainty of a going concern outcome for the Applicants, with less cost, risk and instability than a Plan process. In the circumstances, the Monitor is of the view that value cannot be maximized without an RVO.

b) *Does the RVO structure produce an economic result at least as favourable as any other viable alternative?*

The RWB ARVO effectively allows for the expedient conveyance of the Purchased Entities’ Licences to the Purchaser. Without an RVO, there would be substantial delay in transferring the Property, and the ability to transfer some or all of it would be at risk. The DIP Lender has advised the Monitor that it is not prepared to continue to provide funding absent the certainty of a transaction, meaning the Applicants’ business and Property would likely need to be liquidated, resulting in a loss of employment and numerous other issues and problems. The issuance of the RWB ARVO is a material condition of the Amended and Restated Stalking Horse Agreement and is integral to completing the RWB Transactions. Accordingly, there does not appear to be any other viable alternative available to the Applicants other than to seek an RVO.

The Monitor also notes that a comprehensive sale process has been conducted during these CCAA proceedings and that there is no funding available to conduct a further process. The bids received, both individually and in aggregate, provided cash consideration that did not exceed the minimum cash purchase price required by the SISP and a number included certain conditions that were contrary to the terms of the SISP. The Monitor is strongly of the view that further time marketing the Applicants’ business and Property for sale would not result in a superior transaction and would be prejudicial to RWB, the Applicants’ employees and customers and other stakeholders.

- c) *Is any stakeholder worse off under an RVO structure than they would have been under any other viable alternative?*

In the Monitor's view, no stakeholders should be prejudiced by the issuance of the RWB ARVO. Given the magnitude of RWB's and 126's secured claims, it is not anticipated that there would be amounts available for distribution to any of the Applicants' creditors subordinate to RWB and 126, including any junior secured and unsecured creditors, under any other realization scenario.

As noted above, a comprehensive sale process has been conducted during these CCAA proceedings, and the bids received, both individually and in aggregate, provided cash consideration that did not exceed the minimum cash purchase price required by the SISP, which included the repayment of amounts owing to RWB and 126 in full. In addition, there has been broad notice of these CCAA proceedings since the date of the Initial Order, including because AHI is a reporting issuer, and broad notice of this motion has been provided by the Applicants.

- d) *Does the consideration being paid for the debtor's business reflect the importance and value of the licences and permits (or other intangible assets) being preserved under the RVO structure?*

For the reasons noted in (a) above, in the Monitor's view, the ability to preserve the Purchased Entities' Licences under the RWB ARVO structure is the critical consideration in structuring the RWB Transactions. These assets were extensively marketed for sale in the SISP. The consideration being paid by the Purchaser is directly attributable to their importance and value of the Licences, which provides the best available outcome for many of the Applicants' key stakeholders, including RWB, and the Applicants' employees, suppliers and customers.

5.3 Anticipated Timeline to Closing

1. The Outside Date in the Amended and Restated Stalking Horse Agreement is November 22, 2023. The Monitor understands that the Applicants and RWB are working diligently to be in a position to close the RWB Transactions prior to that date, should the Court issue the RWB ARVO.

6.0 Grimsby Sale Process

6.1 Sale Process

1. Pursuant to the SISP, the Monitor, with the assistance of the Aleafia Group, was authorized to conduct a standalone marketing process for the Grimsby Facility to supplement the broader SISP marketing process given that the Grimsby Facility could be viewed as redundant by parties interested in an "en bloc" transaction for the business and Property of the Aleafia Group.
2. Prior to the commencement of these CCAA proceedings, the Applicants had retained Colliers Macaulay Nicolls Inc. as the listing brokerage (the "Broker") to market the Grimsby Facility. The Broker marketed the Grimsby Facility for sale for approximately nine months. Given their familiarity with the Grimsby Facility, in an effort to reduce costs and expediate the timeline of getting the Grimsby Facility to market, following the issuance of the SISP Order, the Applicants, with the approval of the Monitor, re-engaged the Broker to list the Grimsby Facility for sale under the SISP.

3. A summary of the Grimsby Sale Process is as follows:
 - a) on or around September 5, 2023, the Broker distributed an interest solicitation letter to potential purchasers and investors detailing the acquisition opportunity (“Grimsby Teaser Letter”);
 - b) the Grimsby Teaser Letter was sent to 3,989 prospective purchasers, comprising of Canadian and international operators, financial groups, real estate investors and other strategic parties, including those which the Broker had previously engaged with during the pre-filing marketing process;
 - c) attached to the Grimsby Teaser Letter was a form of confidentiality agreement (“Grimsby NDA”) that interested parties were required to sign to obtain access to a virtual data room managed by the Broker (the “Broker VDR”); and
 - d) the Broker VDR contained additional financial and other information concerning the Grimsby Facility. A soft copy of a form of template purchase and sale agreement was also made available in the Broker VDR and interested parties were required to submit binding offers using the form provided.
4. Pursuant to the SISP Order, the deadline to submit a binding offer for the Grimsby Facility was September 6, 2023 (the “Grimsby Offer Deadline”). After consulting with the Broker and the DIP Lender, on September 7, 2023, the Monitor caused a notice to be sent to the Service List in these CCAA proceedings advising that the Grimsby Offer Deadline was extended to September 15, 2023, to accommodate for, among other things, additional time required to prepare the marketing materials.

6.2 Grimsby Sale Process Results

1. A summary of the results of the Grimsby Sale Process is as follows:
 - a) eight parties executed the Grimsby NDA and were provided with access to the Broker VDR; and
 - b) four offers were submitted at the Grimsby Offer Deadline.
2. A summary of all offers (the “Grimsby Offer Summary”) received for the Grimsby Facility is set forth in Confidential Appendix “2”. The Monitor’s recommendation with respect to sealing this information is provided in Section 9 below.
3. The Applicants and the Monitor reviewed the offers received and initially engaged with the bidder whose bid provided the highest cash consideration. However, on or about September 25, 2023, the bidder that submitted the highest offer advised the Broker that it would be unable to complete the transaction and would be retracting its bid. Accordingly, the Applicants and the Monitor pivoted to engaging with the second highest bidder, being the Grimsby Purchaser.
4. Prior to entering into the Grimsby APS, the Applicants and the Monitor discussed the offers received with representatives of RWB to confirm that they intended to exclude the Grimsby Facility from its bid should it be the “Successful Bid” in the SISP. RWB ultimately agreed to exclude the Grimsby Facility from the Amended and Restated Stalking Horse Agreement. Prospective purchasers under the SISP were advised that the value of the Stalking Horse Bid would be reduced by the value of any distributions made to RWB from the sale of the Grimsby Facility.

7.0 Grimsby Transaction⁵

1. The Grimsby APS represents the purchase of the land and buildings which constitute the Grimsby Facility located at 378 South Service Road, Grimsby.
2. A copy of the Grimsby APS is attached as Exhibit “J” to the Affidavit of Ms. Symmes-Rizakos sworn October 20, 2023 in support of this relief (the “Symmes-Rizakos Affidavit”).
3. The key terms and conditions of the transaction are detailed below.
 - **Grimsby Vendor:** Aleafia Farms
 - **Grimsby Purchaser:** Siva Selvan for a company to be later incorporated
 - **Purchase Price:** the purchase price is \$3.75 million. The Grimsby Purchaser has paid a deposit of \$500,000, which is being held in trust by the Monitor. The balance of the purchase price is due on Closing.
 - **Purchased Assets:** the Lands, the Buildings and the Rights and any personal property located or situated on or about the Lands and/or the Buildings excluding any inventory which shall be expressly excluded from the Grimsby APS.
 - **Closing Date:** five (5) calendar days after the date upon which the Grimsby AVO is issued by the Court, unless the parties to the Grimsby APS otherwise agree to such other date in writing.
 - **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).
 - **Brokers’ Fee:** aggregate fee of 4% of purchase price;
 - **Material Conditions:** includes, among other things:
 - a) the Grimsby AVO 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) Aleafia Farms is selling the Purchased Assets on an “as is, where is” basis subject to whatever defects, conditions, impediments, without limiting the generality of the foregoing, any latent or patent defects in the Purchased Assets and such defects as may be revealed in the Aleafia Farm’s deliveries;

⁵ Capitalized terms in this Section have the meaning provided to them in Grimsby APS unless otherwise defined herein. The summary provided herein of the Grimsby APS is for convenience purposes only and readers are strongly encouraged to review the Grimsby APS.

- c) the Grimsby Purchaser shall, at its own expense, examine title to the Lands and satisfy itself as to the state thereof, satisfy itself as to outstanding work orders affecting the Lands, satisfy itself as to the use of the Lands being in accordance with applicable zoning requirements and satisfy itself that the Buildings may be insured to the satisfaction of the Grimsby Purchaser; and
 - d) notwithstanding any statutory provisions to the contrary, the Grimsby Purchaser has no right to submit requisitions on title or in regard to any outstanding work orders, deficiency notices or orders to comply issued by any Government Authorities and the Grimsby Purchaser shall accept the title to the Lands subject to the Permitted Encumbrances.
- **Termination:** the Grimsby APS can be terminated, among other things:
 - a) upon mutual written consent of Aleafia Farms and the Grimsby Purchaser; or
 - b) by the Grimsby Purchaser, on the one hand, or Aleafia Farms, 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.

7.1 Grimsby Transaction Recommendation

1. The Monitor recommends that the Court issue the Grimsby AVO for the following reasons:
 - a) in the Monitor's view, the Grimsby Sale Process that was undertaken with the assistance of the Broker was commercially reasonable (including the fees payable thereto), and conducted in accordance with the terms of the SISP as set out and approved by the SISP Order;
 - b) the Grimsby Transaction provides for the greatest recovery available in the circumstances;
 - c) the market was widely canvassed by the Broker in the period both before and subsequent to the issuance of the Initial Order and the Monitor understands that the Broker does not believe that further time spent marketing the Grimsby Facility will result in a superior transaction;
 - d) the Grimsby Purchaser has made a substantial non-refundable deposit and provided evidence to the Applicants and the Monitor that it has secured sufficient financing to satisfy the purchase price on Closing; and
 - e) RWB, which is the Applicants' primary economic stakeholder, supports approval of the Grimsby Transaction and the sale of the Grimsby Facility pursuant to the Grimsby APS.

7.2 Distribution to the DIP Lender

1. The Monitor is not aware of any other secured creditors or any claims that rank or may rank in priority to the DIP Lender, other than the professional fees secured under the Administration Charge which are being dealt with pursuant to the Amended and Restated Stalking Horse Agreement.
2. Pursuant to the Grimsby AVO and in accordance with the DIP Amendment, the Applicants propose that the Monitor distribute, for and on behalf of the Applicants, the net proceeds of the Grimsby Transaction, less fees, adjustments, applicable taxes and a holdback amount of \$400,000, to the DIP Lender in partial repayment of the outstanding DIP Obligations.
3. The Monitor recommends that the Court authorize the distributions contemplated by the Grimsby AVO to the DIP Lender from the proceeds of the Grimsby Transaction.

8.0 KERP

1. The Applicants have identified a total of four senior executives and key employees (the “KERP Employees”) that have been and continue to be crucial to conducting business during the CCAA proceedings, carrying out the SISP and advancing the RWB Transactions and the Grimsby Transaction to their completion.
2. The KERP was developed by the Applicants in consultation with the Monitor and RWB. A redacted version of the KERP (with the identity and position of the KERP Employees redacted) is attached as Appendix “C”. An unredacted copy of the KERP is set forth in Confidential Appendix “3”. The Monitor’s recommendation with respect to sealing this information is provided in Section 9 below.
3. Payments under the proposed KERP are to be made on the occurrence of the following events:
 - a) 50% of the total payments to be made to each KERP Employee (a “Retention Bonus”) will be paid upon the closing date of the Amended and Restated Stalking Horse Agreement; and
 - b) the balance of the Retention Bonus will be paid on December 31, 2023.
4. The Monitor supports the Court’s approval of the KERP for the following reasons:
 - a) the continued involvement and cooperation of the KERP Employees is critical to the overall success of the Applicants’ restructuring, and the proposed payments under the KERP are required to increase the likelihood that the KERP Employees will continue to facilitate the Applicants’ operations and the conduct of the SISP during the pendency of these CCAA proceedings;
 - b) each of the KERP Employees has and will continue to contribute to generate value in this process, by facilitating due diligence and assisting with the completion of the SISP and by assisting to close the RWB Transactions and the Grimsby Transaction;

- c) in the Monitor's view, the amounts payable under the KERP are reasonable as they are consistent with relative amounts approved by KSV, in a capacity as court officer, in other cases;
- d) the involvement of the KERP Employees has and should continue to assist to reduce the professional fees, particularly relating to the Monitor's involvement in the SISP and/or operational matters; and
- e) RWB, which is the Applicants' primary economic stakeholder, has advised that it supports the KERP, and, importantly, the KERP is an assumed liability of the Purchaser under the Amended and Restated Stalking Horse Agreement such that it will not be an ongoing obligation of the Applicants following closing.

9.0 Sealing

1. The Applicants are requesting that the SISP Offer Summary and Grimsby Offer Summary, attached as Confidential Appendices "1" and "2", respectively, be filed with the Court on a confidential basis and be sealed by Court order (the "Sealing Order") pending closing of the RWB Transactions (in the case of the SISP Offer Summary) and the Grimsby Transaction (in the case of the Grimsby Offer Summary) or further order of the Court, as the documents contain confidential information, including with respect to value. If these documents are not sealed, the information may negatively impact realizations on the Applicants' business and assets if the RWB Transactions and Grimsby Transaction do not close. The Monitor supports this relief and is not aware of any party that will be prejudiced if the information is sealed or any public interest that will be served if such details are disclosed in full.
2. Sealing this information is beneficial to maximizing value in these CCAA proceedings and maintains the integrity of the SISP. The salutary effects of sealing such information from the public record greatly outweigh the deleterious effects of doing so under the circumstances. Accordingly, the Monitor believes the proposed Sealing Order is appropriate in the circumstances.
3. The Applicants are also requesting a Sealing Order for the unredacted copy of the KERP, which is set forth in Confidential Appendix "3". The unredacted KERP includes personal, identifiable and sensitive information, including the identity of the KERP Employees.
4. The Monitor believes it is appropriate to seal the copy of the unredacted KERP indefinitely, subject only to further Court order. The sealing of this type of sensitive and personal information is the common practice in insolvency proceedings to avoid disruption to the Applicants and to protect the privacy of the KERP Employees. The Monitor does not believe that any stakeholder will be prejudiced if the information in the unredacted KERP is sealed or any public interest that will be served if the terms of the KERP are disclosed in full.

10.0 Enhanced Powers of the Monitor

1. Upon closing of the RWB Transactions, the Applicants have determined, in consultation with the Monitor, that to the extent that there are matters that remain to be dealt with in these CCAA proceedings following the closing of the RWB Transactions and the Grimsby Transaction, it is appropriate to expand the powers of the Monitor to allow the Monitor to direct the Applicants in their ongoing administration of the CCAA proceedings and wind-down.
2. In this regard, in addition to the Monitor's powers and duties as set out in the ARIO, any other Order of the Court granted in these CCAA proceedings, the CCAA and applicable law, the Applicants are seeking to enhance the Monitor's powers (all such powers, collectively, the "Enhanced Powers") to, among other things:
 - a) take any and all actions and steps, and execute all agreements and documents, on behalf of the Applicants in order to facilitate the performance of any of the Applicants' powers and obligations, including as contemplated by the Amended and Restated Stalking Horse Agreement or the Grimsby APS (including with respect to any post-closing matters in respect of the RWB Transactions or the Grimsby Transaction);
 - b) facilitate the winding-down or liquidation of the Applicants and the realization of all of the Applicants' remaining assets not sold pursuant to the RWB Transactions or the Grimsby Transaction;
 - c) claim any and all insurance refunds or tax refunds to which the Applicants are entitled;
 - d) act as an authorized representative of the Applicants in respect of dealings with the CRA or any other taxing authority;
 - e) assign any of the Applicants into bankruptcy and to act as trustee in bankruptcy of any Applicant; and
 - f) pay from the Priority Payment Amount and the CCAA Process Expense Amount, in the name of or on behalf of the Applicants or in its own name, as applicable, the amounts, fees, costs and expenses payable from the Priority Payment Amount and the CCAA Process Expense Amount pursuant to the Amended and Restated Stalking Horse Agreement.
3. In the absence of any directors and officers of the Applicants, the Monitor is of the view that the Enhanced Powers would allow the Monitor to efficiently administer the CCAA proceedings to their completion and wind-down the Applicants. As such, the Monitor is of the view that the granting of the Enhanced Powers included in the Ancillary Relief Order is reasonable and appropriate in the circumstances.

4. The Ancillary Relief Order also requires the continued cooperation of the Applicants' former employees, agents, directors, officers and others as reasonably required by the Monitor. To the extent any such parties are employees of the Purchaser at the time such request is made, such requests will not materially interfere with the employees' day to day duties or activities for the Purchaser, will not cause liability to the Purchaser, and will be at the Applicants' sole expense.

11.0 Updated Cash Flow Forecast

1. The Applicants prepared the Updated Cash Flow Forecast for the period October 23, 2023 to November 30, 2023. The Updated Cash Flow Forecast and the Applicants' statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "D".
2. In accordance with the Applicants' original cash flow forecast filed in these CCAA proceedings, the Applicants have borrowed \$6.6 million under the DIP Facility since the commencement of these CCAA proceedings. As of the date of this Report, the Applicants had approximately \$617,000 in cash on hand.
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 "E".

12.0 DIP Amendment

1. As set out in the Updated Cash Flow Forecast, the Applicants will require additional funding, as they have already borrowed the maximum amount under the DIP Facility.
2. The Applicants, with the assistance of the Monitor, have negotiated an amendment to the DIP Term Sheet to, among other things, increase the commitment under the DIP Facility. A copy of the DIP Amendment is attached as Appendix "F".
3. Pursuant to the terms of the DIP Amendment, the DIP Facility and corresponding DIP Lender's Charge is to be increased from \$6.6 million to \$8 million. The proposed Ancillary Relief Order provides for a corresponding increase to the DIP Lender's Charge.
4. The Monitor recommends the Court issue an order approving the DIP Amendment and increasing the DIP Lender's Charge, as:
 - a) without additional funding, the Applicants will not be able to operate their businesses, which may also jeopardize the closing of the RWB Transactions and/or the Grimsby Transaction;
 - b) the terms of the DIP Facility are reasonable for the reasons set out in the Pre-Filing Report; and
 - c) no stakeholder should be prejudiced by the DIP Amendment.

13.0 Stay Extension

1. The stay of proceedings currently expires on October 31, 2023. The Applicants are requesting an extension of the stay of proceedings until November 30, 2023 to align with the outside date of the RWB Transactions and the maturity date of the DIP Facility (being November 23, 2023).
2. The Monitor supports the request for an extension of the stay of proceedings for the following reasons:
 - a) in the Monitor's view, the Applicants have been acting, and continue to act, in good faith and with due diligence;
 - b) no creditor should be materially prejudiced if the extension is granted;
 - c) it will provide the Applicants with the time required to work with RWB and the Purchaser and the Grimsby Purchaser and their respective legal counsel to complete the RWB Transactions and the Grimsby Transaction, respectively;
 - d) as of the date of this Report, the Monitor is not aware of any party opposed to an extension of the stay of proceedings; and
 - e) the Updated Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to fund their business until November 30, 2023.

14.0 Monitor's Activities

1. The Monitor's activities since the First Report have included:
 - a) corresponding regularly with the Applicants, including senior executives, regarding various matters in the CCAA proceedings;
 - b) corresponding with the Applicants' critical suppliers to provide an update on the status of the CCAA proceedings;
 - c) assisting the Applicants to procure goods and services;
 - d) monitoring the business and operations of the Applicants;
 - e) corresponding regularly with the DIP Lender and other stakeholders;
 - f) liaising with the Canada Revenue Agency in respect of certain tax matters;
 - g) assisting the Applicants to prepare the 13-week Statement of Cash Flow required in connection with the DIP Facility;
 - h) assisting the Applicants to prepare weekly reporting to the DIP Lender;
 - i) assisting in the development of the SISP and conducting the SISP, as detailed in Section 4 above;

- j) assisting in the development of the RWB Transactions and the Grimsby Transaction, including reviewing all related documents and corresponding extensively with all stakeholders;
- k) assisting in the negotiation of the Surrender Agreement;
- l) assisting in the development of the KERP; and
- m) preparing the Monitor's Prior Reports and, with the assistance of its counsel, related Court materials.

15.0 Anticipated Next Steps in these CCAA Proceedings

1. Subject to Court approval of the relief sought at this motion, the next steps in these CCAA proceedings include the following:
 - a) Aleafia Farms, the Grimsby Purchaser, the Monitor and their respective legal counsel intend to close the Grimsby Transaction in accordance with the Grimsby APS and make the Grimsby Distribution;
 - b) AHI, the Companies and Purchased Entities, the Purchaser, RWB, the Monitor and their respective legal counsel intend to work to close the RWB Transactions in accordance with the Amended and Restated Stalking Horse Agreement;
 - c) upon completion of the above noted activities and any post-closing matters, the remaining Applicants and/or the Monitor will be in a position to bring a final motion in these CCAA proceedings to terminate these CCAA proceedings and discharge the Monitor; and
 - d) deal with any other issues not specified above.

16.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make the orders granting the relief sought by the Applicants.

* * *

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”



Bennett Jones

Bennett Jones LLP

3400 One First Canadian Place, PO Box 130

Toronto, Ontario, Canada M5X 1A4

Tel: 416.863.1200 Fax: 416.863.1716

Sean H. Zweig
Partner
Direct Line: 416.777.6254
e-mail: zweigs@bennettjones.com

October 24, 2023

Via E-Mail

Aird & Berlis LLP
Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Ontario
M5J 2T9

Osler, Hoskin & Harcourt LLP
100 King Street West, Suite 6200
Toronto, Ontario
M5X 1B8

Attention: Kyle B. Plunkett

Attention: Marc Wasserman

Dear Sirs:

Re: *In the Matter of a Plan of Compromise or Arrangement of Aleafia Health Inc. ("Aleafia") et al. (collectively, the "Applicants") – CV-23-00703350-00CL (the "CCAA Proceedings")*

As you know, we represent an ad hoc group of holders (the "**Ad Hoc Group**") of Aleafia's secured convertible debentures issued under the amended and restated debenture indenture providing for the issue of certain convertible debentures dated as of June 27, 2022 between Aleafia and Computershare Trust Company of Canada, as the trustee, as supplemented by: (a) the first supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series A Secured Convertible Debentures Due June 30, 2024); (b) the second supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series B Secured Convertible Debentures Due June 30, 2026); and (c) the third supplemental indenture dated as of June 27, 2022 (providing for the issue of 8.50% Series C Secured Debentures Due June 30, 2028). We write in respect of the Applicants' motion returnable October 27, 2023 (the "**Motion**"), and further to our discussion on October 23, 2023.

We are in receipt of the Applicants' Motion Record delivered at 7:34 p.m. (EST) on October 20, 2023 (the "**Motion Record**"), the date of effective service for which was October 23, 2023. Capitalized terms used herein and not otherwise defined have the meaning ascribed to them in the Motion Record.

Notwithstanding the concerns previously raised by the Ad Hoc Group in the CCAA Proceedings, we were not consulted on the returnable date of the Motion, on which the undersigned will be travelling outside of the country. Nor have we received (i) the amended and restated stalking horse asset purchase agreement (the "**A&R Stalking Horse Purchase Agreement**") or the amendments to the DIP Term Sheet proposed to be approved – neither of which was included in the Motion Record – or (ii) an opportunity to consult meaningfully with the diverse body that comprises the Ad Hoc Group.

October 24, 2023

Page 2

In addition to the foregoing omissions, and as we expressed during our discussion on October 23, 2023, the Ad Hoc Group is concerned about the scope of the Releases to be provided pursuant to the proposed Approval and Vesting Order and the granting of such Releases at this juncture in the CCAA Proceedings absent fulsome notice to potentially affected stakeholders. As you are aware, the Releases are for the benefit of, among others, RWB, the DIP Lender, the current directors, officers, employees, consultants, legal counsel and advisors of the Applicants and will, if granted, release the Released Claims as against the Released Parties, including all claims "arising in connection with or relating to the CCAA Proceedings", and the Released Purchased Entities' Claims as against the Other Released Parties. Given that the Applicants do not intend to terminate the CCAA Proceedings at this time, the proposed Releases are plainly premature.

We understand from our discussion on October 23, 2023, that the Applicants are of the view that the granting of the proposed Releases is necessary to afford the Applicants' directors and officers protection from liabilities that they may incur during the pendency of the CCAA Proceedings and following the consummation of the transaction contemplated under the A&R Stalking Horse Purchase Agreement. Yet, as disclosed in the Motion Record, the Applicants are paradoxically seeking approval of a cash distribution of the 126 Loan Amount to 126 – a related party to RWB whose security is subordinate to the CCAA Charges. Moreover, the Applicants have failed to explain why such purported exposure is not addressed by the as yet undisclosed A&R Stalking Horse Purchase Agreement. As you know, under the A&R Stalking Horse Purchase Agreement's predecessor, the Purchaser covenanted to pay the CCAA Process Expense Amount, which includes cash sufficient to satisfy amounts owing in respect of obligations secured by the CCAA Charges.

In light of the foregoing, and the concerns previously expressed by the Ad Hoc Group, the Ad Hoc Group hereby requests an adjournment of the Motion. If the Applicants are not prepared to agree to a consensual adjournment of the Motion or a solution to the Ad Hoc Group's concerns, we will request such adjournment from the Court.

Should you have any questions or concerns in respect of this letter, please feel free to reach out to the undersigned.

Yours truly,

BENNETT JONES LLP

Sean Zweig

Sean H. Zweig

c: Mike Shakra and Joshua Foster (Bennett Jones LLP)
Noah Goldstein (KSV Restructuring Inc.)

Appendix “B”

AMENDED AND RESTATED STALKING HORSE ASSET PURCHASE AND SUBSCRIPTION AGREEMENT

~~**ALEAFIA HEALTH INC.**~~

~~**-AND-**~~

EMBLEM CANNABIS CORPORATION

~~**-AND-**~~

CANABO MEDICAL CORPORATION

~~**-AND-**~~

~~**ALEAFIA FARMS INC.**~~

~~**-AND-**~~

ALEAFIA RETAIL INC.

AS COMPANIES

~~**-AND-**~~

~~**ALEAFIA HEALTH INC.**~~

~~**-AND-**~~

RED WHITE & BLOOM BRANDS INC.

~~**-AND-**~~

RWB (PV) CANADA INC.

AS PURCHASER

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THIS AMENDED AND RESTATED STALKING HORSE ASSET PURCHASE AND SUBSCRIPTION AGREEMENT is made as of ~~August 10~~October __, 2023

BETWEEN:

ALEAFIA HEALTH INC. (“Aleafia Health”)

-and-

EMBLEM CANNABIS CORPORATION (“ECC”)

-and-

CANABO MEDICAL CORPORATION (“Canabo”)

~~-and-~~

~~**ALEAFIA FARMS INC. (“Aleafia Farms”),**~~

-and-

ALEAFIA RETAIL INC. (“Aleafia Retail”, and collectively with ECC, and Canabo ~~and Aleafia Farms~~, the “Companies”)

-and-

RED WHITE & BLOOM BRANDS INC. (“RWB”),

-and-

RWB (PV) CANADA INC. (“Purchaser”)

RECITALS:

- A. Aleafia Health, through certain of its wholly-owned subsidiaries, is a federally licensed Canadian cannabis company, operating pursuant to the *Cannabis Act* (Canada) and applicable provincial and municipal legislation in Ontario, Alberta, British Columbia, Saskatchewan and Manitoba, as well as providing virtual health and wellness services across Canada through a virtual cannabis clinic (the “**Business**”).
- B. On July 25, 2023, the Applicants (as hereinafter defined) commenced proceedings under the CCAA (as hereinafter defined) before the Ontario Superior Court of Justice (Commercial List) (the “**CCAA Court**”) to, among other things, seek creditor protection for, and certain relief in respect of, the Applicants (as hereinafter defined).
- C. The Applicants plan to obtain an order (the “**SISP Order**”) from the CCAA Court approving, among other things, the SISP (as hereinafter defined).
- D. Pursuant to the SISP, the Purchaser has been selected as the stalking horse bidder and as such, the Purchaser has agreed to (i) acquire certain assets from Aleafia Health, and (ii) subscribe for, and each of the Companies have agreed to issue, the Purchased

Shares on and pursuant to the terms set forth herein if Purchaser becomes the successful bidder pursuant to the SISP.

E. [Aleafia Health, ECC, Canabo, Aleafia Farms, Aleafia Retail, RWB and the Purchaser entered into a stalking horse asset purchase and subscription agreement dated as of August 10, 2023 \(the "Original Stalking Horse Agreement"\) on substantially the same terms and conditions as this Agreement.](#)

F. [The Parties have entered into this Agreement to amend and restate the Original Stalking Horse Agreement in its entirety.](#)

NOW THEREFORE, the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

In this Agreement,

"126" means 1260356 Ontario Limited, a corporation duly constituted under the laws of the Province of Ontario.

"126 Loan Amount" means cash in an amount sufficient to satisfy the outstanding obligations of the Applicants to 126 pursuant to the 126 Mortgage in the approximate amount of \$5,444,106 as of July 31, 2023.

"126 Mortgage" means that certain mortgage/charge of land registered against title to real property owned by Aleafia Farms and municipally known as 2560 Regional Road 19, Scugog, Ontario in favour of 126 pursuant to Instrument No. DR2098410 on February 8, 2022. For greater certainty, **"126 Mortgage"** does not include any other security granted by any Applicant to 126, all of which shall form part of the Excluded Liabilities.

"Administration Charge" has the meaning given to it in the Initial Order.

"Administrative Expense Amount" means cash in the amount of \$400,000, which shall be paid to the Monitor on the Closing Date and held by the Monitor, for the benefit of Persons entitled to be paid the Administrative Expense Costs, subject to the terms hereof.

"Administrative Expense Costs" means the reasonable and documented costs and expenses for services performed by the Monitor and its legal counsel after the Closing Date in connection with the CCAA Proceedings, the administration of such proceedings to their conclusion and this Agreement, including any bankruptcy of the remaining Applicants, to the extent such amount has not been pre-funded under the DIP Credit Facility Term Sheet prior to the Closing Date.

"Affiliate" means, with respect to any specified Person, any other Person which, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person (for the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise). For greater certainty,

an Affiliate of a Person shall include such Person's investment funds and managed accounts and any funds managed or directed by the same investment advisor.

"Agreement" means this amended and restated stalking horse subscription agreement and all attachments and Exhibits, in each case as the same may be supplemented, amended, restated or replaced from time to time, and the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this stalking horse subscription agreement and all attached Schedules and Exhibits, and unless otherwise indicated, references to Articles, Sections, Schedules and Exhibits are to Articles, Sections, Schedules and Exhibits in this stalking horse subscription agreement.

"Aleafia" means Aleafia Inc., a corporation duly constituted under the laws of the Province of Ontario.

"Aleafia Brands" means Aleafia Brands Inc., a corporation duly constituted under the laws of the Province of Ontario.

"Aleafia Farms" means Aleafia Farms Inc. a corporation duly constituted under the laws of the Province of Ontario.

~~**"Aleafia Farms Purchased Shares"** has the meaning given to such term in Section 2.1(c).~~

"Aleafia Health" means Aleafia Health Inc., a corporation duly constituted under the laws of the Province of Ontario.

"Aleafia Retail" means Aleafia Retail Inc., a corporation duly constituted under the laws of the Province of Ontario.

"Aleafia Retail Purchased Shares" has the meaning given to such term in Section 2.1(d).

"Applicable Law" means any transnational, domestic or foreign, federal, provincial, territorial, state, local or municipal (or any subdivision of any of them) law (including common law and civil law), statute, ordinance, rule, regulation, restriction, limit, by-law (zoning or otherwise), judgment, order, direction or any consent, exemption, Transaction Regulatory Approval, or any other legal requirements of, or agreements with, any Governmental Authority, that applies in whole or in part to the transactions contemplated by this Agreement, the members of the Applicants, the Purchaser, the Business, or any of the Purchased Shares, the Purchased IP or the Retained Liabilities.

"Applicants" means, collectively, Aleafia Health, Emblem, ECC, Emblem Realty, Growwise, Canabo, Aleafia, Aleafia Farms, Aleafia Brands, Aleafia Retail, 2672533 Ontario Inc., and 2676063 Ontario Inc., and from and after the time Residual Co. becomes an applicant under the Initial Order, **"Applicants"** shall include Residual Co.

"Approval and Vesting Order" means an order of the CCAA Court in a form to be mutually agreed upon by the Purchaser and the Applicants, each acting reasonably.

"Articles of Amendment" means, to the extent required, articles of amendment or reorganization in respect of each of the Companies' authorized and issued capital to create a new class of shares of each such entity, as applicable, and effecting such other changes to the articles of each of the Companies, as applicable, in order to consummate the transactions

pursuant to this Agreement, such articles of amendment to be in form and substance satisfactory to the Purchaser, acting reasonably.

“**Back-up Bid**” has the meaning given to such term in the SISP.

“**Business**” has the meaning given to such term in Recital A.

“**Business Day**” means any day, other than a Saturday or Sunday, on which the principal commercial banks in Toronto, Ontario are open for commercial banking business during normal banking hours.

“**Canabo**” means Canabo Medical Corporation, a corporation duly constituted under the federal laws of Canada.

“**Canabo Purchased Shares**” has the meaning given to such term in Section 2.1(b).

“**Cash Consideration**” has the meaning given to such term in Section 3.1(e).

“**Causes of Action**” means any action, claim, cross claim, third party claim, damage, judgment, cause of action, controversy, demand, right, action, suit, obligation, liability, debt, account, defense, offset, power, privilege, license, lien, indemnity, interest, guaranty, or franchise of any kind or character whatsoever, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, contingent or non-contingent, liquidated or unliquidated, disputed or undisputed, secured or unsecured, assertable directly or derivatively, matured or unmatured, suspected or unsuspected, in contract or in tort, at law or in equity, or pursuant to any other theory of law or otherwise, of the Purchased Entities against any Person, in each case based in whole or in part on any act or omission, transaction, dealing or other occurrence existing or taking place on or prior to the Closing Time (which Causes of Action for the avoidance of doubt shall be retained by the applicable Purchased Entity on Closing).

“**CCAA**” means the *Companies’ Creditors Arrangement Act* (Canada), as amended.

“**CCAA Charge Amount**” means cash in an amount sufficient to satisfy the amounts owing in respect of obligations secured by the CCAA Charges (without duplication to amounts satisfied as Administrative Expense Costs or by the Priority Payment Amount).

“**CCAA Charges**” means the Administration Charge and the Directors’ Charge.

“**CCAA Court**” has the meaning given to such term in Recital B.

“**CCAA Proceedings**” means the proceedings commenced under the CCAA by the Applicants pursuant to the Initial Order.

“**CCAA Process Expense Amount**” means cash in an amount of the Administrative Expense Amount and the CCAA Charge Amount.

“**Claims**” means any and all demands, claims, liabilities, actions, causes of action, counterclaims, expenses, costs, damages, losses, suits, debts, sums of money, refunds, accounts, indebtedness, rights of recovery, rights of set-off, rights of recoupment and liens of whatever nature (whether direct or indirect, absolute or contingent, asserted or unasserted, secured or unsecured, matured or not yet matured due or to become due, accrued or unaccrued or liquidated or unliquidated) and including all costs, fees and expenses relating thereto.

“**Closing**” means the completion of the purchase of the Purchased Shares and Purchased IP and the transactions in accordance with the provisions of this Agreement.

“**Closing Date**” means a date no later than five (5) Business Days after the conditions set forth in Article 7 have been satisfied or waived, other than the conditions set forth in Article 7 that by their terms are to be satisfied or waived at the Closing (or such other date agreed to by the Parties in writing); provided that, if there is to be a Closing hereunder, then the Closing Date shall be no later than the Outside Date.

“**Closing Documents**” means all contracts, agreements, certificates and instruments required by this Agreement to be delivered at or before the Closing.

“**Closing Time**” means 10:00 a.m. (Toronto time) on the Closing Date or such other time on the Closing Date as the Parties agree in writing that the Closing Time shall take place.

“**Companies**” means, collectively, ECC, Canabo, ~~Aleafia Farms~~ and Aleafia Retail.

“**Credit Bid Consideration**” has the meaning given to such term in Section 3.1(b).

“**Credit Bid Releases**” means a full and final release of all Applicants of their respective obligations under the Senior Loan Agreement and the DIP Facility Term Sheet, which shall be in form and substance satisfactory to the Applicants and the Monitor, each acting reasonably.

“**DIP Facility**” means the credit facility in the maximum principal amount of ~~\$6,600,000~~8,000,000 made available by RWB to the Applicants pursuant to the DIP Facility Term Sheet.

“**DIP Facility Term Sheet**” means the Amended and Restated DIP Facility Term Sheet effective as of July 24, 2023 among Aleafia Health, ECC and Aleafia Farms, as borrowers, and all other Applicant entities, as guarantors, and RWB as DIP lender, as amended by a first amendment to DIP facility term sheet dated as of October 24, 2023, as such agreement may be further amended, restated, supplemented and/or otherwise modified from time to time in accordance with the terms thereof.

“**Directors Charge**” has the meaning given to it in the Initial Order.

“**EA**” means the *Excise Act, 2001* (Canada).

“**ECC**” means Emblem Cannabis Corporation, a corporation duly constituted under the federal laws of Canada.

“**ECC Purchased Shares**” has the meaning given to such term in Section 2.1(a).

“**Emblem**” means Emblem Corp., a corporation duly constituted under the federal laws of Canada.

“**Emblem Realty**” means Emblem Realty Ltd., a corporation duly constituted under the laws of the Province of Ontario.

“**Encumbrance**” means any security interest (whether contractual, statutory or otherwise), lien, prior claim, charge, hypothec, reservation of ownership, pledge, encumbrance, mortgage, trust (including any statutory, deemed or constructive trust), option or adverse claim or encumbrance of any nature or kind.

“Environment” means the ambient air, all layers of the atmosphere, all water including surface water and underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, living organisms and organic and inorganic matter, and includes indoor spaces.

“Environmental” means of, relating to, or pertaining to the Environment.

“Environmental Disclosure” has the meaning given to such term in Section 9.4(i)

“Environmental Investigations” has the meaning given to such term in Section 9.2(d).

“Equity Interests” means any capital share, capital stock, partnership, membership, joint venture or other ownership or equity interest, participation or securities (whether voting or nonvoting, whether preferred, common or otherwise, and including share appreciation, contingent interest or similar rights) of a Person.

“ETA” means Part IX of the *Excise Tax Act* (Canada).

“Excluded Assets” has the meaning given to such term in Section 2.3.

“Excluded Contracts” means contracts of the Purchased Entities as specified on Schedule 2.3(c)(d), as such schedule may be supplemented or modified in accordance with Section 2.3(f).

“Excluded Leases” means those leases of the Purchased Entities as specified in Schedule 2.3(c)(d), as such schedule may be supplemented or modified in accordance with Section 2.3(f).

“Excluded Liabilities” has the meaning given to such term in Section 2.5.

“Expense Reimbursement” has the meaning given to such term in Section 9.1.

“Filing Date” means July 25, 2023.

“Final Order” means with respect to any order or judgment of the CCAA Court, or any other court of competent jurisdiction, with respect to the subject matter addressed in the CCAA Proceedings or the docket of any court of competent jurisdiction, that such order or judgement has not been vacated, set aside, reversed, stayed, modified or amended, and as to which the applicable periods to appeal, or seek certiorari or move for a new trial, reargument, or rehearing has expired and no appeal, leave to appeal, or petition for certiorari or other proceedings for a new trial, reargument, or rehearing has been timely taken or filed, or as to which any appeal has been taken or any petition for certiorari or leave to appeal that has been timely filed has been withdrawn or resolved in a manner acceptable to the Companies and the Purchaser, each acting reasonably, by the highest court to which the order or judgment was appealed or from which leave to appeal or certiorari was sought or the new trial, reargument, or rehearing shall have been denied, resulted in no modification of such order or has otherwise been dismissed with prejudice.

“Fundamental Representations and Warranties of Companies” means the representations and warranties of each of the Companies and Aleafia Health included in Sections 4.1 [Due Authorization and Enforceability of Obligations], 4.2 [Existence and Good Standing] and 4.3 [Absence of Conflicts].

“**GAAP**” means generally accepted accounting principles as set out in the *CPA Canada Handbook – Accounting* for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

“**Governmental Authority**” means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity (i) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them, or (ii) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

“**Grimsby Property**” means the lands and premises municipally known as 378 South Service Road, Grimsby, Ontario and legally described under PIN 46033-0368 (LT) as 1STLY: PT LT 1 CON 1 NORTH GRIMSBY DESIGNATED AS PT 2 30R13028 & PT 18 30R13499; 2NDLY PT LT A EAST GORE NORTH GRIMSBY DESIGNATED AS PTS 4, 5, 8, 9, 10 30R13028; S/T RO437966; SUBJECT TO AN EASEMENT IN GROSS OVER PART LOT A, EAST GORE, NORTH GRIMSBY, PART 4, 30R13028 AS IN NR529869; TOWN OF GRIMSBY

“**Growwise**” means Growwise Health Limited, a corporation duly constituted under the laws of the Province of Ontario.

“**GST/HST**” means all goods and services tax and harmonized sales tax imposed under the ETA.

“**Guaranteed Obligations**” has the meaning given to such term in Article 8(a).

“**Implementation Steps**” has the meaning given to such term in Section 2.8(b).

“**Initial Order**” means the Amended and Restated Initial Order dated August 4, 2023 granted by the CCAA Court pursuant to the CCAA, as may be further amended and restated from time to time.

“**Intercompany Claim**” means any claim that may be asserted against any of the Purchased Entities by or on behalf of any other Purchased Entity.

“**IP Assignment Agreement**” means an intellectual property assignment agreement to be entered into between Aleafia Health and the Purchaser, assigning all of Aleafia Health’s right, title and interest throughout the world in and to the Purchased IP to the Purchaser.

“**Licences**” means, collectively, the following:

(a) ECC:

- (i) On August 26, 2015, Health Canada issued producer’s Licence number 10-MM0167 to ECC (the “**Paris Licence**”), re-issued under LIC-0CNIN0V9QK in November of 2018, as was later amended, expanded and re-authorized. The Paris Licence has a current term ending on January 20, 2028;
- (ii) On April 29, 2021, Health Canada issued a research license number under Licence number LIC-28X6T94W2Y (the “**Paris Research**”

Licence") to ECC. The Paris Research Licence has a current term ending on April 7, 2026;

- (iii) On February 12, 2021, Health Canada issued Licence LIC-CTHF6SVA0C to ECC to operate the distribution centre, which expires on February 12, 2024 and authorizes cannabis storage and the fulfilment of orders to other Licence holders, medical patients and adult-use provincial wholesalers;
- (iv) Effective October 17, 2022, Canada Revenue Agency renewed Licence numbers 85070 8975 RD0002 and 85070 8975 RD0005 held by ECC, which are currently set to expire on October 16, 2023.

(b) Aleafia Farms:

- (i) On October 13, 2017, Health Canada issued Licence number LIC-GYAJNCME6L to Aleafia Farms (the "**Scugog Licence**"), as was variously renewed, re-authorized and amended. The Scugog Licence has a current term ending on ~~October 9~~ January 20, 2023 ~~2028~~;
- (ii) On March 13, 2020, Health Canada issued Licence LIC-VTQAQTTMOL to Aleafia Farms, which expires on June 13, 2024;
- (iii) Effective October 17, 2022, Canada Revenue Agency renewed Licence number 88009 9247 held by Aleafia Farms, which is currently set to expire October 16, 2024; and

- (c) Any and all other permits, licences, authorizations, consents, concessions, exemptions, leases, grants, permits, rights, privileges, approvals or other evidence of authority from any Governmental Authority and related to the Business and that has been issued to, granted to, conferred upon, or otherwise created for, any Purchased Entity, relating to authorizations or otherwise to plant, grow, cultivate, extract, produce, process, store, destroy, sell, provide, ship, deliver, transport and/or distribute cannabis under Applicable Law.

"Material Adverse Effect" means any change, effect, event, occurrence, state of facts or development that has had a material adverse effect on: (i) the Business, assets, liabilities, financial conditions or results of operations of the Purchased Entities, taken as a whole; or (ii) prevents the ability of any of the Purchased Entities to perform their obligations under, or to consummate the transactions contemplated by, this Agreement, but excluding any such change, effect, event, occurrence, state of facts or development attributable to or arising from: (A) general economic or business conditions; (B) Canada, the U.S. or foreign economies, or financial, banking or securities markets in general, or other general business, banking, financial or economic conditions (including: (I) any disruption in any of the foregoing markets; (II) any change in the currency exchange rates; or (III) any decline or rise in the price of any security, commodity, contract or index); (C) acts of God or other calamities, pandemics (including COVID-19 and any Governmental Authorities response thereto), national or international political or social conditions, including the engagement and/or escalation by the U.S. or Canada in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon the U.S. or Canada or any of their territories, possessions or diplomatic or consular offices or upon any military installation, equipment or

personnel of the U.S. or Canada; (D) the identity of the Purchaser or its Affiliates; (E) conditions affecting generally the industry in which any of the Purchased Entities participate; (F) the public announcement of, entry into or pendency of, actions required or contemplated by or performance of obligations under, this Agreement or the transactions contemplated by this Agreement, or the identity of the Parties; (G) changes in Applicable Laws or the interpretation thereof; (H) any change in GAAP or other accounting requirements or principles; (I) national or international political, labor or social conditions; (J) the failure of the Purchased Entities to meet or achieve the results set forth in any internal projections (but not the underlying facts giving rise to such failure unless such facts are otherwise excluded pursuant to the clauses contained in this definition); or (K) any change resulting from compliance with the terms of, or any actions taken (or not taken) by any Party pursuant to or in accordance with, this Agreement; provided that the exceptions set forth in clauses (A), (B), (C), (E), (G), (H) or (I) shall not apply to the extent that such event is disproportionately adverse to the Purchased Entities, taken as a whole, as compared to other companies in the industries in which the Purchased Entities operate.

“Monitor” means KSV Restructuring Inc., as Court-appointed monitor of the Applicants in the CCAA Proceedings, and not in its personal or corporate capacity.

“Monitor’s Certificate” means the certificate delivered to the Purchaser, and filed with the CCAA Court, by the Monitor certifying that the Monitor has received written confirmation in form and substance satisfactory to the Monitor, in its sole discretion, from each of the Companies, Aleafia Health and the Purchaser that all conditions to Closing have been satisfied or waived by the applicable Parties and the transactions contemplated by this Agreement have been completed.

“Order” means any order of the Court made in the CCAA Proceedings, or any order, directive, judgment, decree, injunction, decision, ruling, award or writ of any Governmental Authority.

“Outside Date” has the meaning given to such term in Section 11.1(c).

“Paris Property” means the lands and premises municipally known as 20 Woodslee Avenue, Paris, Ontario and legally described under PIN 23040-0546 (LT) as FIRSTLY: PART LOT 30 CONCESSION 2 SOUTH DUMFRIES PARTS 1 2 AND 3 2R5663; SECONDLY: PART LOT 30 CONCESSION 2 SOUTH DUMFRIES PARTS 1 AND 2 2R7264; COUNTY OF BRANT

“Parties” means the Companies, Aleafia Health and the Purchaser collectively, and **“Party”** means any of the Companies, Aleafia Health or the Purchaser, as the context requires.

“Permitted Encumbrances” means the Encumbrances listed in Schedule 1.1(a) .

“Person” includes an individual, partnership, firm, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, entity, corporation, unincorporated association, or organization, syndicate, committee, court appointed representative, the government of a country or any political subdivision thereof, or any agency, board, tribunal, commission, bureau, instrumentality, or department of such government or political subdivision, or any other entity, howsoever designated or constituted, including any Taxing Authority, and the trustees, executors, administrators, or other legal representatives of an individual, and for greater certainty includes any Governmental Authority.

“Post-Closing Straddle Tax Period” has the meaning given to such term in Section 9.5(c).

“Pre-Closing Straddle Tax Period” has the meaning given to such term in Section 9.5(c).

“Priority Payment Amount” means an amount equal to those priority payments prescribed under subsections 6(3), 6(5)(a) and 6(6) of the CCAA.

“Property” has the meaning given to such term in Schedule 1.1(a).

“Purchase Price” has the meaning given to such term in Section 3.1.

“Purchased Entities” means ECC, Growwise, Canabo, [Aleafia](#), Aleafia Retail and Aleafia Farms, and **“Purchased Entity”** means any one of them.

“Purchased IP” means (i) any and all of Aleafia Health’s registered or unregistered proprietary rights, including rights licensed or leased by Aleafia Health, anywhere in the world provided under patent law, copyright law, trademark law, design patent or industrial design law, trade secret law, plant breeders rights law, or any other statutory provision or common law principle that provides a right in either intellectual property or the expression or use of intellectual property, including, without limitation, patents and inventions, copyrights and works of authorship, whether or not copyrightable, and the trademarks, however depicted, listed in Schedule 1.1(b) hereto, all registrations and applications and all issuances, extensions and renewals thereof, all goodwill and reputation associated with the foregoing, any and all legal actions and rights and remedies at law or in equity for past infringements of the foregoing, and all rights to file for, obtain and maintain registrations for the foregoing; and (ii) any and all domain names registered on behalf of Aleafia Health, including the domains listed in Schedule 1.1(b) hereto [to the extent such domains are owned by Aleafia Health](#).

“Purchased Shares” has the meaning given to such term in Section 2.1(b).

“Purchaser” has the meaning given to such term in the preamble to this Agreement.

“Residual Co.” means a company to be formed by an Applicant, or one of the Applicants, that is not a Purchased Entity, such entity in form satisfactory to the Purchaser, acting reasonably, prior to the Closing; provided, that (i) no such entity shall be a flow through entity for Canadian purposes unless approved by the Purchaser; and (ii) if required by the Purchaser or the Applicants, each acting reasonably, or the Monitor, in order to effect the transactions contemplated herein a tax efficient manner mutually agreed upon by the Parties, or allow the Monitor to better administer the CCAA Proceedings following the Closing Date, there may need to be more than one “Residual Co.”, and, in that case, the term “Residual Co.” shall refer to any or all such entities, as the context requires.

“Restructuring Period Claim” means any Claim owed by any Applicant arising out of the restructuring, disclaimer, rescission, termination or breach by such Applicant on or after the Filing Date, of any contract, lease or other agreement, whether written or oral.

“Restructuring Period D&O Claim” means any Claim against one or more of the directors and/or officers of the Applicants, arising after the Filing Date, whether or not such right or Claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, perfected, unperfected, present, future, known, or unknown, by guarantee, surety or otherwise, and whether or not such right is executory or anticipatory in nature, including any assessments and any right or ability of any Person to advance a Claim for contribution, indemnity or otherwise against any of such

directors and/or officers with respect to any matter, action, cause or chose in action, whether existing at present or arising or commenced in the future, for which any such director or officer is alleged to be, by statute or otherwise by law or equity, liable to pay in his or her capacity as a director or officer.

“Retained Liabilities” has the meaning given to such term in Section 2.4.

“RWB” means Red White & Bloom Brands Inc.

“Scugog Property” means the lands and premises municipally known as 2560 Regional Road 19, Scugog, Ontario and legally described under PIN 26764-0137 (LT) as PT LT 2, CON 2, CARTWRIGHT; BEING PT 1, 40R3687 AND PT 1, 40R25294; TOWNSHIP OF SCUGOG

“Senior Loan Agreement” means that certain loan agreement dated as of December 24, 2021 between each of Aleafia Health, ECC and Aleafia Farms, as borrowers, each of ECC, Canabo and Aleafia, as guarantors, and NE SPC II LP, as lender, as amended on March 28, 2022, June 17, 2022, April 26, 2023, May 15, 2023 and May 31, 2023, as such loan agreement and all security and ancillary documents granted in favour of NE SPC II LP was assigned by NE SPC II LP to RWB pursuant to an assignment of indebtedness and security agreement dated as of June 6, 2023, as the same may have been further amended from time to time.

“SISP” means the Sale and Investment Solicitation Process approved by the SISP Order, as may be amended by the CCAA Court from time to time, which must be acceptable to the Purchaser, acting reasonably, and substantially in the form of the Sale and Investment Solicitation Process attached hereto as Schedule 1.1(c).

“SISP Order” has the meaning ascribed to it in Recital C.

“Stalking Horse Bid” has the meaning given to such term in the SISP.

“Straddle Period” has the meaning given to such term in Section 9.5(c).

“Straddle Period Tax Returns” has the meaning given to such term in Section 9.5(d).

“Successful Bid(s)” has the meaning given to such term in the SISP.

“Successful Bidder(s)” has the meaning given to such term in the SISP.

“Tax” and **“Taxes”** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever (including withholding on amounts paid to or by any Person) imposed by any Taxing Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Taxing Authority in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, GST/HST, value added, consumption, sales, use, excise, stamp, withholding, business, franchising, escheat, property, development, occupancy, employer health, payroll, employment, health, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and Canada, Ontario, and other government pension plan premiums or contributions.

“**Tax Act**” means the *Income Tax Act* (Canada) and shall also include a reference to any applicable and corresponding provisions under the income tax laws of a province or territory of Canada, as applicable.

“**Tax Return**” means any return, declaration, report, statement, information statement, form, election, amendment, claim for refund, schedule or attachment thereto or other document filed or required to be filed with a Taxing Authority with respect to Taxes.

“**Taxing Authorities**” means His Majesty the King in right of Canada, His Majesty the King in right of any province or territory of Canada, the Canada Revenue Agency, any similar revenue or taxing authority of Canada and each and every province or territory of Canada and any political subdivision thereof, and any Canadian or other Governmental Authority exercising taxing authority or power, and “Taxing Authority” means any one of the Taxing Authorities.

“**Terminated Employees**” means those individuals currently employed by a Purchased Entity who have not been offered employment by the Purchaser prior to Closing, or who shall be terminated by the applicable Purchased Entity effective as of the Closing Date, such individuals deemed to be Terminated Employees pursuant to Section 9.6(c).

“**Transaction Regulatory Approvals**” means any material license, permits approvals and/or grants required from any Governmental Authority or under any Applicable Laws relating to the business and operations of the Purchased Entities or the Purchaser that would be required to be obtained in order to permit the Companies and the Purchaser to complete the transactions contemplated by this Agreement and for the Purchased Entities to carry on the Business following the Closing Date.

1.2 **Amendment and Restatement**

[This amended and restated stalking horse asset purchase and subscription agreement amends and restates the Original Stalking Horse Agreement in its entirety effective as of the date hereof.](#)

1.3 **1.2 Statutes**

Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended, re-enacted or replaced.

1.4 **1.3 Headings, Table of Contents, etc.**

The provision of a table of contents, the division of this Agreement into Articles, Sections and other subdivisions and the insertion of headings are for convenient reference only and do not affect the interpretation of this Agreement. The recitals to this Agreement are an integral part of this Agreement.

1.5 **1.4 Gender and Number**

In this Agreement, unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders.

1.6 ~~1.5~~ **Currency**

Except where otherwise expressly provided, all amounts in this Agreement are stated and shall be paid in Canadian dollars. References to "\$" are to Canadian dollars.

1.7 ~~1.6~~ **Certain Phrases**

In this Agreement (i) the words "including", "includes" and "include" and any derivatives of such words mean "including (or includes or include) without limitation" and (ii) the words "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of". The expression "Article", "Section" and other subdivision followed by a number, mean and refer to the specified Article, Section or other subdivision of this Agreement.

1.8 ~~1.7~~ **Invalidity of Provisions**

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon (i) such a determination of invalidity or unenforceability or (ii) any change in Applicable Law or other action by any Governmental Authority which materially detracts from the legal or economic rights or benefits, or materially increases the obligations, of any Party or any of its Affiliates under this Agreement, the Parties shall negotiate to modify this Agreement in good faith so as to effect the original intent of the Parties as closely as possible in an acceptable manner so that the transactions contemplated by this Agreement be consummated as originally contemplated to the fullest extent possible.

1.9 ~~1.8~~ **Entire Agreement**

This Agreement and the agreements and other documents required to be delivered pursuant to this Agreement, constitute the entire agreement among the Parties, and set out all the covenants, promises, warranties, representations, conditions and agreements among the Parties in connection with the subject matter of this Agreement, and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral among the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

1.10 ~~1.9~~ **Waiver, Amendment**

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement shall be binding unless executed in writing by all Parties hereto, and provided that such amendment is consented to by the Monitor. No waiver of any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

1.11 ~~1.10~~ **Governing Law; Jurisdiction and Venue**

This Agreement, the rights and obligations of the Parties under this Agreement, and any Claim or controversy directly or indirectly based upon or arising out of this Agreement or the transactions contemplated by this Agreement (whether based on contract, tort or any other theory), including all matters of construction, validity and performance, shall in all respects be governed by, and interpreted, construed and determined in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties consent to the exclusive jurisdiction and venue of the CCAA Court for the resolution of any such disputes arising under this Agreement. Each Party agrees that service of process on such Party as provided in Section 13.7 shall be deemed effective service of process on such Party.

1.12 ~~1.11~~ **Incorporation of Schedules and Exhibits**

Any schedule or exhibit attached thereto, and any schedule or exhibit attached to this Agreement, is an integral part of this Agreement.

1.13 ~~1.12~~ **Accounting Terms**

All accounting terms used in this Agreement are to be interpreted in accordance with GAAP unless otherwise specified.

1.14 ~~1.13~~ **Non-Business Days**

Whenever payments are to be made or an action is to be taken on a day which is not a Business Day, such payment will be made or such action will be taken on or not later than the next succeeding Business Day.

1.15 ~~1.14~~ **Computation of Time Periods**

If any action may be taken within, or any right or obligation is to expire at the end of, a period of days under this Agreement, then the first day of the period is not counted, but the day of its expiry is counted.

**ARTICLE 2
SUBSCRIPTION AND ASSET PURCHASE**

2.1 Agreement to Subscribe for and Issue Purchased Shares

- (a) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, ECC shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of ECC from treasury, to be specified by the Purchaser at least ~~seventwo~~ (~~72~~) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**ECC Purchased Shares**").
- (b) Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the

Implementation Steps required to be completed prior to the Closing Time, Canabo shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Canabo from treasury, to be specified by the Purchaser at least ~~seven~~two (~~7~~2) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**Canabo Purchased Shares**").

~~(c) — Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, Aleafia Farms shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Aleafia Farms from treasury, to be specified by the Purchaser at least seven (7) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**Aleafia Farms Purchased Shares**").~~

(c) ~~(d)~~ Upon and subject to the terms and conditions of this Agreement, at the Closing and effective as of the Closing Time, and subject to the completion of the Implementation Steps required to be completed prior to the Closing Time, Aleafia Retail shall issue to the Purchaser, and the Purchaser shall subscribe for that number of shares in the share capital of Aleafia Retail from treasury, to be specified by the Purchaser at least ~~seven~~two (~~7~~2) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order, which shares shall be free and clear of all Encumbrances (the "**Aleafia Retail Purchased Shares**", and together with the ECC Purchased Shares, and the ~~Canabo Purchased Shares and the Aleafia Farms~~ Purchased Shares, the "**Purchased Shares**").

(d) ~~(e)~~ Pursuant to the Approval and Vesting Order and, if required, the Articles of Amendment, in accordance with the Implementation Steps, all Equity Interests of each of ECC, Canabo, ~~Aleafia Farms~~ and Aleafia Retail as applicable, outstanding prior to the issuance of the Purchased Shares, other than the Purchased Shares, shall be cancelled, without consideration, and the Purchased Shares shall represent 100% of the outstanding Equity Interests in each of ECC, Canabo, ~~Aleafia Farms~~ and Aleafia Retail after such cancellation and issuance.

(e) ~~(f)~~ For the avoidance of doubt, upon the Closing and after the completion of the Implementation Steps, each of the Purchased Entities shall be wholly owned, directly or indirectly, by the Purchaser.

2.2 Agreement to Purchase the Purchased IP

Subject to the terms and conditions of this Agreement, effective as and from the Closing Time, Aleafia Health shall sell, assign and transfer the Purchased IP to the Purchaser (or as the Purchaser may direct), and the Purchaser shall Purchase the Purchased IP from Aleafia Health, free and clear of all Encumbrances and liabilities, with the result that the Purchaser shall become the owner of the Purchased IP and Aleafia Health shall agree to irrevocably and perpetually waive any and all moral rights and other non-assignable rights throughout the world which Aleafia Health may now or at any time possess in respect of the works comprised within the Purchased IP, to the full extent permitted by applicable laws.

2.3 Excluded Assets

Notwithstanding any provision of this Agreement to the contrary, as of the Closing, the assets of the Purchased Entities shall not include any of the following assets, together with any other assets as set forth on Schedule 2.3 (collectively, the “**Excluded Assets**”):

- (a) the Cash Consideration;
- (b) the Tax records and returns, and books and records pertaining thereto and other documents, in each case, that primarily or solely relate to any of the Excluded Liabilities or Excluded Assets, provided that the applicable Purchased Entity may take copies of all Tax records and books and records pertaining to such records to the extent necessary or useful for the carrying on of the Business after Closing, including the filing of any Tax Return;
- (c) the Excluded Contracts;
- (d) the Excluded Leases;
- (e) any rights which accrue to Residual Co. under the transaction documents; and
- (f) any other asset, including contracts and leases, identified by the Purchaser to the Companies in writing as an Excluded Asset at least seven (7) days prior to the hearing of the Applicants’ motion to the CCAA Court seeking the Approval and Vesting Order.

2.4 Retained Liabilities

Pursuant to this Agreement and the Approval and Vesting Order, as of the Closing Time, in accordance with Section 2.7 hereof, the only obligations and liabilities of the Purchased Entities shall consist of only the items specifically set forth below (collectively, the “**Retained Liabilities**”); provided, for the avoidance of doubt, that the Retained Liabilities of any Purchased Entity pursuant to this Section 2.4 shall continue to be liabilities of the applicable Purchased Entity as of the Closing:

- (a) all post-filing Claims set out in Schedule 2.4;
- (b) all liabilities of the Purchased Entities arising from and after Closing;
- (c) Tax liabilities of the Purchased Entities for any period, or the portion thereof, beginning on or after the Closing Date; and
- (d) those specific Retained Liabilities set forth in Schedule 2.4.

2.5 Excluded Liabilities

Except as expressly retained pursuant to, or specifically contemplated by, Section 2.4, all Claims and all debts, obligations and liabilities of the Purchased Entities or any predecessors thereof, of any kind or nature, shall be assigned to, and become the sole obligation of, Residual Co. pursuant to the terms of the Approval and Vesting Order and this Agreement, and, as of the Closing, the Purchased Entities shall not have any obligation, duty, or liability of any kind whatsoever, except as expressly retained pursuant to Section 2.4, whether accrued, contingent,

known or unknown, express or implied, primary or secondary, direct or indirect, liquidated, unliquidated, absolute, accrued, contingent or otherwise, and whether due or to become due, and such liabilities or obligations shall be the sole responsibility of Residual Co., including *inter alia*, the non-exhaustive list of those certain liabilities set forth in Schedule 2.5 and any and all liability relating to any change of control provision that may arise in connection with the change of control contemplated by the transactions hereunder and to which the Purchased Entities may be bound as at Closing, all liabilities relating to or under the Excluded Contracts, the Excluded Leases and Excluded Assets, liabilities for employees whose employment with the Purchased Entities is terminated on or before Closing, including the Terminated Employees, the Restructuring Period Claims, and the Restructuring Period D&O Claims (collectively, the “**Excluded Liabilities**”). Purchaser may, with the consent of the Companies and the Monitor, which consent shall not be unreasonably withheld, amend the clarifying items listed in Schedule 2.5 as specifically enumerated Excluded Liabilities at least seven (7) days prior to the hearing of the Applicants’ motion to the CCAA Court seeking the Approval and Vesting Order.

2.6 Transfer of Excluded Liabilities to Residual Co.

On the Closing Date, pursuant to the terms of the Approval and Vesting Order, the Purchased Entities shall assign and transfer the Excluded Liabilities to Residual Co., and Residual Co. shall assume the Excluded Liabilities for the consideration set out in Section 2.7. All of the Excluded Liabilities shall be discharged from the Purchased Entities as of the Closing, pursuant to the Approval and Vesting Order.

2.7 Transfer of Excluded Assets to Residual Co.

On the Closing Date, pursuant to the terms of the Approval and Vesting Order and in consideration for Residual Co. assuming the Excluded Liabilities pursuant to Section 2.6 of this Agreement, the Purchased Entities shall assign and transfer the Excluded Assets to Residual Co., and the Excluded Assets shall vest in Residual Co. pursuant to the Approval and Vesting Order.

2.8 Pre-Closing and Closing Reorganization

- (a) The specific mechanism for implementing the Closing, payment of the Credit Bid Consideration and Cash Consideration, and the structure of the transactions contemplated by this Agreement shall be structured in a tax efficient manner mutually agreed upon by the Parties, each acting reasonably.
- (b) On or prior to the Closing Date, Aleafia Health shall effect, or cause any other Applicant to effect, the transaction steps and pre-closing reorganization (collectively, the “**Implementation Steps**”) as set forth on a schedule to be agreed upon by Aleafia Health, the Companies and the Purchaser, each acting reasonably, and in consultation with the Monitor, at least ~~seventwo~~ (72) days prior to the hearing of the Applicants’ motion to the CCAA Court seeking the Approval and Vesting Order; provided that in no event will the Implementation Steps described in Schedule 2.8(b) be materially prejudicial to the interests of the Purchaser or the Purchased Entities under the other sections of this Agreement. The Implementation Steps may include, without limitation, the formation of new entities required to implement the transactions contemplated by this Agreement in a tax efficient manner, consistent with Section 2.8(a).

- (c) The Implementation Steps, including the compromises and releases to be effective on the Closing Date, shall occur, and be deemed to have occurred in the order, manner and at such time to be set out in Schedule 2.8(b)
- (d) If the Purchaser is the Successful Bidder, the timing and/or sequence of the Implementation Steps and the Closing on the Closing Date may be altered at the request of the Purchaser, acting reasonably, and after consultation with the Monitor.

ARTICLE 3 PURCHASE PRICE AND RELATED MATTERS

3.1 Purchase Price

The total aggregate consideration payable by the Purchaser for the Purchased Shares and Purchased IP (the "**Purchase Price**") is equal to:

- (a) a release of all amounts outstanding and obligations payable by the Applicants under the Senior Loan Agreement and all related loan and security documentation, which amount as of July 31, 2023 is \$15,230,687, including the principal amount of such claim, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any fees and expenses associated therewith;
- (b) a release of all amounts outstanding and obligations payable by the Applicants as of the Closing Date pursuant to the DIP Facility Term Sheet and all related loan and security documentation, including the principal amount of such claims and interest accrued as of the Closing Date, plus all accrued and unpaid interest thereon through to and including the Closing Date, plus any unpaid fees and expenses associated therewith (the amounts in (a) and (b) together, the "**Credit Bid Consideration**");
- (c) the CCAA Process Expense Amount;
- (d) the 126 Loan Amount; and
- (e) the Priority Payment Amount (the amounts in (c), (d) and (e) together, the "**Cash Consideration**").

3.2 Satisfaction of Purchase Price

The Credit Bid Consideration shall be paid and satisfied on the Closing Date by the Purchaser releasing the Applicants from repayment of all amounts owing in connection with the Credit Bid Consideration pursuant to the Credit Bid Releases.

The Cash Consideration shall be paid and satisfied on the Closing Date by the Purchaser paying the Cash Consideration to the Purchased Entities, it being understood that, in the order and manner contemplated by the Implementation Steps, in connection with the Closing, the Cash Consideration will be transferred from the Purchased Entities to Residual Co. as an Excluded Asset in accordance with Section 2.3 hereof.

3.3 Taxes The Parties agree that:

- (i) the Purchase Price is exclusive of all applicable Taxes and the Purchaser shall be liable for and shall pay any and all applicable Taxes pertaining to the acquisition of the Purchased IP;
- (ii) the Purchaser shall pay any applicable Taxes on the acquisition of the Purchased IP in addition to the Purchase Price, either to the Monitor on behalf of Aleafia Health, as vendor, or directly to the appropriate Governmental Authority, as required by Applicable Law;
- (iii) if applicable, Aleafia Health and the Purchaser shall jointly elect under section 167 of the EA that no HST will be payable pursuant to the EA with respect to the purchase and sale of the Purchased IP under this Agreement, and the Purchaser shall file such election no later than the due date for the Purchaser's HST returns for the first reporting period in which HST would, in the absence of filing such election, become payable in connection with the purchase and sale of the Purchased IP under this Agreement. Notwithstanding this election, in the event it is determined by a Governmental Authority that there is liability of the Purchaser to pay, or of Aleafia Health to collect and remit, HST in respect of the purchase and sale of the Purchased IP hereunder, the Purchaser shall forthwith pay such HST to the applicable Governmental Authority and the Purchaser shall indemnify and save harmless Aleafia Health from any such payments, penalties and interest which may be payable by or assessed against Aleafia Health (or its representatives, agents, employees, directors or officers) under the EA in respect thereof.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF COMPANIES AND ALEAFIA HEALTH

Each of Aleafia Health and the Companies represents and warrants on behalf of itself and its subsidiaries who are Purchased Entities, to the Purchaser, as follows, and acknowledges that the Purchaser is relying upon the following representations and warranties in connection with its purchase of the Purchased Shares, in the case of the Companies, and the Purchased IP, in the case of Aleafia Health:

4.1 Due Authorization and Enforceability of Obligations

Subject to the granting of the Approval and Vesting Order, this Agreement has been duly authorized, executed and delivered by it, and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

4.2 Existence and Good Standing

Each of Aleafia Health and the Purchased Entities is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and (i) has all requisite power and authority to execute and deliver this Agreement and (ii) has taken all requisite corporate or other action necessary for it to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transaction contemplated hereunder.

4.3 Absence of Conflicts

The execution and delivery of this Agreement by each of Aleafia Health and the Companies and the completion by each of Aleafia Health and the Companies of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, (subject to the receipt of any Transaction Regulatory Approvals and the granting of the Approval and Vesting Order) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under the certificate of incorporation, articles, by-laws or other constituent documents of any Applicant. Subject to the granting of the Approval and Vesting Order, the execution, delivery and performance by each of Aleafia Health and the Companies does not and will not violate any Order.

4.4 Approvals and Consents

The execution and delivery of this Agreement by each of Aleafia Health and the Companies, the completion by each of Aleafia Health and the Companies of its respective obligations hereunder and the consummation by each of the Companies of the transactions contemplated herein, do not and will not require any consent or approval or other action, with or by, any Governmental Authority, other than as contemplated by the applicable Transaction Regulatory Approvals and the entry of the Approval and Vesting Order by the CCAA Court.

4.5 No Actions

There is not, as of the date hereof, pending or, to any of Aleafia Health's and the Companies' knowledge, threatened against any Applicant or any of its properties, nor has any Applicant received any written notice in respect of, any Claim, potential Claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body, other than the CCAA Court, that, would prevent either of Aleafia Health and the Companies from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

4.6 Subsidiaries

Schedule 4.6 sets forth a complete and correct list of the name and jurisdiction of organization of each Purchased Entity.

4.7 Tax

Schedule 4.6 sets forth a complete and correct list of the name, jurisdiction of organization and Tax registrations of each Purchased Entity. Each Purchased Entity is validly registered for the collection and payment of all Taxes as required under Applicable Law. All Taxes reported on the Tax Returns and any related notices of assessment or reassessment of each Purchased Entity for all of the Purchased Entity's Tax periods ending on or prior to the Closing Date have been duly and timely paid, except as otherwise disclosed to the Purchaser with respect to certain pre-filing amounts outstanding in respect of excise Tax, GST/HST. Each Purchased Entity has withheld and has duly and timely remitted, or shall duly and timely remit, to the appropriate Taxing Authority all Taxes required by Applicable Law to be withheld or deducted.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to each of the Companies and Aleafia Health as follows, and acknowledges that the Companies and Aleafia Health are relying upon the following representations and warranties in connection with the sale of the Purchased Shares and the Purchased IP:

5.1 Due Authorization and Enforceability of Obligations

This Agreement has been duly authorized, executed and delivered by the Purchaser, and, assuming the due authorization, execution and delivery by it, this Agreement constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or other similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

5.2 Existence and Good Standing

Purchaser is validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization and has all requisite power and authority to execute and deliver this Agreement and to perform its obligations hereunder and consummate the transactions contemplated by this Agreement.

5.3 Absence of Conflicts

The execution and delivery of this Agreement by the Purchaser and the completion by the Purchaser of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not violate or conflict with any Applicable Law, or any of its properties or assets, (subject to the receipt of any applicable Transaction Regulatory Approvals) and will not result (with due notice or the passage of time or both) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, by-laws or other constituent documents.

5.4 Approvals and Consents

The execution and delivery of this Agreement by the Purchaser, the completion by the Purchaser of its obligations hereunder and the consummation by the Purchaser of the transactions contemplated herein, do not and will not require any consent, approval or other action, with or by, any Governmental Authority, other than as contemplated by the applicable Transaction Regulatory Approvals and the granting of the Approval and Vesting Order by the CCAA Court.

5.5 No Actions

There is not, as of the date hereof, pending or, to the Purchaser's knowledge, threatened against it or any of its properties, nor has the Purchaser received notice in respect of, any Claim, potential Claim, litigation, action, suit, arbitration, investigation or other proceeding before any Governmental Authority or legislative body, other than the CCAA Court, that, would prevent it from executing and delivering this Agreement, performing its obligations hereunder and consummating the transactions and agreements contemplated by this Agreement.

5.6 Credit Bid and Cash Consideration; Availability of Funds

- (a) The Purchaser ~~has and RWB will have~~ executed, on or prior to ~~the date hereof~~ Closing, the requisite ~~instruction letters to fully authorized~~ documents to allow the Purchaser, and the Purchaser is ~~and will be~~ duly authorized, to, among other things, deliver the Credit Bid Consideration in connection with the consummation of the Closing hereunder, which ~~instruction letters~~ documents shall ~~have been~~ be delivered by the Purchaser to the Companies.
- (b) RWB has, and the Purchaser will have on Closing, sufficient unrestricted funds and financial capacity to consummate the transactions contemplated by this Agreement, including payment of the Cash Consideration.

5.7 Residence

Purchaser is not a non-resident of Canada within the meaning of the Tax Act.

ARTICLE 6 AS IS, WHERE IS

The Purchaser acknowledges and agrees that it has conducted to its satisfaction an independent investigation and verification of the Business, the Purchased Shares, the Purchased IP, the Retained Liabilities and all related operations of the Purchased Entities, and, based solely thereon and the advice of its financial, legal and other advisors, has determined to proceed with the transactions contemplated by this Agreement. The Purchaser has relied solely on the results of its own independent investigation and verification and, except for the representations and warranties of the Companies and Aleafia Health expressly set forth in Article 4, the Purchaser understands, acknowledges and agrees that all other representations, warranties, conditions and statements of any kind or nature, expressed or implied (including any relating to the future or historical financial condition, results of operations, prospects, assets or liabilities of the Purchased Entities or the Business, or the quality, quantity or condition of the Purchased Shares or the Purchased IP) are specifically disclaimed by each of the Companies and Aleafia Health, the other Purchased Entities, their respective financial and legal advisors and the Monitor and its legal counsel. THE PURCHASER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT, EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES OF THE COMPANIES AND ALEAFIA HEALTH EXPRESSLY AND SPECIFICALLY SET FORTH IN Article 4: (A) THE PURCHASER IS ACQUIRING THE PURCHASED SHARES AND THE PURCHASED IP ON AN "AS IS, WHERE IS" BASIS; AND (B) NONE OF THE COMPANIES, ALEAFIA HEALTH, THE OTHER APPLICANTS, THE MONITOR OR ANY OTHER PERSON (INCLUDING ANY REPRESENTATIVE OF EITHER OF THE COMPANIES, ALEAFIA HEALTH, THE OTHER APPLICANTS OR THE MONITOR WHETHER IN ANY INDIVIDUAL, CORPORATE OR ANY OTHER CAPACITY) IS MAKING, AND THE PURCHASER IS NOT RELYING ON, ANY REPRESENTATIONS, WARRANTIES, CONDITIONS OR OTHER STATEMENTS OF ANY KIND WHATSOEVER, WHETHER ORAL OR WRITTEN, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, AS TO ANY MATTER CONCERNING THE PURCHASED ENTITIES, THE BUSINESS, THE PURCHASED SHARES, THE PURCHASED IP, THE RETAINED LIABILITIES, THE EXCLUDED ASSETS, THE EXCLUDED LIABILITIES, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THE AGREEMENT, OR THE ACCURACY OR COMPLETENESS OF ANY INFORMATION PROVIDED TO (OR OTHERWISE ACQUIRED BY) THE PURCHASER OR ANY OF ITS RESPECTIVE REPRESENTATIVES, INCLUDING WITH RESPECT TO MERCHANTABILITY, PHYSICAL OR

FINANCIAL CONDITION, DESCRIPTION, FITNESS FOR A PARTICULAR PURPOSE, OR IN RESPECT OF ANY OTHER MATTER OR THING WHATSOEVER, INCLUDING ANY AND ALL CONDITIONS, WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, PURSUANT TO ANY APPLICABLE LAWS IN ANY JURISDICTION, WHICH THE PURCHASER CONFIRMS DO NOT APPLY TO THIS AGREEMENT, AND ARE HEREBY WAIVED IN THEIR ENTIRETY BY THE PURCHASER.

ARTICLE 7 CONDITIONS

7.1 Conditions for the Benefit of the Purchaser and Companies

The respective obligations of the Purchaser and each of the Companies and Aleafia Health to consummate the transactions contemplated by this Agreement are subject to the satisfaction of, or compliance with, at or prior to the Closing Time, each of the following conditions:

- (a) *No Law* – no provision of any Applicable Law and no Order preventing or otherwise frustrating the consummation of the purchase of the Purchased Shares and the Purchased IP or any of the other transactions pursuant to this Agreement shall be in effect;
- (b) *Final Orders* – each of the SISP Order and the Approval and Vesting Order shall have been issued and entered and shall be Final Orders;
- (c) *Successful Bid* – this Agreement will be the Successful Bid (as determined pursuant to the SISP); and
- (d) *Transaction Regulatory Approvals* – the Parties shall have received the required Transaction Regulatory Approvals set forth in Schedule 7.1(d), and all such Transaction Regulatory Approvals shall be in full force and effect, except for Transaction Regulatory Approvals that need not be in full force and effect prior to Closing.

The Parties acknowledge that the foregoing conditions are for the mutual benefit of each of the Companies and the Purchaser. Any condition in this Section 7.1 may be waived by any of the Companies, Aleafia Health and by the Purchaser, in whole or in part, without prejudice to any of their respective rights of termination in the event of non-fulfillment of any other condition in whole or in part. Any such waiver will be binding on any of the Companies, Aleafia Health or the Purchaser, as applicable, only if made in writing.

7.2 Conditions for the Benefit of the Purchaser

The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver by the Purchaser of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of the Purchaser):

- (a) *Performance of Covenants* – the covenants contained in this Agreement to be performed or complied with by each of the Companies and / or Aleafia Health at or prior to the Closing Time shall have been performed or complied with in all material respects as at the Closing Time;

- (b) *Truth of Representations and Warranties* – (i) the Fundamental Representations and Warranties of each of the Companies and Aleafia Health shall be true and correct in all respects as of the Closing Date, as if made at, and as of, such date (except for *de minimus* inaccuracies) and (ii) all other representations and warranties of the Companies and Aleafia Health contained in Article 4 shall be true and correct in all respects as of the Closing Date, as if made at, and as of, such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not, in the aggregate, have a Material Adverse Effect (and, for this purpose, any reference to “material”, “Material Adverse Effect” or other concepts of materiality in such representation and warranties shall be ignored);
- (c) *Officer’s Certificates* – The Purchaser shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.2(a) (*Performance of Covenants*) and 7.2(b) (*Truth of Representations and Warranties*), signed for and on behalf of each of the Companies and Aleafia Health by an executive officer of each of the Companies and Aleafia Health or other Persons acceptable to the Purchaser, without personal liability, in each case in form and substance reasonably satisfactory to the Purchaser;
- (d) *No Material Adverse Effect* – since the date hereof, no change effect, event, occurrence, state of facts or development shall have occurred that resulted in, or would reasonably be expected to result in, a Material Adverse Effect;
- (e) *Companies’ Deliverables* – each of the Companies and Aleafia Health shall have delivered to the Purchaser all of the deliverables contained in Section 12.2 in form and substance reasonably satisfactory to the Purchaser;
- (f) *Implementation Steps* – Aleafia Health shall have completed, or caused any of the Applicants to have completed, the Implementation Steps that are required to be completed prior to Closing, in form and substance reasonably acceptable to the Purchaser, acting reasonably;
- (g) *Terminated Employees* - the applicable Purchased Entity shall have terminated the employment of the Terminated Employees, and all liabilities owing to any such Terminated Employees in respect of such terminations, including all amounts owing on account of or damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements, shall be Excluded Liabilities which, pursuant the Approval and Vesting Order, shall be assigned and transferred as against the applicable Purchased Entity to, and assumed by, Residual Co.
- (h) *Licence Condition* - the Licences are in good standing and will continue in good standing, and not be suspended or terminated, following the Closing Date, which shall be satisfied upon, among other things, evidence from the applicable Governmental Authority that such Licences are in good standing and will not be suspended or terminated by such Governmental Authority as a result of any events, or amounts owing by any Applicants, relating to the period preceding the Closing Date.

- (i) *Licence Holder Retention* – the Purchaser shall be satisfied that the employees of the Purchased Entities who hold the Licences will accept the Purchaser's offers of employment pursuant to Section 9.6.
- (j) *Updated Financial Information* – in contemplation of the Purchaser's identification of any Excluded Asset or Excluded Liability in accordance with Sections 2.3(f) and 2.5, respectively, Aleafia Health and the Purchased Entities shall provide the Purchaser with current consolidated financial statements for each of the Applicants at least ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.
- (k) *Environmental Condition* – the Purchaser, acting reasonably, shall be satisfied that the Environmental Disclosure and/or the Environmental Investigation does not reveal the potential for material Environmental liability for the Purchaser upon Closing.
- (l) *Ownership of Domains* – to the extent any of the domains identified in Schedule 1.1(b) hereto are owned or otherwise registered on behalf of any Person other than Aleafia Health or any of the Purchased Entities, Aleafia Health shall, or shall cause the registration and ownership of such domain(s) to be transferred to Aleafia Health or such other Purchased Entity as identified by the Purchaser by no later than ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.

7.3 Conditions for the Benefit of Companies

The obligation of each of the Companies and Aleafia Health to consummate the transactions contemplated by this Agreement is subject to the satisfaction of, or compliance with, or waiver where applicable by the Companies and Aleafia Health of, at or prior to the Closing Time, each of the following conditions (each of which is acknowledged to be for the exclusive benefit of each of the Companies and Aleafia Health, as applicable):

- (a) *Truth of Representations and Warranties* – the representations and warranties of the Purchaser contained in Article 5 will be true and correct in all respects on and as of the date of this Agreement and on and as of the Closing Date as if made on and as of such date (except for representations and warranties made as of specified date, the accuracy of which shall be determined as of such specified date) except where the failure to be so true and correct would not reasonably be expected to have a material and adverse effect on Purchaser's ability to consummate the transactions contemplated by this Agreement;
- (b) *Performance of Covenants* – the covenants contained in this Agreement to be performed by the Purchaser at or prior to the Closing Time shall have been performed in all material respects as at the Closing Time;
- (c) *Officer's Certificate* – Each of the Companies and Aleafia Health shall have received a certificate confirming the satisfaction of the conditions contained in Sections 7.3(a) and 7.3(b) signed for and on behalf of the Purchaser without personal liability by an executive officer of the Purchaser or other Persons acceptable to the Companies, acting in a commercially reasonable manner, in each case, in form and substance satisfactory to the Companies and Aleafia Health, acting in a commercially reasonable manner; and

- (d) *Purchaser Deliverables* – Purchaser shall have delivered to each of the Companies and Aleafia Health all of the deliverables contained in Section 12.3 in form and substance satisfactory to the Companies and Aleafia Health, acting in a commercially reasonable manner.

ARTICLE 8 GUARANTEE

- (a) RWB hereby irrevocably, absolutely and unconditionally guarantees to Aleafia Health and the Companies (i) the due and punctual performance, when and as due, of all obligations, covenants and agreements of Purchaser (and any Affiliates to which this Agreement is assigned pursuant to Section 13.6) to be performed on or prior to the Closing Date arising under or pursuant to this Agreement and (ii) the punctual payment of all sums or amounts to be paid by the Purchaser (and such Affiliates) on or prior to the Closing Date under and in accordance with the terms of this Agreement, including the payment obligations set forth in Section 3.1 (the matters set forth in clauses (i) and (ii), collectively, the “**Guaranteed Obligations**”).
- (b) If the Purchaser (of its Affiliates) fails to perform any of the Guaranteed Obligations, then RWB shall itself be jointly and severally liable for the Guaranteed Obligations and shall perform or take whatever steps as may be necessary to procure performance of the same.
- (c) Nothing herein shall be construed as imposing greater obligations or liabilities on RWB than for which the Purchaser itself (or its Affiliates themselves) would be liable under this Agreement or obliging RWB to indemnify and hold harmless Aleafia Health and the Companies against any losses, costs, or expenses for which the Purchaser itself would not be liable under this Agreement, except as set forth in this Article 8.
- (d) The obligations of the Companies under this Agreement shall conclusively be deemed to have been created, contracted, or incurred in reliance upon this Article 8 and all dealings between the Aleafia Health and the Companies, on the one hand, and the Purchaser (or its Affiliates), on the other hand, shall likewise be conclusively presumed to have been consummated in reliance upon this Article 8.
- (e) The guarantee by RWB contained herein shall remain in full force and effect and shall continue to be enforceable by the Companies until the (i) consummation of the Closing and the payment in full by the Purchaser of any and all amounts required to be paid by Purchaser pursuant to this Agreement, including the Cash Consideration or (ii) the earlier valid termination of this Agreement pursuant to Section 11.1, upon which this guarantee and the obligations of RWB pursuant to this Article 8 shall terminate automatically and be of no further force or effect without the need for any further action by any Person and RWB shall stand discharged of all of its obligations under this guarantee. RWB’s obligations under this Article 8 shall not be terminated, modified, affected or impaired by reason of any relief or discharge of Purchaser (or its Affiliates) from any Purchaser’s (or its Affiliates’) respective obligations in bankruptcy or similar proceedings, or by liquidation or dissolution. Notwithstanding anything contained herein, the

guarantee shall remain in full force and effect and shall continue to be enforceable by the Companies in the event of any willful breach of this Agreement by the Purchaser (or its Affiliates) or RWB.

- (f) Except as otherwise set forth in this Agreement, the liability of RWB under this Article 8 shall be unlimited and unconditional, and this Article 8 shall be a continuing guarantee.
- (g) RWB hereby makes the representations and warranties set forth in Article 5 as to itself, and such representations and warranties shall apply mutatis mutandis as if RWB were substituted for the Purchaser therein. The Parties agree that RWB shall be entitled to, and RWB does not waive, any defenses to the payment or performance of the Guaranteed Obligations that are available to the Purchaser under this Agreement.

ARTICLE 9 ADDITIONAL AGREEMENTS OF THE PARTIES

9.1 Expense Reimbursement

In consideration for Purchaser's expenditure of time and money (including professional fees) in connection with the preparation of this Agreement, and in performing due diligence pursuant to this Agreement, Purchaser shall be entitled to an Expense Reimbursement of up to \$500,000 (the "**Expense Reimbursement**"). The Expense Reimbursement is subject to Court approval and shall be approved in the SISP Order and shall be payable to the Purchaser out of the sale proceeds derived from, and upon completion of, a Successful Bid other than the Stalking Horse Bid. Each of the Companies, Aleafia Health and the Purchaser acknowledges and agrees that the Expense Reimbursement (i) represents a fair and reasonable estimate of the costs and damages that will be incurred by the Purchaser as a result of non-completion of this Agreement, and (ii) is not intended to be punitive in nature nor to discourage competitive bidding with respect to the SISP. The Expense Reimbursement shall be paid joint and severally by the Companies and Aleafia Health to the Purchaser without deduction or withholding for Taxes unless required by Applicable Law.

9.2 Access to Information and Properties

- (a) Until the Closing Time, each of the Companies and Aleafia Health, with oversight of the Monitor, shall give to the Purchaser's personnel engaged in the transactions contemplated by this Agreement and their accountants, legal advisers, consultants, financial advisors and representatives during normal business hours reasonable access to its premises and to all of the books, records, and other information relating to the Business, and shall furnish them with all such information relating to the Business, the Applicants, the Retained Liabilities and the list of employees as Purchaser may reasonably request in connection with the transactions contemplated by this Agreement, such requests to be made to the Monitor; provided that such access shall be conducted at Purchaser's expense, in accordance with Applicable Law and under supervision of the Monitor or the applicable Company's or Aleafia Health's senior management and in such a manner as to maintain confidentiality, and the Companies and Aleafia Health will not be required to provide access to or copies of any such books and records if: (i) the provision thereof would cause applicable

Company to be in contravention of any Applicable Law; (ii) breach the terms of the SISP Order; or (iii) making such information available would: (1) result in the loss of any lawyer-client or other legal privilege; or (2) cause applicable Company to be found in contravention of any Applicable Law, or contravene any fiduciary duty or agreement (including any confidentiality agreement to which either of the Companies, Aleafia Health or any of their Affiliates are a party). Notwithstanding anything in this Section 9.2 to the contrary, any such investigation shall be conducted upon reasonable advance notice and in such manner as does not materially disrupt the conduct of the Business or the possible sale thereof to any other Person.

- (b) Following the Closing, the Purchaser shall make all books and records of the Applicants reasonably available to the Monitor and any trustee in bankruptcy of any of the Applicants upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such Party's expense, permit the Monitor and any trustee in bankruptcy of the Applicants to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that Purchaser shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the Purchased Entities and their Affiliates, as determined by the Applicants, acting reasonably.
- (c) Following the Closing, the Applicants shall make all books and records comprising Excluded Assets reasonably available to the Monitor and any trustee in bankruptcy of any of the Applicants upon at least five (5) Business Days prior notice, for a period of seven (7) years after Closing, and shall, at such Party's expense, permit the Monitor and any trustee in bankruptcy of the Applicants to take copies thereof as they may determine to be necessary or useful to accomplish their respective roles; provided that such Applicant shall not be obligated to make such books and records available to the extent that doing so would: (i) violate Applicable Law; (ii) jeopardize the protection of a solicitor-client privilege; or (iii) unreasonably interfere with the ongoing business and operations of the Applicants and their Affiliates, as determined by the Applicants, acting reasonably.
- (d) The Companies shall provide access to the Property, and permit the Purchaser to conduct its own Environmental investigations, inspections and tests of the Property, including any surface or subsurface testing, drilling and sampling, and any other invasive testing (the "**Environmental Investigations**").

9.3 Regulatory Approvals and Consents

- (a) The Parties shall use commercially reasonable efforts to apply for and obtain any Transaction Regulatory Approvals as soon as reasonably practicable and no later than the time limits imposed by Applicable Laws, in accordance with Section 9.3(b), in each case at the sole cost and expense of the Companies and Aleafia Health.

- (b) The Parties shall use commercially reasonable efforts to apply for and obtain the Transaction Regulatory Approvals and shall co-operate with one another in connection with obtaining such Transaction Regulatory Approvals. Without limiting the generality of the foregoing, the Parties shall: (i) give each other reasonable advance notice of all meetings or other oral communications with any Governmental Authority relating to the Transaction Regulatory Approvals, as applicable, and provide as soon as practicable but in any case, if any, within the required time, any additional submissions, information and/or documents requested by any Governmental Authority necessary, proper or advisable to obtain the Transaction Regulatory Approvals; (ii) not participate independently in any such meeting or other oral communication without first giving the other Party (or their outside counsel) an opportunity to attend and participate in such meeting or other oral communication, unless otherwise required or requested by such Governmental Authority; (iii) if any Governmental Authority initiates an oral communication regarding the Transaction Regulatory Approvals, promptly notify the other Party of the substance of such communication; (iv) subject to Applicable Laws relating to the exchange of information, provide each other with a reasonable advance opportunity to review and comment upon and consider in good faith the views of the other in connection with all written communications (including any filings, notifications, submissions, analyses, presentations, memoranda, briefs, arguments, opinions and proposals) made or submitted by or on behalf of a Party with a Governmental Authority regarding the Transaction Regulatory Approvals as applicable; and (v) promptly provide each other with copies of all written communications to or from any Governmental Authority relating to the Transaction Regulatory Approvals as applicable.
- (c) Each of the Parties may, as advisable and necessary, reasonably designate any competitively or commercially sensitive material provided to the other under this Section 9.3 as "Outside Counsel Only Material", provided that the disclosing Party also provides a redacted version to the receiving Party. Such materials and the information contained therein shall be given only to the outside legal counsel of the recipient and, subject to any additional agreements between the Parties, will not be disclosed by such outside legal counsel to employees, officers or directors of the recipient unless express written permission is obtained in advance from the source of the materials or its legal counsel.
- (d) The obligations of either Party to use its commercially reasonable efforts to obtain the Transaction Regulatory Approvals does not require either Party (or any Affiliate thereof) to undertake any divestiture of any business or business segment of such Party, to agree to any material operating restrictions related thereto or to incur any material expenditure(s) related therewith, unless agreed to by the Parties. In connection with obtaining the Transaction Regulatory Approvals, no Purchased Entity shall agree to any of the foregoing items without the prior written consent of the Purchaser.

9.4 Covenants Relating to this Agreement

- (a) Each of the Parties shall perform all obligations required to be performed by the applicable Party under this Agreement, co-operate with the other Parties in connection therewith and do all such other acts and things as may be necessary or desirable in order to consummate and make effective, as soon as reasonably

practicable, the transactions contemplated by this Agreement and, without limiting the generality of the foregoing, from the date hereof until the Closing Date, each Party shall and, where appropriate, shall cause each of its Affiliates to:

- (i) negotiate in good faith and use its commercially reasonable efforts to take or cause to be taken all actions and to do, or cause to be done, all things necessary, proper or advisable to satisfy the conditions precedent to the obligations of such Party hereunder (including, where applicable, negotiating in good faith with the applicable Governmental Authorities and/or third Persons in connection therewith), and to cause the fulfillment at the earliest practicable date of all of the conditions precedent to the other Party's obligations to consummate the transactions contemplated hereby; and
 - (ii) not take any action, or refrain from taking any action, or permit any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the transactions contemplated by this Agreement.
- (b) From the date hereof until the Closing Date, Purchaser hereby agrees, and hereby agrees to cause its representatives to, keep the Companies and Aleafia Health informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by each of the Companies, Aleafia Health or the Monitor, as to the Purchaser's progress in terms of the satisfaction of the conditions precedent contained herein.
- (c) From the date hereof until the Closing Date, each Company hereby agrees, and hereby agrees to cause its representatives to, keep Purchaser informed on a reasonably current basis, and no less frequently than on a weekly basis through teleconference or other meeting, and as reasonably requested by the Purchaser or the Monitor, as to the applicable Company's progress in terms of the satisfaction of the conditions precedent contained herein.
- (d) Each of the Companies, Aleafia Health and the Purchaser agree to execute and deliver such other documents, certificates, agreements and other writings, reasonably necessary for the consummation of the transactions contemplated by this Agreement, and to take such other actions to consummate or implement as soon as reasonably practicable, the transactions contemplated by this Agreement.
- (e) From the date hereof until the Closing Date, the Companies and Aleafia Health hereby agree, and hereby agree to cause their representatives to, promptly notify the Purchaser of (i) any event, condition, or development that has resulted in the inaccuracy in a material respect or material breach of any representation or warranty, covenant or agreement contained in this Agreement, or (ii) any Material Adverse Effect occurring from and after the date hereof prior to the Closing Date.

- (f) Each of the Companies, Aleafia Health and the Purchaser agree to use commercially reasonable efforts to timely prepare and file all documentation and pursue all steps reasonably necessary to obtain any material third-party consents and approvals, including without limitation the Transaction Regulatory Approvals, as may be required in connection with the transaction contemplated by this Agreement.
- (g) Aleafia Health shall, and in cooperation with the Purchaser, take all such action and do or cause to be done all such things as are reasonably necessary in order to (a) transfer or otherwise vest all domain names included in the Purchased IP, together with any applicable registrant and account holder agreements, passwords and registrations, to or in the Purchaser, (b) have the Purchaser recorded, or otherwise permit the Purchaser to be recorded, as the registrant or account holder in the applicable domain name registry, and (c) permit the Purchaser to administer the corresponding registrations and accounts.
- (h) Each of the Companies and Aleafia Health agree to use best efforts to timely prepare and file all documentation and pursue all steps necessary to renew (i) any of the Licences held by ECC or Aleafia Farms that are currently set to expire before January 1, 2024; and (ii) any security clearances required in connection with the maintenance of any of the Licences held by ECC or Aleafia Farms.
- (i) Each of the Companies and Aleafia Health agree to use commercially reasonable efforts to promptly provide all documentation, copies of agreements and information reasonably required by the Purchaser to complete and finalize the Schedules to this Agreement. Such information and documentation shall be provided to the Purchaser on an ongoing basis following execution of this Agreement and in any event shall be provided to the Purchaser no later than ten (10) days prior to the hearing of the Applicants' motion to the CCAA Court seeking the Approval and Vesting Order.
- (j) Within fifteen (15) days of the date hereof, each of the Companies shall provide to the Purchaser, all Environmental information and Environmental records regarding or related to any real property currently or previously owned or leased by any of the Companies, including all Environmental reports, audits, policies, correspondence, permits, approvals and agreements (the "**Environmental Disclosure**").
- (k) Within fifteen (15) days of the date hereof, Aleafia Health shall provide to the Purchaser confirmation of the registered owner of each of the domains listed in Schedule 1.1(B) attached hereto.
- (l) If Purchaser is the Successful Bidder, at the request of the Purchaser, the Companies shall proceed with the liquidation, winding-up, dissolution and/or amalgamation of any of the Purchased Entities designated by the Purchaser on or prior to the Closing Date.

9.5 Tax Matters

- (a) The Purchaser, the Purchased Entities and Aleafia Health agree to furnish or cause to be furnished to each other, as promptly as practicable, such information

and assistance relating to the Purchased Shares, the Purchased IP and the Retained Liabilities as is reasonably necessary for the preparation and filing of any Tax Return, claim for refund or other required filings relating to Tax matters, for the preparation for and proof of facts during any Tax audit, for the preparation for any Tax protest, for the prosecution of any suit or other proceedings relating to Tax matters and for the answer to any governmental or regulatory inquiry relating to Tax matters. Purchaser, each of the Purchased Entities and Aleafia Health also agree to furnish or cause to be furnished to each other, as promptly as practicable, such information and assistance relating to the Purchased Entities, the Purchased Shares, the Purchased IP and the Retained Liabilities as is reasonably necessary for Purchaser to acquire them in a tax efficient manner for both the Purchaser and the Purchased Entities.

- (b) Purchaser, each of the Purchased Entities and Aleafia Health shall each be responsible for the preparation of their own statements required to be filed under the Tax Act, the ETA, the EA and other Tax forms and returns in accordance with Applicable Law.
- (c) For all purposes under this Agreement for which it is necessary to apportion Taxes in a period which includes (but does not end on) the Closing Date (a “**Straddle Period**”), all real property Taxes, personal property Taxes and similar ad valorem obligations shall be apportioned between the period up to and including the Closing Date (such portion of such Straddle Period, the “**Pre-Closing Straddle Tax Period**”) and the taxable period after the Closing Date (such portion of such Straddle Period, the “**Post-Closing Straddle Tax Period**”), on a per diem basis. Except as otherwise provided herein, with respect to the Purchased Shares, each applicable Purchased Entity shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Pre-Closing Straddle Tax Period, and the Purchaser shall be liable for the proportionate amount of such real property Taxes, personal property Taxes and similar ad valorem obligations that are attributable to the Post-Closing Straddle Tax Period. For all purposes under this Agreement, in the case of any Tax based upon or related to receipts, sales, use, payroll, or withholding, in respect of any Straddle Period, the portion of such Tax allocable to the Pre-Closing Straddle Tax Period shall be deemed to be the amount that would be payable if the relevant Straddle Period ended on and included the Closing Date. To the extent such closing of the books method is not incorporated under the law of a jurisdiction for particular types of entities, allocations of income among the periods shall be made to replicate the closing of the books method to the maximum extent possible.
- (d) The Purchaser shall (a) cause each Purchased Entity, as applicable, to prepare, or cause to be prepared, and file, or cause to be filed, all Tax Returns for each Purchased Entity for all Tax periods ending on or prior to the Closing Date and for which Tax Returns have not been filed as of such date; and (b) cause each Purchased Entity, as applicable, to duly and timely make or prepare all Tax Returns required to be made or prepared by them and to duly and timely file all Tax Returns required to be filed by them for periods beginning before and ending after the Closing Date. All such Tax Returns in clauses (a) and (b) of this Section 9.5(d) constitute the “**Straddle Period Tax Returns**”. Each Company, Purchased Entity, the Monitor and the Purchaser shall co-operate reasonably

with each other and make available to each other in a timely fashion such data and other information as may reasonably be required for the preparation of any Straddle Period Tax Return and the Purchaser shall preserve (or cause the applicable Purchased Entities to preserve) such data and other information until the expiration of any applicable limitation period under Applicable Law with respect to Taxes. The Purchaser will use commercially reasonable best efforts to provide drafts of all Straddle Period Tax Returns required to be prepared by the Purchaser or the Purchased Entities to the then remaining Applicants and the Monitor in advance of their filing with the relevant Taxing Authority. The Purchaser, the then remaining Applicants and the Monitor shall, subject only to Applicable Law, cooperate in considering any amendments to such Tax Returns as the then remaining Applicants and the Monitor may request. The Purchaser shall, unless otherwise agreed to by the then remaining Applicants and the Purchaser in writing, cause each Purchased Entity to make an election pursuant to subsection 256(9) of the Tax Act in respect of the taxation year ending as a result of the acquisition of control of it by the Purchaser.

9.6 Employee Matters

- (a) The Purchaser may, in as many separate instances as it may require, notify the Companies that the Purchaser wishes to interview any employees or contractors or consultants of the Purchased Entities, and upon receipt of a request thereof, the Companies will use all commercially reasonable efforts to facilitate such interviews as soon as reasonably practicable. The Purchaser may, but is not obligated to, in the name of the applicable Purchased Entity, make conditional (upon Closing) continued or new (as applicable) offers of employment on such terms as it may determine in its absolute and sole discretion.
- (b) The Purchaser shall make commercially reasonable efforts to make such offers in writing on or prior to the date that is ten (10) days prior to the anticipated Closing Date, provided that such offers shall be made no later than ~~five~~six (~~5~~6) days prior to the anticipated Closing Date, and leave such offers open for acceptance up to and including ~~one~~two (~~1~~2) ~~day~~days prior to the Closing Date, provided that the Purchaser notifies the Companies, in writing, on or prior to the date that is ~~five~~six (~~5~~6) days prior to the anticipated Closing Date, of the list of individuals to whom it has made or intends to make offers of employment.
- (c) In the event:
 - (i) no conditional offer of employment is made to an employee of the Purchased Entities; or
 - (ii) an employee who receives an offer of employment rejects such offer in writing or fails to accept such offer of employment up to and including two (2) days prior to the Closing Date,

such employee shall be deemed to be a "Terminated Employee" and the applicable Purchased Entity shall terminate such Terminated Employee effective upon the Closing Date.

9.7 Administrative Expense Amount

- (a) On the Closing Date, the Administrative Expense Amount shall be paid to the Monitor, which the Monitor shall hold for the benefit of Persons entitled to be paid the Administrative Expense Costs.
- (b) From time to time after the Closing Date, the Monitor may pay, from the Administrative Expense Amount, the Administrative Expense Costs, in each case to the Persons entitled to receive payment of these amounts, in its sole discretion and without further authorization from the Purchased Entities or Purchaser. Any unused portion of the Administrative Expense Amount after payment or reservation for all Administrative Expense Costs, as determined by the Monitor, in its sole discretion, shall be transferred by the Monitor to the Purchaser, or as directed by it.
- (c) Notwithstanding the foregoing or anything else contained herein or elsewhere, each of the Companies, Aleafia Health and the Purchaser acknowledges and agrees that: (i) the Monitor's obligations under this Agreement are and shall remain limited to those specifically set out in this Section 9.7; and (ii) Monitor is acting solely in its capacity as the CCAA Court-appointed Monitor of the Applicants pursuant to the Initial Order and not in its personal or corporate capacity, and the Monitor has no liability in connection with this Agreement whatsoever, in its personal or corporate capacity or otherwise, save and except for and only to the extent of the Monitor's gross negligence or intentional fault.
- (d) The Parties acknowledge that the Monitor may rely upon the provisions of this Section 9.7 notwithstanding that the Monitor is not a party to this Agreement.

The provisions of Sections 9.7(c) and (d) above shall survive the termination or non-completion of the transactions contemplated by this Agreement.

ARTICLE 10 INSOLVENCY PROVISIONS

10.1 Court Orders and Related Matters

- (a) From and after the date of this Agreement and until the Closing Date, the Companies and Aleafia Health shall deliver to the Purchaser drafts of any and all pleadings, motions, notices, statements, applications, schedules, and other papers to be filed or submitted by any of the Applicants in connection with or related to this Agreement, including with respect to the Approval and Vesting Order, for Purchaser's prior review at least two (2) days in advance of service and filing of such materials (or where circumstances make it impracticable to allow for two (2) days' review, with as much opportunity for review and comment as is practically possible in the circumstances). Each of the Companies and Aleafia Health acknowledge and agree (i) that any such pleadings, motions, notices, statements, applications, schedules, or other papers shall be in form and substance satisfactory to the Purchaser, acting reasonably, and (ii) to consult and cooperate with Purchaser regarding any discovery, examinations and hearing in respect of any of the foregoing, including the submission of any evidence, including witnesses testimony, in connection with such hearing.

- (b) Notice of the motions seeking the issuance of the Approval and Vesting Order shall be served or be caused to be served by the Applicants on all Persons required to receive notice under Applicable Law and the requirements of the CCAA, the CCAA Court, and any other Person determined necessary by the Applicants or Purchaser, acting reasonably.
- (c) As soon as practicable if Purchaser is selected or deemed to be the Successful Bidder in accordance with the SISP, the Applicants shall file a motion seeking the issuance of the Approval and Vesting Order.
- (d) Notwithstanding any other provision herein, it is expressly acknowledged and agreed that in the event that the Approval and Vesting Order has not been issued and entered by the CCAA Court by October ~~17~~27, 2023 or such later date agreed to in writing by the Purchaser, acting reasonably, Purchaser, may terminate this Agreement.
- (e) If the Approval and Vesting Order relating to this Agreement is appealed or a motion for leave to appeal, rehearing, reargument or reconsideration is filed with respect thereto, each of the Applicants agree (subject to the available liquidity of each of the Applicants) to take all action as may be commercially reasonable and appropriate to defend against such appeal, petition or motion.
- (f) Each of the Companies and Aleafia Health acknowledge and agree, that the Approval and Vesting Order shall provide that, on the Closing Date and concurrently with the Closing, the Purchased Shares and the Purchased IP shall be transferred to the Purchaser free and clear of all Encumbrances, other than Permitted Encumbrances.

ARTICLE 11 TERMINATION

11.1 Termination

This Agreement may be terminated at any time prior to Closing as follows:

- (a) by mutual written consent of each of the Companies, Aleafia Health and the Purchaser;
- (b) by the Purchaser or the Companies and Aleafia Health, if (i) this Agreement is not the Successful Bid or the Back-up Bid (as determined pursuant to the SISP); or (ii) this Agreement is the Back-up Bid and the transaction contemplated by the Successful Bid is closed;
- (c) by the Purchaser or the Companies and Aleafia Health, if Closing has not occurred on or before November 22, 2023 or such later date agreed to by each of the Companies, Aleafia Health and the Purchaser in writing in consultation with the Monitor (the "**Outside Date**"), provided that the terminating Party is not in breach of any representation, warranty, covenant or other agreement in this Agreement which would prevent the satisfaction of the conditions in Article 7 by the Outside Date;

- (d) by the Purchaser or the Companies and Aleafia Health, if at any time after the date hereof any of the conditions in Article 7 is not capable of being satisfied by the applicable dates required in Article 7 of this Agreement or if not otherwise required, by the Outside Date;
- (e) by the Purchaser, pursuant to Section 10.1(d);
- (f) by the Purchaser, upon the appointment of a receiver, trustee in bankruptcy or similar official in respect of any Applicant or any of the property of any Applicant, other than with the prior written consent of the Purchaser;
- (g) by the Purchaser or the Companies and Aleafia Health, upon the termination, dismissal or conversion of the CCAA Proceedings;
- (h) by the Purchaser or the Companies and Aleafia Health, upon dismissal of the motion for the Approval and Vesting Order (or if any such order is stayed, vacated or varied without the consent of the Purchaser);
- (i) by the Purchaser or the Companies and Aleafia Health, if a court of competent jurisdiction, including the CCAA Court or other Governmental Authority has issued an Order or taken any other action to restrain, enjoin or otherwise prohibit the consummation of Closing and such Order or action has become a Final Order;
- (j) by the Companies and Aleafia Health, if there has been a material violation or breach by the Purchaser of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.3, as applicable, by the Outside Date, and such violation or breach has not been waived by the Companies and Aleafia Health, or cured by the Purchaser within ten (10) Business Days after written notice thereof from the Companies and Aleafia Health, unless any Company or Aleafia Health is in material breach of its obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.2, as applicable, by the Outside Date; and
- (k) by the Purchaser, if there has been a material violation or breach by any of the Companies or Aleafia Health of any covenant, representation or warranty which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.2, as applicable, by the Outside Date, and such violation or breach has not been waived by the Purchaser, or cured by the applicable Company and/or Aleafia Health within ten (10) Business Days after written notice thereof from the Purchaser, unless the Purchaser is in material breach of its obligations under this Agreement which would prevent the satisfaction of the conditions set forth in Section 7.1 or Section 7.3, as applicable, by the Outside Date.

The Party desiring to terminate this Agreement pursuant to this Section 11.1 (other than pursuant to Section 11.1(a)) shall give written notice of such termination to the other Party or Parties, as applicable, specifying in reasonable detail the basis for such Party's exercise of its termination rights.

11.2 Effect of Termination

In the event of termination of this Agreement pursuant to Section 11.1, this Agreement shall become void and of no further force or effect without liability of any Party to any other Party to this Agreement except that: (i) Section 9.1, Sections 9.7(c) and 9.7(d), this Section 11.2, Section 13.1, Section 13.3, Section 13.5, Section 13.6, Section 13.7 and Section 13.8 shall survive; and (ii) no termination of this Agreement shall relieve any Party of any liability for any wilful breach by it of this Agreement, or impair the right of any Party to compel specific performance by any other Party of its obligations under this Agreement in accordance with Section 13.3.

ARTICLE 12 CLOSING

12.1 Location and Time of the Closing

The Closing shall take place at the Closing Time on the Closing Date at the offices of Gowling WLG (Canada) LLP in Toronto, or at such other location as may be agreed upon by the Parties.

12.2 Companies' Deliveries at Closing

At Closing, each of the Companies and Aleafia Health, as applicable, shall deliver to the Purchaser the following:

- (a) a true copy of each of the Approval and Vesting Order and the SISP Order, each of which shall be final;
- (b) a certificate of a senior officer or director of each of the Companies and Aleafia Health (in such capacity and without personal liability) in form and substance reasonably satisfactory to the Purchaser: (i) certifying that the board of directors of the applicable Company and Aleafia Health, has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (ii) certifying as to the incumbency and signatures of the officers and directors of the applicable Company and Aleafia Health;
- (c) the certificates contemplated by Section 7.2(c);
- (d) confirmation of the due incorporation and organization of Residual Co. on the terms set forth herein;
- (e) evidence of completion of the Implementation Steps;
- (f) evidence of the filing of the Articles of Amendment, as applicable;
- (g) executed copy of the IP Assignment Agreement; and
- (h) all other documents as reasonably requested by the Purchaser in good faith.

12.3 Purchaser's Deliveries at Closing

At Closing, the Purchaser shall deliver to the Companies and Aleafia Health or, in the case of the amount described in 11.3(b), to the Monitor:

- (a) the Credit Bid Releases;
- (b) the Cash Consideration;
- (c) a certificate of a senior officer or director of the Purchaser (in such capacity and without personal liability), in form and substance reasonably satisfactory to the Companies and Aleafia Health: (i) certifying that the board of directors has adopted resolutions (in a form attached to such certificate) authorizing the execution, delivery and performance of this Agreement and the transactions contemplated herein, as applicable, which resolutions are in full force and effect and have not been superseded, amended or modified as of the Closing Date; and (ii) certifying as to the incumbency and signature of the authorized signatory of the Purchaser executing this Agreement and the other transaction documents contemplated herein, as applicable;
- (d) the certificate contemplated by Section 7.3(c); and
- (e) all other documents required to effect to the transaction contemplated by this Agreement, as reasonably requested by the Companies and / or Aleafia Health in good faith.

12.4 Monitor

When all conditions to Closing set out in Article 7 have been satisfied and/or waived by the Companies, Aleafia Health or the Purchaser, as applicable, the Companies, Aleafia Health and the Purchaser, or their respective counsel, shall each deliver to the Monitor written confirmation, in form and substance satisfactory to the Monitor, that all conditions to Closing have been satisfied or waived, subject to the Monitor's delivery of the Monitor's Certificate to the Purchaser in accordance with the Approval and Vesting Order. Upon receipt of such written confirmation, the Monitor shall: (i) issue forthwith its Monitor's Certificate in accordance with the Approval and Vesting Order; and (ii) file as soon as practicable a copy of the Monitor's Certificate with the CCAA Court (and shall provide a true copy of such filed certificate to each of the Companies, Aleafia Health and the Purchaser). The Parties hereby acknowledge and agree that the Monitor will be entitled to file the Monitor's Certificate with the CCAA Court without independent investigation upon receiving written confirmation from the Companies, Aleafia Health and the Purchaser that all conditions to Closing have been satisfied or waived, and the Monitor will have no liability whatsoever to any of the Companies, Aleafia Health or Purchaser or any other Person as a result of filing the Monitor's Certificate.

12.5 Simultaneous Transactions

All actions taken and transactions consummated at the Closing shall be deemed to have occurred in the manner and sequence set forth in the Implementation Steps and the Approval and Vesting Order (subject to the terms of any escrow agreement or arrangement among the Parties relating to the Closing), and no such transaction shall be considered consummated unless all are consummated.

12.6 Further Assurances

As reasonably required by a Party in order to effectuate the transactions contemplated by this Agreement, Purchaser and each of the Applicants shall execute and deliver at (and after) the Closing such other documents, and shall take such other actions, as are necessary or appropriate, to implement and make effective the transactions contemplated by this Agreement.

ARTICLE 13 GENERAL MATTERS

13.1 Confidentiality

After the Closing Time, the remaining Applicants shall maintain the confidentiality of all confidential information relating to the Business and the Purchased Entities, except any disclosure of such information and records as may be required by Applicable Law. If any remaining Applicant, or any of their respective representatives, becomes legally compelled by deposition, interrogatory, request for documents, subpoena, civil investigative demand, or similar judicial or administrative process, to disclose any such information, such party shall, or shall cause its representative to, provide the Purchaser with reasonably prompt prior oral or written notice of such requirement (including any report, statement, testimony or other submission to such Governmental Authority) to the extent legally permissible and reasonably practicable, and cooperate with Purchaser, at Purchaser's expense, to obtain a protective order or similar remedy to cause such information not to be disclosed; provided that in the event that such protective order or other similar remedy is not obtained, the applicable Applicant shall, or shall cause its representative to, furnish only that portion of such information that has been legally compelled, and shall, or shall cause such representative to, exercise its commercially reasonable efforts to obtain assurance that confidential treatment will be accorded to such disclosed information. The remaining Applicants shall instruct their representatives having access to such information of such obligation of confidentiality and shall be responsible for any breach of the terms of this Section 13.1 by any of their representatives.

13.2 Public Notices

No press release or other announcement concerning the transactions contemplated by this Agreement shall be made by any of the Applicants or Purchaser without the prior consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed); provided, however, that subject to the last sentence of this Section 13.2, any Party may, without such consent, make such disclosure if the same is required by Applicable Law (including the CCAA Proceedings) or by any stock exchange on which any of the securities of such Party or any of its Affiliates are listed, or by any insolvency or other court or securities commission, or other similar Governmental Authority having jurisdiction over such Party or any of its Affiliates, and, if such disclosure is required, the Party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other Party to the extent legally permissible and reasonably practicable, and if such prior notice is not legally permissible or reasonably practicable, to give such notice reasonably promptly following the making of such disclosure. Notwithstanding the foregoing: (i) this Agreement may be filed by either Party, as applicable: (A) with the CCAA Court; and (B) on their respective profiles on www.sedarplus.ca; and (ii) the transactions contemplated in this Agreement may be disclosed by the Companies and Aleafia Health to the CCAA Court. The Parties further agree that:

- (a) the Monitor may prepare and file reports and other documents with the CCAA Court containing references to the transactions contemplated by this Agreement and the terms of such transactions; and

- (b) the Applicants, the Purchaser and their respective professional advisors may prepare and file such motions, affidavits, materials, reports and other documents with the CCAA Court containing references to the transactions contemplated by this Agreement and the terms of such transactions as may reasonably be necessary to complete the transactions contemplated by this Agreement or to comply with their obligations in connection therewith.

Purchaser shall be afforded an opportunity to review and comment on such materials prior to their filing; provided in the case of reports or other documents prepared or to be filed by the Monitor with the CCAA Court the Purchaser shall be entitled to review only factual information contained therein relating to the terms of the transactions contemplated in this Agreement. The Parties may issue a joint press release announcing the execution and delivery of this Agreement, in form and substance mutually agreed to them.

13.3 Injunctive Relief

- (a) The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to seek specific performance, injunctive and other equitable relief to prevent breaches or threatened breaches of this Agreement, and to enforce compliance with the terms of this Agreement, without any requirement for the securing or posting of any bond in connection with the obtaining of any such specific performance, injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.
- (b) Each Party hereby agrees not to raise any objections to the availability of the equitable remedies provided for herein and the Parties further agree that by seeking the remedies provided for in this Section 13.3, a Party shall not in any respect waive its right to seek any other form of relief that may be available to a Party under this Agreement.
- (c) Notwithstanding anything herein to the contrary herein, under no circumstances shall a Party be permitted or entitled to receive both monetary damages and specific performance and election to pursue one shall be deemed to be an irrevocable waiver of the other.

13.4 Survival

None of the representations, warranties, covenants (except the covenants in Article 2, Article 3, Article 13 and Sections 9.2(b), and 9.5 to the extent they are to be performed after the Closing) of any of the Parties set forth in this Agreement, in any Closing Document to be executed and delivered by any of the Parties (except any covenants included in such Closing Documents, which, by their terms, survive Closing) or in any other agreement, document or certificate delivered pursuant to or in connection with this Agreement or the transactions contemplated hereby shall survive the Closing.

13.5 Non-Recourse

No past, present or future director, officer, employee, incorporator, member, partner, security holder, Affiliate, agent, lawyer or representative of the respective Parties, in such capacity, shall have any liability for any obligations or liabilities of the Purchaser, either of the Companies or Aleafia Health, as applicable, under this Agreement, or for any causes of action based on, in respect of or by reason of the transactions contemplated hereby.

13.6 Assignment; Binding Effect

No Party may assign its right or benefits under this Agreement without the consent of each of the other Parties, except that without such consent Purchaser may, upon prior notice to each of the Companies and Aleafia Health, assign this Agreement, or any or all of its rights and obligations hereunder, to one or more of its Affiliates; provided that no such assignment or direction shall relieve Purchaser or RWB of its obligations hereunder, including with respect to the Guaranteed Obligations. This Agreement shall be binding upon and enure to the benefit of the Parties and their respective permitted successors and permitted assigns. Although not Parties to this Agreement, the Monitor and its respective Affiliates and advisors shall have the benefits expressed to be conferred upon them in this Agreement, including in Article 6, Section 9.7 and Section 12.4 (in respect of the Monitor) hereof. Subject to the preceding sentence, nothing in this Agreement shall create or be deemed to create any third Person beneficiary rights in any Person not a Party to this Agreement.

13.7 Notices

Any notice, request, demand or other communication required or permitted to be given to a Party pursuant to the provisions of this Agreement will be in writing and will be effective and deemed given under this Agreement on the earliest of: (i) the date of personal delivery; (ii) the date of transmission by email, with confirmed transmission and receipt (if sent during normal business hours of the recipient, if not, then on the next Business Day); (iii) two (2) days after deposit with a nationally-recognized courier or overnight service such as Federal Express; or (iv) five (5) days after mailing via certified mail, return receipt requested. All notices not delivered personally or by email will be sent with postage and other charges prepaid and properly addressed to the Party to be notified at the address set forth for such Party:

(a) If to the Purchaser at:

RWB (PV) CANADA INC.
c/o Red White & Bloom Brands Inc.
789 West Pender Street, Suite 810
Vancouver, British Columbia
V6C 1H2

Attention: Eddie Mattei
Email: eddie.mattei@redwhitebloom.com

and to:

Gowling WLG (Canada) LLP
1 First Canadian Place
100 King Street West, Suite 1600

Toronto, ON M5X 1G5

Attention: Virginie Gauthier, Kate Yurkovich
Email: virginie.gauthier@gowlingwlg.com;
kate.yurkovich@gowlingwlg.com

(b) If to the Companies and Aleafia Health at:

Aleafia Health Inc.
c/o Aird & Berlis LLP
Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Canada
M5J 2T9

Attention: Tricia Symmes / Mike Paris
Email: triciasymmes@AleafiaHealth.com / mikeparis@aleafiahealth.com

and to:

Aird & Berlis LLP
Brookfield Place, 181 Bay Street, Suite 1800
Toronto, Canada
M5J 2T9

Attention: Kyle Plunkett
Email: kplunkett@airdberlis.com

and to:

KSV Restructuring Inc.
222 Bay Street, 13th Floor
Toronto ON M5J 2W4

Attention: Noah Goldstein
Email: ngoldstein@ksvadvisory.com

Any Party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice shall be sent to such Party at its changed address.

13.8 Counterparts; Electronic Signatures

This Agreement may be signed in counterparts and each of such counterparts shall constitute an original document and such counterparts, taken together, shall constitute one and the same instrument. Execution of this Agreement may be made by electronic signature which, for all purposes, shall be deemed to be an original signature.

[Signature pages to follow]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ALEAFIA HEALTH INC.

Per:
Name:
Title:
I have the authority to bind the corporation.

EMBLEM CANNABIS CORPORATION

Per:
Name:
Title:
I have the authority to bind the corporation.

CANABO MEDICAL CORPORATION

Per:
Name:
Title:
I have the authority to bind the corporation.

~~ALEAFIA FARMS INC.~~

~~Per:~~

~~Name:~~

~~Title:~~

~~I have the authority to bind the corporation.~~

ALEAFIA RETAIL INC.

Per:

Name:

Title:

I have the authority to bind the corporation.

RWB (PV) CANADA INC.

Per:

Name:

Title:

I have the authority to bind the corporation.

**RED WHITE & BLOOM BRANDS INC., solely
for the purposes of Section 5.6, Article 8
and Article 13 herein**

Per:

Name:

Title:

I have the authority to bind the corporation.

**SCHEDULE 1.1(A)
PERMITTED ENCUMBRANCES**

REAL PROPERTY

REAL PROPERTY GENERAL ENCUMBRANCES

With respect to the Grimsby Property, Scugog Property and Paris Property (together “the Property”, and each a “Property”):

1. The reservations, limitations, provisos and conditions expressed in the original grant from the Crown.
2. Any registered or unregistered easements, servitudes, rights-of-way, licences, or restrictions, in favour of any governmental authority or public utility, that run with the land and other encumbrances and/or agreements with respect thereto including, without limiting the generality of the foregoing, easements, rights-of-way and agreements for sewers, drains, gas and water mains or electric light and power or telephone, telecommunications or cable conduits, poles, wires and cables).
3. Any encroachments, minor defects or irregularities indicated on any survey of the Property;
4. Any subdivision agreements, site plan agreements, development agreements and any other agreements with the municipality, region, publicly regulated utilities or other governmental authorities having jurisdiction registered on title to the Property.

SPECIFIC ENCUMBRANCES

Grimsby Property

- Instrument No. RO437966 registered on October 15, 1981 and being an Agreement re: Easement to The Corporation of the Town of Grimsby.
- Instrument No. NR529869 registered on December 12, 2019 and being a Transfer Easement for Aleafia Farms Inc. to Grimsby Power Incorporated.
- Instrument No. NR262008 registered on February 16, 2011 and being a Bylaw for Public Highway from The Regional Municipality of Niagara.
- Instrument No. NR384106 registered on June 19, 2015 and being a Notice from The Corporation of the Town of Grimsby.

Scugog Property

- Instrument No. N32525 registered on March 13, 1967 and being an Order designating areas of subdivision control under The Planning Act.
- Instrument No. DR685199 registered on February 4, 2008 and being an Application (General) amending the legal description from Audrey Gwendoline Metcalf.

Paris Property

- Instrument No. A331750 registered on August 13, 1987 and being an Agreement to the Town of Paris.
 - Instrument No. A462029 registered on September 25, 1995 and being an Agreement re: Site Plan to Town of Paris.
 - Instrument No. LT22629 registered on June 18, 2001 and being a Notice Agreement from The Corporation of the County of Brant.
 - Instrument No. LT22633 registered on June 18, 2001 and being a Notice Agreement from The Corporation of the County of Brant.
 - Instrument No. BC3838 registered on September 20, 2002 and being a Notice Agreement from The Corporation of the County of Brant.
- Instrument No. BC328156 registered on November 7, 2017 and being a Notice from Emblem Cannabis Corporation to The Corporation of the County of Brant.

PERSONAL PROPERTY

Aleafia Farms

- Security interests granted to Kubota Canada Ltd. in connection with the PPSA registration(s) bearing Reference File No(s).770485293 and 772809228
- Security interest granted to Linde Canada Inc. in connection with PPSA registration bearing Reference File No. 770909499



ECC




- Security interest granted to Evoqua Water Technologies Ltd. in connection with PPSA registration bearing Reference File No. 718574319
- Security interests granted to Ryder Material Handling ULC and Crown Lift Trucks ULC in connection with PPSA registration(s) bearing Reference File No(s). 762028083 and 787871862



**SCHEDULE 1.1(b)
INTELLECTUAL PROPERTY**




Canadian Trademark Applications and Registrations



Date of Search: July 21, 2023

No	Mark	Details
Aleafia Health Inc.		
1	ALEAFIA HEALTH SCIENCE SEEDING WELLNESS Design 	Reg No.: TMA1109543 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
2	N&N Design 	App No.: 2148922 Status: FORMALIZED Filing Date: 2021-11-22 Owner: Aleafia Health Inc.
3	NITH & GRAND	App No.: 2079596 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.

No	Mark	Details
4	Leaf Design 	Reg No.: TMA1109544 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
5	ALEAFIA	Reg No.: TMA1095537 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
6	ALEAFIA MEDICAL CANNABIS CARE Design 	Reg No.: TMA1095540 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
7	ALEAFIA MEDICAL CANNABIS CARE	Reg No.: TMA1095541 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
8	ALEAFIA Design 	Reg No.: TMA1095539 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.

No	Mark	Details
9	A Design 	Reg No.: TMA1095538 Status: REGISTERED Reg. Date: 2021-03-11 Owner: Aleafia Health Inc.
10	NOON & NIGHT	App No.: 2081049 Status: FORMALIZED Filing Date: 2021-01-29 Owner: Aleafia Health Inc.
11	SUNDAY MARKET	App No.: 2079600 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.
12	WELL & NESS	App No.: 1947909 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
13	ALEAFIA HEALTH Design 	Reg No.: TMA1109545 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
14	DIVVY	App No.: 2079598 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.

No	Mark	Details
15	Icon Design 	App No.: 1947908 Status: SEARCHED Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
16	KESARA WELLNESS Design 	App No.: 1947907 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
17	FOLIEDGE ACADEMY Design 	App No.: 1947904 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
18	DIVVY CANNABIS CO.	App No.: 2079599 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.
19	BOGART'S KITCHEN	App No.: 2079597 Status: FORMALIZED Filing Date: 2021-01-25 Owner: Aleafia Health Inc.
20	WE GROW TOGETHER	App No.: 1962713 Status: FORMALIZED Filing Date: 2019-05-14 Owner: Aleafia Health Inc.

No	Mark	Details
21	SCIENCE SEEDING WELLNESS	App No.: 1962712 Status: FORMALIZED Filing Date: 2019-05-14 Owner: Aleafia Health Inc.
22	W & N	App No.: 1947910 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
23	Crest Design 	App No.: 1947905 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
24	NITH & GRIND	Reg No.: TMA1179414 Status: REGISTERED Reg. Date: 2023-05-10 Owner: Aleafia Health Inc.
25	ALEAFIA CAMPUS Design 	Reg No.: TMA1109542 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
26	ALEAFIA CAMPUS	Reg No.: TMA1109541 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.
27	ALEAFIA HEALTH	Reg No.: TMA1109546 Status: REGISTERED Reg. Date: 2021-09-15 Owner: Aleafia Health Inc.

No	Mark	Details
28	everso	App No.: 1962492 Status: FORMALIZED Filing Date: 2019-05-13 Owner: Aleafia Health Inc.
29	KESARA WELLNESS	App No.: 1947906 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.
30	FOLIEDGE ACADEMY	App No.: 1947903 Status: DEFAULT Filing Date: 2019-02-25 Owner: Aleafia Health Inc.

Foreign Trademark Applications and Registrations

Date of Search: July 21, 2023

No	Mark	Details
Aleafia Health Inc.		
31	A ALEAFIA HEALTH SCIENCE SEEDING WELLNESS	Jurisdiction: Australia Reg No.: 2010171 Status: REGISTERED Reg. Date: 2019-05-17 Owner: Aleafia Health Inc.
32	ALEAFIA HEALTH	Jurisdiction: Australia Reg No.: 2010170 Status: REGISTERED Reg. Date: 2019-05-17 Owner: Aleafia Health Inc.
33	everso	Jurisdiction: Australia Reg No.: 2009082 Status: REGISTERED Reg. Date: 2019-05-14 Owner: Aleafia Health Inc.
34	everso	Jurisdiction: Germany Reg No.: 302019011831 Status: REGISTERED Reg. Date: 2019-08-28 Owner: Aleafia Health Inc.

No	Mark	Details
35	ALEAFIA HEALTH	Jurisdiction: Germany Reg No.: 302019012527 Status: REGISTERED Reg. Date: 2019-10-24 Owner: Aleafia Health Inc.
36	Aleafia Health SCIENCE SEEDING WELLNESS	Jurisdiction: Germany Reg No.: 302019012528 Status: REGISTERED Reg. Date: 2019-10-24 Owner: Aleafia Health Inc.
37	FOLIEDGE ACADEMY	Jurisdiction: Germany Reg No.: 302019019962 Status: REGISTERED Reg. Date: 2021-08-25 Owner: Aleafia Health Inc.
38		Jurisdiction: Germany Reg No.: 302019020063 Status: REGISTERED Reg. Date: 2021-08-09 Owner: Aleafia Health Inc.
39	FOLIEDGE ACADEMY	Jurisdiction: Germany Reg No.: 302019020134 Status: REGISTERED Reg. Date: 2021-08-05 Owner: Aleafia Health Inc.

DOMAINS

Domain Name	Status	Expiration Date	Auto-renew	Lock	Nameservers
aleafia.ca	Active	2022-10-13	On	Locked	ns63.domaincontrol.com ns64.domaincontrol.com
aleafia.health	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafia.me	Active	2023-01-30	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.ca	Active	2022-10-15	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
aleafiahealth.com	Active	2022-03-27	On	Locked	ns-797.awsdns-35.net ns-1036.awsdns-01.org ns-1759.awsdns-27.co.uk ns-481.awsdns-60.com

aleafiahealth.info	Active	2023-01-3 0	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.life	Active	2023-01-3 0	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.me	Active	2023-01-3 0	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.net	Active	2023-01-3 0	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealth.org	Active	2023-01-3 0	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
aleafiahealthinc.ca	Active	2022-10-1 5	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
aleafiahealthinc.com	Active	2022-10-1 5	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
aleafiainc.ca	Active	2022-10-1 3	On	Locked	ns63.domaincontrol.com ns64.domaincontrol.com
aleafiainc.com	Active	2022-01-1 1	On	Locked	ns-1191.awsdns-20.org ns-409.awsdns-51.com ns-1950.awsdns-51.co.uk ns-903.awsdns-48.net
alefiialabs.ca	Active	2023-02-1 5	On	Locked	ns75.domaincontrol.com ns76.domaincontrol.com
alefiiatech.ca	Active	2023-02-1 5	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
alefiiatech.com	Active	2023-02-1 5	On	Locked	ns57.domaincontrol.com ns58.domaincontrol.com
alefiiatechlabs.ca	Active	2023-02-1 5	On	Locked	ns57.domaincontrol.com ns58.domaincontrol.com
alefiiatechlabs.com	Active	2023-02-1 5	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
assurehome.delivery	Active	2023-04-0 3	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
assurehomedelivery.ca	Active	2023-04-0 3	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
assurehomedelivery.com	Active	2023-04-0 3	On	Locked	ns-581.awsdns-08.net ns-1180.awsdns-19.org ns-1927.awsdns-48.co.uk ns-211.awsdns-26.com
asterixx.ca	Active	2022-01-1 5	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.co	Active	2022-01-1 5	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.info	Active	2022-01-1 5	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.net	Active	2022-01-1 5	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
asterixx.org	Active	2022-01-1	On	Locked	ns01.domaincontrol.com

		5			ns02.domaincontrol.com
canabo.ca	Active	2021-08-17	On	Locked	ns-2035.awsdns-62.co.uk ns-108.awsdns-13.com ns-1007.awsdns-61.net ns-1473.awsdns-56.org
canabocorp.com	Active	2022-04-02	On	Locked	ns67.domaincontrol.com ns68.domaincontrol.com
canabomedicalclinic.ca	Active	2022-10-30	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
canabomedicalclinic.com	Active	2021-10-30	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
canabomedicalclinic.org	Active	2021-10-30	On	Locked	ns49.domaincontrol.com ns50.domaincontrol.com
cmclinic.ca	Active	2022-06-03	On	Locked	ns11.domaincontrol.com ns12.domaincontrol.com
cmclinic.org	Active	2022-06-03	On	Locked	ns45.domaincontrol.com ns46.domaincontrol.com
cmclinics.ca	Active	2022-06-03	On	Locked	ns39.domaincontrol.com ns40.domaincontrol.com
cmclinics.org	Active	2022-06-03	On	Locked	ns11.domaincontrol.com ns12.domaincontrol.com
collectivecannabis.ca	Active	2022-09-12	On	Locked	ns75.domaincontrol.com ns76.domaincontrol.com
emblemacademy.ca	Active	2022-07-19	On	Locked	ns69.domaincontrol.com ns70.domaincontrol.com
emblemanswers.ca	Active	2022-10-15	On	Locked	ns63.domaincontrol.com ns64.domaincontrol.com
emblemanswers.com	Active	2022-10-15	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
emblemcan.co	Active	2022-01-15	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
emblemcannabis.ca	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcannabis.com	Active	2022-01-11	On	Locked	aragorn.ns.cloudflare.com lola.ns.cloudflare.com
emblemcannabis.info	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcannabis.net	Active	2022-01-11	On	Locked	ns1.mediatemple.net ns2.mediatemple.net
emblemcannabis.org	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcannabishop.com	Active	2022-01-11	On	Locked	ns09.domaincontrol.com ns10.domaincontrol.com
emblemcorp.com	Active	2021-07-28	On	Locked	ns61.domaincontrol.com ns62.domaincontrol.com
emblemcorp.de	Active	2022-06-2	On	Unlocked	ns81.domaincontrol.com

		1			ns82.domaincontrol.com
emblemexperience.ca	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.com	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.info	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.net	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemexperience.org	Active	2023-03-08	On	Locked	ns43.domaincontrol.com ns44.domaincontrol.com
emblemgermany.com	Active	2022-06-21	On	Locked	ns35.domaincontrol.com ns36.domaincontrol.com
emblemgermany.de	Active	2022-06-21	On	Unlocked	ns81.domaincontrol.com ns82.domaincontrol.com
emblemgermanygmbh.de	Active	2022-06-21	On	Unlocked	ns81.domaincontrol.com ns82.domaincontrol.com
emblemmed.ca	Active	2022-02-09	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
emblemmed.com	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.ca	Active	2022-02-09	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
emblemmedical.co	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.com	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.net	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblemmedical.org	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.ca	Active	2022-02-09	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
emblempharma.co	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.com	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.net	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
emblempharma.org	Active	2022-02-09	On	Locked	ns73.domaincontrol.com ns74.domaincontrol.com
eversocannabis.ca	Active	2021-12-10	On	Locked	ns19.domaincontrol.com ns20.domaincontrol.com
eversocannabis.com	Active	2021-12-10	On	Locked	ns19.domaincontrol.com ns20.domaincontrol.com
eversocannabis.net	Active	2021-12-10	On	Locked	ns19.domaincontrol.com

<u>t</u>		0			ns20.domaincontrol.com
<u>gettangled.ca</u>	Active	2022-02-08	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
<u>gettangled.co</u>	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
<u>gettangled.info</u>	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
<u>gettangled.net</u>	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
<u>gettangled.org</u>	Active	2022-02-08	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
<u>itsjustaplant.ca</u>	Active	2022-04-16	On	Locked	ns59.domaincontrol.com ns60.domaincontrol.com
<u>iwillchangewellness.com</u>	Active	2023-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>kesara.ca</u>	Active	2022-12-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
<u>kesarawellness.ca</u>	Active	2022-12-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
<u>kesarawellness.com</u>	Active	2022-12-20	On	Locked	ns-455.awsdns-56.com ns-859.awsdns-43.net ns-1212.awsdns-23.org ns-1973.awsdns-54.co.uk
<u>kesarawellness.life</u>	Active	2022-12-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
<u>KINDCANN.ORG</u>	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
<u>KINDCANNMM.CA</u>	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
<u>KINDCANNMM.COM</u>	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
<u>KINDMEDICALMARIJUANA.COM</u>	Active	2022-06-08	On	Locked	ns61.domaincontrol.com ns62.domaincontrol.com
<u>KINDMM.CA</u>	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
<u>KINDMM.COM</u>	Active	2025-01-02	On	Locked	ns51.domaincontrol.com ns52.domaincontrol.com
<u>lenustra.com</u>	Active	2022-12-13	On	Locked	ns-1505.awsdns-60.org ns-1774.awsdns-29.co.uk ns-82.awsdns-10.com ns-742.awsdns-28.net
<u>nithandgrand.ca</u>	Active	2022-10-27	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
<u>nithandgrand.com</u>	Active	2022-10-27	On	Locked	ns-1521.awsdns-62.org ns-759.awsdns-30.net ns-1939.awsdns-50.co.uk ns-212.awsdns-26.com

nithandgrand.info	Active	2022-10-2 7	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithandgrand.net	Active	2022-10-2 7	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithandgrand.org	Active	2022-10-2 7	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithgrand.ca	Active	2022-10-2 7	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
nithgrand.com	Active	2022-10-2 7	On	Locked	ns65.domaincontrol.com ns66.domaincontrol.com
revelcannabis.ca	Active	2024-02-2 0	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
revlcannabis.ca	Active	2024-02-2 0	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
revlcannabis.com	Active	2024-02-2 0	On	Locked	ns47.domaincontrol.com ns48.domaincontrol.com
symbl.ca	Active	2022-01-1 5	On	Locked	ns-124.awsdns-15.com ns-1375.awsdns-43.org ns-948.awsdns-54.net ns-1894.awsdns-44.co.uk
symblcannabis.ca	Active	2022-02-1 3	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
symblcannabis.co	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
symblcannabis.com	Active	2022-02-1 3	On	Locked	ns1.mediatemple.net ns2.mediatemple.net
symblcannabis.net	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
symblcannabis.org	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
symbolcannabis.ca	Active	2022-05-0 1	On	Locked	ns25.domaincontrol.com ns26.domaincontrol.com
symbolcannabis.co	Active	2022-05-0 1	On	Locked	ns25.domaincontrol.com ns26.domaincontrol.com
symbolcannabis.com	Active	2022-05-0 1	On	Locked	ns1.mediatemple.net ns2.mediatemple.net
tanglecannabis.ca	Active	2022-02-1 3	On	Locked	ns31.domaincontrol.com ns32.domaincontrol.com
tanglecannabis.co	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
tanglecannabis.com	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
tanglecannabis.net	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
tanglecannabis.org	Active	2022-02-1 3	On	Locked	ns01.domaincontrol.com ns02.domaincontrol.com
thesundaymarket.	Active	2023-01-2	On	Locked	ns49.domaincontrol.com

<u>ca</u>		0			ns50.domaincontrol.com
<u>thesundaymarket.com</u>	Active	2022-07-05	On	Locked	ns-1744.awsdns-26.co.uk ns-865.awsdns-44.net ns-1206.awsdns-22.org ns-228.awsdns-28.com
<u>well-ness.life</u>	Active	2023-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>well-ness.me</u>	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellandness.ca</u>	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellandness.com</u>	Active	2022-08-20	On	Locked	ns27.domaincontrol.com ns28.domaincontrol.com
<u>wellandness.info</u>	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellandness.life</u>	Active	2023-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellandness.me</u>	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellandness.net</u>	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellandness.org</u>	Active	2022-01-08	On	Locked	ns05.domaincontrol.com ns06.domaincontrol.com
<u>wellnext.health</u>	Active	2022-05-21	On	Locked	ns59.domaincontrol.com ns60.domaincontrol.com
<u>wellnext.online</u>	Active	2022-05-21	On	Locked	ns45.domaincontrol.com ns46.domaincontrol.com

SCHEDULE 1.1(C)
SALE AND INVESTMENT SOLICITATION PROCESS

See attached.

**SCHEDULE 2.3
EXCLUDED ASSETS**

- Equity Interests of Aleafia Health and any other Applicants that are not a Purchased Entity.
- [Grimsby Property](#)

SCHEDULE 2.3(C)(D)
EXCLUDED CONTRACTS AND EXCLUDED LEASES

- Any and all of the Applicants' existing directors and officers insurance policies.
- Any and all loan and security documents between any of the Purchased Entities and 126.
- All leases and contracts that will be terminated pursuant to disclaimer notice pursuant to Section 32 CCAA.
- The amended and restated debenture indenture dated as of June 27, 2022 between Aleafia Health and Computershare Trust Company of Canada, as indenture trustee, as supplemented by: (a) the first supplemental indenture providing for the issuance of the 8.50% Series A Secured Convertible Debentures due June 30, 2024, (b) the second supplemental indenture providing for the issuance of the 8.50% Series B Secured Debentures due June 30, 2026 and (c) the third supplemental indenture providing for the issuance of the 8.50% Series C Secured Convertible Debentures due June 30, 2028, and any and all loan and security documents related thereto to which any of the Purchased Entity is a party to.
- The collective bargaining agreement between Canabo Medical Corp., a division of Aleafia Health Inc., as employer, and UNIFOR, Local 597, as union, with a term of September 27, 2022 – December 31, 2024 (as such agreement may have been amended, restated, supplemented or modified from time to time).
- [The Distribution Agreement in respect of cannabis-infused hot sauce products between Emblem Cannabis Corporation, as purchaser, and Heartbeat Hot Sauce Inc., as supplier dated as of August 6, 2021.](#)

**SCHEDULE 2.4
RETAINED LIABILITIES**

- Stub-period post-filing Claims contemplated by the DIP but not paid yet on the Closing Date;
- [The Key Employee Retention Plan as approved in the Ancillary Relief Order granted by the CCAA Court on October 27, 2023](#)

SCHEDULE 2.5 EXCLUDED LIABILITIES

- Intercompany Claims
- Unsecured promissory notes issued to Royal Group Resources Ltd.
- All pre-filing Claims and any liabilities arising from the termination of leases or other contracts.
- All pre-filing Claims, including without limitation any amounts owing in respect of pre-filing excise Tax, GST/ HST.
- All liabilities owing to any Terminated Employees in respect of the termination of employment of such Terminated Employee, including all amounts owing on account of damages in lieu of, statutory notice, termination payments, severance, benefits, bonuses or other compensation or entitlements.
- All liabilities of any of the Companies, the Purchased Entities or Aleafia Health in connection with the amended and restated debenture indenture dated as of June 27, 2022 between Aleafia Health and Computershare Trust Company of Canada, as indenture trustee, as supplemented by: (a) the first supplemental indenture providing for the issuance of the 8.50% Series A Secured Convertible Debentures due June 30, 2024, (b) the second supplemental indenture providing for the issuance of the 8.50% Series B Secured Debentures due June 30, 2026 and (c) the third supplemental indenture providing for the issuance of the 8.50% Series C Secured Convertible Debentures due June 30, 2028, and any and all loan and security documents related thereto to which any of the Purchased Entity is a party to.
- All liabilities of any of the Companies, the Purchased Entities or Aleafia Health to 126.
- Any liabilities or obligations of any of the Companies, the Purchased Entities or Aleafia Health to any customer, including any Governmental Authority, and including any Person owned or controlled by a Governmental Authority, related to or arising out of, any products returned to a Purchased Entity by any such customer, where such liabilities or obligations have arisen or arise in respect of products delivered prior to the Closing Date (an "RTV"). For greater certainty, any Claim (including any set-off right) of a customer, including any Governmental Authority (and including any Person owned or controlled by a Governmental Authority) that has arisen or arises out of an RTV, shall constitute an Excluded Liability transferred to ResidualCo. on Closing and, from and after the Closing Date, shall not be exercised nor valid as against any Purchased Entity, or against any amount owing by such customer to any Purchased Entity, whether or not such amount relates to product supplied prior to, or following, the Closing. Notwithstanding the foregoing, nothing in this paragraph shall reduce, transfer or extinguish any liability or obligation that a Purchased Entity may have following the Closing to repossess and/or destroy any RTV products, at the cost of the Purchaser, if any, and, for certainty, the Monitor, the Applicants (other than, for certainty, the Purchased Entities) and Residual Co. shall have no liability or obligation to repossess or destroy any RTV products or for the costs of the destruction thereof, and all such liabilities and obligations shall not constitute an Excluded Liabilities hereunder.

SCHEDULE 2.8(B)
IMPLEMENTATION STEPS¹

1. If requested by the Purchaser no less than seven (7) days before the Closing Date, the applicable Companies shall obtain director and shareholder approval of the requested amendments to their respective articles as contemplated by the Articles of Amendment and cause such Articles of Amendment to be filed with the applicable Governmental Authority no later than two (2) days prior to the Closing Date.
2. At least three (3) Business Days prior to the Closing Date, the Companies shall form Residual Co. in accordance with the terms contained herein, in form satisfactory to the Purchaser, acting reasonably, and the directors thereof shall not include the directors or related parties of the Purchaser, and no such entity shall be a flow through entity for Canadian or U.S. tax purposes unless approved by the Purchaser.
3. At least one (1) Business Day prior to the Closing Date, the Purchaser and RWB shall have entered into an assignment of indebtedness and security agreement, pursuant to which the Senior Loan Agreement, DIP Facility Term Sheet and all security and ancillary documents granted in favour of RWB in connection with each of the Senior Loan Agreement and DIP Facility Term Sheet shall be assigned to the Purchaser.
4. On the Closing Date, all employees deemed to be Terminated Employees pursuant to Section 9.6 will be terminated by the applicable Purchased Entity.
5. At Closing, the Excluded Assets and the Excluded Liabilities will transferred from the Purchased Entities to Residual Co. and Residual Co. shall assume the Excluded Liabilities in consideration of the transfer of the Excluded Assets.
6. At Closing, the Purchaser will deliver the Purchase Price by delivering the Credit Bid Releases to the Applicants and the Cash Consideration to the Purchased Entities (provided that such Purchase Price shall not be applied until the occurrence of (7), below).
7. The outstanding Equity Interests in the Companies will be cancelled and the Purchaser will subscribe for the Purchased Shares.

¹ The Implementation Steps and the timing thereof are to be developed in accordance with Section 2.8 and are intended to include or reflect the concepts included below.

**SCHEDULE 4.6
SUBSIDIARIES**

	Name	Jurisdiction of Incorporation	Tax Registration Number
1.	Emblem Cannabis Corporation	Federal (Canada)	85070 8975 RC0002
2.	Growwise Heath Limited	Ontario	81060 7390 RC0001
3.	Canabo Medical Corporation	Federal (Canada)	81275 5635 RC0001
4.	Aleafia Farms Inc.	Ontario	88009 9247 RC0001
5.	Aleafia Retail Inc.	Ontario	72490 7688 RC0001
6.	Aleafia Inc.	Ontario	73290 4321 RC0002

Additional Entity

	Name	Jurisdiction of Incorporation
7. 6 -	One Plant (Retail) Corp.	Ontario

SCHEDULE 7.1(D)
TRANSACTION REGULATORY APPROVALS

Any consent, approval and / or grant upon change of control of either of the Companies or any of the Purchased Entities as required under Cannabis Laws. For the purposes hereof “**Cannabis Laws**” shall mean (i) the *Cannabis Licence Act*, 2018, S.O. 2018, c.12, Sched. 2, the *Cannabis Act*, S.C. 2018, c. 16 (Canada), the *Cannabis Control Act*, 2017, S.O. 2017, c. 26, Schedule 1 (Ontario), and any other applicable governing legislation and the regulations thereunder, all as may be amended, supplemented or replaced from time to time and those which regulate the sale or distribution of cannabis (in various forms), cannabinoid product or paraphernalia commonly associated with cannabis and/or related cannabinoid products; and (ii) any and all other applicable provincial or municipal laws or regulations governing the cultivation, manufacture, production, storage, marketing or sale of cannabis that may be in effect from time to time.

53851503.6
53851503.13

Document comparison by Workshare Compare on October 23, 2023 6:09:05 PM

Input:	
Document 1 ID	file:///C:/Users/Yurkovik/Downloads/RWB, Aleafia - Stalking Horse Subscription Agreement (3).docx
Description	RWB, Aleafia - Stalking Horse Subscription Agreement (3)
Document 2 ID	iManage://gowingwlg-mobility-ca.imatege.work/active_ca/58886302/4
Description	#58886302v4<gowingwlg-mobility-ca.imatege.work> - RWB, Aleafia - Amended and Restated Stalking Horse Asset Purchase and Subscription Agreement
Rendering set	Firm Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	139
Deletions	149
Moved from	0
Moved to	0
Style changes	0
Format changes	0
Total changes	288

Appendix “C”

KEY EMPLOYEE RETENTION PLAN

This Key Employee Retention Program (“**KERP**”) sets out the retention plan proposed by Aleafia Health Inc. (the “**Company**”) and its related entities that are party to the restructuring proceedings under the *Companies’ Creditors Arrangement Act* (together with the Company, the “**Applicants**”) on behalf of employees currently employed by the Applicants.

KERP

The primary objective of the proposed KERP is to motivate key employees who are vital to the ongoing operations of the Applicants to continue in their current roles during these challenging times, and to aid in consummation of a transaction through the sale and investment solicitation process (“**SISP**”) approved by the Ontario Superior Court of Justice (Commercial List). The proposed KERP recipients are instrumental to the Applicants’ ongoing stability and the marketing efforts of the Applicants prior to and during the SISP. The KERP has been approved by the Board of Directors of the Company.

Key Employees

A list of key employees can be found in Appendix “A” of this KERP along with the proposed pay-out (the “**Retention Fee**”) to each employee.

The employees selected for this retention program have the skills, knowledge and capabilities to effectively market the Applicants’ business and efficiently continue operations of such during the SISP, thus maximizing the value of the Applicants while working towards either the Stalking Horse Asset Purchase and Subscription Agreement entered into among certain of the Applicants, Red White & Bloom Brands Inc., and RWB (PV) Canada Inc. (the “**RWB Transaction**”), or any other sale, distribution, transfer or other disposition of substantially all of the Applicants’ assets or equity interests to another purchaser pursuant to the SISP (an “**Other Transaction**”). The selected employees have other employment options available to them. They are not replaceable in the near term due to their specialized skills (including that certain of the selected employees are a “Responsible Person” under the *Cannabis Act* (Canada)), knowledge of business operations and the stringent deadlines the Applicants must comply with under the *Companies’ Creditors Arrangement Act* proceedings.

The KERP recipients collectively:

- (i) lead both the day-to-day operations of the Company while overseeing long-term projects and corporate strategy;
- (ii) as the case may be, are designated a Responsible Person for the Applicants’ cannabis licenses;
- (iii) manage the Company’s marketing strategy and monitor market performance and key relationships;
- (iv) manage the internal processes that allow the Company to pay suppliers and employees;
and

- (v) have operational and legacy knowledge required to maintain going-concern stability during the SISP.

The proposed KERP provides the Retention Fee based on the individual's position, base salary and relative impact and value to the business. The Company believes that the proposed KERP properly incentivizes the key employees as it demonstrates the Company's ability to reward employees financially and senior management's commitment to the future of the Company.

Terms of Payment:

The Retention Fee is structured as follows, depending on the type of transaction entered into:

- (i) under the RWB Transaction, fifty percent (50%) of the Retention Fee shall be earned and payable by the Company on the Closing Date (as defined below), and the balance of the Retention Fee shall be earned and payable on December 31, 2023 (the "**Payout Date**"); or
- (ii) under an Other Transaction, the full amount of the Retention Fee shall be earned and payable by the Company on the Closing Date (as defined below).

The KERP and the Retention Fee is subject to the following terms and conditions:

1. The KERP is conditional upon the closing of the RWB Transaction or the closing of an Other Transaction (the date of either such closing, a "**Closing Date**");
2. Subject to paragraph 3 below, the employee must remain employed in their current position (or as otherwise assigned by the Company) through to a Closing Date, to be eligible to receive on the Closing Date: (i) in the case of the RWB Transaction, 50% of the Retention Fee, or (ii) in the case of an Other Transaction, the full Retention Fee. In the case of the RWB Transaction, an employee must remain employed in the current position through to the Payout Date to be eligible to receive the remaining 50% of the Retention Fee on the Payout Date.
3. If an employee is terminated without cause at any time after the KERP is approved by the Court, they shall receive their Retention Fee as if they had been employed up to the Closing Date (in the case of an Other Transaction) or the Payout Date (in the case of the RWB Transaction), without pro-rating or adjustment;
4. The employee must fulfil their performance expectations, and work a regular schedule through to a Closing Date and, in the case of the RWB Transaction, the Payout Date, in which case their performance expectations will include successful integration of the Company's operations to December 31, 2023;
5. Unscheduled absences for any reason, for more than five (5) cumulative days, in any month, prior to a Closing Date, and, in addition in the case of the RWB Transaction, in any month between the Closing Date and the Payout Date, will result in a pro-rata reduction of the Retention Fee for the days that exceed the allowable five (5) days;

6. If, at any time before a Closing Date, or the Payout Date (in the case of the RWB Transaction), employees do not meet performance expectations, voluntarily resign or retire, or involuntarily separate for any reason (other than total disability, death or termination without cause), they will not receive any Retention Fee, prorated or otherwise; and
7. If at any point prior to a Closing Date the Company decides to modify the KERP, such modification will be presented to employees by way of a revised retention letter which will be required to be signed by the recipient employee. The employee may choose to agree to the new terms by signing the revised letter or they may decide, without penalty, to continue under the terms of the original retention letter. If an employee continues under the terms of the original retention letter and neither the RWB Transaction or an Other Transaction is consummated, the KERP will terminate and the employee will not be entitled to any payment under any revised retention letter.

Appendix A

NAME	POSITION	BASE SALARY (CAD)	KERP (CAD)
[REDACTED]	[REDACTED]	\$ 355,000.00	\$ 106,500.00
[REDACTED]	[REDACTED]	\$ 190,000.00	\$ 38,000.00
[REDACTED]	[REDACTED]	\$ 155,000.00	\$ 31,000.00
[REDACTED]	[REDACTED]	\$ 180,000.00	\$ 36,000.00
TOTAL			\$ 211,500.00

Appendix “D”

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")

Projected Statement of Cash Flow

For the Period Ending November 30, 2023

(Unaudited; \$CAD, Thousands)

		For the Week Ending						
	Notes	27-Oct-23	3-Nov-23	10-Nov-23	17-Nov-23	24-Nov-23	30-Nov-23	Total
<i>Receipts</i>								
	1							
Recreational Sales	2	340	198	221	92	157	-	1,008
Medical Sales	3	200	200	200	200	200	-	1,000
Other Collections	4	-	126	163	163	-	-	453
<i>Total Receipts</i>		540	525	584	455	357	-	2,461
<i>Disbursements</i>								
<i>Operating Costs:</i>								
Excise Taxes	5	(26)	(438)	-	-	-	-	(464)
HST Payments	6	(10)	-	-	-	-	-	(10)
Inventory Purchases	7	(275)	(476)	(228)	(245)	(258)	-	(1,481)
Payroll and Benefits	8	(50)	(457)	(10)	(429)	-	-	(946)
Insurance		(86)	-	-	-	-	-	(86)
Operating Expenses	9	(230)	(185)	(33)	(88)	(33)	-	(568)
Contingency		(15)	(15)	(15)	(15)	(15)	-	(75)
<i>Total Operating Disbursements</i>		(692)	(1,570)	(286)	(777)	(306)	-	(3,630)
Net Cash Flow Before the Undernoted		(151)	(1,045)	298	(322)	52	-	(1,169)
CCAA Restructuring Costs	10	(350)	-	-	(650)	-	-	(1,000)
<i>Net Cash Flow</i>		(501)	(1,045)	298	(972)	52	-	(2,169)
Opening Cash Balance		617	585	340	638	266	318	617
Net cash flow		(501)	(1,045)	298	(972)	52	-	(2,169)
DIP Financing	11	469	800		600			1,869
Closing Total Cash Balance		585	340	638	266	318	318	318
Restricted Cash		(97)	(97)	(97)	(97)	(97)	(97)	(97)
Available Cash		488	242	541	169	220	220	220
DIP Loan Balance, excluding accrued interest		6,600	7,400	7,400	8,000	8,000	8,000	

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 November 30, 2023

(Unaudited; \$CAD, Thousands)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Applicants for the period October 23, 2023 to November 30, 2023 (the "Period") in respect of their proceedings under the *Companies' Creditors Arrangement Act* ("CCAA"). The cash flow forecast assumes that the Applicants close the RWB Transactions on or prior to November 22, 2023.

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. Represents collections on sales of cannabis-related products in the wholesale and international markets.

Probable Assumptions

5. Represents the monthly excise tax remittance paid in the normal course.
6. Represents the monthly harmonized sales tax paid in the normal course.
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 general operating costs, including sales and marketing, administrative costs, overhead costs and other sundry items.
10. Includes the estimated payments to the Monitor, its counsel, the Applicants' counsel and the counsel to the DIP Lender.
11. Reflects projected DIP funding to be provided by the DIP Lender, 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 23rd day October, 2023 for the period October 23, 2023 to November 30, 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.

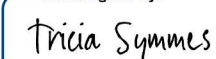
Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

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 23rd day of October, 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:



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Per: Patricia Symmes-Rizakos

Appendix “E”

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 23rd day October, 2023, consisting of a weekly projected cash flow statement for the period October 23, 2023 to November 30, 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 25th day of October, 2023.

KSV Restructuring Inc.

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

Appendix “F”

FIRST AMENDMENT TO AMENDED AND RESTATED DIP FACILITY TERM SHEET

Dated: October 24, 2023.

RECITALS:

- A. Aleafia Health Inc., Emblem Cannabis Corporation and Aleafia Farms Inc. (collectively, and on a joint and several basis, the “**Borrowers**” and each a “**Borrower**”), as borrowers, the Borrowers, Growwise Health Limited, Emblem Realty Ltd., Emblem Corp., Canabo Medical Corporation, Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc., 2676063 Ontario Inc. and Aleafia Inc. (collectively, the “**Guarantors**”), as guarantors, and Red White & Bloom Brands Inc. (“**RWB**” or the “**DIP Lender**”, as the context dictates), as lender, entered into a DIP facility term sheet dated as of July 24, 2023 (the “**Original DIP Facility Term Sheet**”);
- B. The Original DIP Facility Term Sheet was amended and restated by the parties pursuant to the terms of an amended and restated DIP facility term sheet dated as of July 24, 2023 (the “**DIP Facility Term Sheet**”);
- C. Subject to the terms and conditions contained herein (this “**Amendment**”), the parties hereto have agreed to amend the DIP Facility Term Sheet on the terms and conditions set out below;

NOW THEREFORE in consideration of the foregoing and the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged), the parties agree as follows:

1. DEFINITIONS

- 1.1 **Use of Defined Terms.** Unless otherwise defined herein or the context otherwise requires, capitalized terms used in this Amendment, including its preamble and recitals, have the meanings provided in the DIP Facility Term Sheet, as amended by this Amendment, as applicable.

2. AMENDMENTS TO DIP FACILITY TERM SHEET

- 2.1 **Amendments.** Subject to the satisfaction of each of the conditions to effectiveness set forth in this Amendment, the parties agree that:

- 2.1.1 the provision under the heading “DIP FACILITY” of the DIP Facility Term Sheet is hereby amended by deleting “\$6,600,000” and replacing it with “8,000,000”. All references to the “Maximum Amount” in the DIP Facility Term Sheet (as amended pursuant to this Amendment) shall be construed as references to the amount of \$8,000,000; and

- 2.1.2 paragraph 20 is added at the end of the heading “Affirmative Covenant”, which paragraph reads as follows:

“20. Pay to the DIP Lender in partial repayment of the Obligations, within one (1) day of receipt thereof, the net proceeds (that is \$3,750,000 minus fees, adjustments and applicable taxes) of the transaction from the sale of the Grimsby Property minus a \$400,000 holdback which can be retained by the Monitor to fund and constitute the “Administrative Expense Amount” (as defined in the amended and restated asset purchase and subscription agreement dated October 24, 2023 entered into among certain of the Obligors, RWB and RWB (PV) Canada Inc.).”

3. REPRESENTATIONS AND WARRANTIES

- 3.1 **Representations.** Each of the Obligors represents and warrants to the DIP Lender that, as of the date hereof (after giving effect to this Amendment):

- 3.1.1 This Amendment has been duly authorized, executed and delivered by each of the Obligors;
- 3.1.2 This Amendment constitutes a legal, valid and binding obligation of each of the Obligors, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other applicable laws affecting creditors’ rights generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law;
- 3.1.3 The representations and warranties set forth in the DIP Facility Term Sheet and the other DIP Credit Documentation are true and correct in all respects on and as of the date hereof as though made on and as of such date, unless stated to be made as of a specified date; and
- 3.1.4 No Default or Event of Default has occurred and is continuing.

4. CONDITIONS

- 4.1 **Conditions Precedent.** This Amendment shall become effective on the date upon which there has been receipt by the DIP Lender of the following (which conditions precedent are for the sole and exclusive benefit of the DIP Lender and may be waived by the DIP Lender):

- 4.1.1 A counterpart of this Amendment executed by each party hereto; and
- 4.1.2 The Court shall have issued an order, in a form acceptable to the DIP Lender and the Obligors, by no later than October 27, 2023, (i) approving this Amendment and (ii) approving the DIP Lenders’ Charge as contemplated by the DIP Facility Term Sheet.

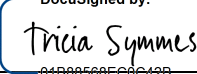
5. GENERAL PROVISIONS

- 5.1 **Headings Etc.** The including of headings in this Amendment is for convenience of reference only and does not affect the construction or interpretation hereof.
- 5.2 **Governing Law.** This Amendment is governed by and is to be construed and interpreted with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 5.3 **Assignment.** This Amendment enures to the benefit of and is binding upon the parties and their respective successors and permitted assigns.
- 5.4 **Conflicts.** If, after the date of this Amendment, any provision of this Amendment is inconsistent with any provision of the DIP Facility Term Sheet, the relevant provision of this Amendment shall prevail.
- 5.5 **DIP Credit Documentation.** This Amendment constitutes DIP Credit Documentation for all purposes under the DIP Facility Term Sheet.
- 5.6 **Counterparts.** This Amendment may be executed in multiple counterparts, each of which shall be deemed to be an original agreement and all of which shall constitute one agreement. All counterparts shall be construed together and shall constitute one and the same agreement. This Amendment, to the extent signed and delivered by means of electronic transmission (including, without limitation, facsimile and Internet transmissions), shall be treated in all manner and respects as an original agreement and should be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person.

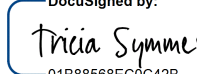
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IN WITNESS WHEREOF the parties hereto have executed this Amendment as of the date first written above.

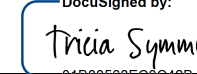
ALEAFIA HEALTH INC.

By: DocuSigned by:

01B88568ECC42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

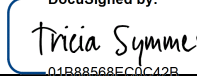
EMBLEM CANNABIS CORPORATION

By: DocuSigned by:

01B88568ECC42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

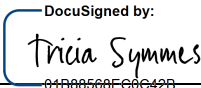
ALEAFIA FARMS INC.

By: DocuSigned by:

01B88568ECC42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

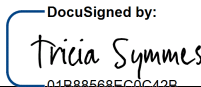
EMBLEM CORP.

By: DocuSigned by:

01B88568ECC42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

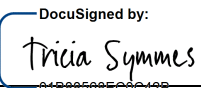
CANABO MEDICAL CORPORATION

By:  DocuSigned by:
01B88568EC0C42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.


ALEAFIA INC.

By:  DocuSigned by:
01B88568EC0C42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

EMBLEM REALTY LTD.

By:  DocuSigned by:
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Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

GROWWISE HEALTH LIMITED.

By:  DocuSigned by:
01B88568EC0C42B...
Name: Tricia Symmes
Title: Chief Executive Officer
I have the authority to bind the corporation.

RED WHITE & BLOOM BRANDS INC.

By:



Name: Eddie Mattei

Title: CFO

I have the authority to bind the corporation.