

Medical Cannabis Investment and/or Acquisition Opportunity – The Clinic Network

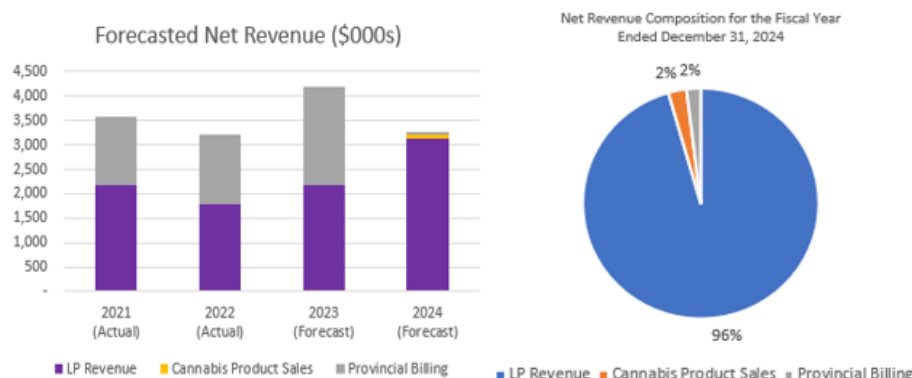
Established, Proven Record of Consolidations, Strong Pharmacy Relationships

Business Overview

The Clinic Network (“TCN”), is the medical cannabis division of Pathway Health Services Corp. (“PHSC”) that is a wholly-owned subsidiary of Pathway Health Corp. (TSXV: PHC) (“PHC”, together with PHSC the “Companies”). Despite COVID and a declining medical cannabis market, TCN’s virtual clinic business has been self-sustaining. TCN will continue to look at accretive acquisitions to strengthen its position as the leading medical cannabis clinic business in Canada. TCN’s strategic initiatives for growth of its patient base include: the Medical Cannabis Management System (“MCMS”) for the 4 major pharmacy corporations and independents totaling over 1,800 pharmacies under contract across Canada; third-party payor opportunities for 1st responders and veterans through associated companies in mental health; and its retail pharmacy offerings for private label & co-branded products through the anticipated introduction of cannabis health products (“CHP’s”).

An opportunity exists to invest in or acquire any or all of the assets of TCN (the “Opportunity”).

Financial Results



Despite a decreasing medical cannabis market, TCN kept a productive patient base that maintained LP revenues year-over-year. In FY24, a reset of the management and clinical models, along with diversification of the offerings, contributes other revenue to the business and results in a forecasted positive EBITDA.

TCN’s Strategic Initiatives

MCMS for Pharmacies

MCMS consists of a bilingual on-line education program accredited by the Canadian Council on Continuing Education in Pharmacy (“CCCEP”) for 4 continued education units. TCN is the only clinic operator with CCCEP accreditation. The MCMS also offers tools for the pharmacist, patient tracking in the pharmacy medical record and continued education. Intellectual property rights around the branding and naming of the MCMS are owned by TCN.

Third-Party Payor Opportunities

Several insurance companies have approved medical cannabis for inclusion in employee health plans in Canada based on approved medical conditions by the insurer. 1st responders and veterans have good coverage for their workplace injuries and mental health conditions. Through a “sister” national mental health clinic company (who is a preferred provider to the RCMP, WCB, and other 3rd party insurers), TCN will launch a complementary medical cannabis program for their patients.

E- Commerce Marketplace

TCN has consolidated product sales to a limited number of lines in preparation for its control brands, co-owned with our pharmacy partners. As a result, TCN have reduced to select preferred licensed producers (“PLPs”). From the patient perspective, PLPs improve patient outcomes by a focus on medical product selection, premium levels of customer service, and competitive pricing incentives. TCN is curating a best-in-class medical product portfolio to launch its e-commerce portal (“MyPath”), for increased revenues and streamlining the patient journey under its non-possession sales license, approved by Health Canada in May 2023.

Private Label & Co-Branded Products

TCN is developing CBD products in a medical formulary with strategic pharmacy partners. TCN is planned to have products produced under control brands that are co-developed/co-owned with our pharmacy partners. TCN offers its pharmacy partners a turn-key cannabis health-product (“CHP”) solution (including assistance with category management), lean CHP development based on clinical data analysis, and the lessons learned from industry success and failures.

TCN in the Canadian Medical Cannabis Market

Key Foci of the Business

Purpose

Transforming lives and fostering dignity for patients in need everywhere through access to medical cannabis

Vision

To be recognized as the Canadian Clinic leader in medical cannabis, empowering the relationship between Pharmacists and other Healthcare Practitioners with their Patients, in making informed health decisions

Strategic Choices

Medically focused Licensed Producers as strategic partners

Consolidation of significant medical cannabis patient databases

Best-in-class patient experience through national telemedicine network

Product Access & Innovation

Goals & Metrics

2024 Target LP Revenue
~ \$24M (CDN)

Market share
12% of ~ \$200M (CDN)

Initiatives

Acquisition of Accretive Patient files

Over 1,800 under contract pharmacies for medical cannabis

Successful Patient conversion programs

Associated Clinic partner in mental health for RCMP Veterans & 1st Responders

Launch E-Commerce with Strategic LP Partners

Medical disease-state & patient led product initiatives

Pharmacy Partner led category focus

LP Partners

Strategic relationships with select preferred LPs

Competitive Patient Offerings

Quality & Consistent Supply of Products

Fullsome patient product data to complete EHR

Cross-functional synergistic support & capacity with Partners

The Path Forward !

Innovative Patient Programs & Productive Business Model

Track record for Market Consolidation

- Proven track-record for consolidation of medical cannabis clinic providers to achieve accretive value for TCN business unit
- Over 300,000 patients served in the 4 clinic entities acquired; retained base with medical disease-state conditions of **over 45,000 active unique medical documents**
- Target acquisitions with accretive value in patient bases and clinical infrastructure
- Integration of Telus Comprehensive Health Record ("CHR") across all acquisitions for operational efficiency and access to valuable patient data

Solutions for Pharmacy Partners

- **MCMS:** Pharmacist accredited courses for 4.0 CEU credits for medical cannabis; over 2,000 pharmacists and pharmacy assistants have completed the program; program provides patient access to Physician/ Nurse Practitioner for medical document
- Over 800 of the 1,800 pharmacies on-boarded to MCMS
- Turn-key solution for Pharmacy partners in preparation for CBD OTC and behind-the-counter cannabis health products when Health Canada regulations come to market
- **Full-some EHR:** TCN's proprietary CannRx links to Telus CHR and to the Kroll pharmacy management system, creating a complete patient electronic health record of patient services and products (with patient consent); valuable patient dataset for future applications/offering

Restructured Scaled Business Model

- TCN business unit re-engineered for maximum cost-effective patient throughput with minimal corporate overhead; scaled for achievement of financial objectives
- **2024 Pro-Forma EBITDA of approximately \$331K;** results of corporate management elimination, maximization of operational capacity and synergies from 1 acquisition
- Opportunity for an existing LP to assimilate TCN's effective patient services model with their infrastructure and positively effect the continued build of their medical cannabis market share
- Opportunity for a new LP to use TCN as its platform to emerge in the Canadian medical market and work towards achieving significant market share with their product portfolio



4 acquisitions over 4 years and 350,000 patients served for med docs; with proprietary EMR links to LPs



Over 1,800 pharmacies under-contract for MCMS with 4 companies and 100+ independents across 7 provinces for 2.0 products.

CAD \$000	FY2023	FY2024*
# FTEs	42 **	31
Revenue	2,234	3,262
EBITDA	(536)	331

* - forecasted

** - June 2023

Sale Process Overview

Restructured and Positioned For Long-Term Sustainable Profitability

The Receivership Process

On August 10, 2023, pursuant to an order of the Court of King's Bench of Alberta (the "**Court**"), KSV Restructuring Inc. ("**KSV**") was appointed as interim receiver of all the current and future assets, undertakings and properties of PHC and PHSC (the "**Property**"). On October 2, 2023, pursuant to an order of the Court (the "**Receivership Order**"), KSV was appointed as receiver (in such capacity, the "**Receiver**") of all of the Property.

Concurrently with the Receivership Order, the Court grant an Order (the "**Sales Process Order**") which, among other things, approved the procedures for the sales and investment solicitation process (the "**SISP**") in respect of the Companies and the Property.

The Stalking Horse Sale Process

The Receiver has entered into an Asset Purchase and Sale Agreement (the "**Stalking Horse Agreement**") pursuant to which ADH has agreed to act as a stalking horse bidder for the Property. The "**Stalking Horse Bid**" is comprised of the following amounts (as defined in the Stalking Horse Agreement or the SISP Procedures):

The aggregate sum of \$1,250,000 comprised of:

- (i) A cash payment, also known as the cash component of \$60,000; plus
- (ii) The balance of the Purchase Price by way of set-off against and non-cash credit reduction of the ADH indebtedness.

If the Stalking Horse Bid is not successful, ADH will be entitled a payment in the aggregate amount of \$62,500 (defined as the expense reimbursement and transaction fee).

The Bid Process

The Receiver will consider offers for all or a portion of the Companies, including investment proposals. On October 2, 2023, the Companies obtained approval of the Stalking Horse Agreement by the Court. The Stalking Horse Agreement and SISP is available on the Receiver's website at [Pathway Health](#). Prospective bidders are strongly encouraged to review the terms and conditions of the SISP, including the requirements to participate in the SISP and the criteria that must be satisfied to be a "**Qualified Bidder**" pursuant to the SISP. Interested parties that execute and return the non-disclosure agreement ("**NDA**") to the Receiver (attention Ross Graham (rgraham@ksvadvisory.com)), may be granted access, in the Receiver's sole discretion, to a Confidential Information Memorandum and other information that will be available in a virtual data room. The following table sets out the key milestones of the SISP:

Milestone	Date
Commencement of SISP	October 25, 2023
Final Bid Deadline	November 24, 2023, at 5:00 PM (MST)
Auction (if required)	November 30, 2023
Approval and vesting order (auction required)	Subject to court availability
Outside date	December 7, 2023

These timelines are subject to change at the discretion of the Receiver. The Receiver is not obligated to accept any offer in the SISP, and the Receiver is entitled to preclude any party from participating in the SISP. Any transaction resulting from the SISP will be subject to Court approval. The sale of the Property and the business will be on an "as is, where is" basis.

Contact Information

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