July 24, 2023

Pre-Filing Report of KSV Restructuring Inc. as Proposed CCAA Monitor of Aleafia Health Inc., Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited., Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc., and 2676063 Ontario Inc.

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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

PRE-FILING REPORT OF KSV RESTRUCTURING INC. AS PROPOSED MONITOR

July 24, 2023

1.0 Introduction

1. KSV Restructuring Inc. ("KSV") understands that Aleafia Health Inc. ("AHI"), Emblem Corp. ("Emblem Corp"), Emblem Cannabis Corporation ("Emblem Cannabis"), Emblem Realty Ltd. ("Emblem Realty"), Growwise Health Limited ("Growwise"), Canabo Medical Corporation ("Canabo"), Aleafia Inc. ("Aleafia Sub"), Aleafia Farms Inc. ("Aleafia Farms"), Aleafia Brands Inc. ("Aleafia Brands"), Aleafia Retail Inc. ("Aleafia Retail"), 2672533 Ontario Inc. ("2672") and 2676063 Ontario Inc. ("2676") (collectively the "Applicants" and each an "Applicant") intend to make an application before the Ontario Superior Court of Justice (Commercial List) (the "Court") under the C*ompanies' Creditors Arrangement Act*, *R.S.C. 1985, c. C-36*, as amended (the "CCAA"), for an initial order (the "Initial Order") granting, among other things, the Applicants protection under the CCAA and appointing KSV as the CCAA monitor (in such capacity, the "Monitor").

2. AHI, directly or indirectly, wholly-owns each of the other Applicants (each subsidiary of AHI individually a "Subsidiary" and together the "Subsidiaries", and collectively with AHI, the "Aleafia Group") and has an interest in a certain other non-Applicant affiliate[1].

[1] The non-Applicant affiliate is: One Plant (Retail) Corp. ("One Plant") (the "Non-Applicant Party").

3. The principal purposes of these 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. No relief is being sought at the initial application in respect of the SISP.

4. If the Initial Order is granted, the Applicants intend to return to Court within ten days (the "Comeback Motion") to seek the Court's approval of an amended and restated Initial Order (the "Restated Initial Order") which, *inter alia,* would:

   a) extend the stay of proceedings;

   b) increase the amount of the Administration Charge, the Directors' Charge and the DIP Lender's Charge (each as defined below); and

   c) relieve AHI from: (i) any obligations to call and hold its annual general meeting of shareholders; and (ii) certain securities reporting obligations.

5. The Applicants are also working to develop a SISP which they intend to seek Court approval of by no later than August 14, 2023. RWB (as defined below) has indicated it has an interest in being a stalking horse in the SISP.

6. The Affidavit of Patricia Symmes-Rizakos, Chief Executive Officer of AHI and a director of all the Subsidiaries, sworn in support of the CCAA application (the "Symmes-Rizakos Affidavit"), provides, among other things, the Applicants' background, including the reasons for the commencement of these CCAA proceedings.

7. If the Court grants the relief set out in the Initial Order, the Court materials filed in these CCAA proceedings will be made available by KSV on its website at https://www.ksvadvisory.com/insolvency-cases/case/aleafia.

8. KSV is filing this report ("Report") as proposed Monitor. If the Initial Order is granted by the Court, the Monitor will file a subsequent report to Court in respect of the Comeback Motion.

1.1 Purposes of this Report

1. The purposes of this Report are to:

   a) provide KSV's qualifications to act as Monitor;

   b) provide certain background information about the Aleafia Group;

   c) report on the Applicants' cash flow projection for the period July 25, 2023 through to October 13, 2023 (the "Cash Flow Forecast");

d) summarize the terms of a proposed debtor-in-possession credit facility (the "DIP Facility") in the maximum principal amount of $6.6 million to be made available to the Applicants pursuant to a term sheet (the "DIP Term Sheet") to be entered into 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");

e) address the Applicants' request that the Court issue an order allowing the Applicants to borrow up to $2.4 million (the "Interim Advance") under the DIP Facility to fund their business and operations until the Comeback Motion;

f) discuss the rationale for including the following provisions in the Initial Order:

   i. a charge in the amount of $500,000 on all of 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 counsel (the "Administration Charge");

   ii. a charge up to the maximum amount of the Initial Advance (as defined below) of $2.4 million, plus accrued and unpaid interest, fees and expenses thereon, on the Property in favour of the DIP Lender to secure advances to the Applicants made under the DIP Facility prior to the Comeback Motion (the "DIP Lender's Charge");

   iii. a charge 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");

   iv. the proposed priority in the Initial Order of the Charges; and

   v. a provision permitting the Applicants to pay certain pre-filing obligations to essential suppliers, up to a maximum of $500,000 in the aggregate, subject to first obtaining the Monitor's and DIP Lender's consent; and

g) recommend that this Court grant the relief sought by the Applicants in their CCAA application materials.

1.2 Restrictions

1. In preparing this Report, KSV 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. KSV 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, KSV 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 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. KSV 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.

1.4 KSV's Qualifications to Act as Monitor

1. KSV is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA on who may be appointed monitor.

2. KSV has consented to act as Monitor in these proceedings should the Court grant the Initial Order. A copy of KSV's consent to act as Monitor is attached to the Symmes-Rizakos Affidavit.

3. KSV has experience acting as CCAA monitor and other court officer capacities in formal insolvency proceedings in the cannabis industry. KSV was engaged by the Applicants on July 10, 2023 to assist them with their plans and preparations for this filing. During that time, KSV has obtained an understanding of the Applicants' financial and operational challenges. This knowledge will assist KSV to fulfil its duties as Monitor.

4. Neither KSV nor any of its representatives or affiliates has at any time in the past two years been: (i) a director, officer or employee of any member of the Applicants; (ii) related to any member of the Applicants, or to any director or officer of any member of the Applicants; or (iii) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of any member of the Applicants.

2.0 Background of the Applicants

1. The Symmes-Rizakos Affidavit sets out detailed information with respect to the Aleafia Group's business and operations. The information contained in this Report is not intended to be a detailed summary of all matters relating to the business of the Aleafia Group. KSV recommends that readers review the application materials filed by the Applicants in respect of these CCAA proceedings.

2. AHI's common shares are listed on the Toronto Stock Exchange in Canada under the trading symbol "AH" and on the OTC Markets Group in the United States under the trading symbol "ALEAF". Each of the other Applicants are either directly or indirectly wholly-owned by AHI.

3. The Aleafia Group is a federally licensed Canadian cannabis organization which operates two primary lines of business, being (i) cannabis production and resale and (ii) virtual cannabis clinics. The Aleafia Group sells cannabis products primarily through three core sales channels: adult-use, medical, and international. The Aleafia Group's corporate chart is provided at Exhibit "A" of the Symmes-Rizakos Affidavit.

2.1 Applicants

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

   AHI

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

   Emblem Cannabis, Emblem Corp. and Emblem Realty

   a) Emblem Cannabis is the primary operating entity of the Aleafia Group, and all cannabis sales in the medical, adult-use, international and wholesale market flow through Emblem Cannabis.

   b) Emblem Cannabis is a licensed producer of cannabis in accordance with the *Cannabis Act*, S.C. 2018, c. 16 and its associated regulations ("Cannabis Act") and operates from: (i) an owned 56,000 square foot licensed cannabis cultivation and packaging facility located in Paris, Ontario (the "Paris Facility") that is capable of producing over 40,000 kgs of cannabis product in edible, oil, capsule, sublingual, vape cartridge and bath/body formats annually, and represents the hub of the Aleafia Group's cannabis product development; and (ii) a leased distribution centre for its medical cannabis delivery service in Concord, Ontario (the "Distribution Centre").

   c) The Paris Facility produces all the cannabis that is sold by the Applicants in the medical and international sales channels, and a small portion of the product that is sold in the recreational sales channel. Emblem Cannabis sells its medical use cannabis products under the "Emblem" brand.

   d) The Aleafia Group currently plans to cut costs by shutting down the Distribution Centre by the end of July 2023, and transferring all site activities to the Paris Facility, which transition will be fully complete by October 2023.

   e) Emblem Cannabis is a wholly-owned subsidiary of Emblem Corp. Apart from its interest in Emblem Cannabis, Emblem Corp. otherwise has no material assets or business operations. Emblem Realty is a wholly-owned subsidiary of Emblem Cannabis and has no material assets and does not carry on any active business operations.

   Aleafia Farms, Aleafia Brands, Aleafia Retail and Aleafia Sub

   a) Aleafia Farms is a licensed producer of cannabis in accordance with the Cannabis Act and operates from (i) an owned licensed 86-acre outdoor cannabis cultivation facility located in Scugog, Ontario (the "Port Perry Facility"), which is also Canada's largest outdoor cannabis cultivation facility; and (ii) an owned licensed 160,000 square foot greenhouse facility located in Grimsby, Ontario (the "Grimsby Facility"), containing moving container benches, irrigation and quality analysis tools.

b) The Port Perry Facility produces the bulk of the cannabis product that is sold under the recreational sales channels, which is primarily sold under the "Divvy Cannabis" brand.

c) The Grimsby Facility is not actively growing any cannabis. On June 23, 2023, Aleafia Farms entered into an agreement of purchase and sale (the "Grimsby APS") with Siva Selven, on behalf of a company to be later incorporated (the "Grimsby Purchaser") in respect of the Grimsby Facility; however, the Grimsby Purchaser failed to pay the deposit under the Grimsby APS, and, accordingly, on or around July 6, 2023, counsel to Aleafia Farms provided a formal notice of default to the Grimsby Purchaser. KSV understands that Aleafia Farms continues to evaluate its legal options, including whether the Grimsby APS should be terminated and the Grimsby Facility remarketed through the SISP in the CCAA process.

d) Each of Aleafia Brands and Aleafia Retail are currently operationally inactive and have no significant assets and do not carry on any active business operations, other than Aleafia Retail's investment in One Plant, the Non-Applicant Party, of which Aleafia Retail holds approximately 9.9% of the issued and outstanding shares. One Plant is an adult-use cannabis retail operation, which currently has over 30 locations in Ontario.

e) KSV understands that Aleafia Sub is an active subsidiary and earns certain of its revenue through provision of medical cannabis clinic services.

Growwise

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

Canabo

a) Canabo operates as the virtual medical arm of the Aleafia Group and connects patients to medical marijuana clinics across Canada for virtual and phone appointments through physician referral services. In addition to its virtual operations, Canabo operates a direct-to-patient medical business from a leased location in St. John's, Newfoundland (the "Newfoundland Facility"). The Newfoundland Facility is staffed by physicians that are independent contractors.

b) KSV understands that all of the eight employees located at the Newfoundland Facility, seven of whom are unionized, were given working notices of termination in late June of 2023, which becomes effective at the end of the summer 2023. Canabo will continue to operate the Newfoundland Facility with the contractor physicians and other remote employees.

2672 and 2676

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

2. The Applicants collectively employ or engage approximately 151 individuals, two of whom are engaged as contractors with the remainder as employees. The Applicants do not maintain a pension plan. Aside from the seven employees at the Newfoundland Facility, whom were all provided notices of termination, none of the Applicants' other employees are unionized.

2.2 Financial Position

1. The table below summarizes the Aleafia Group's consolidated operating results for its fiscal year ended March 31, 2023 and 2022.

$000s	March 31, 2023 (audited)	March 31, 2022 (audited)
Net Sales	42,847	36,056
Cost of sales	(28,651)	(32,566)
Gross margin	14,196	3,490
Gross margin (%)	33%	10%
Operating expenses	(18,221)	(27,231)
EBITDA	(4,025)	(23,741)
Interest, net	(9,357)	(8,548)
Depreciation, impairment and other	(21,222)	(118,475)
Net profit/(loss)	(34,604)	(150,764)

2. The results in the table reflect, *inter alia,* that:

a) despite the Applicants' efforts to increase revenue and profitability between 2022 and 2023, the Aleafia Group suffered combined net losses of over $185 million in the previous two fiscal years; and

b) the Applicants generated cumulative negative EBITDA of approximately $28 million in fiscal 2022 and 2023, and accordingly, the operating cash flows were not sufficient to service ongoing debt service obligations.

3. As at March 31, 2023, the Applicants had a total cumulative deficit of approximately $528 million on their balance sheet.

3.0 Creditors

3.1 Secured Creditors

3.1.1 RWB

1. RWB manufactures, processes and distributes cannabis products in the USA. RWB is a public company listed on the Canadian Securities Exchange. The President of RWB is Colby De Zen.

2. RWB is a secured lender to the Applicants through a loan agreement dated May 14, 2021, as amended, which was originally as between (i) NE SPC II LP, as lender ("NE SPC"), (ii) AHI, Emblem Cannabis, and Aleafia Farms, as borrowers; and (iii) each of Emblem Corp, Canabo and Aleafia Farms, as guarantors (collectively, the "RWB Credit Parties"), and which was assigned by NE SPC to RWB pursuant to an assignment agreement dated June 6, 2023 (collectively, the "RWB Loan Agreement").

3. The RWB Loan Agreement provides for a revolving credit facility in the maximum principal amount of $7 million and a non-revolving term loan facility in the maximum amount of $12 million (together, the "RWB Facilities"). Although the RWB Facilities mature on December 24, 2023, AHI is currently in breach of certain covenants under the RWB Loan Agreement. RWB has made several accommodations to the Applicants to provide them with additional liquidity. On or about June 29, 2023, RWB advised AHI that it was not required nor prepared to advance further funds under the RWB Loan Agreement, as AHI is no longer able to satisfy the conditions precedent to obtaining further advances.

4. KSV understands that the security granted by the RWB Credit Parties in respect of the RWB Facilities includes, among other things, a General Security Agreement dated December 24, 2021, in respect of the personal property assets of the RWB Credit Parties, and charges on the Paris Facility and Grimsby Facility (but not the Port Perry Facility). KSV further understands that RWB holds first ranking security on the personal property assets of the RWB Credit Parties and first ranking charges on the Paris Facility and Grimsby Facility. KSV has requested that its independent legal counsel, Osler, Hoskin & Harcourt LLP ("Osler"), conduct a review of the security granted in respect of the RWB Facilities and, if necessary, will provide a further report to the Court on such review at the appropriate time.

5. Amounts advanced under the RWB Facilities bear interest at the National Bank of Canada prime rate plus 9%. The current National Bank of Canada prime rate is 7.2% and, accordingly, the current annual interest rate for the RWB Facilities is 16.2%. As of the date of this Report, the outstanding indebtedness owed to RWB is approximately $2.5 million under the revolving facility and approximately $12.2 million under the non-revolving term facility (interest and costs continue to accrue).

6. In recent weeks, the Applicants have engaged in discussions with RWB regarding a consensual restructuring. These discussions culminated in the proposed DIP Facility, which is discussed in Section 5 below.

3.1.2 1260356 Ontario Limited.

1. 1260356 Ontario Limited ("126") is a secured lender to the Applicants pursuant to a credit agreement dated August 20, 2021 (as amended on December 24, 2021 and August 26, 2022) between 126 as lender, and AHI as borrower (collectively, the "126 Loan Agreement"). KSV has been advised that that certain directors of 126 are members of the De Zen family.

2. KSV understands that the security granted by AHI in connection with the 126 Loan Agreement includes, among other things, a General Security Agreement dated August 26, 2022, in respect of the personal property assets of AHI, and that certain Subsidiaries have granted guarantees and security in connection with the 126 Loan Agreement, including charges on the Port Perry Facility, the Paris Facility and the Grimsby Facility. KSV further understands that 126 has a first-ranking charge on the Port Perry Facility and a second-ranking charge (behind RWB) on the personal property assets of AHI and its Subsidiary guarantors, and on the Paris Facility and Grimsby Facility. KSV has requested that Osler conduct a review of the security granted in respect of the 126 Loan Agreement and, if necessary, will provide a further report to the Court on such review at the appropriate time.

3. Pursuant to the terms of the 126 Loan Agreement, 126 extended a loan of $5 million to AHI. As of the date of this Report, the outstanding indebtedness owing to 126 is approximately $5.6 million.

3.1.3 Debentureholders

1. AHI raised capital through the issuance of certain secured convertible debentures (the "Debentures") pursuant to a debenture indenture dated June 27, 2019 between AHI and Computershare Trust Company of Canada ("Computershare"), as supplemented, (the "Debenture Agreements").

2. As described in more detail in the Symmes-Rizakos Affidavit, AHI struggled to make interest payments due under the Debenture Agreements. KSV understands that the defaults under the Debenture Agreements lead to a forbearance agreement, followed by certain amendments to the terms of the Debentures, which lead to a restructuring of the original Debentures and issuance of new Debentures on June 27, 2022 with the following terms:

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

3. KSV understands that the security granted by AHI in respect of the Debenture Agreements includes, among other things, a General Security Agreement dated June 27, 2022, in respect of personal property assets of AHI, and that certain Subsidiaries have granted guarantees and security in connection with the Debentures, including charges on the Port Perry Facility, the Paris Facility and the Grimsby Facility. KSV further understands that the Debentures have a second-ranking charge on the Port Perry Facility (behind 126) and have a third-ranking charge (behind RWB and 126) on the personal property assets of AHI and its Subsidiary guarantors, and on the Paris Facility and Grimsby Facility.

4. As at the date of this Report, the amount outstanding under the Debentures is approximately $42.9 million. Interest and costs continue to accrue.

3.1.4 Other Secured Creditors and Tax Claims

1. Apart from the three key secured creditors noted above, a number of other parties have registrations under the *Personal Property Security Act* (Ontario) as against the Applicants, primarily in connection with various equipment leases. The various equipment leases are further detailed in the Symmes-Rizakos Affidavit.

2. Based on the Applicants' books and records, as of the date of this Report, certain of the Applicants owe property taxes on the owned premises as reflected in the table below:

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

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

Applicant	Amount ($)
Aleafia Farms	591,000
Emblem Corp.	925,000
AHI	597,000
Total	2,113,000

4. KSV understands that the Applicants are current on their payroll source deductions.

3.2 Unsecured Creditors and other claims

1. Per the Applicants' books and records, the Applicants' unsecured obligations as of July 19, 2023 totalled approximately $27.3 million and are summarized in the table below.

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

[2] Per the Applicants' books and records, Aleafia Sub, Emblem Realty, 2672 and 2676 do not have any unsecured obligations as they are inactive.

2. As provided in the table above, the Applicants' unsecured obligations consist primarily of:

   a) approximately $10.1 million owing to CRA in respect of excise taxes, which are owed exclusively by Emblem Cannabis. KSV understands that the CRA holds a cash deposit of approximately $800,000 in respect of the excise taxes;

   b) approximately $9.2 million owing to trade and other vendors in respect of goods and services provided to the Applicants, some of which are critical to the Applicants' operations;

   c) approximately $4.8 million owing to Royal Group Resources Inc., an entity KSV understands is controlled by the De Zen family, in respect of three promissory notes, all due and payable on December 31, 2024; and

   d) approximately $3.2 million owing in respect of a Notice of Determination issued on or about June 30, 2023 in respect of the Canada Emergency Wage Subsidy ("CEWS").

3. Of the amounts reflected above, virtually all trade payable and excise taxes are in significant arrears, and a number of trade creditors have demanded payment, have suspended service, sued or have threatened to sue. The Applicants also intend to, if necessary, pay certain limited essential suppliers pre-filing obligations, as discussed further in Section 7 below, in accordance with provisions included in the proposed Initial Order.

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

3.2.1 Proposed Transaction

1. RWB was the proposed acquirer of the Aleafia Group pursuant to a binding letter agreement dated June 6, 2023 between RWB and AHI (the "Letter Agreement"), whereby RWB agreed to acquire all of the common shares of the Aleafia Group in a business combination transaction via plan of arrangement (the "Proposed Transaction").

2. The Proposed Transaction, which was approved by AHI's board, also required approval by a certain requisite majority of the holders of the Debentures (the "Debentureholders"). On or about June 28, 2023, counsel to the Aleafia Group received written correspondence from counsel to the ad hoc committee of the Debentureholders advising that the Proposed Transaction, which sought to preserve value for AHI's junior stakeholders but paid the Debentureholders $6 million of their $42.9 million claim, would not be approved.

3. As described in more detail in the Symmes-Rizakos Affidavit, RWB and AHI subsequently exchanged various correspondence concerning the details of the Proposed Transaction but were unable to reach a deal.

4. On July 13, 2023, counsel to the Debentureholders sent a letter (the "July 13th Letter") to counsel to the Applicants and counsel to RWB. The July 13th Letter advised that the Proposed Transaction was not in the best interest of the Debentureholders and noted that it was beneficial to economic stakeholders that are junior to the Debentureholders. A copy of the July 13th Letter is attached as Appendix "A".

5. On July 14, 2023, RWB and AHI publicly announced the mutual termination of the Proposed Transaction.

4.0 Cash Flow Forecast

1. The Applicants have prepared the Cash Flow Forecast for the period from the week ending July 28, 2023 to the week ending October 13, 2023. The Cash Flow Forecast and the Applicants' statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "B".

2. The Cash Flow Forecast reflects that the Applicants require funding of approximately $2.4 million prior to the Comeback Motion, as reflected in the table below.

(unaudited; $000s)	July 25 – August 3
Receipts	640
Disbursements	
Payroll[3]	(535)
Rent	(96)
Cost of goods purchased for resale	(790)
Excise Taxes/HST	(893)
DIP Fees	(198)
Other	(416)
	(2,928)
Net Cash Flow	(2,288)
Opening Cash Balance	-
Net Cash Flow	(2,288)
Required DIP	(2,288)

3. Based on KSV's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. KSV's statutory report on the Cash Flow Forecast is attached as Appendix "C".

4. In order to provide the Applicants with the liquidity required to fund the operations during the CCAA proceedings, the Applicants are seeking the approval of the DIP Term Sheet and that, until the Comeback Motion, the Applicants be permitted to draw no more than $2.4 million to fund the expenditures noted in the table above. The amounts are contemplated to be funded under and secured by the DIP Lender's Charge.

[3] Including benefit payments.

5. The amount required to be drawn in the first ten days represents approximately 34% of the total DIP Facility. KSV has reviewed the Cash Flow Forecast in detail with management and only critical payments are proposed to be made until the Comeback Motion. These critical payments include:

   a) Payroll ($535,000): represents normal course payroll for the Aleafia Group that is due in the week ending July 28, 2023;

   b) Cost of goods purchased for resale ($790,000): the Applicants have not been able to purchase products for several weeks due to the liquidity crisis. The amounts to be purchased within the next ten days are critical to maintaining the Applicants' operations;

   c) Excise taxes and HST ($893,000): amounts owing for June 2023 and due on July 31, 2023;

   d) Other ($416,000): represents other critical expenses, including payment of utilities, insurance and critical operating expenses; and

   e) Professional fees ($0): the professionals have agreed to defer their fees until the Comeback Motion, provided the Administration Charge is granted.

6. The Cash Flow Forecast has also been reviewed by the DIP Lender, which consents to the proposed Initial Advance amount and the use of proceeds to sustain the Aleafia Group's business until the Comeback Motion.

5.0 DIP Facility[4]

1. In the weeks prior to this application, KSV and the Applicants canvassed five potential lenders for debtor-in-possession loans, including RWB and parties recommended by the Debentureholders. RWB and one other potential lender submitted a term sheet. The terms submitted by the other lender were economically similar to the terms set out in the DIP Term Sheet. If the DIP Facility was repaid after 120 days, the effective rate of interest would be approximately 21.5%.[5] KSV understands that the Applicants decided to move forward with the DIP Term Sheet, given RWB's status as the principal secured lender to the Applicants.

2. The significant terms of the DIP Facility are summarized below. The DIP Facility is being provided by RWB as the DIP Lender. A copy of the DIP Term Sheet is attached to the Symmes-Rizakos Affidavit at Exhibit "TTT".

   a) <u>Borrowers</u>: AHI, Emblem Cannabis and Aleafia Farms;

   b) <u>Guarantors</u>: each of the Borrowers and Growwise, Emblem Realty, Emblem Corp., Canabo and Aleafia Sub. The Guarantors and Borrowers are collectively referred to as the "Obligors");

   c) <u>DIP Lender</u>: RWB;

[4] Terms not defined in this section have the meaning provided to them in the DIP Term Sheet.

[5] The other DIP term sheet received had an effective interest rate of 21%.

d) <u>DIP Facility:</u> up to a maximum of $6.6 million, including an initial advance in an amount of $2.4 million (the "Initial Advance");

e) <u>Maturity Date:</u> the earlier of:

   i. 120 days from the date of the Initial Advance under the DIP Facility (or such later date as the DIP Lender in its sole discretion may agree to in writing with the Borrowers, acting reasonably);

   ii. the date on which (a) the stay of proceedings under these CCAA proceedings is lifted without the consent of the DIP Lender, or (b) these CCAA Proceedings are terminated;

   iii. the date of a closing of a sale or a similar transaction for all or substantially all of the assets and business of the Obligors, including pursuant to the SISP, which transaction has been approved by the Court;

   iv. the implementation of a plan of compromise or arrangement within the CCAA proceedings which has been approved by the requisite majorities of the Obligors' creditors and the Court; and

   v. the conversion of the CCAA proceedings into a proceeding under the *Bankruptcy and Insolvency Act* (Canada).

   In addition to the provisions above, the Maturity Date shall be accelerated upon the occurrence of an Event of Default.

f) <u>Interest rate:</u> 12.5% per annum, which will be capitalized monthly in arears and paid on the Maturity Date;

g) <u>Commitment Fee</u>: a fee equal to 3% of the total amount of the DIP Facility, being $198,000. The Commitment Fee shall be fully earned and paid upon issuance of the Initial Order;

h) <u>Expenses:</u> the Borrower shall pay, on a bi-weekly basis, all reasonable and documented costs and expenses of the DIP Lender, including of its outside counsel, appraisers, field auditors, and any financial consultant, related to or in connection with the CCAA proceedings;

i) <u>DIP Security</u>: the obligations of the Borrowers under the DIP Facility are to be secured by the DIP Lender's Charge on all the Property of the Obligors;

j) <u>Cash Flow Projections and Reporting</u>: the Applicants shall provide Initial Cash Flow Projections that will be included as a schedule to the DIP Term Sheet. The Initial Advance under the DIP Facility shall be used in accordance with the Initial Cash Flow Projections. Subsequently, the Borrowers shall deliver to the DIP Lender, by no later than 5:00pm on Tuesday of each week, updated "rolling" 13-week cash flow projections, including a comparison to the previously delivered cash flow projections.

k) <u>Conditions</u>: the material conditions precedent to the Initial Advance include:

   i. the issuance of the Initial Order, which shall specifically authorize and approve the DIP Facility and the DIP Lender's Charge, in an amount corresponding to the Initial Advance;

ii. the appointment of KSV as Monitor;

iii. except to the extent not permitted by the CCAA, the DIP Lender’s Charge shall have priority over all Liens granted by the Obligors against the Property, except for the Administration Charge, which shall not exceed an amount of $500,000 for the Initial Order, which amount shall be increased to $1.25 million under the Restated Initial Order; and

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

In addition to the conditions above, the following material conditions are not required for the Initial Advance, but are required to be satisfied following the Initial Advance:

i. the issuance of the Restated Initial Order, approving the increase to the DIP Facility and the DIP Lender’s Charge;

ii. the terms and conditions of the SISP, including the various SISP milestones, 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;

iii. 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;

iv. the representations and warranties contained in the DIP Term Sheet shall be true and correct; and

v. no default or event of default under the DIP Term Sheet shall have occurred and be continuing.

5.1 Recommendation

1. KSV considered the following factors when reviewing the reasonableness of the DIP Facility, as well as those set out in Section 11.2 of the CCAA:

   a) as provided above, KSV and the Applicants canvassed the market for debtor-in-possession loans, and based on the feedback from other prospective lenders and the one other term sheet received, KSV believes that the terms of the DIP Facility are reasonable in the circumstances;

   b) the Applicants have a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicants will be unable to maintain their operations and commence their restructuring process. The DIP Facility and the DIP Lender's Charge will allow the Applicants to continue to operate, including funding payroll, which is immediately required;

c) KSV believes that approval of the DIP Facility is in the best interests of the Applicants' stakeholders and will advance the Applicants' restructuring process. KSV does not believe that creditors of the Applicants will be prejudiced as a result of the approval of the DIP Facility – to the contrary, they will benefit from it as it will allow the business to continue to operate, which will enhance value versus the alternative, which is the discontinuation of operations and the potential liquidation of the Applicants' assets;

d) on the application for the Initial Order, the Applicants are seeking approval to borrow, and secure only the amounts funded under the Initial Advance, which are those amounts required to sustain the business and make critical payments until the Comeback Motion;

e) KSV compared the terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced between 2022 and 2023. The comparison is attached as Appendix "D". Based on KSV's review and analysis, the cost of the proposed DIP Facility is within the ranges of similar facilities of this size approved by the Court and other Canadian courts in CCAA and other restructuring proceedings. In particular, interest rates on DIP facilities have increased in recent months due to the increase in the Bank of Canada's policy rate; and

f) the DIP Facility is to be provided by RWB, who is an existing secured creditor of the Applicants and is supportive of the proposed restructuring process pursuant to the CCAA.

2. Based on the foregoing, KSV believes that the terms of the DIP Facility are reasonable in the circumstances.

6.0 Court Ordered Charges

6.1 Administration Charge

1. The Applicants are seeking an Administration Charge pursuant to the proposed Initial Order in an amount not to exceed $500,000 to secure the fees and expenses of the Monitor, its counsel and the Applicants' counsel until the Comeback Motion. It is anticipated that the Applicants will seek an increase to the Administration Charge as part of the Restated Initial Order.

2. The Administration Charge is a customary provision in an Initial Order in a CCAA proceeding – it is required by certain of the professionals engaged to assist a debtor company and to protect them in the event that the debtor is unable to pay professional fees and costs during the CCAA proceedings.

3. The Applicants worked with KSV to estimate the proposed amount of the Administration Charge.

4. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the Applicants' proceedings and the services to be provided by professionals involved in these proceedings. In addition, based on the Applicants' illiquidity, each of the professionals having the benefit of the Administration Charge has been providing services with very limited to no retainer funds as security. As noted above, the beneficiaries of the Administration Charge will also not receive any funds from the Initial Advance under the DIP Facility.

5. The DIP Lender has been consulted on the proposed Administration Charge.

6.2 Directors' Charge

1. KSV understands that the Applicants are current on their normal course payroll obligations (including withholding taxes). KSV also understands that the Applicants' vacation pay liability totals approximately $163,000.

2. The Cash Flow Forecast contemplates that payroll, sales taxes and excise taxes will continue to be paid in the ordinary course and the Applicants are projected to have sufficient liquidity to do so provided the DIP Facility and DIP Lender's Charge are approved in the Initial Order and the full availability under the DIP Facility is approved at the Comeback Motion. 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.

3. The 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.

4. As provided in the table below, the amount of the Directors' Charge was estimated by the Applicants, in consultation with the proposed Monitor, taking into consideration current vacation pay liability and the estimated payroll obligation, sales tax obligations and excise tax obligations arising during the ten-day period prior to the Comeback Motion:

(unaudited)	Amount ($)
Payroll, including source deductions	357,000
Vacation Pay	163,000
Sales tax	50,000
Excise tax	265,000
Total Directors' Charge	835,000

5. KSV is of the view that the 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 these CCAA proceedings. It is anticipated that the Applicants will seek an increase to the Directors' Charge as part of the Restated Initial Order.

6. The DIP Lender has been consulted on the proposed Directors' Charge.

6.3 DIP Lender's Charge

1. The Applicants are seeking a charge in favour of the DIP Lender to secure advances under the DIP Facility. The size of the DIP Lender's Charge will be limited to the amount of the Initial Advance, plus accrued and unpaid interest, fees and expenses thereon, until the Comeback Motion. The Applicants will seek access to the full availability under the DIP Facility as part of the Restated Initial Order.

2. KSV is of the view that the DIP Lender's Charge is required as: (i) the Applicants are in immediate need of liquidity, including to fund payroll; (ii) the terms of the DIP Facility are reasonable for the reasons set out in Section 5 of this Report; and (iii) the DIP Lender is not prepared to provide further financing without the benefit of the DIP Lender's Charge.

6.4 Priority of Charges

1. The Applicants propose the Charges have the following priority among them, which priorities are contemplated in the proposed DIP Term Sheet:

   a) First, the Administration Charge (to a maximum of $500,000);

   b) Second, the DIP Lenders' Charge (to the maximum amount of the obligations outstanding under the DIP Facility at the relevant time); and

   c) Third, the Directors' Charge (to a maximum of $835,000).

7.0 Proposed Payment of Certain Pre-Filing Obligations

1. The Applicants are seeking a provision in the Initial Order permitting them to make payments to certain suppliers integral to the Applicants' business operations in respect of obligations arising prior to the commencement of these CCAA proceedings, up to a maximum of $500,000 in the aggregate.

2. The Applicants seek authorization to pay certain pre-filing obligations subject to the consent of the Monitor and the DIP Lender. If appointed Monitor, KSV will consider, among other factors when determining to provide such consent, whether:

   a) the supplier or service provider is considered critical to the business and ongoing operations of the Applicants and whether the payment is required to ensure ongoing supply;

   b) making the proposed payment will preserve, protect or enhance the value of the Applicants' property or business;

   c) making the proposed payment is required to address any regulatory concerns; and

   d) the applicable supplier or service provider is otherwise required to continue to provide goods or services to the Applicants after the date of the Initial Order pursuant to the terms of the proposed Initial Order.

3. KSV is familiar with provisions of orders under the CCAA permitting the debtor company to pay specific pre-filing obligations, where appropriate. In KSV's view, such payments should be a limited exception to the general rule prohibiting payment of pre-filing obligations. However, it is also recognized that in certain unique instances, such payments to specific post-filing suppliers are required. KSV is aware of the Applicants' reliance on certain suppliers to sustain operations.

4. For the foregoing reasons, KSV is supportive of the Applicants' request for the inclusion of a provision authorizing it to pay certain pre-filing obligations up to a maximum of $500,000 in the aggregate. KSV will review each proposed payment in accordance with the foregoing criteria prior to providing (or not providing) the Monitor's required consent, with a view to ensuring that payments to suppliers in respect of pre-filing liabilities are limited to the extent reasonably necessary.

8.0 Creditor Notification

1. The proposed Initial Order requires the Monitor to:

    a) publish without delay a notice in the national edition of *The Globe and Mail* newspaper containing the information prescribed under the CCAA; and

    b) within five (5) days of the issuance of the Initial Order to:

        i. make the Initial Order publicly available in the manner prescribed under the CCAA;

        ii. send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicants of more than $1,000 (other than employees) advising that the order is publicly available; and

        iii. prepare a list, showing the names and addresses of those creditors (other than creditors that are individuals), and the estimated amounts of those claims, and make it publicly available in the prescribed manner.

2. If appointed as Monitor, KSV will also post the Initial Order and all motion materials on its website in accordance with the Court's *E-Service Protocol*.

9.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an order granting the relief detailed in Section 1.1 (1)(g) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED MONITOR OF
ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC. AND NOT IN ITS PERSONAL CAPACITY

Appendix “A”

Bennett Jones

Bennett Jones LLP
3400 One First Canadian Place, PO Box 130
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Tel: 416.863.1200 Fax: 416.863.1716

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

July 13, 2023

Via E-Mail

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

Attention: Melanie Cole and Kyle B. Plunkett

Gowling WLG
100 King Street West, Suite 1600
Toronto, Ontario
M5X 1G5

Attention: Virginie Gauthier

Dear Sirs/Mesdames:

Re: Proposed transaction (the "Proposed Transaction") between Aleafia Health Inc. ("Aleafia") and Red White & Bloom Brands Inc. ("RWB")

As you know, we represent an ad hoc group of holders (the "**Ad Hoc Group**") of Aleafia's secured convertible debentures issued under the amended and restated debenture indenture providing for the issue of certain convertible debentures dated as of June 27, 2022 between Aleafia and Computershare Trust Company of Canada, as the trustee, as supplemented by: (a) the first supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series A Secured Convertible Debentures Due June 30, 2024); (b) the second supplemental indenture dated as of June 27, 2022 (providing for the issue of the 8.5% Series B Secured Convertible Debentures Due June 30, 2026); and (c) the third supplemental indenture dated as of June 27, 2022 (providing for the issue of 8.50% Series C Secured Debentures Due June 30, 2028) (collectively, the "**Secured Convertible Debentures**"). We are writing to you in your capacity as counsel to Aleafia and RWB, respectively.

As we have advised multiple times over the last number of weeks, the Ad Hoc Group is strongly opposed to the Proposed Transaction. As you are aware, the Proposed Transaction would result in significant value – more than $20 million by RWB's estimation – being provided to junior stakeholders while Aleafia's prior ranking Secured Convertible Debentures are to be paid approximately 15 cents on the dollar. Despite our numerous discussions, we have not been provided with any legal or commercial justification for this nonsensical proposed result.

While the Proposed Transaction is clearly not in the best interests of the holders of the Secured Convertible Debentures, we note that it is remarkably beneficial to the De Zen family and its economic interests in Aleafia. We understand that the De Zens – or entities affiliated with, or controlled by, the De Zens – hold the beneficial interest in: (a) Aleafia's structurally subordinated unsecured promissory notes in the principal amount of approximately $4.5 million (which RWB has proposed to assume in full despite it being a security that could be compromised in the Proposed Transaction); and (b) a significant number of Aleafia's shares (for which RWB has proposed to provide 24% of the equity of the resulting new company in the Proposed Transaction).

We also note that the De Zens have significant influence over both Aleafia and RWB. Among other things, Colby De Zen is President and a Director of RWB, the De Zens are the largest beneficial holders of the equity in both Aleafia and RWB, and Lu Galasso is a director of Aleafia and a partner of the Zzen Group. Other directors of Aleafia and RWB also have ties to the De Zens.

The Ad Hoc Group is disappointed that the parties were unable to negotiate a consensual transaction that respected the legal priority of the Secured Convertible Debentures and the interests of the holders thereof. The Ad Hoc Group remains prepared to continue to discuss potential resolutions and alternatives to the Proposed Transaction, having regard to the best interests of Aleafia and its various stakeholders. However, given that RWB's latest proposal was said to be "take it or leave it", we assume RWB has no interest in such discussions, presumably due to the concerning conflicts raised above.

Accordingly, we expect that Aleafia will need to quickly consider other strategic alternatives, including a potential filing under the *Companies' Creditors Arrangement Act* (the "**CCAA**"), and trust that Aleafia will have regard for the best interests of its stakeholders in so doing. The Ad Hoc Group has various ideas as to how to best maximize value in such a CCAA proceeding, which we would be pleased to discuss with Aleafia's management, independent directors, KSV Restructuring Inc. and/or Aird & Berlis LLP.

As a final matter, we hereby put Aleafia, RWB, and their respective directors, officers, agents and advisors on notice that litigation by the holders of the Secured Convertible Debentures is reasonably contemplated. We therefore ask you to advise all such entities and persons of their obligations to preserve all relevant records in their possession, power and control, including, without limitation, documents, e-mails, text messages, WhatsApp messages and other electronic communications.

Yours truly,

BENNETT JONES LLP

DocuSigned by:

65B6BE2E814144E...

Sean H. Zweig

c: Jonathan Bell (Bennett Jones LLP)

Appendix “B”

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)

		Weeks Ending												
	Notes	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	Total
	1													
Receipts														
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
Total Receipts		212	428	627	702	771	492	279	756	401	804	570	558	6,599
Disbursements														
Operating Costs:														
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)
Total Operating Disbursements		(1,244)	(1,145)	(601)	(652)	(644)	(1,594)	(596)	(242)	(901)	(638)	(1,558)	(582)	(10,395)
Net Cash Flow Before the Undernoted		(1,032)	(717)	26	50	127	(1,101)	(317)	514	(500)	166	(987)	(23)	(3,796)
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)
Net Cash Flow		(1,455)	(832)	(299)	(275)	(88)	(1,276)	(492)	354	(660)	6	(1,197)	(233)	(6,449)
Opening Cash Balance		-	945	113	564	288	200	624	132	485	1,326	1,332	135	-
Net cash flow		(1,455)	(832)	(299)	(275)	(88)	(1,276)	(492)	354	(660)	6	(1,197)	(233)	(6,449)
DIP Financing	14	2,400	-	750	-	-	1,700	-	-	1,500	-	-	250	6,600
Closing Cash Balance		945	113	564	288	200	624	132	485	1,326	1,332	135	151	151
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 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.

COURT FILE NO.: ____________________

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

The management of Aleafia Health Inc., Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited, Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc. and 2676063 Ontario Inc. (collectively, the "Applicants") have developed the assumptions and prepared the attached statement of projected cash flow as of the 24th day July, 2023 for the period July 25, 2023 to October 13, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

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

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

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

Dated at Toronto, Ontario this 24th day of July, 2023.

ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC.

DocuSigned by:
Matthew Sale
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Per: Matthew Sale

Appendix “C”

COURT FILE NO.: ___________________

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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

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

The attached statement of projected cash-flow of Aleafia Health Inc., Emblem Corp., Emblem Cannabis Corporation, Emblem Realty Ltd., Growwise Health Limited, Canabo Medical Corporation, Aleafia Inc., Aleafia Farms Inc., Aleafia Brands Inc., Aleafia Retail Inc., 2672533 Ontario Inc. and 2676063 Ontario Inc. (collectively, the "Applicants") as of the 24th day July, 2023, consisting of a weekly projected cash flow statement for the period July 25, 2023 to October 13, 2023 ("Cash Flow") has been prepared by the management of the Applicants for the purpose described in Note 1, using probable and hypothetical assumptions set out in the notes to the Cash Flow.

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

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

a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;

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

c) the Cash Flow does not reflect the probable and hypothetical assumptions.

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

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

Dated at Toronto this 24th day of July, 2023.

KSV Restructuring Inc.

KSV RESTRUCTURING INC.
IN ITS CAPACITY AS PROPOSED CCAA MONITOR OF
ALEAFIA HEALTH INC., EMBLEM CORP., EMBLEM CANNABIS CORPORATION, EMBLEM REALTY LTD., GROWWISE HEALTH LIMITED., CANABO MEDICAL CORPORATION, ALEAFIA INC., ALEAFIA FARMS INC., ALEAFIA BRANDS INC., ALEAFIA RETAIL INC., 2672533 ONTARIO INC., AND 2676063 ONTARIO INC.

Appendix “D”

Comparative Summary of DIP Facilities
January 1, 2022 to July 24, 2023
($, millions)

Debtor	Lender	Proceeding Type	Trustee	Filing Date	Jurisdiction	Industry	Commitment ($MM)	Fees	Interest Rate
Phoena Holdings Inc. et al	Cortland Credit Lending Corporation	CCAA	EY	April 4, 2023	Ontario	Cannabis	3.10	Commitment fee of $62,000; reasonable fees and expenses of DIP lender	Prime plus 20%
J.W. Carr Holdings Ltd. et al.	MGB Investments Ltd.	CCAA	EY	April 20, 2023	Alberta	Real Estate	2.70	Closing fee of $25,000; undrawn amount fee of 2% per annum on undrawn amounts	12.0%
GreenSpace Brands Inc.	Pivot Financial I Limited Partnership Inc.	CCAA	PwC	April 6, 2023	Ontario	Food & Accommodation	2.60	Upfront fee of $10,000, reasonable fees and expenses of the DIP lender	14.0%
FlexITy Solutions Inc. and FlexITy Holdings Inc.	BHG-BC Holdings Ltd.	NOI	Farber	March 27, 2023	Ontario	Technology	1.10	Commitment fee of 2.5%	14.7%
Donmar Properties Ltd. and 10058984 Manitoba Ltd.	Morcourt Properties Ltd.	CCAA	EY	April 18, 2023	Manitoba	Real Estate	0.76		8.0%
Rambler Metals and Mining Canada Inc. and 1948565 Ontario Inc.	RMM Debt Limited Partnership	CCAA	Grant Thornton	February 27, 2023	Newfoundland	Mining	US 5	Standby fee of 2.5%	17.0%
B.S.K. Group Inc.	4300769 Canada Inc.	NOI	EY	March 3, 2023	Quebec	Retail	0.60		
LoyaltyOne Co. (dba AIR MILES®)	BMO	CCAA	KSV	March 10, 2023	Ontario	Other	US 70	Upfront fee of 2% and standby fee of 1.25%	Currently 14.25%, being the Base Rate (currently 8.25%) plus 6%
Dynamic Technologies Inc. et al.	Promising Experts Limited	CCAA	FTI	March 9, 2023	Alberta	Professional Services	2.60	Reasonable fees and expenses of the lender	12.0%
Tehama Inc.	14667913 Canada Inc.	CCAA	Deloitte	January 20, 2023	Ontario	Technology	0.50	Reasonable fees and expenses of the lender	5.0%
Groupe Vertendre	Immofinn SEC	CCAA	Raymond Chabot	January 20, 2023	Quebec	Real Estate	0.25		
Forex Inc. et al.	Les Placements Al-Vi Inc.	CCAA	PwC	February 7, 2023	Quebec	Manufacturing	10.63	Reasonable fees and expenses of the lender	10.0%
Acerus Pharmaceuticals Corporation et al.	First Generation Capital Inc.	CCAA	EY	January 26, 2023	Ontario	Healthcare	7.00	Reasonable fees and expenses of the lender	8.0%
Laboratoires Bodycad Inc.	Sante BB inc.	CCAA	Raymond Chabot	December 22, 2022	Quebec	Healthcare	2.16	Unclear - materials not available	Unclear - materials not available
Payslate Inc.	Ayrshire Real Estate Management Inc.	NOI	Grant Thornton	December 5, 2022	British Columbia	Technology	1.20		15.0%
DCL Corporation	Wells Fargo Bank, National Association, as administrative agent	CCAA	A&M	20-Dec-22	Ontario	Distribution	55.00		SOFR Loan obligations and Letters of Credit: Adjusted Term SOFR or Canadian BA Rate, plus 4.00% Base Rate obligations and Swingline Loans: US Base Rate or Canadian Base Rate, plus 3.00% Unused line fee of 0.50% Additional default interest of 2.0%
Groupe Sélection Inc.	National Bank, CIBC, Desjardins, TD, BMO, HSBC, Briva Finance and Fiera	CCAA	PwC	21-Nov-22	Quebec	Food & Accommodation	20.00		
Trichome Financial Corp.	Cortland Credit Lending Corporation	CCAA	KSV	7-Nov-22	Ontario	Cannabis	4.88	Commitment fee of $97,000	14.0%
Digitcom Telecommunications Inc.	TD Bank	NOI	Grant Thornton	31-Oct-22	Alberta	Technology	0.45	Commitment fee of $25,000; reasonable fees and expenses of the lender	Prime plus 5%
Springer Aerospace Holdings Limited and 1138969 Ontario Inc.	Hillmount Capital Inc.	CCAA	MNP	23-Nov-22	Ontario	Professional Services	1.50	Commitment fee of $60,000, Lender Legal Fees, Disbursements and HST – To be determined by Lender's solicitor	The greater of RBC Prime plus 7% or 12 % per annum
Pure Gold Mining Inc.	Sprott Private Resource Lending II (Collector), LP	CCAA	KSV	31-Oct-22	British Columbia	Mining	10.00		15.0%
Cannapiece Group Inc. et al.	Cardinal Advisory Limited	CCAA	BDO	3-Nov-22	Ontario	Cannabis	0.50	Commitment fee of $10,000	12%%
The Flowr Corporation et al.	1000343100 Ontario Inc.	CCAA	EY	20-Oct-22	Ontario	Cannabis	2.00	Commitment fee of $40,000	Prime plus 12%
Xebec Adsorption Inc. et al.	National Bank of Canada	CCAA	Deloitte	29-Sep-22	Quebec	Oil and Gas	3.60		
BR Capital	2443970 Alberta Inc.	NOI	KPMG	15-Sep-22	Alberta	Technology	0.43		9.0%
iS5 Communications Inc.	Phoenix Contact Venture Funds	NOI	Grant Thornton	5-Aug-22	Ontario	Technology	USD 1.1	Commitment fee of USD $22,000, representing 2% of the total maximum amount available under the DIP Facility	14.0%
SugarBud Craft Growers Crop. et al.	Connect First Credit Union Ltd.	NOI	A&M	26-Sep-22	Alberta	Cannabis	2.00	Commitment fee of 2%	12.0%
Superette Inc. et al.	SNDL Inc.	CCAA	EY	30-Aug-22	Ontario	Cannabis	1.37		15.0%
iSPAN Systems Ltd.	Paradigm Focus Product Development Inc., Walters Partners Inc., and Leder Investments Ltd.	NOI	Fuller Landau	11-Aug-22	Ontario	Manufacturing	1.50		3.0%
Speakeasy Cannabis Club Ltd.	Travelers Capital Corp.	CCAA	Crowe MacKay	27-Jul-22	British Columbia	Cannabis	1.00	Commitment fee of 4.25%; standby fee of 2.5%; break fee of 5%	RBC prime rate (currently 4.7%) plus 725 basis points (currently 11.95%)
North American Lamb Company et al.	BNS and/or FCC	NOI	EY	5-Aug-22	Alberta	Agriculture	1.80		
iS5 Communications Inc.	Phoenix Contact Venture Funds I GmbH	NOI	Grant Thornton	5-Aug-22	Ontario	Technology	USD 1.1	Commitment fee of 2%	14.0%
Petrolama Energy Inc.	884304 Alberta Ltd.	NOI	A&M	27-Jul-22	Saskatchewan	Oil and Gas	0.30	Debtor responsible for interim lender's expenses	5.0%
MPX International Corporation	Certain Debentureholders	CCAA	KSV	24-Jul-22	Ontario	Cannabis	2.67	Commitment fee of 2%	12.0%
The Sanderson-Harold Company c.o.b. as Paris Kitchens	BMO	NOI	KSV	31-May-22	Ontario	Manufacturing	0.45		Prime commercial lending rate of BMO plus 1.5% per annum (currently, 5.2%).
Medipure Pharmaceuticals Inc.	HFS Management Inc.	NOI	Deloitte	11-May-22	British Columbia	Healthcare	1.36	Debtor responsible for interim lender's expenses	6.0%
Sproutly, Inc. and Toronto Herbal Remedies Inc.	0982244 B.C. Ltd. o/a Isle of Mann Property Group	CCAA	BDO	24-Jun-22	Ontario	Cannabis	0.75	Facility fee of 2%	14.0%
Revlon Inc. et al.	The BrandCo Lenders and certain Prepetition ABL Lenders	Foreign order recognition	KSV	20-Jun-22	Ontario	Manufacturing	Term DIP Facility - $1.025 billion; ABL DIP Facility - $400 million	Term DIP Facility - 1% of the aggregate principal amount of each Term DIP Lender's Term DIP Commitment; ABL DIP Facility - 1% of the aggregate Tranche A DIP ABL Commitments as of the Petition Date	Term DIP Facility - SOFR + 775 basis points (with a 1% SOFR floor); LIFO ABL DIP Loans - ABR + 2.50% (with a 1.5% ABR floor); SISO ABL DIP Loans - ABR + 4.75% (with a 2.75% ABR floor)
Canadian Dehua International Mines Group Inc.	Qubo Liu (a 50% shareholder)	CCAA	FTI	3-Jun-22	British Columbia	Mining	0	0%	0.0%

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MJardin Group Inc., Growforce Holdings Inc., 8586985 Canada Corporation and Highgrade MMJ Corporation	Bridging Finance	CCAA	KSV	2-Jun-22	Ontario	Cannabis	2	Upfront fee of $50,000. Debtor responsible for DIP lender's expenses.	10.0%
Freshlocal Solutions Inc. et al.	Third Eye Asset Management Inc. / Ayal Capital Advisors EliteFund LP and Heidi S. Shippell Heiland 2008 Irrevocable Trust	CCAA	EY	16-May-22	British Columbia	Retail	1) TEC - 10 2) Ayal - 3	1) Closing fee of $300,000; exit fee of $300,000; extension fee of $150,000 payable to extend the maturity date 2) Closing fee of $90,000	1) Variable interest rate of the RBC Prime Rate + 8% (currently 12.7%) per annum 2) Variable interest rate of the RBC Prime Rate + 5% (currently 9.7%) per annum
Choom Holdings Inc.	1) Aurora Cannabis Inc. 2) Secured creditor other than Aurora	CCAA	EY	22-Apr-22	British Columbia	Cannabis	1) 0.8 2) 0.15	1) Borrower responsible for DIP lender's expenses.	1) 12 2) 12
Hazelton Development Corporation	Triumph Eastern Investments Inc.	CCAA	Grant Thornton	20-Apr-22	Ontario	Real Estate	9	Commitment fee of $180,000	13.0%
0989705 B.C. Ltd. et al.	Gatland, REV and South Street LP	CCAA	A&M	1-Apr-22	British Columbia	Real Estate	1	2500000%	10.0%
Eve & Co Incorporated, Natural Medco Ltd. and Eve & Co International Holdings Ltd.	Deans Knight Private Credit GP Inc., as General Partner of Deans Knight Private Credit Limited Partnership and DK Strategic Yield U.S. GP LLC, as General Partner of DK Strategic Yield Master Trust Limited Partnership	CCAA	BDO	25-Mar-22	Ontario	Cannabis	2.20	Facility fee of 60,000. Borrower responsible for DIP lender's expenses.	12.0%
Rising Phoenix International Inc.	Interim Financing - Gestion Levy inc. Junior Interim Financing - 6815464 Canada Ltd.	CCAA	Richter	6-Jan-22	Quebec	Education	Interim Financing - 1.75 Junior Interim Financing - 2.5	Unclear - facilities granted under seal	Unclear - facilities granted under seal
Trinity Ravine Community Inc.	Nahid Corporation or an affiliate	CCAA	Deloitte	23-Feb-22	Ontario	Real Estate	1	1. one-time fee of $20,000 payable from proceeds of the first Advance; 2. Advance Fee of $500 plus HST in respect of each Advance; 3. Utilization Fee in respect of any unutilized portion of the DIP Facility at a rate of 0.35% per annum calculated and compounded monthly in arrears; 4. $40,000 to be applied against the lender's legal fees and disbursements	The greater of 12% or the TD Bank Prime Rate (currently 2.45%) plus 9.55%
BC Craft Supply Co. Ltd.	Avro Capital Corp.	NOI	Crowe MacKay	24-Jan-22	British Columbia	Cannabis	0	$5,000 documentation fee; Borrower responsible for DIP lender's expenses	11.5% per annum, with an additional 3% per annum in the event of a default

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

PRE-FILING REPORT OF THE PROPOSED MONITOR

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