



**First 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.**

August 1, 2023

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COURT FILE NO.: CV-23-00703350-00CL

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

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

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

**FIRST REPORT OF
KSV RESTRUCTURING INC., IN ITS CAPACITY AS MONITOR**

August 1, 2023

1.0 Introduction

1. Pursuant to an order of the Ontario Superior Court of Justice (Commercial List) (the “Court”) made on July 25, 2023 (the “Initial Order”), Aleafia Health Inc. (“AHI”), Emblem Corp., Emblem 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” 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”). A copy of the Initial Order is attached as Appendix “A”.
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 an interest in a non-Applicant affiliate¹.

¹ The non-Applicant affiliate is One Plant (Retail) Corp.

3. The principal purposes of the CCAA proceedings are to create a stabilized environment to enable the Applicants to: (i) secure urgently required debtor-in-possession financing; and (ii) pursue a restructuring of their business and/or sale of the business and assets of the Applicants by conducting a Court-supervised sale and investor solicitation process (the “SISP”), while continuing operations in the ordinary course of business with the breathing space afforded by filing for protection under the CCAA.
4. No relief is being sought at the comeback motion (the “Comeback Motion”) in respect of the SISP.
5. Pursuant to the terms of the Initial Order, *inter alia*, the Court:
 - a) granted a stay of proceedings in favour of each of the Applicants to and including August 4, 2022 (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 to be made available to the Applicants pursuant to a DIP term sheet (the “DIP Term Sheet”) dated July 24, 2023 between certain of the Applicants, as borrowers and guarantors, and Red White & Bloom Brands Inc., as lender (“RWB” and in such capacity, the “DIP Lender”);
 - c) granted the following charges:
 - i. in the amount of \$500,000 on the Applicants’ current and future assets, property and undertaking (collectively, the “Property”) 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. up to the maximum amount of the DIP Obligations (as defined in the Initial Order) at the relevant time on the Property in favour of the DIP Lender (the “DIP Lender’s Charge”); and
 - iii. in the amount of \$835,000 on the Property in favour of the directors and officers of the Applicants (the “Directors’ Charge”, and collectively with the DIP Lender’s Charge and the Administration Charge, the “Charges”); and
 - d) authorized the Applicants to pay certain pre-filing obligations to critical third-party suppliers, up to a maximum of \$300,000 in the aggregate, subject to obtaining the Monitor’s consent.

6. The Court set August 4, 2023 as the date for the Comeback Motion. At the Comeback Motion, the Applicants are seeking an Order (the “Amended and Restated Initial Order”), among other things:
- a) extending the Stay Period from August 4, 2023 until and including September 1, 2023²;
 - b) authorizing an increase in the maximum amount the Applicants can borrow under the DIP Facility from \$2,270,000 to \$6,600,000;
 - c) increasing the quantum of the priority Charges against the Property, as set out below:
 - i. First – the Administration Charge increased to \$1,250,000 from \$500,000;
 - ii. Second – the DIP Lender’s Charge increased to the maximum amount of the DIP Obligations at the relevant time, which captures the Applicants’ increased ability to borrow under the DIP Facility of up to \$6,600,000;
 - iii. Third – the Directors’ Charge increased to \$2,850,000 from \$835,000;
 - d) relieving AHI from: (i) any obligations to call and hold its annual general meeting of shareholders (“AGM”); and (ii) certain other reporting obligations under applicable securities law; and
 - e) increasing the maximum amount that the Applicants are authorized to pay critical third-party suppliers for certain pre-filing obligations to \$500,000 from \$300,000 in the aggregate, subject to obtaining the Monitor’s consent.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
- a) provide the Court with an update on the Applicants’ operations since the granting of the Initial Order;
 - b) provide the Court with an update on the Monitor’s activities since its appointment; and
 - c) provide the Monitor’s recommendations regarding the relief sought by the Applicants at the Comeback Motion pursuant to the proposed Amended and Restated Initial Order.

² The Applicants intended to seek an extension of the Stay Period until October 3, 2023. Following discussions with stakeholders, the Applicants are seeking an extension of the Stay Period until September 1, 2023 and intend to seek a further extension of the Stay Period at the SISP approval motion.

1.2 Restrictions

1. In preparing this Report, the Monitor has relied upon the unaudited financial information of the Applicants, the books and records of the Applicants and discussions with representatives of the Applicants and the Applicants' 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.
3. An examination of the Applicants' cash flow forecast for the period July 25, 2023 to October 13, 2023 (the "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 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.
2. The Affidavit of Patricia Symmes-Rizakos, Chief Executive Officer of AHI and a director of all of the Subsidiaries, sworn July 24, 2023, in support of the Initial Order (the "Symmes-Rizakos Affidavit") and the Pre-Filing Report dated July 24, 2023 (the "Pre-Filing Report") prepared by KSV as Proposed Monitor, each set out detailed information with respect to the Applicants' business and operations. In addition, Ms. Symmes-Rizakos has sworn an additional affidavit on July 25, 2023 in support of the Comeback Motion. The Monitor recommends that readers review these materials and any other materials filed in respect of the CCAA proceedings, which are available on the Monitor's website at the following link: <https://www.ksvadvisory.com/insolvency-cases/case/aleafia>.

3.0 Update on Applicants' Activities since the Initial Order

1. The Monitor understands that the Applicants' activities since the granting of the Initial Order have included:
 - a) operating their business in the ordinary course subject to the terms of the Initial Order;

- b) arranging payment to certain suppliers which are critical to the Applicants' Business;
- c) disseminating a press release through *The Newswire* informing investors and other interested parties that the Applicants have obtained protection pursuant to the CCAA (the "CCAA Press Release");
- d) beginning restructuring initiatives;
- e) working with and corresponding regularly with representatives of the Monitor regarding numerous issues in the CCAA proceedings, including planned disbursements;
- f) communicating with and providing information to and answering questions of various employees;
- g) establishing a virtual data room in anticipation of seeking the approval of a SISP in the near term;
- h) corresponding with the DIP Lender about the Business and next steps in the CCAA proceedings;
- i) communicating with stakeholders; and
- j) communicating with various cannabis regulatory entities to advise of the CCAA proceedings.

4.0 Monitor's Activities since the Initial Order

1. The Monitor's activities since the granting of the Initial Order have included:
 - a) corresponding regularly with the Applicants, including senior executives, regarding various matters in the CCAA proceedings;
 - b) assisting the Applicants to procure goods and services;
 - c) working with the Applicants to prepare and implement a stakeholder communication strategy;
 - d) mailing a notice to the Applicants' creditors, as required pursuant to the CCAA;
 - e) filing of Form 1 and Form 2 with the Office of the Superintendent of Bankruptcy;
 - f) making arrangements to have the CCAA notice published in *The Globe and Mail* (National Edition) pursuant to the CCAA and in accordance with the Initial Order;
 - g) attending townhall meetings with the Applicants' employees regarding the commencement of the CCAA proceedings;
 - h) corresponding with various suppliers to provide information regarding the CCAA proceedings;
 - i) monitoring the Applicants' receipts and disbursements;

- j) corresponding with Osler, Hoskin & Harcourt LLP (counsel to the Monitor), Aird & Berlis LLP (counsel to the Applicants), and Gowling WLG (counsel to RWB), regarding various matters in the CCAA proceedings;
- k) corresponding with Bennett Jones LLP, counsel to the *ad hoc* group of certain of the Applicant's secured debentureholders;
- l) corresponding with the Applicants in connection with preparing for a SISP;
- m) corresponding with RWB (in its capacity as the DIP Lender and otherwise); and
- n) preparing this Report.

5.0 SISP

1. In the Pre-Filing Report, the Monitor advised the Court that the Applicants intend to seek Court approval of as SISP by no later than August 14, 2023, as required under the terms of DIP Term Sheet. In this regard, the Applicants expect to know shortly whether they will reach an agreement with RWB as a potential stalking horse purchaser. The Monitor understands that the Applicants' counsel intends to provide an update to the Court regarding this matter at the Comeback Motion. Contemporaneously, the Applicants, with the assistance of the Monitor, are preparing for a SISP, including establishing a virtual data room and preparing marketing materials.

6.0 Cash Flow

1. Pursuant to the terms of the Initial Order, the Applicants were authorized to borrow up to a maximum of \$2,270,000 under the DIP Facility from the DIP Lender until the Comeback Motion, which advances were secured under the DIP Lender's Charge. As of the date of this Report, the Applicants have borrowed approximately \$1.6 million from the DIP Lender. The borrowings were lower as a result of the Applicants' having a larger cash balance than projected at the commencement of the CCAA proceedings.
2. Substantially all the funds advanced by the DIP Lender under the initial advance have been used or are expected to be used prior to the Comeback Motion, in the manner described in the Pre-Filing Report, including to fund payroll, pay critical expenses of the Applicants and to make payments to the Canada Revenue Agency in respect of cannabis excise taxes and sales taxes.
3. A copy of the Cash Flow Forecast prepared by the Applicants, with the assistance of the Monitor, was attached to the Pre-Filing Report. The Cash Flow Forecast reflects that the Applicants will have sufficient liquidity to operate their business during the Stay Period, provided that they have access to the full DIP Facility.

7.0 Stay Extension

1. The Stay Period is currently set to expire on August 4, 2023. The Applicants are requesting an extension to the Stay Period until and including September 1, 2023.

2. The Monitor supports the request for an extension to the Stay Period for the following reasons:
 - a) the Applicants are acting in good faith and with due diligence;
 - b) it will provide the Applicants and the Monitor with sufficient time to explore a potential stalking horse bid with RWB and develop and implement a SISP;
 - c) subject to Court approval of the Applicants' increased ability to borrow up to \$6,600,000 under the DIP Facility, the Cash Flow Forecast reflects that the Applicants are projected to have sufficient liquidity to fund their operations and the costs of this CCAA proceeding;
 - d) the Monitor does not believe that any creditor will be materially prejudiced by the extension of the Stay Period;
 - e) the Applicants' senior secured lenders have indicated that they support the proposed extension to the Stay Period; and
 - f) as of the date of this Report, the Monitor is not aware of any party opposed to the requested extension to the Stay Period.

8.0 Court Ordered Charges

8.1 Proposed Charges and Priority of the Charges

1. Each of the Charges previously granted in this CCAA proceeding rank in priority to any encumbrances against the Property, other than (a) any person with a properly perfected purchase money security interest under the *Personal Property Security Act* (Ontario) or other applicable legislation, and (b) any Person (as defined in the Initial Order) that has not been served with notice of the application for the Initial Order. At the Comeback Motion, the Applicants are seeking to have all of the Charges rank in priority to any encumbrances in respect of the Property.
2. As detailed below, the Applicants are seeking an increase in the Charges. The priority and amount of the proposed increased Charges, as among them, would be as follows:

Priority	Charge	Current (\$000)	Proposed (\$000)
First	Administration Charge	500	1,250
Second	DIP Lender's Charge	2,270 ³	6,600 ³
Third	Directors' Charge	835	2,850

8.2 Administration Charge

1. The Initial Order approved an Administration Charge in the amount of \$500,000 to secure the fees and disbursements of the Monitor, its counsel and the Applicants' counsel. The Applicants are now seeking to increase the Administration Charge to \$1.25 million pursuant to the proposed Amended and Restated Initial Order.

³ Plus accrued and unpaid interest, fees and expenses

2. Given that the Cash Flow Forecast has been prepared on the basis of regular payments being made to the professionals that are beneficiaries of the Administration Charge, the increase in the Administration Charge is anticipated to be precautionary in nature. However, the Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the Applicants' CCAA proceedings and the services expected to be provided by these professionals in connection therewith. These professionals are expected to contribute value to the restructuring of the Applicants and presently hold limited retainers.
3. The DIP Lender has been consulted and is supportive of the proposed increase to the Administration Charge.

8.3 DIP Lender's Charge

1. The Applicants are seeking to increase the maximum amount of the DIP Lender's Charge to the maximum amount of the DIP Obligations, at the relevant time, corresponding with the Applicants' increased ability to borrow up to \$6,600,000 under the DIP Facility.
2. The Monitor is of the view that an increased DIP Lender's Charge is required, as: (i) the Applicants are in need of additional liquidity to fund the business; (ii) the Cash Flow Forecast reflecting the liquidity needs under the DIP Lender's Charge appears reasonable; (iii) the terms of the DIP Facility are reasonable for the reasons set out in the Pre-Filing Report; and (iv) the DIP Lender is not prepared to provide further advances above and beyond the initial advance under the DIP Facility without the benefit of the increased DIP Lender's Charge.
3. In the DIP Term Sheet, the Applicants sought a commitment fee payable to the DIP Lender of 3% of the maximum borrowings, being \$198,000.⁴ At the initial hearing, the Court approved a commitment fee equal to 3% of the maximum initial borrowings, being \$68,100.⁵ At the Comeback Motion, the Applicants are seeking to approve a commitment fee of 3% on the remaining amount of the DIP Facility, being \$129,900.⁶ The Applicants and DIP Lender have amended the DIP Term Sheet to reflect the commitment fee being earned in two tranches. A copy of the amended DIP Term Sheet is attached as Appendix "B". As set out in the Pre-Filing Report, the Monitor canvassed for debtor-in-possession loans and based on the feedback from other prospective lenders and the one other term sheet received, is of the view that the terms of the DIP Facility are reasonable in the circumstances.

8.4 Directors' Charge

1. The Initial Order approved a Directors' Charge in the amount of \$835,000 to protect the Applicants' directors and officers against liabilities they may incur as directors and officers of the Applicants after the commencement of the CCAA proceedings until the Comeback Motion. Pursuant to the proposed Amended and Restated Initial Order, the Applicants are seeking to increase the Directors' Charge to \$2.85 million to secure additional exposure that may arise during the CCAA proceedings.

⁴ \$6,600,000*3%=\$198,000.

⁵ \$2,270,000 x 3% = \$68,100

⁶ \$4,330,000 x 3% = \$129,900

- As provided in the table below, the quantum of the Directors' Charge was estimated by the Applicants, in consultation with the Monitor, taking into consideration payroll obligations, sales tax obligations, excise tax obligations and the Applicants' vacation pay liability:

(unaudited)	Amount (\$)
Payroll, including source deductions	800,000
Vacation pay	163,000
Sales tax	300,000
Excise tax	1,587,000
Total	2,850,000

- The Monitor understands that the Applicants are current on their normal course payroll obligations (including withholding taxes). The Cash Flow Forecast contemplates payroll, excise taxes and sales taxes will continue to be paid in the ordinary course and the Applicants are projected to have sufficient liquidity to do so provided that the Court approves the Applicants' ability to borrow up to the full \$6.6 million under the DIP Facility.
- The proposed Directors' Charge provides protection for the directors and officers should the Applicants fail to pay certain obligations which may give rise to liability for directors and officers, including vacation pay.
- As noted in the Pre-filing Report, the Applicants' directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount as described above. The Directors' Charge will only cover the current and future directors and officers for liabilities incurred after the commencement of the CCAA proceedings to the extent relating to the period on or after the date of the Initial Order.
- The Monitor is of the view that the increased Directors' Charge is required and reasonable in the circumstances and that the continued involvement of the directors and officers is beneficial to the Applicants and the CCAA proceedings.
- The DIP Lender has been consulted and is supportive of the proposed increase in the Directors' Charge.

9.0 Additional Relief Sought

9.1 Securities Obligations and AGM

- AHI is a reporting issuer under the Toronto Stock Exchange ("TSX").

2. Pursuant to the proposed Amended and Restated Initial Order, the Applicants are seeking:
 - a) authorization to incur no further expenses for the duration of the Stay Period in relation to any filings (including financial statements), disclosures, core or non-core documents, and press releases (collectively, the "Securities Filings") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including, without limitation, the *Securities Act* (Ontario) and the rules, regulations and policies of the TSX (the "Securities Legislation");
 - b) to protect the directors, officers, employees, and other representatives of the Applicants and the Monitor from any personal liability for any failure by the Applicants to make any Securities Filings required by the Securities Legislation; and
 - c) to extend the time limit for AHI to hold the AGM, which is currently required to be called no later than September 30, 2023, until further order of the Court.
3. Given the CCAA proceedings, it is anticipated that the Applicants' executive management will be focused primarily on the Applicants' restructuring efforts. The Securities Filings required by the Securities Legislation and AGM would require significant time, cost and resources, and attention from management, which would detract from these efforts. The Monitor is also of the view that it would be reasonable for the Applicants to not incur the costs associated with the Securities Filings, as contemplated by the proposed Amended and Restated Initial Order, given that AHI may not continue as a reporting issuer upon its emergence.
4. As a result, the Monitor views this request as reasonable and supports such relief in the circumstances.

9.2 Payments of Certain Pre-Filing Obligations

1. Pursuant to the Initial Order, the Court authorized the Applicants to pay certain pre-filing obligations to critical third-party suppliers prior to the Comeback Motion, up to a maximum of \$300,000 in the aggregate, subject to obtaining the Monitor's consent.
2. Pursuant to the proposed Amended and Restated Initial Order, the Applicants are seeking to increase the maximum to \$500,000 during the CCAA proceedings. For the reasons described in the Pre-Filing Report, the Monitor is supportive of this relief, and is of the view that the increase in the maximum amount is appropriate as these amounts are contemplated within the Cash Flow Forecast, provided that the Court approves the Applicants' ability to borrow up to the full \$6.6 million under the DIP Facility.

10.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make an order granting the relief sought by the Applicants at the Comeback Motion.

* * *

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "KSV Restructuring Inc." in a cursive style.

**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”



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

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

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

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

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

INITIAL ORDER

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

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

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

SERVICE

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

APPLICATION

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

POSSESSION OF PROPERTY AND OPERATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

RESTRUCTURING

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

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

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

NO EXERCISE OF RIGHTS OR REMEDIES

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

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

NO INTERFERENCE WITH RIGHTS

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

CONTINUATION OF SERVICES

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

NON-DEROGATION OF RIGHTS

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

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

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

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

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

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

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

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

APPOINTMENT OF MONITOR

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

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

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

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

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

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

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

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

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

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

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

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

DIP FINANCING

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

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

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

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

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

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

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

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

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

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

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

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

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

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

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

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

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

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

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

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

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

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

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

SERVICE AND NOTICE

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

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

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

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

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

GENERAL

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

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

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

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

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

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



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

Applicants

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

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

Proceedings commenced at Toronto

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

AIRD & BERLIS LLP

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

Kyle Plunkett (LSO# 61044N)

Email: kplunkett@airdberlis.com

Robb English (LSO#19862F)

Email: renglish@airdberlis.com

Tamie Dolny (LSO# 77958U)

Email: tdolny@airdberlis.com

Samantha Hans (LSO# 84737H)

Email: shans@airdberlis.com

Tel: 416.863.1500

Fax: 416.863.1515

Lawyers for the Applicants

Appendix “B”

AMENDED AND RESTATED DIP FACILITY TERM SHEET

Dated: July 24, 2023

WHEREAS Aleafia Health Inc. ("**Aleafia**") and certain of its subsidiaries, as borrowers, and Red White & Bloom Brands Inc. ("**RWB**" or the "**DIP Lender**", as the context dictates), as lender, are parties to a certain loan agreement made as of December 24, 2021, as guaranteed by certain other subsidiaries of Aleafia (as amended from time to time, the "**Loan Agreement**");

AND WHEREAS the Loan Agreement and all security and ancillary documents granted in connection therewith were assigned to RWB pursuant to a letter agreement dated as of June 6, 2023;

AND WHEREAS Aleafia has requested that RWB provide it with further loans to fund Aleafia and certain of its subsidiaries' restructuring efforts pursuant to a debtor-in-possession financing in the context of insolvency proceedings under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") (the "**CCAA Proceedings**") under the jurisdiction of the Ontario Superior Court of Justice (Commercial List) (the "**Court**");

AND WHEREAS the Borrowers (as defined below), the Guarantors (as defined below) and the DIP Lender entered into a DIP facility term sheet dated as of July 24, 2023 (the "**Original DIP Facility Term Sheet**"), pursuant to which the DIP Lender agreed to establish a DIP facility in favour of the Borrowers;

AND WHEREAS, subject to the terms and conditions contained herein (this "**Agreement**"), the parties hereto have agreed to amend and restate the Original DIP Facility Term Sheet on the terms and conditions set out below;

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

DEFINITIONS

Capitalized terms used but not otherwise defined herein shall have the meanings given to them on **Schedule "A"** hereto.

BORROWERS

Aleafia, Emblem Cannabis Corporation and Aleafia Farms Inc. (collectively, and on a joint and several basis, the "**Borrowers**", and each a "**Borrower**").

GUARANTORS

Each Borrower (in accordance with Section "Borrowers' Guarantee" below), 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**").

The Guarantors hereby guarantee in favour of the DIP Lender the payment and performance of all Obligations of the Borrowers under or in connection with the DIP Facility.

DIP LENDER

Red White & Bloom Brands Inc. (the "**DIP Lender**").

RESTATEMENT

This Agreement amends, restates and replaces the Original DIP Facility Term Sheet. All indebtedness, liabilities and obligations outstanding under the Original DIP Facility Term Sheet as at the date of this Agreement shall be indebtedness, liabilities and obligations hereunder without readvance, reborrowing or novation.

JOINT AND SEVERAL

Each of the Borrowers agree, acknowledge and confirm that at their specific request the DIP Facility has been made available to all of them, and, in each case, that each individual Borrower's ability to drawdown the full amount available for DIP Advances under the DIP Facility is not restricted except as specifically provided for in this Agreement. All covenants, agreements and obligations of the Borrowers contained in this Agreement relating to or in connection with the DIP Facility shall be joint and several covenants, agreements and obligations of each of the Borrowers as co-borrowers, and each of the Borrowers shall be jointly and severally liable for and obligated to repay all Obligations under the DIP Facility, in each case without the necessity of restating the words "jointly and severally" or "joint and several" in respect thereof. Such joint and several liability is independent of the duties, obligations and liabilities of each other Borrower. Each of the Borrowers waives all benefits of discussion and division among the Borrowers, and each of the Borrowers acknowledges and confirms that the DIP Lender shall have no obligation to pursue any other Borrower, as the case may be, or any Guarantor for all or any part of the Obligations under the DIP Facility before it can recover all such Obligations from it. Each Borrower acknowledges and confirms that it is fully responsible for all such Obligations even though it may not have requested a single DIP Advance.

Each of the Borrower's liability for payment of the DIP Facility shall be a primary obligation, shall be absolute and unconditional, and shall constitute full recourse obligations of each of the Borrowers, enforceable against each of them to the full extent of their respective assets and properties. Each of the Borrowers expressly waives any right to require the DIP Lender to marshal assets in favour of any Borrower or any other Person or to proceed against any other Borrower or any collateral provided by any Person, and agrees that the DIP Lender may proceed against any Borrower or any collateral in such order as it shall determine in its sole and absolute discretion. To the extent permitted by law, any release or discharge, by operation of law, of any Borrower from the performance or observance of any obligation, covenant or agreement contained in this Agreement shall not diminish or impair the liability of any other Borrower in any respect. Each of the Borrowers unconditionally and irrevocably waives each and every defense, right to discharge, compensation and setoff of any nature which, by statute or under principles of suretyship, guaranty or otherwise, would operate to impair or

diminish in any way the obligation of any Borrower under this Agreement, and acknowledges that such waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from each Borrower now or later securing the DIP Facility, and acknowledges that as of the date of this Agreement no such defense or setoff exists. Each of the Borrowers waives any and all rights (whether by subrogation, indemnity, reimbursement, or otherwise) to recover from any other Borrower any amounts paid or the value of any Property given by such Borrower pursuant to this Agreement or otherwise until the DIP Facility are irrevocably paid in full in cash.

BORROWER'S GUARANTEE

To the maximum extent permitted by Applicable Law and to the extent that a Borrower is deemed a guarantor, each Borrower unconditionally and absolutely, guarantees payment when due, whether by stated maturity, demand, acceleration or otherwise, of the Obligations and all existing and future indebtedness owing hereunder or in connection with the DIP Facility owed by each other Borrower and expressly waives any and all defenses now or hereafter arising or asserted by reason of (a) any extension, modification, forbearance, compromise, settlement or variation of any of the terms of the Obligations and the said indebtedness, (b) the discharge or release of any liability of any other Borrower or any other Person now or hereafter liable on the Obligations and the said indebtedness, by reason of bankruptcy or insolvency laws or otherwise, (c) the acceptance or release by the DIP Lender of any collateral, security or other guaranty from any Borrower or any other Person, or any settlement, compromise or extension with respect to any such collateral, security or other guaranty, (d) the avoidance, invalidity or unenforceability of any collateral, security or other guaranty from any Borrower or any other Person, (e) any failure to give any notice, demand, notice of dishonor, protest, presentment or non-payment, or any other notice, (f) any failure to comply with any Applicable Law in connection with any enforcement of any right or remedy against any collateral, security or other guaranty from any Borrower or any other Person, or (g) any action or inaction of the DIP Lender in any insolvency proceeding involving any Borrower or any other Person.

DIP FACILITY

A non-revolving loan (the "**DIP Facility**") up to the maximum principal amount of \$6,600,000 (the "**Maximum Amount**") including an initial advance in an amount of \$2,270,000 (the "**Initial Advance**").

CURRENCY

Unless otherwise noted, the currency of the DIP Facility shall be Canadian Dollars.

MATURITY DATE

Unless accelerated by an Event of Default, the DIP Facility shall be paid in full in cash on the date (the “**Maturity Date**”) which is the earliest of:

- (a) the date that is one hundred and twenty (120) days from the date of the Initial Advance (or such later date as the DIP Lender in its sole discretion may agree to in writing with the Borrowers, acting reasonably);
- (b) the date on which (i) the stay of proceedings under the CCAA Proceedings is lifted without the consent of the DIP Lender, or (ii) the CCAA Proceedings are terminated for any reason;
- (c) the closing of a sale or similar transaction (including pursuant to a subscription agreement and/or a reverse vesting purchase agreement) for all or substantially all of the assets and business, or in respect, of the Obligors pursuant to the SISP, which has been approved by an order entered by the Court;
- (d) the implementation of a plan of compromise or arrangement within the CCAA Proceedings (a “**Plan**”) which has been approved by the requisite majorities of the Obligors’ creditors and by an order entered by the Court; or
- (e) the conversion of the CCAA Proceedings into a proceeding under the *Bankruptcy and Insolvency Act* (Canada).

The Maturity Date shall be accelerated upon the occurrence of an Event of Default.

The DIP Lender’s commitment in respect of the DIP Facility shall expire on the Maturity Date and all amounts outstanding under the DIP Facility including accrued Interest and Legal Fees (collectively, the “**Obligations**”) shall be repaid in full on the Maturity Date without the DIP Lender being required to make demand upon the Borrowers or to give notice that the DIP Facility has expired and the Obligations are due and payable.

AVAILABILITY

Subject to the terms and conditions set forth in this Agreement, the Initial Order and the Restated Initial Order, the DIP Lender will make loans (the “**DIP Advances**”) to the Borrowers under the DIP Facility in an aggregate principal amount not to exceed the Maximum Amount, as follows:

- (a) Initial Advance: subject to the provisions hereunder under the heading **CONDITIONS PRECEDENT TO THE DISBURSEMENT OF INITIAL ADVANCE**, upon the issuance of the Initial Order by the Court, the amount of the Initial Advance, or such other lesser amount as may be approved by the Initial Order, will be made available to the Borrowers by the

DIP Lender to finance the Borrowers' operating requirements in accordance with the Initial Cash Flow Projections.

(b) Subsequent Advances: subject to the provisions hereunder under the heading **CONDITIONS PRECEDENT TO THE DISBURSEMENT OF DIP ADVANCES (OTHER THAN THE INITIAL ADVANCE)**, and except as may be otherwise agreed in writing by the Borrowers and the DIP Lender, any further DIP Advances under the DIP Facility (each an "**Additional Advance**") shall be made available to the Borrowers by the DIP Lender until the Maturity Date in accordance with the then applicable Cash Flow Projections approved by the DIP Lender in its sole discretion, from time to time, subject to duly issued orders of the Court.

Unless otherwise agreed to in writing in advance by the DIP Lender in its sole direction, each Additional Advance shall be made by the DIP Lender to the Borrowers as soon as practicable (and in any event within five (5) Business Days) after delivery to the DIP Lender of a drawdown certificate executed by the Borrowers certifying, *inter alia*, that (i) the advance corresponds with the then applicable Updated Cash Flow Projections for the one week period commencing the Monday following the date of the drawdown certificate, (ii) that there is no Default or Event of Default that has occurred and is continuing, and (iii) that the Borrowers are in compliance with the DIP Credit Documentation and the Restated Initial Order.

Notwithstanding the foregoing, the Borrowers shall not be required to submit a drawdown certificate to obtain the Initial Advance, the full amount of which shall be made available to the Borrowers by the DIP Lender immediately upon the satisfaction of the conditions precedent listed under the heading **CONDITIONS PRECEDENT TO THE DISBURSEMENT OF INITIAL ADVANCE** hereunder being satisfied by the Borrowers or otherwise waived by the DIP Lender in its sole discretion.

ACCOUNT

All DIP Advances shall be deposited into an account acceptable to the Borrowers, the Monitor and the DIP Lender and withdrawn to pay contemplated expenses under the then applicable Cash Flow Projections and otherwise in accordance with the terms hereof.

USE OF PROCEEDS AND CASH FLOW PROJECTIONS

The Initial Advance under the DIP Facility shall be used in accordance with the cash flow projections attached herewith as **Schedule "B"** (the "**Initial Cash Flow Projections**"), which have been prepared by the Borrowers in consultation with the Monitor. Any Additional Advances shall be used in accordance with the Updated Cash Flow Projections (collectively with the Initial Cash Flow Projections, the "**Cash Flow Projections**"), in each case, to fund working capital and

general corporate needs of the Obligors during, and costs and expenses incurred by the Obligors in connection with, the CCAA Proceedings.

No proceeds of the DIP Advances may be used for any purpose other than in accordance with the Cash Flow Projections except with the prior written consent of the DIP Lender.

INTEREST RATE

Interest (“**Interest**”) on the principal outstanding amount of the DIP Advances (including the compounded interest referenced below) from the date each such DIP Advance is made (or, in the case of the compounded interest referenced below, the date that such interest is compounded), both before and after maturity, demand, default, or judgment until payment in full at a rate of 12.5% per annum, compounded and calculated weekly shall accrue and be added to the principal amount of the DIP Advances on the first day of each month.

All interest shall be calculated on the basis of a 365-day (or 366 day, as applicable) year, in each case for the actual number of days elapsed in the period during which it accrues.

All payments under or in respect of the DIP Facility shall be made free and clear of any withholding, set-off or other deduction.

If any provision hereof or the DIP Credit Documentation would obligate the Obligors to make any payment of interest or other amount payable to the DIP Lender in an amount or calculated at a rate which would be prohibited by law or would result in receipt by the DIP Lender of interest at a criminal rate (as construed under the *Criminal Code* (Canada)) then, notwithstanding that provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or result in a receipt by the DIP Lender of interest at a criminal rate.

FEES

The Borrower shall pay a commitment fee in the amount of \$198,000.00 (the “**Fee**”), representing 3% of the Maximum Amount, \$68,100.00 of which shall be fully earned upon the execution of this Agreement and shall be paid from the Initial Advance and the balance of which shall be fully earned upon the issuance of the Restated Initial Order and paid from the first Additional Advance following the date of the Restated Initial Order. For certainty, the Fee shall be secured by the DIP Lender’s Charge.

COSTS AND EXPENSES

The Borrowers shall pay, on a bi-weekly basis, all reasonable and documented costs and expenses of the DIP Lender, and all reasonable and documented fees, expenses and disbursements of outside counsel, appraisers, field auditors, and any financial consultant, related to or in connection with the CCAA Proceedings, including, without limitation, reasonable and documented costs and expenses incurred by the DIP Lender in connection with the enforcement of any of the rights and remedies available hereunder.

DIP SECURITY

All Obligations of the Obligors under or in connection with the DIP Facility and any of the DIP Credit Documentation shall be secured by a Court Ordered Charge on all present and after-acquired personal and real, tangible or intangible property of the Obligors, in each case of any kind or nature whatsoever and wheresoever situated (the "**DIP Lender's Charge**") without the need for any further loan or security documentation or any filings or registrations in any public register or system.

CONDITIONS PRECEDENT TO THE DISBURSEMENT OF INITIAL ADVANCE

The DIP Lender's obligation to make the Initial Advance hereunder is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

1. the Obligors' application materials in connection with their application for the issuance of an initial order under the CCAA (in form and substance satisfactory to the DIP Lender, acting reasonably, the "**Initial Order**") shall have been shared with the DIP Lender, and such application shall have been brought before the Court no later than July 25, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;
2. the form of Initial Order shall be in form and substance satisfactory to the DIP Lender, acting reasonably;
3. KSV Restructuring Inc. shall have been appointed as the Monitor pursuant to the Initial Order;
4. the Initial Order (i) shall have been issued by the Court authorizing and approving the Initial Advance under the DIP Facility and granting the DIP Lender's Charge in respect of the Initial Advance, and (ii) shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect adversely affecting the DIP Lender, unless otherwise agreed by the DIP Lender, acting reasonably;
5. except to the extent not permitted by the CCAA, the DIP Lender's Charge shall have priority over all Liens granted by the Obligors against any of the undertakings, property or assets of the Obligors

(collectively, the “**Property**”) except for an administrative charge on the Property in an aggregate amount not to exceed \$500,000 under the Initial Order, which amount shall be increased to \$1,250,000 under the Restated Initial Order (the “**Administrative Charge**”); and

6. the Initial Cash Flow Projections shall be acceptable to the DIP Lender, in its reasonable discretion.

CONDITIONS PRECEDENT TO THE DISBURSEMENT OF DIP ADVANCES (OTHER THAN THE INITIAL ADVANCE)

The DIP Lender’s obligation to make any Additional Advances hereunder is subject to, and conditional upon, the satisfaction of all of the following conditions precedent:

1. the Obligors’ application materials in connection with their application for the Restated Initial Order shall be satisfactory to the DIP Lender, acting reasonably, and such application shall be brought before the Court no later than August 4, 2023, on notice to such parties as are acceptable to the DIP Lender, acting reasonably;
2. an order amending and restating the Initial Order, in form and substance acceptable to the DIP Lender, acting reasonably, shall have been issued by the Court authorizing and approving the increase to the DIP Facility and granting the DIP Lender’s Charge (the “**Restated Initial Order**”) and the Restated Initial Order shall be in full force and effect and shall have not been stayed, reversed, vacated, rescinded, modified or amended in any respect adversely affecting the DIP Lender, unless otherwise agreed by the DIP Lender, acting reasonably;
3. the DIP Lender’s Charge shall have priority over all Liens granted by the Obligors against any of the undertaking, property or assets of the Obligors except for the Administrative Charge;
4. all amounts requested for a particular Additional Advance shall be consistent with the Updated Cash Flow Projections for the applicable period, or otherwise expressly agreed by the DIP Lender in advance;
5. the terms and conditions of the Sale and Investment Solicitation Process (the “**SISP**”), including the various relevant milestones of such SISP and an outside date for the completion of the SISP (the “**SISP Milestones**”) approved by the Court, shall be in a form and substance satisfactory to the Monitor, and the DIP Lender shall be satisfied, acting reasonably, with the terms of the SISP and the SISP Order;

6. the representations and warranties contained herein shall be true and correct; and
7. no Default or Event of Default shall have occurred and be continuing.

Each of the Obligors agrees to indemnify and hold harmless the DIP Lender, its officers, directors, employees, representatives, advisors, solicitors and agents (collectively, the “**Indemnified Persons**”) from and against any and all actions, lawsuits, proceedings (including any investigations or inquiries), claims, losses, damages, liabilities or expenses of any kind or nature whatsoever which may be incurred by or suited against or involve any of the Indemnified Persons as a result of, in connection with or in any way related to the DIP Facility, this Agreement, or the DIP Credit Documentation, except to the extent that such actions, lawsuits, proceedings, claims, losses, damages, liabilities or expenses result from the gross negligence or willful misconduct of such Indemnified Persons.

REPRESENTATIONS AND WARRANTIES

Each of the Obligors represents and warrants to the DIP Lender, upon which the DIP Lender relies in entering into this Agreement and the other DIP Credit Documentation, that:

1. The transactions contemplated by this Agreement and the other DIP Credit Documentation:
 - a. upon the granting of either the Initial Order or the Restated Initial Order, are within the powers of the Obligors;
 - b. have been duly authorized, executed and delivered by or on behalf of the Obligors;
 - c. upon the granting of either the Initial Order or the Restated Initial Order, constitute legal, valid and binding obligations of the Obligors;
 - d. upon the granting of either the Initial Order or the Restated Initial Order, do not require the consent or approval of, registration or filing with, or any other action by, any governmental authority, other than filings which may be made to register or otherwise record the DIP Lender’s Charge or any DIP Security granted pursuant to the DIP Credit Documentation;
2. the business operations of the Obligors have been and will continue to be conducted in compliance with all Applicable Laws of each jurisdiction in which each such business has been or is being carried on;

3. the Obligors obtained all licenses and permits required for the operation of their business, which licenses and permits remain, and after the date of the Initial Advance will remain, in full force and effect. No proceedings have been commenced to revoke or amend any of such licenses or permits and no notices advising of a breach or potential breach of the conditions of such licenses has been received;
4. except as reflected in the Cash Flow Projections and as disclosed in **Schedule "C"** hereto, and than those amounts the Obligors have made known to the DIP Lender to date, the Obligors have paid where due their obligations for payroll, employee source deductions, sales taxes, value added taxes and are not in arrears in respect of these obligations;
5. the Obligors do not have any defined benefit pension plans or similar plans; and
6. all factual information provided by or on behalf of the Borrowers to the DIP Lender for the purposes of or in connection with this Agreement or any transaction contemplated herein is, to the best of the Borrowers' knowledge, true and accurate in all material respects on the date as of which such information is dated or certified and is not incomplete by omitting to state any fact necessary to make such information (taken as a whole) not materially misleading at such time in light of the circumstances under which such information was provided. In particular, and without limiting the generality of the foregoing, to the best of the Borrowers' knowledge, all information regarding the Borrowers' corporate structure is true and complete, and all public filings and financial reports are complete and true in all material respects as of the date thereof.

AFFIRMATIVE COVENANTS

Each of the Obligors covenants and agrees to do the following:

1. comply with the Cash Flow Projections, including making payments when scheduled to be made in accordance with the Cash Flow Projections, and their reporting and other obligations to deliver financial information to the DIP Lender hereunder; provided that, such reporting and financial information shall be prepared and delivered under the supervision of the Monitor;
2. allow the DIP Lender, its designated representatives and financial advisors full access to the books and records of the Obligors on reasonable notice and during normal business hours and cause management

thereof to fully cooperate with any advisors to the DIP Lender;

3. use the proceeds of the DIP Facility only for the purposes set out herein;
4. comply with the provisions of the Court orders made in the CCAA Proceedings;
5. obtain the SISP Order no later than August 14, 2023;
6. comply with the SISP and SISP Milestones following approval thereof by the Court in the CCAA Proceedings pursuant to the SISP Order;
7. provide the DIP Lender with draft copies of all motions, applications, proposed orders or other material or documents that any of them intends to file within the CCAA Proceedings at least three (3) days prior to any service of such materials or, where it is not practically possible to do so at least three days prior to any such service, as soon as possible prior to such service;
8. maintain all licenses required for the operation of their business in good standing;
9. provide the DIP Lender with all correspondence between the Obligors and any governmental authority in respect of their cannabis licenses from and after the date of the Initial Order;
10. the Initial Order, the Restated Initial Order and any other Court orders which are being sought by the Borrower shall be shared with the DIP Lender; provided that any Court order that directly impacts the DIP Facility and the DIP Lender's Charge shall be in a form satisfactory to the DIP Lender, acting reasonably, subject to any amendments that are required by the Court;
11. subject to any Court ordered limitations and appropriate confidentiality restrictions to the extent the DIP Lender participates in the SISP as a stalking horse purchaser or a bidder, use all reasonable efforts to keep the DIP Lender apprised on a timely basis of all developments with respect to the business and affairs of the Obligors and with respect to the SISP;
12. deliver to the DIP Lender by no later than 5:00 p.m. (Toronto time) on Tuesday of each week (or, if Tuesday is not a Business Day, the following Business Day), updated 13-week cash flow projections, in form and substance satisfactory to the DIP Lender, in its

discretion, reflecting the projected cash requirements of the Borrowers on a rolling-basis (the “**Updated Cash Flow Projections**”);

13. concurrently with the weekly delivery of Updated Cash Flow Projections, provide a comparison to the previously delivered Updated Cash Flow Projections (or to the Initial Cash Flow Projections, if applicable) including applicable bank reconciliations;
14. maintain all insurance with respect to the Property in existence as of the date hereof;
15. forthwith notify the DIP Lender of any event or circumstance that, with the passage of time, may constitute an Event of Default;
16. forthwith notify the DIP Lender of the occurrence of any Event of Default, or of any event or circumstance that may constitute a material adverse change from the Cash Flow Projections;
17. duly and punctually pay or cause to be paid to the DIP Lender all principal and interest payable by it under this Agreement and under any other DIP Credit Documentation on the dates, at the places and in the amounts and manner set forth herein;
18. comply in all respects with all Applicable Laws; and
19. comply in all material respects with their obligations under the DIP Credit Documentation.

NEGATIVE COVENANTS

Each of the Obligors covenants and agrees not to do the following, other than with the prior written consent of the DIP Lender, which consent shall not be unreasonably withheld:

1. sell, assign, transfer, lease or otherwise dispose of all or any part of its assets, tangible or intangible, outside the ordinary course of business, except for the disposition of any obsolete equipment or other assets or as permitted under the Initial Order or Restated Initial Order, or pursuant to the SISF Order;
2. make any payment of principal or interest in respect of existing (pre-filing date) indebtedness except as contemplated by the Cash Flow Projections, or declare or pay any dividends;
3. create or permit to exist indebtedness for borrowed money other than existing (pre-filing date) debt, debt

- contemplated by this DIP Facility and post-filing trade payables incurred in the ordinary course of business;
4. create or permit to exist any Liens on any of the Property other than Permitted Liens;
 5. enter into or agree to enter into any investments (other than cash equivalents) or acquisitions of any kind, direct or indirect, in any business;
 6. assume or otherwise agree to be bound by any contingent liabilities or provide any guarantee or financial assistance to any Person;
 7. transfer, distribute, lend or otherwise provide any funds (whether arising from DIP Advances or otherwise) to any Affiliate unless such Affiliate is an Obligor;
 8. enter into any amalgamation, reorganization, liquidation, dissolution, winding-up, merger or other transaction or series of transactions whereby, directly or indirectly, all or any significant portion of the undertaking, property or assets of any Obligor would become the property of any other Person or Persons unless authorized by the DIP Lender;
 9. other than the Court Ordered Charges, seek or support a motion by another party to provide to a third party a charge upon any Property (including, without limitation, a critical supplier's charge) without the prior consent of the DIP Lender;
 10. amend or seek to amend the Initial Order or the Restated Initial Order, or without the prior approval of the Monitor, the SISF;
 11. other than for cause, terminate the employment of any personnel required to maintain all of its cannabis licenses in good standing unless replaced in due course;
 12. terminate or repudiate any agreement with the DIP Lender, solely in its capacity as lender under the DIP Facility;
 13. seek or obtain any order from the Court that materially adversely affects the DIP Lender, except with the prior written consent of the DIP Lender; and
 14. other than the two leases disclosed to the DIP Lender, disclaim any lease or agreement pursuant to section

32 of the CCAA, which is material to the business and operations of the Borrowers.

EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an event of default ("**Event of Default**") under this Agreement:

1. failure of the Borrowers to pay principal or interest when due under this Agreement or any other DIP Credit Documentation;
2. any other breach by any Obligor in the observance or performance of any provision, covenant (affirmative or negative) or agreement contained in this Agreement, provided, that, in the case of a breach of any affirmative covenant, such breach remains unremedied for longer than three (3) Business Days following receipt of notice thereof;
3. the SISP Order has not been issued by the Court by August 14, 2023.
4. if the total cumulative disbursements and receipts pursuant to the Cash Flow Projections are: (i) at any time during the first two weeks of the CCAA Proceedings, greater than 20% of the cumulative budget confirmed in the applicable Cash Flow Projections; and (ii) thereafter, greater than 10% of the cumulative budget confirmed in the applicable Cash Flow Projections, in each case measured on a weekly basis;
5. (i) any order shall be entered reversing, amending, varying, supplementing, staying, vacating or otherwise modifying in any respect in a manner materially affecting the DIP Lender without the prior written consent of the DIP Lender, (ii) either the Initial Order or the Restated Initial Order shall cease to be in full force and effect in a manner that has a material adverse effect on the interests of the DIP Lender, or (iii) any Borrower shall fail to comply in any material respect that has an adverse effect on the interests of the DIP Lender with any order granted by the Court in the CCAA Proceedings;
6. this Agreement or any other DIP Credit Documentation shall cease to be effective or shall be contested by an Obligor;
7. any order is issued by the Court (or any other court of competent jurisdiction) that materially adversely affects the DIP Lender;

8. the CCAA Proceedings are terminated or converted to bankruptcy proceeding or any order is granted by the Court (or any court of competent jurisdiction) granting relief from the stay of proceedings during the CCAA Proceedings (as extended from time to time until the Maturity Date), unless agreed by the DIP Lender, acting reasonably;
9. any Plan is filed or sanctioned by the Court in a form and in substance that is not acceptable to the DIP Lender if such Plan does not either provide for the repayment of the obligations, in their entirety including compounded interest added to the principal, under the DIP Facility in full by the Maturity Date;
10. if any of the Borrower's cannabis licenses are revoked or any Borrower fails to comply with a material condition required to keep such licenses in good standing and such license is not reinstated or such Borrower's failure to comply with such material condition continues for a period of five (5) Business Days;
11. any of the Obligors makes any material payments of any kind not permitted by this Agreement, the Cash Flow Projections or any order of the Court; or
12. borrowings under the DIP Facility exceed the Maximum Amount.

REMEDIES

Upon the occurrence and continuance of an Event of Default, subject to the DIP Credit Documentation, the DIP Lender may, upon written notice to the Borrower and the Monitor:

1. terminate the DIP Facility;
2. on prior written notice to the Obligors and the service list of no less than four (4) Business Days, apply to the Court for the appointment of an interim receiver or a receiver and manager of the Property or for the appointment of a trustee in bankruptcy of the Obligors;
3. exercise the powers and rights of a secured party under any legislation; and
4. exercise all such other rights and remedies under the DIP Credit Documentation and Orders of the Court in the CCAA Proceedings.

DIP LENDER APPROVALS

All consents of the DIP Lender hereunder shall be in writing. Any consent, approval, instruction or other expression of the

DIP Lender to be delivered in writing may be delivered by any written instrument, including by way of electronic mail.

FURTHER ASSURANCES

The Obligors shall at their expense, from time to time do, execute and deliver, or will cause to be done, executed and delivered, all such further acts, documents (including, without limitation, certificates, declarations, affidavits, reports and opinions) and things as the DIP Lender may reasonably request for the purpose of giving effect to this Agreement and the DIP Lender's Charge, perfecting, protecting and maintaining the Liens created by the DIP Lender's Charge or establishing compliance with the representations, warranties and conditions of this Agreement or any other DIP Credit Documentation.

ENTIRE AGREEMENT

This Agreement, including the Schedules hereto and the DIP Credit Documentation, constitutes the entire agreement between the parties relating to the subject matter hereof. To the extent that there is any inconsistency between this Agreement and any of the other DIP Credit Documentation, this Agreement shall govern. Neither this Agreement nor any other DIP Credit Documentation, nor any terms hereof or thereof, may be amended, unless such amendment is in writing signed by the Obligors and the DIP Lender.

AMENDMENTS, WAIVERS, ETC.

No waiver or delay on the part of the DIP Lender in exercising any right or privilege hereunder or under any other DIP Credit Documentation will operate as a waiver hereof or thereof unless made in writing and signed by an authorized officer of the DIP Lender. Any consent to be provided by the DIP Lender shall be granted or withheld solely in its capacity, and having regard to its interests, as DIP Lender.

ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Obligors may not assign their rights and obligations under this Agreement without the written consent of the DIP Lender. The DIP Lender's rights and obligations under this Agreement are fully assignable, to an Affiliate of the DIP Lender without the consent of (but with prior notice to) the Obligors. In addition, the DIP Lender's rights and obligations under this Agreement are assignable, with the consent of the Obligors, acting reasonably, before an Event of Default to any other entity, and are freely assignable, without the consent of the Obligors (but with prior notice to), after an Event of Default has occurred and is continuing. Each of the Obligors hereby consents to the disclosure of any confidential information in respect of the Borrower to any potential assignee provided such potential assignee agrees in writing to keep such information confidential. A copy of all notices delivered pursuant to this section shall be delivered promptly to the Monitor.

SEVERABILITY

Any provision in any DIP Credit Documentation which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

PRESS RELEASES

The Borrowers shall not issue any press releases or other public disclosure, other than Court documents approved in the manner set out herein, naming the DIP Lender without its prior approval, acting reasonably, unless the Borrowers are required to do so by applicable securities laws or other Applicable Law.

**COUNTERPARTS AND
FACSIMILE SIGNATURES**

This Agreement may be executed in any number of counterparts and by facsimile or e-mail transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Agreement by signing any counterpart of it.

NOTICES

Any notice, request or other communication hereunder to any of the parties shall be in writing and be well and sufficiently given if delivered personally or sent by electronic mail to the attention of the person as set forth below:

In the case of the DIP Lender:

With a copy to:

Gowling WLG (Canada) LLP
1 First Canadian Place
100 King Street West, Suite 1600
Toronto, ON M5X 1G5

Attention: Virginie Gauthier, Katherine Yurkovich
Email: virginie.gauthier@gowlingwlq.com;
kate.yurkovich@gowlingwlq.com

In the case of the Obligors:

With a copy to:

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

Attention: Kyle Plunkett
Email: kplunkett@airdberlis.com

In either case, with a copy to the Monitor:

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

Attention: Noah Goldstein
Email: ngoldstein@ksvadvisory.com

In either case, with a copy to the Monitor's counsel:

Osler Hoskin & Harcourt LLP
First Canadian Place, 100, 1 King St W
Suite 6200,
Toronto, ON M5X 1B8

Attention: Marc Wasserman
Email : mwasserman@osler.com

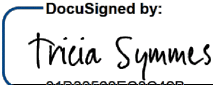
**GOVERNING LAW AND
JURISDICTION**

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Obligors irrevocably submits to the non-exclusive courts of the Province of Ontario, waives any objections on the ground of venue or forum *non conveniens* or any similar grounds, and consents to service of process by mail or in any other manner permitted by relevant law.

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IN WITNESS HEREOF, the parties hereby execute this Agreement as of the date first written above.

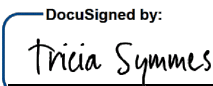
ALEAFIA HEALTH INC.

By: 
Name: Tricia Symmes
Title: CEO


EMBLEM CANNABIS CORPORATION

By: 
Name: Tricia Symmes
Title: CEO


ALEAFIA FARMS INC.

By: 
Name: Tricia Symmes
Title: CEO

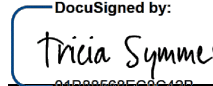
EMBLEM CORP.

By: 
Name: Tricia Symmes
Title: CEO

CANABO MEDICAL CORPORATION

By: 
Name: Tricia Symmes
Title: CEO

ALEAFIA INC.

By: 
Name: Tricia Symmes
Title: CEO

EMBLEM REALTY LTD.

DocuSigned by:
Tricia Symmes
01B88568EC0C42B
Name: Tricia Symmes
Title: CEO

GROWWISE HEALTH LIMITED.

DocuSigned by:
Tricia Symmes
01B88568EC0C42B
Name: Name: Tricia Symmes
Title: Title: CEO

RED WHITE & BLOOM BRANDS INC.

Name:
Title:

EMBLEM REALTY LTD.

Name: _____

Title:

GROWWISE HEALTH LIMITED.

Name: _____ Name:

Title: Title:

RED WHITE & BLOOM BRANDS INC.



Name: _____ Eddie Mattei

Title: CFO

SCHEDULE "A"

Additional Definitions

"Affiliate" means, in respect of any Person at any date, (a) any corporation, company, limited liability company, association, joint venture or other business entity of which securities, membership interests or other ownership interests representing fifty percent (50%) or more of the voting power of all equity interests are owned or held, directly or indirectly, by such Person, (b) any partnership, limited liability company or joint venture wherein the general partner, managing partner or operator is, directly or indirectly, such Person, or (c) any other Person that is otherwise directly or indirectly controlled by such Person.

"Applicable Laws" means all federal, provincial, municipal and local laws, statutes, regulations, codes, acts, permits, licenses, ordinances, orders, by-laws, guidelines, notices, protocols, policies, directions and rules and regulations, including those of any governmental or other public authority, which may now, or at any time hereafter, govern, be applicable to or enforceable against or in respect of the Obligors, the operation of their business or their property, as the case maybe, including Cannabis Laws.

"Business Day" means a day on which banks in Toronto, Ontario are open for business.

"Cannabis Laws" means 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.

"Court Ordered Charges" means the Administrative Charge, the Directors' Charge and the DIP Lender's Charge.

"Default" means any Event of Default or any condition or event which, after notice or lapse of time or both, would constitute an Event of Default.

"DIP Credit Documentation" means this Agreement, the orders of the Court approving it and any other definitive documentation in respect of the DIP Facility that are in form and substance satisfactory to the DIP Lender.

"DIP Security" means the contractual security and contractual hypothecary documents granted by the Borrower providing for a security interest/hypothec in and lien on all now- owned and hereafter-acquired assets and property of the Borrower, real and personal, tangible or intangible and all proceeds therefrom, but excluding (i) such assets, if any, as the DIP Lender in its discretion determines to be immaterial or to be assets for which the cost and other burdens of establishing and perfecting a security interest outweigh the benefits of establishing and perfecting a security interest, and (ii) other exceptions to be mutually agreed.

"Directors' Charge" means a super-priority Court-ordered charge against the assets of the Obligors securing the indemnity granted by the Obligors to their respective directors and officers in an amount not to exceed \$835,000 under the Initial Order, which amount is not to exceed \$2,850,000 under the Restated Initial Order.

"Legal Fees" means all reasonable and documented legal fees that the DIP Lender will have to pay to its legal counsel in connection with any and all tasks related to this Agreement, the orders of the Court, the DIP Facility or the DIP Credit Documentation.

“**Liens**” means all mortgages, pledges, charges, encumbrances, hypothecs, liens and security interests of any kind or nature whatsoever.

“**Monitor**” means KSV Restructuring Inc.

“**Obligors**” means the Borrower and the Guarantors.

“**Permitted Liens**” means (i) the Court Ordered Charges; (ii) the liens registered against the Obligors in the Provinces of Ontario, British Columbia, Alberta, Manitoba and Saskatchewan as more particularly described in the search summaries attached to the Affidavit of Patricia Symmes-Rizakos sworn on July 24, 2023 in connection with the CCAA Proceedings, and (iii) liens, if any, in respect of amounts payable by an Obligor for wages, vacation pay, deductions, sales tax, excise tax, tax payable pursuant to Part IX of the *Excise Tax Act* (Canada), income tax and workers compensation claims.

“**Person**” means an individual, partnership, corporation (including a business trust), joint venture, limited liability company or other entity, or governmental authority.

“**Plan**” means the implementation of a plan of compromise or arrangement within the CCAA proceedings which has been approved by the requisite majorities of the Borrower’s creditors and by order entered by the Court and by the DIP Lender.

“**SISP**” means the Court-supervised sales and investment solicitation process to be undertaken by the Borrower and the Guarantors pursuant to the SISP Order.

“**SISP Order**” means an order of the Court approving the SISP in respect of the assets, undertakings and properties of the Obligors, satisfactory to the DIP Lender, acting reasonably.

SCHEDULE "B"

Initial Cash Flow Projections

(see attached)

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 October 13, 2023

(Unaudited; \$CAD, Thousands)

Notes	Weeks Ending												Total	
	28-Jul-23	4-Aug-23	11-Aug-23	18-Aug-23	25-Aug-23	1-Sep-23	8-Sep-23	15-Sep-23	22-Sep-23	29-Sep-23	6-Oct-23	13-Oct-23		
1														
<i>Receipts</i>														
Recreational Sales	2	-	183	415	490	559	105	34	544	189	417	358	346	3,639
Medical Sales	3	212	212	212	212	212	212	212	212	212	212	212	212	2,543
Other Collections	4	-	33	-	-	-	175	33	-	-	175	-	-	416
<i>Total Receipts</i>		212	428	627	702	771	492	279	756	401	804	570	558	6,599
<i>Disbursements</i>														
<i>Operating Costs:</i>														
Excise Taxes	5	-	(743)	-	-	-	(500)	-	-	-	-	(500)	-	(1,743)
HST Payments	6	-	(150)	-	-	(150)	-	-	-	(150)	-	-	-	(450)
Inventory Purchases	7	(310)	(139)	(335)	(164)	(203)	(255)	(335)	(139)	(480)	(312)	(442)	(181)	(3,294)
Payroll and Benefits	8	(525)	(10)	(130)	(385)	(180)	(395)	(155)	-	(165)	-	(510)	-	(2,455)
Rent	9	(96)	-	-	-	-	(96)	-	-	-	-	-	-	(192)
Insurance		(96)	-	-	-	-	(96)	-	-	-	(96)	-	(306)	(594)
Operating Expenses	10	(202)	(88)	(121)	(88)	(96)	(236)	(91)	(88)	(91)	(215)	(91)	(80)	(1,486)
Contingency		(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(180)
<i>Total Operating Disbursements</i>		(1,244)	(1,145)	(601)	(652)	(644)	(1,594)	(596)	(242)	(901)	(638)	(1,558)	(582)	(10,395)
<i>Net Cash Flow Before the Undernoted</i>		(1,032)	(717)	26	50	127	(1,101)	(317)	514	(500)	166	(987)	(23)	(3,796)
<i>Other Disbursements:</i>														
Restructuring Costs	11	-	-	(310)	(310)	(200)	(160)	(160)	(160)	(160)	(160)	(210)	(210)	(2,040)
Pre-filing settlement payments	12	(225)	(115)	(15)	(15)	(15)	(15)	(15)	-	-	-	-	-	(415)
DIP Fees	13	(198)	-	-	-	-	-	-	-	-	-	-	-	(198)
<i>Net Cash Flow</i>		(1,455)	(832)	(299)	(275)	(88)	(1,276)	(492)	354	(660)	6	(1,197)	(233)	(6,449)
<i>Opening Cash Balance</i>														
Opening Cash Balance		-	945	113	564	288	200	624	132	485	1,326	1,332	135	-
<i>Net cash flow</i>														
Net cash flow		(1,455)	(832)	(299)	(275)	(88)	(1,276)	(492)	354	(660)	6	(1,197)	(233)	(6,449)
<i>DIP Financing</i>														
DIP Financing	14	2,400	-	750	-	-	1,700	-	-	1,500	-	-	250	6,600
<i>Closing Cash Balance</i>														
Closing Cash Balance		945	113	564	288	200	624	132	485	1,326	1,332	135	151	151
<i>DIP Loan Balance, excluding accrued interest</i>														
DIP Loan Balance, excluding accrued interest		2,400	2,400	3,150	3,150	3,150	4,850	4,850	4,850	6,350	6,350	6,350	6,600	6,600

Aleafia Health Inc., Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited, Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc. and 2676063 Ontario Inc. (collectively the "Applicants")

Notes to Projected Statement of Cash Flow

For the Period Ending October 13, 2023

(Unaudited; \$CAD, Thousands)

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Applicants a for the period July 25, 2023 to October 13, 2023 (the "Period") in respect of their proceedings under the Companies' Creditors Arrangement Act ("CCAA"). The cash flow forecast assumes that the Applicants file for protection under the CCAA on July 25, 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. Primarily represents collections on sales of cannabis-related products in the wholesale and international markets.

Probable Assumptions

5. Represents monthly excise tax remittances paid in the normal course. Emblem Cannabis Corporation ("Emblem Cannabis") owes approximately \$10.1 million in excise taxes, of which approximately \$8.5 million is in arrears. It is assumed that the arrears will not be paid during the CCAA proceedings.
6. Represents monthly harmonized sales tax paid in the normal course. The Applicants have advised that they owe approximately \$2.5 million in sales tax arrears. It is assumed that the arrears will not be paid during the CCAA proceedings.
7. Represents cannabis and cannabis-related product purchases.
8. Includes payroll for all of the Applicants' employees. Hourly employees are paid bi-weekly and salaried employees are paid twice a month.
9. Represents occupancy costs including rent for the Applicants' leased head-office premises in Concord, Ontario. It is assumed that the Applicants will be vacating their head office by October 1, 2023.
10. Represents general operating costs, including sales and marketing, administrative costs, overhead costs and other sundry items.
11. Includes the estimated payments to the Monitor, its counsel, the Applicants' counsel and the counsel to the DIP Lender.
12. Represents projected payments of pre-filing balances to critical vendors in order to secure ongoing supply during the Period.
13. Represents the commitment fee payable under the DIP Facility. The commitment fee will be added to the DIP Facility.
14. Reflects projected DIP funding to be provided by the DIP Lender, as defined and pursuant to the terms of the DIP Term Sheet.

SCHEDULE "C"

Outstanding Obligations for Payroll, Employee Source Deductions, Sales Taxes, Value Added Taxes

- As at June 30, 2023, the Obligors had approximately \$9.3 million in excise tax arrears (net of deposits) and approximately \$2.5 million in sales tax arrears. The Obligors are current on payroll obligations and payroll source deductions.

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

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

FIRST REPORT OF THE MONITOR

OSLER, HOSKIN & HARCOURT LLP

P.O. Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Marc Wasserman (LSO# 44066M)
Tel: 416.862.4908
mwasserman@osler.com

Martino Calvaruso (LSO# 57359Q)
Tel: 416.862.6665
mcalvaruso@osler.com

Ben Muller (LSO# 80842N)
Tel: 416.862.5923
bmuller@osler.com

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