

Clerk's stamp:

COURT FILE NUMBER	2301-10472
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
PLAINTIFF	AVONLEA-DREWRY HOLDINGS INC.
DEFENDANTS	PATHWAY HEALTH CORP., PATHWAY HEALTH SERVICES CORP., PATHWAY HEALTHCARE TECHNOLOGIES CORP., 2563367 ONTARIO LIMITED and SLAWNER ORTHO LTEE.

DOCUMENT

**AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT  
INFORMATION OF PARTY FILING THIS  
DOCUMENT

Dentons Canada LLP  
Bankers Court  
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Calgary, Alberta T2P 0R8  
Attn: Derek Pontin  
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File No.:

**AFFIDAVIT NO. 2 OF MICHAEL STEELE**  
**Sworn on August 29, 2023**

I, **MICHAEL STEELE**, of the Town of Oliver, in the Province of British Columbia, **SWEAR AND SAY THAT:**

1. I am the CEO and a Director of the Plaintiff, Avonlea-Drewry Holdings Inc. ("**ADH**") and have personal knowledge of the matters hereinafter deposed to, except where stated to be based upon information and belief. Where that knowledge is based on information or belief, I have stated the source of that information and verily believe it to be true.
2. I swear this Affidavit in support of ADH's application (the "**First Interim Receivership Extension Application**") seeking the extension of the appointment of KSV Restructuring Inc. ("**KSV**") as interim receiver (in such capacity, the "**Interim Receiver**") over all of the current and future assets, undertakings and property of Pathway Health Corp. ("**PHC**") and Pathway Health Services Corp. ("**PHSC**" and, together with PHC, the "**Debtors**").
3. I have reviewed the business records of ADH relevant to the Interim Receivership Application and ADH's application seeking the appointment of an interim receiver and have satisfied myself that I am possessed of sufficient information and knowledge to swear this Affidavit on behalf of ADH.
4. This is my second Affidavit sworn in these proceedings. Capitalized terms used herein and not otherwise defined have the meaning as ascribed in my first Affidavit, sworn August 9, 2023.

**The Indebtedness**

5. ADH and Heal, in aggregate, continue to be owed more than \$6.6 million dollars. No amounts have been repaid to either secured creditor since the appointment of the Interim Receiver.

**The Interim Receiver's Update and Next Steps**

6. On August 10, 2023, an Order appointing the Interim Receiver (the "**Interim Receivership Order**") was granted. I am aware that Order has an expiry of September 5, 2023, unless extended by further Order. ADH is supportive of an extension to the end of September, or such further date as the Interim Receiver's cash flow may provide.
7. I am advised by the Interim Receiver that it has retained as a consultant Mr. Kim Wei ("**Mr. Wei**"), who is extensively familiar with the business of PHC and PHSC. Mr. Wei has been making efforts to stabilize and preserve the enterprise and inherent value of the Debtors. I am advised by Mr. Wei that he has had some success in that regard, and I believe Mr. Wei continues to be critical to those efforts.
8. I am advised by Mr. Wei that he has been in discussions with Tilray Medical, including in respect of the indebtedness of the Debtors to Tilray Medical, and the prospect of Tilray Medical supporting the business of the Debtors after the secured indebtedness to ADH and Heal is resolved.
9. I am advised by the Interim Receiver that the cash flow available to the Debtors will only support continued operations until approximately September 1, 2023. ADH, the Interim Receiver and Tilray Medical are in discussions as to how further interim financing may be provided to the Interim Receiver, in order to support continued operations and allow the discussions among ADH and Tilray to continue.
10. I stated in my first Affidavit that I anticipated ADH would apply for appointment of KSV as receiver of the Debtors within 30 days. ADH is not yet in a position to apply for receivership, in large part due to the ongoing discussions with Tilray Medical, as an important stakeholder in the outcome of a receivership sale process. The premise of the interim receivership, from the perspective of ADH as the senior secured creditor, was to preserve the enterprise, which otherwise faced an immediate and total loss of value due to the resignation of all board and executive members. That preservation of value appears to be underway and is important to be continued while discussions among stakeholders advance.
11. ADH is of the view that there is no prejudice that could result from the approval of an extension of the interim receivership. The only secured creditors, ADH and Heal, are supportive of the extension. If the extension is not granted, I verily believe the Interim Receiver will assign the Debtors into bankruptcy (this being an existing power set out in the Interim Receivership Order). In that case, the business and enterprise value will be lost, and the extensive patient network will be disrupted. There is greater value in continuing the Interim Receivership, than letting it expire.

**Sale of Shares of Slawner Ortho Ltee**

12. I advised in my first Affidavit that PHSC was in the midst of negotiating a sale of the shares of Slawner at the time the leadership resignations occurred.
13. The value of that sale would be in the range of a few hundred thousand dollars. The proposed buyer is comprised of a group forming existing management of Slawner. I am not aware of any other party that may be interested in acquiring the shares of Slawner.
14. ADH holds, among other security, a general security agreement and a share pledge, charging (among other things) the shares of Slawner held by PHC. This is set out in the PHC Security in my

first Affidavit. ADH has possession of the Slawner shares, but is stayed from completing the sale of those shares, by the stay of proceedings in the Interim Receivership.

15. The total market cap of PHC at the time of the Interim Receivership was approximately \$1.8 million. The Slawner shares comprised a small portion of the business of PHC, so must be worth something substantially less than \$1.8 million. I believe the price that was being negotiated by the former leadership of PHC for the Slawner shares was provident. ADH would like to resume the negotiations with the interested buyer, and effect sale of the Slawner shares under its security.
16. Given ADH's indebtedness exceeds \$5.4 million, and when aggregated with the Heal indebtedness the secured debt exceeds \$6.6 million, there is no possibility any other creditor is interested in the Slawner share sale, or affected by the purchase price.
17. ADH proposes to lift the stay for purposes of completing the Slawner share sale under its security, further to applicable legislation.
18. I make this Affidavit in support of ADH's First Interim Receivership Extension Application.
19. The deponent Michael Steele was not physically present before me but was linked with me utilizing video technology. I, Charles Lewis, confirm that while connected via video technology, Michael Steele had shown to me the front and back of his government-issued photo identity document and I am reasonably satisfied it is the same person and the document is valid and current. I confirm that I have reviewed each page of this affidavit and exhibits with Michael Steele and verify that the pages are identical.

SWORN BEFORE ME at Calgary, Alberta, this )  
29<sup>th</sup> day of August 2023. )

DocuSigned by:  
*Charles Lewis*  
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Commissioner for Oaths in and for the  
Province of Alberta

Charles Lewis  
Student-at-Law

DocuSigned by:  
*Michael Steele*  
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**MICHAEL STEELE**