

COURT FILE NUMBER 2401-  
COURT COURT OF KING'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY

Clerk's stamp

IN THE MATTER OF THE COMPANIES'  
CREDITORS ARRANGEMENT ACT, RSC 1985,  
c C-36, AS AMENDED



AND IN THE MATTER OF A PLAN OF  
COMPROMISE OR ARRANGEMENT OF DELTA  
9 CANNABIS INC., DELTA 9 LOGISTICS INC.,  
DELTA 9 BIO-TECH INC., DELTA 9 LIFESTYLE  
CANNABIS CLINIC INC. and DELTA 9  
CANNABIS STORE INC.

APPLICANTS DELTA 9 CANNABIS INC., DELTA 9 LOGISTICS  
INC., DELTA 9 BIO-TECH INC., DELTA 9  
LIFESTYLE CANNABIS CLINIC INC. and DELTA  
9 CANNABIS STORE INC.

DOCUMENT **FIRST AFFIDAVIT OF JOHN ARBUTHNOT IV**

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AND CONTACT  
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**FIRST AFFIDAVIT OF JOHN ARBUTHNOT IV**  
**Sworn July 12, 2024**

I, John Arbuthnot IV, of the City of Winnipeg, in the Province of Manitoba, SWEAR AND SAY  
THAT:

1. I am the Chief Executive Officer (“**CEO**”) and director of Delta 9 Cannabis Inc. (“**D9 Parent**”) and a director and president of Delta 9 Logistics Inc. (“**Logistics**”), Delta 9 Bio-Tech Inc. (“**Bio-Tech**”), Delta 9 Lifestyle Cannabis Clinic Inc. (“**Lifestyle**”) and Delta 9 Cannabis Store Inc. (“**Store**”; collectively, the “**Applicants**” or “**Delta 9**”). As such, I have personal knowledge of the matters deposed to in this Affidavit, except where stated to be based on information and belief, in which case, I verily believe the same to be true.

2. D9 Parent is a publicly traded company and the parent company of Bio-Tech, Logistics and Store. Bio-Tech in turn owns 68.8% of Lifestyle and a third-party unrelated company, 2759054 Ontario Inc., o/a Fika Herbal Goods (“**Fika**”) owns the other 31.2% of Lifestyle’s shares. D9 Parent centrally manages the finances and business operations of Delta 9.
3. I founded Delta 9 with my father in 2012. Since then, my focus has been devoted to corporate strategy, financial planning, business development and implementing Delta 9’s modular growth strategy.
4. As a director and officer, I am responsible for managing the Applicants’ overall operations and resources and making strategic business decisions. I have been in my current role as a director and officer for over six years, since shortly after D9 Parent went public in November 2017.
5. The Applicants are bringing this urgent application for protection under the *Companies’ Creditors Arrangement Act* RSC 1985, c C-36, as amended (the “**CCAA**”) as a result of recent changes to the makeup of its key stakeholders (which will be described in more detail below), demand for payment sent on July 10, 2024 by the Applicants’ primary secured creditor, and in order to preserve the significant value associated with the Applicants’ operations on a going-concern basis.
6. Leading up to these CCAA proceedings, the Applicants have worked extensively with the Plan Sponsor (as defined below) to develop a detailed restructuring plan for the Applicants’ businesses. Most significantly, the Applicants have entered into a Restructuring Term Sheet (as defined and described below) that sets out the key terms of the restructuring plan, including substantial interim financing to be provided by the Plan Sponsor, which financing is required to fund the ongoing operations of the Applicants and which will provide for repayment of all secured obligations owing to the Applicants’ current senior secured lender.
7. In preparing and negotiating the Restructuring Term Sheet, and after consultation with the Proposed Monitor (as defined herein), the Applicants are of the view that with the protections afforded by the CCAA, the restructuring plan proposed herein and in the Restructuring Term Sheet will permit the Applicants to emerge from these CCAA proceedings as a going-concern business for the benefit of all stakeholders.
8. Unless otherwise indicated, monetary references in this Affidavit are references to Canadian dollars.

## I. RELIEF SOUGHT

9. This affidavit is sworn in support of an application scheduled for July 15, 2024 (the “**Initial Order Application**”) for an Order (the “**Initial Order**”) in respect of the Applicants pursuant to the CCAA.
10. The Applicants are seeking approval of the Initial Order substantially in the form attached to the Initial Order Application as Schedule “A” providing for the following grounds of relief:
  - (a) declaring service of the Initial Order Application and supporting materials good and sufficient, and if necessary, abridging time for notice of the Initial Order Application to the time actually given;
  - (b) declaring that the Applicants are companies to which the CCAA applies;
  - (c) granting some or all of the Applicants authority to file with the Court a plan of compromise or arrangement, subject to further order of the Court;
  - (d) authorizing the Applicants to remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”) and continue to carry on business in a matter consistent with the preservation of their business (the “**Business**”) and Property;
  - (e) authorizing the Applicants to continue utilizing their cash management system described in further detail at paragraphs 107-114 herein (the “**Cash Management System**”);
  - (f) authorizing the Applicants to pay their reasonable expenses incurred in carrying out their business in the ordinary course, including certain expenses incurred prior to the date of the Initial Order;
  - (g) staying, for an initial period of not more than ten (10) days (the “**Stay Period**”) all proceedings, rights and remedies against or in respect of the Applicants or their Business or Property, the Applicants’ directors, to the extent the directors have secured the obligations of the Applicants, or the Proposed Monitor (defined below), except as otherwise set forth in the Initial Order or otherwise permitted by law;

- (h) restraining any Person (as defined in the Initial Order) from accelerating performance of any rights in respect of the Applicants, except with the written consent of the Applicants and the Monitor, or leave of this Honourable Court;
- (i) restraining any Person from interfering with the supply of goods or services to the Applicants;
- (j) appointing Alvarez & Marsal Canada Inc. ("**A&M**") as the monitor (the "**Proposed Monitor**", and if appointed the "**Monitor**") of the Applicants in these CCAA proceedings;
- (k) authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its counsel and the Applicants' professional advisors and legal advisors incurred both before and after the date of the Initial Order;
- (l) directing the Applicants to incur no further expenses in relation to the Securities Filings (as defined below) and declaring that none of the directors, officers, employees and other representatives of the Applicants, the Monitor and its directors, officers, employees and representatives shall have any personal liability for any failure by the Applicants to make Securities Filings;
- (m) granting an administration charge (the "**Administration Charge**") in an initial amount not exceeding the amount of \$350,000 as security for the professional fees and disbursements of the Monitor, counsel for the Monitor and counsel for the Applicants, incurred both before and after the approval of the Initial Order;
- (n) approving a directors and officers charge (the "**D&O Charge**") up to the aggregate amount of \$300,000 as security for the liabilities to which the Applicants' directors and officers may be exposed after the commencement of these CCAA proceedings, except to the extent any obligation was incurred as a result of any director or officer's gross negligence or wilful misconduct;
- (o) directing that the status quo in respect of Bio-Tech's cannabis excise licence (as defined below, the "**Excise Licence**") shall be preserved and maintained during the pendency of the Stay Period, and to the extent the Excise Licence may expire during the Stay Period, directing that the term of the Excise Licence is deemed to be extended by a period equal to the Stay Period (or further extension thereof); and

(p) providing for the Comeback Application on July 24, 2024 in respect of the relief granted under the Initial Order and certain other additional relief.

11. For the reasons set out herein, I verily believe that the Applicants are insolvent on a cash flow and balance sheet basis and are companies to which the CCAA applies.

## **II. URGENT NEED FOR RELIEF**

12. Delta 9 is a vertically integrated group of companies in the business of cannabis cultivation, processing, extraction, wholesale distribution, retail sales and business to business sales.

13. The Applicants are insolvent. They face an unsustainable liquidity crisis and increased pressure from their secured creditors and are in urgent need of relief under the CCAA.

14. The cannabis industry is nascent, highly regulated and has experienced a number of rapid changes since legalization in 2017. The uncertainty caused by these changes has created an array of challenges for companies in the industry, including difficulties in obtaining adequate investment and financing to adequately scale operations and capital expenditures.

15. In recent years, the Applicants have suffered losses due to, among other things, the following:

- (a) intense competition and an over-supply of cannabis products leading to significant price compression and the sale of inventory at a loss;
- (b) the impact of the illicit supply of cannabis, including illegal dispensaries and black market suppliers;
- (c) the burdensome costs associated with the regulatory regime in the industry;
- (d) the significant amount of capital required to successfully develop and generate revenue from new products;
- (e) the changing capital market investor sentiment driving public investment away from the cannabis sector, forcing the Applicants to seek more expensive forms of financing; and

- (f) higher interest rates leading to investors demanding increased rates of return in excess of returns that the Applicants are able to provide.
16. While a large portion of the Applicants' business is cash-flow positive, there is insufficient capital to continue to meet Delta 9's debt obligations while also funding the operations of Bio-Tech that continue to operate at a significant loss. The strain of Delta 9's debt burden has also made it difficult to raise additional capital and attract the necessary investment into the business to adequately scale its operations to a level where it is cash-flow positive across all segments.
17. Since approximately December 2023, the Canada Revenue Agency (the "**CRA**") has only renewed Bio-Tech's cannabis excise licence under the *Excise Act, 2001* on a 30-day recurring basis, subject to Bio-Tech's strict compliance with a payment plan due to Bio-Tech's significant excise tax arrears that total approximately \$7,600,000. If at any point Bio-Tech fails to meet the conditions of the licence renewal, it could lose its licence to produce and sell cannabis and be required to immediately pay the entire amount of the outstanding excise tax arrears, further jeopardizing the Applicants' overall business operations.
18. As of March 31, 2024, D9 Parent was in breach of its Debt Service Coverage Ratio and Current Ratio covenants for its credit facilities with its former primary secured creditor, Connect First Credit Union Ltd. ("**CFCU**").
19. On May 21, 2024, D9 Parent received a demand and notice of intention to enforce security (the "**First SNDL Demand**") from SNDL Inc. (formerly Sundial Growers Inc., "**SNDL**"). At the time the First SNDL Demand was issued, SNDL was a subordinate secured creditor owed an estimated \$12,512,876.71. D9 Parent believes that the amount claimed by SNDL in the First SNDL Demand will need to be reviewed by the Monitor and the amount outstanding thereunder confirmed with appropriate supporting documentation being provided by SNDL. The First SNDL Demand expired on June 22, 2024. Attached as **Exhibit "1"** is a copy of the SNDL Demand.
20. As set out in further detail below, on July 5, 2024, without notice to Delta 9 and after extensive engagement by both Fika, the proposed plan sponsor (in such capacity, the "**Plan Sponsor**") and Delta 9 with CFCU, CFCU sold to SNDL all of the CFCU Outstanding Indebtedness (as defined below). SNDL assumed all of CFCU's right, title and interest under the CFCU Loan, the CFCU Security and the Priority Agreement (the "**SNDL**

**Assignment**”). Attached as **Exhibit “2”** is a copy of the Bill of Sale evidencing this assignment and assumption between CFCU and SNDL of the CFCU Outstanding Indebtedness.

21. The SNDL Assignment came as a significant surprise to Delta 9 and was contrary to the representations that were made by CFCU to Delta 9 when Delta 9 made enquiries as to whether such discussions had been occurring with SNDL. Delta 9 made substantial good faith efforts to engage with CFCU early on as its primary secured stakeholder. Fika also made significant efforts, expending its time and incurring expenses, in order to engage with CFCU to set out a proposed restructuring of the Applicants, including the payout of the CFCU secured debt. Due to CFCU’s delay and non-responsiveness to the presentations and substantial financial information provided by both Delta 9 and Fika to CFCU, significant time was lost, and the financial position of Delta 9 continued to deteriorate during this period.
22. SNDL is now Delta 9’s primary senior secured creditor. SNDL is now owed the estimated collective amount of \$38,701,617.27 (the “**Estimated Outstanding Indebtedness**”).
23. SNDL has since issued a second set of demands and notices of intention to enforce security dated July 10, 2024 to D9 Parent, Bio-Tech, Lifestyle and Store, demanding payment of the amount of the CFCU Outstanding Indebtedness that SNDL assumed under the SNDL Assignment, which as of July 5, 2024, amounted to \$27,868,283.94 (the “**Second SNDL Demand**”, and together with the First SNDL Demand, the “**SNDL Demands**”). The Second SNDL Demand expires within 22 business days of the date of issue, being August 12, 2024. Attached collectively as **Exhibit “3”** are copies of the Second SNDL Demand.
24. D9 parent does not have enough cash available to meet the terms of the First SNDL Demand or the Second SNDL Demand. The Applicants face potential imminent enforcement action from SNDL under the First SNDL Demand that could be commenced at any time.
25. The SNDL Assignment has created significant urgency to obtain the protection of an Initial Order and commence these CCAA proceedings as soon as possible. Delta 9 believes that SNDL ultimately wants to acquire Delta 9’s retail business as a competitor in that segment of the cannabis industry (as discussed in greater detail below). SNDL is not simply a secured creditor in the same position and with the same interests as CFCU.

26. Despite this change in the nature of Delta 9's primary secured creditor, and all of the good faith efforts of Delta 9 and Fika to engage with CFCU, Delta 9 continues to be of the view that SNDL is not the fulcrum creditor in this proceeding. Delta 9 believes that there remains significant value to the other stakeholders of Delta 9 if it is able to implement a restructuring in the stable and controlled environment provided for under the CCAA, all with the oversight and input from the Monitor.
27. Delta 9 requires the time and stability provided by the CCAA to implement a restructuring that will ultimately see SNDL repaid in full for the amounts owed to it under the Estimated Outstanding Indebtedness.
28. Due to their financial difficulty and on-going liquidity constraints, the Applicants require urgent creditor protection to stabilize their financial situation and implement a restructuring plan that maximizes value for all of their creditors and stakeholders. The ultimate goal is to emerge from creditor protection with the support of the Plan Sponsor as a streamlined going-concern business.
29. Due to the Applicants' financial difficulty, and in consultation with their advisors and stakeholders, the Applicants have determined that the best path forward for all stakeholders, including creditors, customers, employees and shareholders, is a restructuring plan that involves the following, as further detailed in the Restructuring Term Sheet:
  - (a) implementation of a Court-approved sales and investment solicitation process (the "**SISP**") in respect of the assets and/or shares of Bio-Tech; and
  - (b) the filing of one or more plans of arrangement in respect of D9 Parent, Store, Lifestyle and Logistics (collectively, the "**Plan Entities**").
30. As indicated, the Applicants have entered into a binding plan sponsor term sheet (the "**Restructuring Term Sheet**") dated July 12, 2024 with the Plan Sponsor. The Restructuring Term Sheet provides support for the Applicants' restructuring plan and ensures that there is sufficient financing available through interim financing to complete the restructuring plan. The restructuring plan is detailed in the Restructuring Term Sheet and is attached as **Exhibit "4"**.
31. The Applicants have engaged in significant ongoing negotiations with the Plan Sponsor in respect of their restructuring plan and, as set out below in paragraphs 180 to 185 and 189

to 192, the Applicants are of the view that the Restructuring Term Sheet represents the best strategic option that was sourced following a six-month process of canvassing the market.

### III. OVERVIEW OF THE APPLICANTS

#### A. Background

32. The Applicants are in the business of cultivation, processing, extraction, wholesale distribution and retail sale of cannabis.
33. D9 Parent maintains a registered head office at Suite 2600-1066 West Hastings Street, Vancouver, British Columbia.
34. Bio-Tech is a licensed producer and holds a licence from Health Canada to cultivate, process and sell cannabis. Bio-Tech owns and operates a 95,000 square-foot cannabis cultivation and processing facility located at 760 Pandora Avenue East in Winnipeg, Manitoba (the “**Cultivation Facility**”) while Logistics operates a distribution and cross-docking facility located at 770 Pandora Avenue East in Winnipeg, Manitoba (the “**Distribution Facility**”).
35. Lifestyle and Store collectively operate 41 cannabis retail stores (collectively, the “**Cannabis Retail Stores**”) across Alberta, Saskatchewan and Manitoba.
36. Attached hereto as **Exhibit “5”** is a table summarizing the Cannabis Retail Stores portfolio of the Applicants as of March 31, 2024.

#### B. Corporate Structure

37. Attached hereto as **Exhibit “6”** is a copy of the Applicants’ current organizational chart.

*(i) Delta 9 Cannabis Inc.*

38. D9 Parent is a publicly traded corporation incorporated in the province of British Columbia.
39. D9 Parent is an entity regulated by the Manitoba Securities Commission and is a reporting issuer in all of the provinces and territories in Canada.
40. D9 Parent holds 100% of the issued and outstanding shares of Logistics, Bio-Tech and Stores.

41. Attached as **Exhibit “7”** is a copy of a British Columbia company summary in respect of D9 Parent.

**(ii) Delta 9 Logistics Inc.**

42. Logistics is a privately held corporation incorporated and continued into the province of Alberta, with its registered office located at 2100, 222-3<sup>rd</sup> Avenue S.W., Calgary, Alberta. Logistics is the 100% wholly owned subsidiary of D9 Parent.

43. Logistics facilitates the distribution of recreational cannabis products and holds a distribution licence issued by the Manitoba Liquor, Gaming and Cannabis Authority (“**LGCA**”).

44. Logistics operates the Distribution Facility, which provides cross-docking and distribution services under a distribution licence to various licensed cannabis retailers within the province of Manitoba, in addition to Store and Lifestyle.

45. Attached as **Exhibit “8”** is a copy of an Alberta corporate registries search in respect of Logistics.

**(iii) Delta 9 Bio-Tech Inc.**

46. Bio-Tech is a privately held corporation incorporated and continued into the province of Alberta, with its registered office located at 2100, 222-3<sup>rd</sup> Avenue S.W., Calgary, Alberta. Bio-Tech is a 100% wholly owned subsidiary of D9 Parent and itself owns 68.8% of the issued and outstanding shares of Lifestyle.

47. Bio-Tech is the licensed producer in the Applicants’ corporate structure. It holds a licence pursuant to the *Cannabis Act*, SC 2018, c 16 from Health Canada permitting Bio-Tech to produce and sell cannabis and cannabis oils, extracts and derivative products. Bio-Tech operates the Cultivation Facility.

48. Attached as **Exhibit “9”** is a copy of an Alberta corporate registry search in respect of Bio-Tech.

**(iv) Delta 9 Lifestyle Cannabis Clinic Inc.**

49. Lifestyle is a privately held corporation incorporated in the Province of Manitoba that to the best of my knowledge will be continued into the Province of Alberta following the Initial Order Application, with its registered office to be located at 2100, 222-3<sup>rd</sup> Avenue

S.W., Calgary, Alberta. 68.8% of Lifestyle's issued and outstanding shares are owned by Bio-Tech and the remaining portion are owned by Fika.

50. Lifestyle owns and operates a chain of 19 cannabis retail stores across Manitoba operating under the trade name "Delta 9 Cannabis Store" and "Garden Variety" and holds a variety of store licences from the LGCA.
51. Attached as **Exhibit "10"** is a copy of a Manitoba corporate registry search in respect of Lifestyle.

**(v) Delta 9 Cannabis Store Inc.**

52. Store is a privately held federal corporation incorporated under the *Canada Business Corporations Act* and extra-provincially registered in Alberta. Store is a 100% wholly owned subsidiary of D9 Parent.
53. Store owns and operates 21 cannabis retail stores across Alberta and one retail cannabis retail store in Saskatchewan under the trade names "Delta 9 Cannabis Store", "Discounted Cannabis" and "Uncle Sam's Cannabis".
54. Store holds retail cannabis licences from Alberta Gaming, Liquor and Cannabis ("**AGLC**") in Alberta and the Saskatchewan Liquor and Gaming Authority ("**SLGA**") in Saskatchewan authorizing the retail sale of recreational cannabis in those provinces.
55. Attached collectively as **Exhibit "11"** is a copy of a federal corporate profile report and Alberta corporate registries search result for Store.

**C. Summary of Operations and Locations**

**(i) Corporate Office Lease**

56. Head office functions are largely conducted out of office space located at the Logistics premises at 770 Pandora Avenue East in Winnipeg, MB (the "**Corporate Office**"). The Corporate Office functions primarily as a workspace for Delta 9's accounting and legal professionals and executives, including myself, the Chief Financial Officer and other members of the finance and management team.

**(ii) Cultivation Facility**

57. Bio-Tech operates the Cultivation Facility. The Cultivation Facility contains 297 modular "grow pods", which are 320 square-foot shipping containers that have been retrofitted to

support specific, micro-cultivation processes for the cultivation of certain types of cannabis plants (the “**Grow Pods**”). The Grow Pods are customized for flowering, trimming, cloning, research, testing, support and storage. Within the Cultivation Facility, the Grow Pods are stacked and connected to a centralized HVAC system. The Cultivation Facility has been retrofitted with HVAC and cooling infrastructure to support the Grow Pods.

58. In addition to its cultivation capabilities, the Cultivation Facility further includes automated bottling and rolling equipment to process the cannabis plant products into products available for consumer use.
59. Bio-Tech owns all of the inventory and intellectual property associated with the Grow Pods in its own name. Attached as **Exhibit “12”** are copies of Canadian trademark and patent registrations in favour of Bio-Tech.
60. Bio-Tech further owns the lands and facility associated with the Cultivation Facility, along with all of the HVAC improvements and automated bottling and rolling equipment. Attached as **Exhibit “13”** is a copy of the Land Title Certificate respecting the Cultivation Facility lands legally described as:

PARCELS A, B, C, D, E AND F PLAN 51110 WLTO  
EXC FIRSTLY: OUT OF SAID PARCELS A AND C  
ALL MINES AND MINERALS MINERAL OILS PETROLEUM GAS COAL  
GRAVEL AND VALUABLE STONE OF EVERY DESCRIPTION THAT MAY BE  
FOUND IN UPON OR UNDER SAID PARCELS A AND C  
TOGETHER WITH THE RIGHT TO ENTER AND REMOVE THE SAME  
SECONDLY: OUT OF SAID PARCELS B AND E, ALL MINES AND MINERALS  
AS RESERVED IN DEED 2374744 WLTO AND  
THIRDLY: OUT OF SAID PARCEL F, ALL MINES AND MINERALS AS SET  
FORTH IN TRANSFER 2374748 WLTO  
IN SW 1/4 3 AND SE 1/4 4-11-4 EPM AND  
IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS

(the “**Bio-Tech Lands**”).

61. As of the date of filing, Bio-Tech employs 141 full-time employees, six of whom also provide services to Logistics.

**(iii) Grow Pods**

62. Over the course of the last approximately six years, Delta 9, through Bio-Tech, has generated approximately \$25 million from the sale of its Grow Pods and cannabis genetics and from the provision of consulting and licensing services to other cannabis companies.

63. Bio-Tech essentially offers packages to new cannabis producers that include customized Grow Pods, assistance with completing Health Canada licence applications and after-sale support to provide training and industry-leading operations procedures. Bio-Tech also offers a Micro-Cultivation Partner Program and select supply agreements to its customers.
64. Since approximately 2020, revenues realized from the sale of Grow Pods and associated services have declined, largely due to saturation in the market of new cannabis producers.

**(iv) Distribution Facility**

65. In leased premises directly adjoining the Cultivation Facility, Logistics operates an approximately 15,000 square foot distribution and cross-docking facility out of the Distribution Facility. Bio-Tech leases the Distribution Facility directly from 6599362 Canada Ltd. ("**659 Canada**") pursuant to a head lease (the "**Distribution Facility Lease**") and subleases the premises to Logistics pursuant to a verbal sublease agreement, pursuant to which Logistics pays rent to 659 Canada on the same terms as Bio-Tech would under the Distribution Facility Lease. A copy of the Distribution Facility Lease, as amended, is attached as **Exhibit "14"**.
66. The Distribution Facility provides operational support for the Cultivation Facility and houses the centralized head office where a team of managers oversees both the Cultivation Facility and the Distribution Facility. The Distribution Facility also provides warehouse storage for a number of cannabis retail products before they are distributed into the retail network.
67. On April 14, 2022, Logistics and the LGCA entered into a limited cannabis distribution agreement (the "**Distribution Agreement**") pursuant to which, Logistics was granted the authority to distribute cannabis in Manitoba. Under the Distribution Agreement, Logistics works with authorized cannabis suppliers in Manitoba to provide cross-docking and distribution services in order to fulfil delivery of orders to licensed cannabis retailers. This allows out-of-province suppliers to improve their efficiencies and reduce shipping costs into the Manitoba market.
68. On October 24, 2022, the LGCA issued Logistics a distribution licence (the "**Distribution Licence**"), at which point, Logistics began providing distribution and cross-docking services under the Distribution Agreement.

69. As the company responsible for the Distribution Facility, Logistics holds relatively few assets beyond some operational equipment and storage racking. However, Logistics holds a number of valuable supply contracts within the Delta 9 network of Cannabis Retail Stores, as well as with other licensed cannabis producers and retailers across Manitoba, Saskatchewan, and Alberta. The operations of Logistics are closely intertwined with Bio-Tech, Lifestyles and Stores, and Logistics provides a crucial distribution function within Delta 9's operations.
70. Logistics has six employees, although their payroll is managed and paid through Bio-Tech.

**(v) Retail Stores**

71. In Alberta, Store operates 21 cannabis retail stores out of the following locations (collectively, the “**Alberta Stores**”):

	Delta 9 Cannabis Store	Uncle Sam's Cannabis	Discounted Cannabis
Grande Prairie	1		
Edmonton	2	9	4
Stony Plain			1
Morinville			1
St. Albert			1
Beaumont			1
Calgary	1		

72. In Saskatchewan, Store operates one Delta 9 Cannabis Store in Lloydminster, SK (the “**Saskatchewan Store**”).
73. Store has 104 employees.
74. In Manitoba, Lifestyle operates 19 cannabis retail stores out of the following locations (collectively, the “**Manitoba Stores**”):

	Delta 9 Cannabis Store	Garden Variety
Winnipeg	12	2
Dauphin	1	
Brandon	1	1
Selkirk	1	

Thompson	1	
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75. Lifestyle has 166 employees. A full summary of the Cannabis Retail Stores' portfolio is set out in the chart attached earlier as **Exhibit "5"**.
76. All of the Cannabis Retail Stores operate on leased premises pursuant to a number of commercial lease agreements. A summary of the commercial lease agreements for the Cannabis Retail Stores and the Distribution Facility is attached as **Exhibit "15"** (collectively, the "**Commercial Leases**").
77. Almost all payments on the Commercial Leases are current, except for a Delta 9 Cannabis Store in the Beverly neighbourhood of Edmonton, AB (the "**Beverly Store**").
78. In respect of the Beverly Store, the landlord advised it would be increasing the common area maintenance ("**CAM**") fees but has not responded to requests for clarification on how these costs would be divided *pro-rata* amongst the other tenants. We have provided a cheque for rental payments up to March 31, 2024 that to the best of our knowledge has not yet been cashed. We are continuing our efforts to contact the landlord to resolve the issue of increased CAM fees.
79. The Alberta Stores are the largest group of stores within the Delta 9 retail group.

**D. Cannabis Licences**

80. The activities of the Applicants are subject to regulation by various government authorities including Health Canada and provincial boards in each of the provinces where the Applicants operate. The Applicants' ability to produce, store and sell cannabis depends on their Health Canada licence and provincial retail licences. The Applicants have incurred significant costs to maintain compliance with these licences.
81. Bio-Tech holds a cannabis licence from Health Canada issued under the *Cannabis Act* (Canada) (the "**Health Canada Licence**") and an excise licence (the "**Excise Licence**", and together with the Health Canada Licence, the "**LP Licences**") to sell cannabis products under the *Excise Act, 2001* (Canada) (the "**Excise Act**"). Attached hereto as **Exhibit "16"** is a copy of the Health Canada Licence and attached as **Exhibit "17"** is a copy of the Excise Licence.
82. The Excise Licence is currently set to expire on July 16, 2024. Bio-Tech has been in regular discussions with CRA with respect to licensing conditions. To date, Bio-Tech has

complied with all conditions imposed by CRA and CRA has renewed its Excise Licence; however, as detailed below, Bio-Tech has significant arrears owing to CRA under its Excise Licence in the amount of about \$7,606,515.50 (the “**Excise Tax Arrears**”). Since approximately December 2023, the CRA has only agreed to renew the Excise Licence on a 30-day recurring basis.

83. In order to qualify for each 30-day renewal of the Excise Licence, Bio-Tech must continue making the monthly excise duty payment, plus the pre-arranged payment to reduce the Excise Tax Arrears. Making both payments has continued to place additional strain on Bio-Tech’s liquidity.
84. The LP Licences are critical to the Applicants’ overall operations as they cannot legally, operate without them. The LP Licences are either non-transferrable or else only transferrable by, in effect, making a new application for a licence.

#### **E. Retail Licences**

85. As noted above, each of Lifestyle and Store hold provincial licences for the retail sale of cannabis and cannabis-related products for each of their Cannabis Retail Stores (collectively, the “**Retail Licences**”).
86. A chart summarizing the details of the Retail Licences is attached as **Exhibit “18”**.
87. The Manitoba Retail Licences were issued to Lifestyle by the LGCA pursuant to *The Liquor, Gaming and Cannabis Control Act* (Manitoba).
88. The Alberta Retail Licences were issued to Store by the AGLC pursuant to the *Gaming, Liquor and Cannabis Act* (Alberta).
89. The Saskatchewan Retail Licence was issued to Store by the SLGA, pursuant to *The Cannabis Control (Saskatchewan) Act* (Saskatchewan).

#### **F. Operations in Other Provinces and Territories**

90. Pursuant to various supply agreements with provincial and territorial cannabis boards (collectively, the “**Supply Agreements**”), Bio-Tech, as a designated authorized distributor, supplies retail cannabis products into British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Newfoundland and Labrador and Yukon.

91. Copies of the Supply Agreements, where necessary to ship to provinces, are collectively attached as **Exhibit “19”**.

**G. Employees**

92. The Applicants currently employ a total of 388 employees, broken down as follows:

<b>Company</b>	<b>Employees</b>
Bio-Tech	112 Production
	29 Management
Lifestyle	164 Retail
	2 Administrative
Store	8 Retail
	94 Retail
	2 Administrative
<b>TOTAL:</b>	<b>388</b>

93. Employees are paid biweekly. The Applicants are current on all payments to employees.
94. None of the employees are unionized or otherwise subject to a collective bargaining agreement in connection with their employment with any Applicant.
95. The Applicants do not sponsor, administer or otherwise have any registered or unregistered pension plans for any Canadian employees. The Applicants provide a standard group benefit plan to their employees that covers extended health care, dental care, life insurance, and accidental death and dismemberment insurance.

**H. Key Suppliers and Customers**

96. The Applicants rely on a number of vendors and third-party suppliers to operate their business, most critically to Bio-Tech and Logistics. These suppliers or third parties provide cannabis growth inputs, lab services, and shipping services, among other things. Any interruption of service from these suppliers, including because of any pre-filing unpaid amounts, would prevent the Applicants from operating in the ordinary course in general and reduce Bio-Tech’s ability to meet its production capacity targets.
97. Bio-Tech needs to ensure the continued availability of these materials in order to maintain its operations and in order to maximize value for its assets under the proposed SISF. This

may require that certain pre-filing amounts owed to these suppliers will have to be paid, with approval of the Monitor, to ensure uninterrupted supply of materials.

98. Bio-Tech is not current on all of its supplier contracts and has been actively negotiating for more favourable payment terms to secure continued service.

**(i) Input Supplies**

99. As the entity responsible for the Cultivation Facility, Bio-Tech relies heavily on a continued supply of growth inputs to support the continued cultivation of various cannabis plants. These inputs include CO<sub>2</sub>, agricultural chemicals, biological controls, pollinators commercial fertilizers, compost, manure, mulch, sanitizers and non-chemical food agents, among others (collectively, “**Inputs**”).
100. Bio-Tech is largely current on its Input payments and contracts but is working to negotiate more favourable payment terms, such as payment after 30 days, rather than on delivery, with certain suppliers.

**(ii) Shipping Contracts**

101. With respect to the Distribution Facility, Logistics relies heavily on its contracts with transportation and shipping providers to facilitate the distribution of cannabis products within Manitoba and into other provinces and territories.
102. Similar to Bio-Tech, Logistics is largely current on its shipping contracts and has been working to negotiate more favourable payment terms.

**(iii) Cultivation and Processing**

103. On November 20, 2023, Bio-Tech entered into a supply agreement with another large cannabis producer (the “**LP**”) for the bulk sale of cannabis flowers (the “**LP Supply Agreement**”). Pursuant to the LP Supply Agreement, Bio-Tech will cultivate select cultivars for the LP based on a rolling 12-month forecast.
104. Bio-Tech will supply the LP with approximately 40% of the LP’s total production and anticipates revenue of approximately \$4,620,000 over the first 12 months of the LP Supply Agreement. Bio-Tech is on schedule to deliver its first shipment in the second quarter of 2024.

105. The LP is current on the LP Supply Agreement so far, but Bio-Tech relies heavily on its own supply chain in order to supply the bulk cannabis necessary to meet its delivery obligations under the LP Supply Agreement. Any interruptions to the LP Supply Agreement could have a significant financial impact to Bio-Tech and could have a detrimental impact on the outcome of the SISP.

**(iv) Provincial Board Supply Agreements**

106. As noted above, key suppliers of cannabis retail stores in other provinces are provincial cannabis boards, the Supply Agreements for which are attached as **Exhibit “19”**. Pursuant to the Supply Agreements, the Applicants provide cannabis products to the relevant provincial or territorial authorities for wholesale distribution and for sale in retail markets.

**I. Cash Management System**

107. All Applicants hold operating accounts (the **“Operating Accounts”**) with Canadian Western Bank (**“CWB”**). Individual payments may be made or received out of any of the Operating Accounts.
108. The Operating Accounts are used to, among other things, collect funds and pay expenses associated with their operations. The Applicants’ funds and Cash Management System are managed by the Applicants’ finance team and Chief Financial Officer.
109. Bio-Tech also holds a Visa card through CWB with a limit of \$50,000 used to fund ordinary course business expenses (the **“Visa Card”**). As of May 31, 2024, the Visa Card has an outstanding balance of approximately \$30,216.61.
110. Collectively, the Applicants’ described use of Operating Accounts and Visa Card are defined herein as **“Cash Management System”**.
111. The Cash Management System has several functions, comprised of: (a) collecting accounts receivable from third parties; (b) disbursements to fund payroll and benefits, capital expenditures, maintenance costs, payments to inventory vendors and other service providers for each of the Applicants; and (c) intercompany cash transfers amongst various Applicant entities (the **“Intercompany Transfers”**).

- 112. Intercompany Transfers are payments made between the Applicants. Intercompany Transfers are made on an “as needed” basis to ensure that each Applicant has sufficient working capital and liquidity to meet its on-going needs.
- 113. Typically, capital funds are raised through D9 Parent and distributed amongst the other Applicants as needed. As between Bio-Tech and Logistics, their businesses are closely intertwined, such that Logistics will often receive payment for the cannabis products that Bio-Tech produces. Bio-Tech also has staff on its payroll that provide services for other Applicant entities, including Logistics.
- 114. Historically, the Cannabis Retail Stores and the Distribution Facility operations are cash-flow positive, while Bio-Tech continues to require more funds to operate than it can generate. Intercompany Transfers from D9 Parent and other entities are therefore necessary to fund Bio-Tech’s ongoing operations.

**IV. FINANCIAL CIRCUMSTANCES AND CASH FLOW FORECAST**

- 115. The Applicants’ fiscal year end is December 31, 2024. Attached hereto as **Exhibit “20”** are the Applicants’ consolidated audited financial statements for the years ended 2022 and 2023. The Applicants have operated at a net loss since at least 2021.
- 116. Attached as **Exhibit “21”** is a copy of an unaudited consolidated balance sheet of the Applicants’ calculated up to May 31, 2024 (the **“Balance Sheet”**).

**A. Assets**

- 117. As set out in further detail in the Balance Sheet, the Applicants’ total consolidated assets are valued at \$65,230,722.38 and consist of the following:

<b>Asset Type</b>	<b>Book Value (Consolidated)</b>
<b>Current Assets (Total)</b>	<b>\$12,489,068.48</b>
Cash and Cash Equivalents	\$1,219,915.80
Accounts Receivable	\$2,477,941.98
Due from Related Parties	–
Due from Government Agencies	– \$1,101,698.41
Due from Employees/Share Holders	\$14,534.10
Finished Grow Pods for Resale	\$89,264.59
Biological Assets + Inventory	\$8,102,209.19
Other Inventory	\$2,241,835.48
Purchase Prepayments	\$1,562,622.20

Raw Materials (Cultivation, Production, Packaging)	\$1,080,301.33
Investment in Oceanic	\$500,000.00
<b>Non-Current Assets (Total)</b>	<b>\$52,741,653.90</b>
Property, Plant and Equipment	\$38,286,580.08
Intangibles Assets	–
Goodwill	\$14,198,668.59
Investments	\$33,333.33
Notes Receivable	\$223,071.90
<b>TOTAL ASSETS:</b>	<b>\$65,230,722.38</b>

## B. Liabilities

118. As set out in further detail in the Balance Sheet, the Applicants' total consolidated liabilities are valued at \$80,974,426.69 and consist mainly of the following:

<b>Liability Type</b>	<b>Book Value (Consolidated)</b>
<b>Current Liabilities (Total)</b>	<b>\$14,471,798.04</b>
Accounts Payable and Accrued Liabilities	\$4,356,789.55
CWB-VISA Card	\$30,216.61
Current Portion of Right of Use Lease Liability	\$1,967,836.62
Provincial Sales Tax Payable	\$24,624.88
Excise Tax Payable	\$7,607,561.39
Employee Benefits (incl. source deductions and accrued vacation pay)	\$74,283.52
Income Tax Payable	\$358.08
Customer Loyalty	\$206,545.12
Deferred Revenue	\$199,882.27
Gift card liability	\$3,700.00
<b>Long Term Liabilities (Total)</b>	<b>\$66,502,628.65</b>
CFCU Loan and Line of Credit	\$28,176,267.12
SNDL Debenture	\$10,833,333.33
Uncle Sam's Cannabis Debt	\$4,291,192.87
7217804 Manitoba Ltd. Shareholder Loan	\$2,887,917.57
CRA Manufacturing Rebate Deferral	\$926,375.93
Right of Use Lease Liability	\$12,701,219.15
Lease Liability	\$5,430,596.35
Customer Deposit	\$585,775.33
Derivative Liability	\$646,000.00
Payable Notes	\$23,951.00
<b>TOTAL LIABILITIES:</b>	<b>\$80,974,426.69</b>

## **C. Interim Cash Flow Forecast**

119. With the assistance of the Proposed Monitor, Delta 9 has prepared a 13-week cash flow forecast ending the week of September 27, 2024 (the “**Cash Flow Forecast**”) to determine the amount of funding required to finance their operations through the anticipated length of the CCAA proceedings. To the best of my knowledge, the Cash Flow Forecast will be attached to a Pre-Filing Report of the Proposed Monitor.
120. If the Initial Order is granted, the Cash Flow Forecast indicates that the Applicants will require interim financing during the pendency of the CCAA proceedings and as early as the week of July 26, 2024.

## **V. THE APPLICANTS’ CREDITORS**

### **A. Secured Creditors**

#### **(i) Prior Senior Secured Creditor - Connect First Credit Union**

121. On March 11, 2022, D9 Parent, as borrower, CFCU, as lender, and Bio-Tech, Lifestyle and Store, as guarantors (in such capacity, the “**Guarantors**”), entered into a commitment letter dated February 1, 2022 (the “**CFCU Commitment Letter**”). Pursuant to the CFCU Commitment Letter, CFCU, D9 Parent and the Guarantors entered into separate loan agreements providing for the total advancement of \$32,000,000 from CFCU to D9 Parent (the “**CFCU Loan Agreements**”, and together with the CFCU Commitment Letter, the “**CFCU Loan**”).
122. Attached as **Exhibit “22”** is a copy of the CFCU Commitment Letter. Attached as **Exhibit “23”** are copies of the CFCU Loan Agreements.
123. The CFCU Commitment Letter provides for the following facilities:
- (a) Facility #1 - \$23,000,000 commercial mortgage term loan provided for the purpose of paying out D9 Parent’s debt to Canadian Western Bank and certain debentures;
  - (b) Facility #2 - \$5,000,000 commercial mortgage term loan advanced to finance the acquisition of “Uncle Sam’s Cannabis” retail stores; and
  - (c) Facility #3 - \$4,000,000 authorized overdraft facility intended to finance the borrower’s day-to-day operating requirements.

124. As security for the CFCU Loan, D9 Parent and the Guarantors granted the following security in favour of CFCU (collectively, the “**CFCU Security**”):

- (a) first-ranking collateral mortgage dated March 11, 2022, granted by Bio-Tech in favour of CFCU over the Bio-Tech Lands in the principal amount of \$28,000,000, a copy of which is attached as **Exhibit “24”**;
- (b) general assignment of leases and rents dated March 11, 2022, granted by Bio-Tech in favour of CFCU over the Bio-Tech Lands, a copy of which is attached as **Exhibit “25”**;
- (c) mortgages of lease by way of sublease dated March 14, 2022, granted by Bio-Tech in favour of CFCU, respecting Bio-Tech’s commercial lease for “Building C” and “Building D” of the Distribution Facility, copies of which are collectively attached as **Exhibit “26”**;
- (d) general security agreements (collectively, the “**CFCU GSAs**”) dated March 11, 2022 granted in favour of CFCU by each of the following:
  - (i) D9 Parent, as borrower;
  - (ii) Bio-Tech, as guarantor;
  - (iii) Lifestyle, as guarantor; and
  - (iv) Store, as guarantor,

copies of which are collectively attached as **Exhibit “27”**;

- (e) unlimited guarantees (collectively, the “**CFCU Guarantees**”) dated March 11, 2022 granted in favour of CFCU from each of the following:
  - (i) Bio-Tech;
  - (ii) Lifestyle; and
  - (iii) Store,

copies of which are collectively attached as **Exhibit “28”**.

125. Each of the CFCU Loan, CFCU GSAs and CFCU Guarantees are governed by the law of the Province of Alberta.
126. Prior to the SNDL Assignment, CFCU did not issue any formal demands or Notices of Intention to enforce its security. However, on September 30, 2022, CFCU issued Delta 9 a Notice of Breach of Financial Covenant (the “**September 2022 Notice of Breach**”), advising Delta 9 it was in breach of the CFCU Loan by failing to maintain a Debt Service Coverage Ratio of a minimum of 1.40:1. Attached as **Exhibit “29”** is a copy of the September 2022 Notice of Breach.
127. On June 13, 2024, CFCU issued Delta 9 a further Notice of Breach of Financial Covenant (the “**June 2024 Notice of Breach**”) advising Delta 9 it was in further breach of the CFCU Loan by failing to maintain a Current Ratio of 1.25:1. Attached as **Exhibit “30”** is a copy of the June 2024 Notice of Breach.
128. As of July 5, 2024, the outstanding indebtedness owing from D9 Parent and the Guarantors to CFCU amounted to \$27,868,283.94, inclusive of interest but excluding all other costs, expenses and legal costs on a solicitor and own-client (full indemnity) basis (the “**CFCU Outstanding Indebtedness**”).
129. As outlined above, the Second SNDL Demand has now been issued to D9 Parent, Bio-Tech, Logistics, and Store, which demand expires on August 12, 2024.

**(ii) SNDL Inc.**

130. SNDL, as amalgamated under “SNDL Inc.” on January 1, 2023, is a corporation incorporated pursuant to the laws of the Province of Alberta. Attached as **Exhibit “31”** is a copy of an Alberta corporate registry search for SNDL, as amalgamated.
131. On March 30, 2022, D9 Parent, as issuer, SNDL, as holder, entered into a second-lien convertible debenture agreement (the “**SNDL Convertible Debenture**”).
132. The SNDL Convertible Debenture provides for a \$10,000,000 second-lien convertible debenture to be used for general corporate purposes and for growth capital to fund D9 Parent’s operations and future acquisitions. A copy of the SNDL Convertible Debenture is attached as **Exhibit “32”**.
133. As security for the SNDL Convertible Debenture, D9 Parent and the Guarantors granted the following security in favour of SNDL (collectively, the “**SNDL Security**”):

- (a) second-ranking collateral mortgage dated March 22, 2022, granted by Bio-Tech in favour of SNDL over the Bio-Tech Lands in the principal amount of \$14,000,000, a copy of which is attached as **Exhibit “33”**;
- (b) general assignment of leases and rents dated March 22, 2022, granted by Bio-Tech in favour of SNDL over the Bio-Tech Lands, a copy of which is attached as **Exhibit “34”**;
- (c) general security agreements (collectively, the “**SNDL GSAs**”) dated March 22, 2022 granted in favour of SNDL by each of the following:
  - (i) D9 Parent, as borrower;
  - (ii) Bio-Tech, as guarantor;
  - (iii) Lifestyle, as guarantor; and
  - (iv) Store, as guarantor,

copies of which are collectively attached as **Exhibit “35”**;

- (d) unlimited guarantees (collectively, the “**SNDL Guarantees**”) dated March 22, 2022 granted in favour of SNDL from each of the following:
  - (i) Bio-Tech;
  - (ii) Lifestyle; and
  - (iii) Store,

copies of which are collectively attached as **Exhibit “36”**.

- 134. To the best of my knowledge, Store granted a guarantee in favour of SNDL respecting the SNDL Convertible Debenture; however, an executed copy could not be located to enclose in the Exhibits.
- 135. Each of the SNDL Convertible Debenture, SNDL GSAs and SNDL Guarantees are governed by the law of the Province of Alberta.
- 136. As of July 2, 2024, the estimated outstanding indebtedness owing from D9 Parent and the Guarantors to SNDL in the SNDL Convertible Debenture was approximately

\$10,833,333.33, inclusive of interest but excluding all other costs, expenses and legal costs on a solicitor and own client (full indemnity) basis (the “**SNDL Outstanding Indebtedness**”).

**B. PPSA and Land Title Registrations**

137. Including the secured creditors described above, a number of parties have registered security interests against various Applicants under the applicable personal property legislation in each of British Columbia, Alberta, Saskatchewan and Manitoba (collectively, the “**PPR Registrations**”). A chart summarizing the PPR Registrations is attached as **Exhibit “37”**.
138. A copy of each of the British Columbia, Alberta, Saskatchewan and Manitoba personal property registry searches as at July 11, 2024 with respect to each of the Applicants are collectively attached as **Exhibits “38”, “39”, “40” and “41”**, respectively.
139. Including each of CFCU and SNDL, other parties have registered security interests against the Bio-Tech Lands under *The Law of Property Act* (Manitoba) (the “**Land Title Registrations**”). A copy of the Land Title Certificate respecting the Bio-Tech Lands is attached earlier at **Exhibit “13”**.
140. The Land Title Registrations are summarized as follows:

<b>Secured Party</b>	<b>Instrument Number</b>	<b>Registration Date</b>	<b>Secured Interest</b>
CFCU	5411011/1	March 31, 2022	Mortgage – \$28,000,000
CFCU	5411012/1	March 31, 2022	Caveat – Assignment of Rents and Leases
CFCU	5411013/1	March 31, 2022	Personal Property Security Notice
SNDL	5411014/1	March 31, 2022	Mortgage – \$14,000,000
SNDL	5411015/1	March 31, 2022	Caveat – Assignment of Rents and Leases
SNDL	5411016/1	March 31, 2022	Personal Property Security Notice
His Majesty the King (Canada)	5588205/1	October 27, 2023	Certificate of Judgment – \$6,513,716.64

**C. Crown Obligations and Priority Claimants**

141. As of June 21, 2024, Bio-Tech owed approximately \$18,000 to the CRA in respect of unremitted source deduction arrears (the “**Source Arrears**”). The Source Arrears are currently being reassessed and Bio-Tech anticipates paying the balance before the Initial Order Application.

142. As set out below, the Applicants owe the following amounts to the CRA for outstanding GST and excise tax:

<b>Company</b>	<b>GST</b>	<b>Excise Tax</b>
D9 Parent	<i>Owed a credit</i>	
Bio-Tech	\$657,056	\$7,831,515
Logistics	<i>Owed a credit</i>	
Lifestyle	\$413,927	
Store	\$93,634	
<b>Total:</b>	\$1,164,617	\$7,831,515

**D. Unsecured Creditors**

**(i) Uncle Sam’s Cannabis – Store Transaction**

143. In approximately spring of 2022, Store entered into a transaction with Uncle Sam’s Cannabis Ltd. (“**Uncle Sam’s**”) to purchase 16 of the Cannabis Retail Stores in Alberta (the “**Uncle Sam’s Transaction**”). The CFCU Loan and the SNDL Convertible Debenture Agreement largely financed the Uncle Sam’s Transaction, but in addition to that financing, Uncle Sam’s, as vendor, Store, as purchaser, and D9 Parent, as guarantor, entered into the following agreements (collectively, the “**Uncle Sam’s Agreements**”):

- (a) Promissory Note dated April 22, 2022 from Store to Uncle Sam’s in the amount of \$4,990,264.37 (the “**Primary Note**”), a copy of which is attached as **Exhibit “42”**; and
- (b) Limited Liability Guarantee dated April 22, 2022 from D9 Parent to Uncle Sam’s, guaranteeing all indebtedness, liabilities and obligations of Store to Uncle Sam’s, up to the amount of \$5,000,000, a copy of which is attached as **Exhibit “43”**.

- 144. In addition to the Uncle Sam’s Agreements, pursuant to the Asset Purchase Agreement, the parties agreed that Store would be responsible for paying Uncle Sam’s \$600,928.50 for inventory. The parties contemplated reducing this amount into a separate promissory note, but this was never finalized. Store continues to owe Uncle Sam’s the amount of \$600,928.50 for inventory items purchased under the Uncle Sam’s Transaction.
- 145. Pursuant to the Primary Note, the debt obligation has a maturity date of July 20, 2025.
- 146. As of June 25, 2024, Store’s outstanding unsecured indebtedness to Uncle Sam’s totals \$4,191,193.

**(ii) Lifestyle Shareholder Loans**

- 147. As set out in further detail below, from approximately September 2018 to June 2021, Lifestyle entered into a number of shareholder loans pursuant to various unsecured promissory notes and convertible debenture instruments (collectively, the “**Lifestyle Debentures**”) with its shareholders, which at the time were 7217804 Manitoba Ltd. (“**721 Manitoba**”) and Bio-Tech.
- 148. The Lifestyle Debentures are summarized as follows:

<b>721 Manitoba Debentures</b>			
<b>Agreement Date</b>	<b>Instrument</b>	<b>Amount</b>	<b>Status</b>
Dec. 31, 2018	Demand Convertible Promissory Note	\$2,500,000	Due on demand
Jan. 20, 2021	Demand Convertible Promissory Note	\$171,500	Due on demand
March 31, 2021	Demand Convertible Promissory Note	\$171,500	Due on demand
June 30, 2021	Demand Convertible Promissory Note	\$171,500	Due on demand

- 149. The 721 Manitoba Debentures are collectively attached as **Exhibit “44”**. The 721 Manitoba Debenture issued on March 31, 2021 was issued and paid; however, there is no signed copy available to enclose in the Exhibits.

<b>Bio-Tech</b>			
<b>Agreement Date</b>	<b>Instrument</b>	<b>Amount</b>	<b>Status</b>
Sept. 30, 2018	Demand Promissory Note	\$3,000,000	Converted
Dec. 31, 2018	Demand Convertible Promissory Note	\$3,060,000	Converted
July 24, 2019	Notice of Advance of Shortfall	\$440,000	Converted

Jan. 20, 2021	Demand Convertible Promissory Note	\$178,500	Converted
March 31, 2021	Demand Convertible Promissory Note	\$178,500	Converted
June 30, 2021	Demand Convertible Promissory Note	\$178,500	Converted

150. The Bio-Tech Debentures are collectively attached as **Exhibit “45”**.
151. As of June 21, 2024, Lifestyle’s outstanding indebtedness to 721 Manitoba totaled \$2,887,917.57.
152. On May 5, 2021 and June 30, 2021, Bio-Tech converted all of its debt to equity and is no longer owed amounts under the shareholder loans as debt. Collectively attached as **Exhibit “46”** are the Notices of Conversion issued by Bio-Tech respecting the Bio-Tech Debentures.

**(iii) Other Unsecured Creditors**

153. The Applicants have unpaid trade and other unsecured debt accrued in the normal course of business.
154. As of June 21, 2024, Bio-Tech has \$2,745,326.95 in trade payables that are due or will become due to unsecured trade creditors within the next 60+ days, 65 of which have been identified as critical to Bio-Tech’s continued business operations.
155. As of June 21, 2024, Store has \$91,096.98 in trade payables that are due or will become due within the next 60+ days, 18 creditors of which have been identified as critical to Store’s continued business operations.
156. Certain of the Applicants’ critical suppliers have recently imposed more stringent payment terms as a result of the Applicants’ inability to promptly meet trade terms. Where suppliers have required payment on delivery, the Applicants have sourced other suppliers with longer payment terms, where possible. It has become increasingly difficult to pay all critical suppliers within 30 days.

**(iv) Intercompany Debt**

157. As of June 30, 2024, the Applicants owe the following amounts of unsecured intercompany debt to other Applicant entities as follows (collectively, the **“Intercompany Debt”**):

Owed From	Owed to	Amount
Bio-Tech	D9 Parent	\$74,580,703.69
	Lifestyle	\$9,298,696.96
	Store	\$829,246.43
Total owed by Bio-Tech:		\$84,708,647.08
Net of amounts owing to Bio-Tech:		\$84,497,270.69
Lifestyle	D9 Parent	\$4,930,663.76
Lifestyle	Logistics	\$34,478.50
Total owed by Lifestyle:		\$4,965,142.26
Net of amounts owing to Lifestyle:		-\$4,549,117.04
Store	Lifestyle	\$181,083.84
Store	D9 Parent	\$16,826,997.89
Store	Logistics	\$56.70
Total owed by Store:		\$17,008,138.43
Net of amounts owing to Store:		\$16,178,892
Logistics	Bio-Tech	\$211,376.39
Logistics	Lifestyle	\$34,478.50
Total owed by Logistics:		\$245,854.89
Net of amounts owing to Logistics:		\$211,319.69

158. The Intercompany Debt is comprised of accounts payable and receivable and notes/loans receivable. Only Lifestyle owes Bio-Tech an intercompany loan in the amount of \$50,949.

## VI. DIRECTORS AND OFFICERS INSURANCE POLICIES

159. D9 Parent carries an insurance policy for its directors and officers with CannGen Insurance Canada (the “**D&O Policy**”), with a \$2,500,000 limit of liability, with a policy period from May 20, 2024 to May 20, 2025. Attached as **Exhibit “47”** is a copy of the D&O Policy.
160. Notwithstanding the existence of the D&O Policy, the Applicants’ ordinary course operations may give rise to potential officer or director liability. As set out in further detail below, to address legitimate concerns expressed with respect to their potential exposure if they continue to act, the directors and officers have requested reasonable protection against personal liability that might arise in the post-filing period through the D&O Charge (as defined below).

## VII. CHALLENGES FACED BY APPLICANTS PRIOR TO RESTRUCTURING

### A. Overview of Challenges

161. The Applicants have continued to work toward becoming cash-flow positive while they operate in each of the various cannabis segments. However, the Applicants no longer have sufficient liquidity to sustain operations, fund Bio-Tech's cash intensive business operations at a loss, and service their debt obligations to their primary secured creditors, necessitating the commencement of these proceedings under the CCAA. Without having to service their debt obligations, the Applicants were approximately \$4,000,000 cash flow positive from their collective operations in 2023.
162. Although the Applicants continue their ordinary business operations and are poised for future growth, a combination of internal and external factors have created severe short-term liquidity issues. The most significant challenges the Applicants have faced over the last several months have been due to the steep decline in demand for cannabis at the retail level and increased demands for payment from its secured lenders.
163. As part of management, I have overseen a number of other cost-saving measures including decreasing operating expenses by approximately \$290,000 in the first quarter of 2024 due to amortization, reducing insurance costs and reducing personnel expenditures. This was part of Delta 9's larger cost-cutting measures implanted in January 2023, which included reducing Bio-Tech's production capacity at the Cultivation Facility by 40% and temporarily laying off 40 employees within Delta 9. These cost-cutting efforts achieved approximately \$3,200,000 in cost savings since their implementation.
164. Over the last few years, investment in the cannabis industry has decreased. There has been a reduced appetite for equity investments or loans to cannabis companies generally, and this has made it difficult for both public and private cannabis companies to secure adequate capital to continue the required growth in their operations. The Applicants require an additional injection of cash in order to sustain operations during this liquidity crisis.

### B. ATM Financing

165. On December 6, 2022, D9 Parent established an at-the-market equity program (the "**Prior ATM Program**") that allowed D9 Parent to issue up to \$5,000,000 in Common Shares from the treasury to the public from time to time at D9 Parent's discretion.

166. Under the Prior ATM Program, from December 6, 2022 to October 9, 2023, D9 Parent issued 33,566,000 Common Shares for an average price of \$0.06 for aggregate net proceeds of \$1,936,183 after broker fees. These Common Shares were offered and sold through a broker by way of privately negotiated transactions with the consent of D9 Parent, as block transactions, by the broker on any other marketplace, and by any other method permitted by law that constituted an “at-the-market” distribution.
167. On October 12, 2023, D9 Parent established a new at-the-market equity program (the “**New ATM Program**”) that allowed D9 Parent to issue up to \$5,000,000 of Common Shares from the treasury to the public from time to time at D9 Parent’s discretion.
168. Under the New ATM Program, for the year ending December 31, 2023, D9 Parent issued 8,600,000 Common Shares for an average price of \$0.03 per Common Share for aggregate net proceeds of \$258,782, after broker fees and other costs.
169. Also under the New ATM Program, for the three-month period ending March 31, 2024, D9 Parent issued 43,685,000 Common Shares for an average price of \$0.02 per Common Share for aggregate net proceeds of \$1,091,084, after broker fees.
170. Both the Prior ATM Program and New ATM Program were effective in raising capital, but the capital generated was ultimately insufficient to finance all of Delta 9’s liquidity requirements. Since December 6, 2022, the share price of D9 Parent dropped from \$0.06 per Common Share to \$0.02 per Common Share, throwing into question whether Delta 9 will be able to access at-the-market equity going forward, and if so, for how much return.
171. D9 Parent ceased making offerings under the New ATM Program effective as of July 8, 2024.

**C. SNDL Demands**

172. The Applicants’ general liquidity issues accelerated on May 21, 2024, when, among other things, the Applicants received the First SNDL Demand. These liquidity issues were further exacerbated when the Second SNDL Demand was issued by SNDL on July 10, 2024.
173. Pursuant to the SNDL Demands, SNDL alleged that D9 Parent, as borrower, committed several events of default, including certain waivers and the occurrence of a material adverse change in the financial condition of the Guarantors.

174. SNDL demanded payment within 22 business days of the date of each SNDL Demand. The First SNDL Demand expired on June 20, 2024 and the Second SNDL Demand expires on August 12, 2024. The Applicants are unable to pay the amount outstanding under the SNDL Demands.
175. SNDL proposed a form of forbearance agreement to D9 Parent that was ultimately rejected by Delta 9.

#### **D. Eviction Action Against Distribution Facility**

176. On June 17, 2024, 659 Canada filed a Notice of Application against Bio-Tech pursuant to *The Landlord and Tenant Act* (Manitoba), scheduling an application for June 21, 2024 to obtain a writ of possession in favour of 659 Canada respecting the Distribution Facility (the “**Eviction Action**”). Attached as **Exhibit “48”** is a copy of the Eviction Action.
177. The Eviction Action was adjourned from June 21, 2024 to June 28, 2024, and adjourned again into later in July 2024 for procedural reasons.
178. The Eviction Action was brought in the context of a dispute between 659 Canada and Bio-Tech, pursuant to which 659 Canada is attempting to enforce a purchase option against Bio-Tech, for which Bio-Tech lacks sufficient funding to exercise.
179. Bio-Tech requires a stay of proceedings to stabilize its tenancy position and stay the Eviction Action until it can be determined if those premises will be required going forward once a definitive plan has been finalized for the restructuring of the Applicants.

#### **VIII. PRIOR RESTRUCTURING EFFORTS**

180. Prior to making the decision to enter formal CCAA proceedings, Delta 9 has worked to increase profitability. While Delta 9’s Cannabis Retail Stores continue to operate with positive cash flows, these margins are insufficient to service the ongoing debt obligations and the operational losses experienced at Bio-Tech.
181. Delta 9 has also taken steps to reduce its operating costs since January 2023, as detailed above, which resulted in a reduction of approximately \$3,200,000 in operating costs.
182. Although D9 Parent is on pace to generate \$3,000,000-\$5,000,000 in subscription proceeds under the New ATM Program in 2024, this amount of equity financing is still insufficient to fund all obligations and is not a sustainable or reliable ongoing source of

funding. The New ATM Program has now been stopped by the D9 Parent so is not available to generate any additional subscription proceeds.

183. In addition, for the past four to six months, Delta 9's management team has been actively pursuing an informal strategic alternatives process (the "**SAP**"). This SAP resulted in Delta 9 informally engaging with many of the most significant cannabis companies operating within the industry who are known to be capable of financing such a transaction and investment, including, successfully running and growing Delta 9's retail business operations. Delta 9 entered into several non-disclosure agreements, had numerous discussions, meetings, tours of the facilities with some of these prospective counterparties during the pendency of the SAP.
184. Throughout the SAP, Delta 9 engaged with a number of parties in order to find a solution to its liquidity and growth issues, further details of which are set out below.
185. In December 2023, Delta 9 engaged with Fika on a potential merger transaction that also contemplated a "spin out" of Bio-Tech. Fika's original offer came in the Spring of 2024 and has since been refined and renegotiated into the current offer advanced through these restructuring proceedings and as represented by the Restructuring Term Sheet.

**A. SNDL**

186. In and around the Spring of 2024, Delta 9 and Fika approached SNDL jointly to propose a potential partnership into Fika's acquisition of Delta 9's retail and logistics assets.
187. On May 15, 2024, SNDL sent Delta 9 an unsigned non-binding term sheet that contemplated SNDL providing certain cash and credit bid amounts to acquire all of Delta 9's retail operations on a free and clear basis.
188. Delta 9 ultimately rejected this proposal on the basis that it was exclusively negotiating with Fika under a non-binding Letter of Intent and SNDL's proposal failed to: (i) provide adequate value for Delta 9's stakeholders, (ii) address a number of issues such as requisite shareholder approval, (iii) provide any value for minority shareholder equity, and (iv) provide adequate shareholder loan considerations, among other things.

**B. Summary of SAP**

189. In addition to the more advanced negotiations set out above, for approximately the last 18 months, Delta 9 has also engaged with other significant retail and cannabis producing

entities on potential mergers, acquisitions or other strategic alternatives to maximize value for Delta 9's stakeholders.

190. The result of the SAP was that the most feasible proposal (that also generated the most value for all of the Applicants stakeholders) received for the restructuring and investment in Delta 9's business was received from Fika, the Plan Sponsor.
191. However, outside of generating the Restructuring Term Sheet, these efforts to source other opportunities were ultimately unsuccessful and were unable to produce any other viable proposal on the same level of value as the one contained in the Restructuring Term Sheet.
192. Obtaining relief under the CCAA now presents the best outcome for the Applicants' numerous stakeholders, as it provides Delta 9 the breathing room it requires from its creditors to implement its proposed restructuring that will benefit their stakeholders to the greatest extent possible in the circumstances.

#### **IX. GOOD FAITH AND EXTENSIVE EFFORTS TO ENGAGE CFCU**

193. On July 5, 2024, SNDL assumed the entirety of the CFCU Outstanding Indebtedness and obtained all of CFCU's right, title, interest and obligations pursuant to the CFCU Loan and CFCU Security.
194. Prior to July 5, 2024, Delta 9 and Fika were working diligently and in good faith to engage with CFCU to ensure CFCU supported the restructuring proposed herein.
195. Delta 9 and Fika first engaged with CFCU on April 25, 2024 in respect of a potential transaction. A mutual confidentiality agreement was signed among Delta 9, CFCU and Fika on April 30, 2024. After the confidentiality agreement was executed Fika began providing financial and other information regarding a potential transaction with Delta 9 to CFCU.
196. On June 5, 2024, Delta 9 and Fika first reached out to CFCU to advise of a potential transaction between Delta 9 and Fika effected through a CCAA process, which would see Fika acquiring all of the outstanding shares of Delta 9, Logistics, Store and Lifestyle.
197. In response, on June 13, 2024, CFCU wrote to Delta 9 and Fika requesting detailed transaction information, due diligence background information on Fika, a proposal for

addressing the Excise Tax Arrears, a non-binding plan sponsor term sheet, an interim financing term sheet and a valuation of Delta 9 and Fika's businesses on an individual or consolidated basis (the "**June 13 Due Diligence Request**"). Attached as **Exhibit "49"** is a copy of this June 13, 2024 correspondence from CFCU to Delta 9 and Fika.

198. On June 19, 2024, Mark Townsend (on behalf of Fika) responded to CFCU's June 13 Due Diligence Request with details of the status of pending documents and information of where all requested documents could be located in a shared data room and in a Transaction Overview presentation (the "**Transaction Overview**"). Mr. Townsend requested a meeting in one to two days to discuss the Transaction Overview further. The Transaction Overview contains commercially sensitive and confidential information of both Fika and Delta 9 and as a result is not attached.
199. On June 21, 2024, I sent a follow-up email to Kunle Popoola at CFCU to provide a copy of the Non-Binding Term Sheet between Delta 9 and Fika. Attached as **Exhibit "50"** is a copy of this June 21, 2024 email correspondence.
200. On June 22, 2024, I received an email from Mr. Popoola confirming his receipt of my June 21, 2024 correspondence and that the same had been provided to the Delta 9 account management team with CFCU. Attached as **Exhibit "51"** is a copy of this June 22, 2024 correspondence.
201. Following the correspondence from Mr. Popoola on June 22, 2024, Delta 9 and Fika did not receive any substantive updates from CFCU on its position on the proposed transaction between Delta 9 and Fika, notwithstanding numerous attempts from all parties, including the Proposed Monitor, to obtain an update on CFCU's position.
202. Due to the complete lack of response from CFCU, the Applicants were required to move the Initial Order Application date from July 12 to July 15 and the Comeback Application date from July 17 to July 24, while they waited for confirmation from CFCU that it would support the proposed plan.
203. It was not until 6:09 p.m. CT on Friday, July 5, 2024, that CFCU advised me that CFCU would be assigning all of the CFCU Outstanding Indebtedness to SNDL. On July 5, 2024, Gianfelice Calabrese sent me an email advising of the SNDL Assignment and enclosing a letter with further details of the same. Collectively attached as **Exhibit "52"** are copies of this July 5, 2024 email correspondence from Mr. Calabrese and the July 5, 2024 letter to Delta 9 with further details of the SNDL Assignment.

204. I was verbally advised by representatives of CFCU, including Jonathan Clement, Domenic Maucieri, and Gianfelice Calabrese, on more than one occasion that CFCU was not engaged in any ongoing discussions with SNDL regarding the assignment of Delta 9's debt. The correspondence on July 5, 2024 was the first anyone at Delta 9 or the Fika team learned of the SNDL Assignment.
205. As a result of the SNDL Assignment, Delta 9's efforts to engage with CFCU are now moot and Delta 9's cash position has deteriorated an additional month as a result of the delay associated with engaging with CFCU in good faith. The proposed CCAA restructuring plan has been revised to address the new secured creditor composition of Delta 9.
206. SNDL may immediately elect to take enforcement proceedings on the SNDL Outstanding Indebtedness at any time and there is no longer any standstill period that is preventing SNDL from taking such steps.
207. As evidenced by the Second SNDL Demand, the result of the SNDL Assignment creates significant risk to the proposed restructuring of Delta 9 and may impact recoveries of Delta 9's other stakeholders. SNDL is also not just a secured creditor of Delta 9, but a prospective acquiror and competitor who has been (and to the best of Delta 9's knowledge) continues to be interested in acquiring the retail operations of Delta 9.

## **X. CCAA PROCEEDINGS AND RELIEF SOUGHT**

### **A. Urgent Need for CCAA Relief and Eligibility**

208. The Applicants urgently require a broad stay of proceedings to prevent enforcement action by its primary secured creditor, certain contractual counterparties and to provide the Applicants with breathing space while they implement the proposed restructuring, all while permitting their business to continue to operate as a going concern.
209. The Applicants are facing serious liquidity issues. Based on their current financial position, they are unable to service their ongoing debt obligations as they become due. Absent the proposed interim financing, the Applicants will not be able to operate in the ordinary course and meet their debt service burden going forward, to the detriment of their stakeholders. Delta 9 has become increasingly reliant on equity injections to even service debt obligations and Bio-Tech has never been able to generate enough cash-flow from operations to cover its expenses.

210. The Applicants, if relief is obtained under an Initial Order, expect to immediately determine where additional cost savings can be realized and rationalize their operations using the provisions of the CCAA to implement steps to realize a further reduction of expenses and greater efficiencies in the operations of the Applicants.
211. It would be detrimental to the Applicants' business if proceedings were commenced or continued or rights and remedies were exercised against the Applicants. Absent the stay of proceedings, the Applicants will not be able to continue to operate their businesses in the normal course and would be forced to initiate an abrupt, disorderly, and detrimental winddown of their operations in Bio-Tech which would have a significant negative and detrimental impact on the ability of the remaining Applicants to continue to function in the normal course due to the intertwined nature of the operations of the Applicants.
212. Absent a restructuring process, the Applicants will not be able to generate the profit required to pay down their secured and unsecured obligations to get to a point of sustainable operations, let alone to generate sufficient capital to appropriately scale such operations up to the point of profitability.
213. The Applicants believe there is no reasonable expectation that their financial condition will improve without pursuing these restructuring proceedings.
214. The Applicants are therefore insolvent and require CCAA protection at this time.
215. The Applicants have thoroughly considered the circumstances and potential alternatives available, and with the assistance of their advisors, have determined that it is in the best interests of the Applicants and their stakeholders to file for protection under the CCAA at this time. With the benefit of protection under the CCAA, the Applicants will continue to operate their business and advance their restructuring efforts to maximize value for their stakeholders.
216. The Applicants have, on a consolidated basis, liabilities far in excess of \$5,000,000.

**B. Plan Sponsor and Plan of Arrangement**

217. Prior to bringing this Application, the Applicants have attempted to engage in good faith with their senior secured lender, CFCU, and have worked diligently with the Plan Sponsor to prepare a plan or plans of arrangement that will maximize the value realized for all stakeholders of the Applicants.

218. The Applicants have been working with the Plan Sponsor for a substantial period of time leading up to the CCAA filing to develop a restructuring plan for Delta 9. The Restructuring Term Sheet sets out the key steps of the proposed restructuring plan for the Applicants in the context of these CCAA proceedings, as supported by the Plan Sponsor.
219. The proposed restructuring is detailed in the Restructuring Term Sheet. The following is a summary of the significant aspects of the Restructuring Term Sheet:
- (a) Delta 9 is required to commence the CCAA proceedings in Alberta;
  - (b) Delta 9 has agreed to negotiate exclusively with the Plan Sponsor for a period of 93 days beginning on the effective date of the Restructuring Term Sheet;
  - (c) the Applicants will seek approval of an ARIO within 10 days of commencing the CCAA proceedings that provides for the approval of the Restructuring Term Sheet, the DIP Loan, the DIP Loan Charge, increase to the D&O Charge, the DIP Term Sheet, the KERP, the appointment of the CRO and payment of the second tranche of interim financing (each term as defined in the Restructuring Term Sheet);
  - (d) within 10 days of commencing the CCAA proceedings, the Applicants will seek Court approval of a 40-day SISP for the going concern operations of Bio-Tech concluding no later than 40 days from the date of the Initial Order Application;
  - (e) within 10 days of commencing the CCAA proceedings, the Applicants will seek Court-approval of a Claims Process that will be completed no later than 45 days following the date of the Initial Order Application;
  - (f) within 28 days of commencing the CCAA proceedings, the Applicants will seek approval of a Meeting Order that will require the creditors to vote on the proposed plan or plans within 75 days of the date of the Initial Order Application;
  - (g) the Plan Sponsor will provide interim financing to the Applicants up to the amount of \$16,000,000, payable in two tranches:
    - (i) Tranche 1: up to \$3,000,000 available on the issuance of the ARIO, to be advanced on a weekly basis in accordance with the Cash Flow Forecast; and

- (ii) Tranche 2: up to \$13,000,000 to repay any and all secured obligations owing to SNDL under the SNDL Convertible Debenture Agreement promptly following the issuance of the ARIO and confirmation by the Monitor of the actual amounts owed to SNDL under the terms of the SNDL Convertible Debenture Agreement;
- (h) the remaining Estimated Outstanding Indebtedness owing to SNDL will be paid down from the proceeds realized from the SISF, with full payout of any of the remaining Estimated Outstanding Indebtedness to be completed by the Plan Sponsor upon plan implementation;
- (i) the Plan Sponsor will fund any increase to the interim financing required to cover the costs of the within CCAA proceedings;
- (j) the Plan Sponsor will fund the plan of arrangement, including any distribution to creditors of the Applicants with unsecured claims, provided that the minimum aggregate amount for all creditors holding unsecured claims against the Applicants shall be no less than \$750,000;
- (k) the Plan Sponsor shall issue voting common shares in the capital of Fika to the shareholders of D9 Parent, with an aggregate value of \$2,000,000 on the terms set out in the Restructuring Term Sheet;
- (l) the Plan Sponsor shall make available voting common shares in the capital of Fika to a class of unsecured creditors of Lifestyle and Store who elect to convert their unsecured debt into equity, with an aggregate value of \$4,000,000 on the terms set out in the Restructuring Term Sheet;
- (m) on implementation of the proposed plan of arrangement, D9 Parent would issue new common shares to the Plan Sponsor and cancel all issued and outstanding common shares of D9 Parent (the “**Acquisition Transaction**”);
- (n) the Plan Sponsor will support the Applicants request for this Court’s approval of a Key Employee Retention Plan at the Comeback Application;
- (o) the Applicants will seek this Court’s approval of the appointment of Mark Townsend as the Chief Restructuring Officer to facilitate the restructuring at the Comeback Application;

- (p) if the Plan Sponsor and the Applicants determine that effecting a successful plan of arrangement is not achievable, then at the Plan Sponsor's sole discretion, the Applicants will initiate a sales and investment solicitation process for the sale of Delta 9 and execute a stalking horse agreement with the Plan Sponsor, whereby the Plan Sponsor will act as a stalking horse purchaser and provide substantially similar consideration to the value to be provided under the Restructuring Term Sheet; and
- (q) the Applicants will pay a break fee of \$1,500,000 to the Plan Sponsor if the Court approves any plan of compromise, arrangement or other transaction that would preclude the Plan Sponsor from completing the Acquisition Transaction, or the Applicants otherwise enter into any agreement that would preclude the Acquisition Transaction.

**C. Cash Management**

- 220. The Applicants are seeking to continue to utilize their current Cash Management System as described herein.

**D. Stay of Proceedings**

- 221. Given the challenges faced by the Applicants described herein, the Applicants require the stability of a stay of proceedings under the CCAA to maintain the status quo, provide the Applicants the breathing space they require to address the issues described in this Affidavit and to develop a restructuring plan in consultation with their advisors and the Monitor.
- 222. The proposed Initial Order contemplates a Stay Period of 10 days, which I understand is the maximum that can be authorized by a court at an initial application under the CCAA.
- 223. The Applicants are further seeking a direction that the stay of proceedings extend to my personal liability as a director in order to facilitate my continued participation in the restructuring process and in order to allow those obligations to be dealt with in the restructuring process prior to any steps being taken against me in my personal capacity.

**E. Appointment of A&M as Monitor**

- 224. The Applicants seek the appointment of A&M as Monitor of the Applicants in these CCAA proceedings. A&M has reviewed, and assisted in the preparation of, the Cash Flow

Forecast and has provided guidance and assistance on the commencement of these CCAA proceedings.

225. A&M has developed critical knowledge about the Applicants, their business operations, financial challenges, strategic initiatives and restructuring efforts to date.
226. The Applicants believe that A&M has the necessary expertise and experience with the Applicants to successfully coordinate a restructuring plan, implement the SISP and guide the Applicants towards a more sustainable, restructured future.
227. A&M has consented to act as the Monitor, subject to Court approval. Attached as **Exhibit “53”** hereto is an executed copy of A&M’s consent to act as Monitor.

**F. Cash Flow Forecast**

228. As set out in the consolidated Cash Flow Forecast appended to the Pre-Filing Report of the Proposed Monitor, the Applicants’ principal use of cash during these proceedings will consist of paying the operating costs associated with the ongoing operation of the Business, including, among others, expenses related to employee compensation, trade payments, payments to critical suppliers and landlords, general administration expenses and other ordinary course of business obligations. In addition to these expenditures, the Applicants will also pay the administrative expenses incurred both before and after the commencement of these CCAA Proceedings (should the Initial Order be granted).

**G. Payments During the Proceedings**

229. The Applicants are seeking authorization pursuant to the proposed Initial Order to pay all reasonable expenses incurred by the Applicants in carrying on its business in the ordinary course after the date of the Initial Order, and, with the approval of the Monitor, to pay certain expenses, whether incurred prior to, on or after the date of the Initial Order, in respect of:
  - (a) outstanding and future wages, salaries, compensation, employee benefits, vacation pay and expenses (including, without limitation, payroll and benefits processing and servicing expenses) payable on or after the date of the Initial Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

- (b) the fees and disbursements of any consultants, agents, experts, accountants, counsel and financial advisors and such other persons retained or employed by the Applicants, at their standard rates and charges, incurred both before and after the commencement of the proceedings; and
  - (c) all invoices issued by suppliers essential to the Business.
230. The Applicants require the commitment and support of their key employees during the CCAA process and after it emerges from the CCAA process. The Applicants further require the continued supply of goods and services from key vendors, essential trade suppliers, and service providers during the CCAA proceedings.
231. This relief is necessary to maintain ordinary course operations, particularly given the highly regulated nature of the Applicants' business. The Applicants' ability to operate their business in the normal course is dependant on their ability to obtain an uninterrupted supply of certain goods and services.
232. Because all of the Cannabis Retail Stores operate out of leased premises, it is also critical that the Applicants are able to continue making their monthly lease payments during the CCAA proceedings.
233. The ability for the Applicants to make the foregoing payments is necessary to maintain stability for the continued operation of the Applicants' business during the CCAA proceedings and to allow the Applicants to advance their restructuring efforts for the benefit of all of their stakeholders.

#### **H. Authorization to Incur no Further Costs in Connection with Security Filings**

234. The Applicants seek authorization to dispense with certain securities filing requirements. In particular, the Applicants seek authorization for D9 Parent to incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial, or other law respecting securities or capital markets in Canada, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (British Columbia) and comparable statutes enacted by other provinces of Canada, and the rules, regulations and policies of the Toronto Stock Exchange.

235. In my view, incurring the time and costs associated with preparing the Securities Filings will detract from the Applicants' limited resources. It is expected that the Applicants will continue as a private company following completion of a the steps set out in the Restructuring Term Sheet, if approved by this Honourable Court and the creditors voting to approve any plan of arrangement that is proposed. Further, there is no prejudice to stakeholders given that detailed financial information and other information regarding the Applicants will continue to be made publicly available through the materials filed in these CCAA proceedings and as may be required under the CCAA.

#### **I. Administration Charge**

236. The Applicants seek a first-ranking charge over the Applicants' Property (as defined in the Initial Order) in favour of the Monitor, counsel to the Monitor, and counsel to the Applicants, (the "**Professionals Group**"), to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order.

237. The proposed Administration Charge being sought is for a maximum amount of \$350,000.00 and is meant to secure the Professionals Group's fees through to the Comeback Application.

238. It is contemplated that the Professionals Group will have extensive involvement during the CCAA proceedings; the Applicants require the Professionals Group's knowledge, expertise and continued participation to complete a successful restructuring. The Professionals Group have contributed and will continue to contribute to the Applicants' restructuring efforts, and will ensure that there is no unnecessary duplication of roles among them.

239. In preparation of the Interim Cash Flow Forecast, the Applicants, in consultation with the proposed Monitor, considered the professional fees forecasted to be incurred on a weekly basis during the cash flow period. Until the Comeback Application, it is forecasted that the Applicants will incur significant professional fees in connection with the CCAA proceedings, such as preparing for the Comeback Application, communicating with employees and stakeholders following the initial filing and if granted, the issuance of the requested Initial Order in these proceedings, and complying with statutory notices, mailings and communications.

240. I believe the quantum of the Administration Charge sought is reasonably necessary at this time to secure the professional fees and the services of the Professionals Group for the period through to the Comeback Application.

**J. Directors and Officers' Charge**

241. To ensure the ongoing stability of the Applicants during this CCAA proceeding they require the continued participation of their officers and directors. The officers and directors have skills, knowledge and expertise, as well as established relationships with various stakeholders that will contribute to a successful path forward. As a result, the Applicants will be seeking approval of a D&O Charge in the amount of \$300,000.

242. The Applicants' directors are the beneficiaries of an insurance policy which I understand provides them with coverage for certain claims and liabilities that may arise against them. However the policy contains exclusions and exceptions to such coverage as provided. The Applicants' ordinary course operations give rise to potential director or officer liabilities, including payroll and sales tax remittances. To address legitimate concerns with respect to their potential exposure, the directors and officers have requested reasonable protection against personal liability that might arise against them during the post-filing period.

**K. Relief in Respect of the Excise Licence**

243. The Applicants require a direction from the Court maintaining the *status quo* with respect to the LP Licences. While there is no immediate concern that the Health Canada Licence will expire or be terminated during the Stay Period, the Excise Licence is scheduled to expire on July 16, 2024 unless Bio-Tech is able to strictly comply with the payment plan in place.

244. The terms of the LP Licences must continue through the duration of the Stay Period. If the Excise Licence is allowed to expire, or is cancelled or revoked before its expiry, Bio-Tech would not be able to continue cultivating and processing cannabis products to continue to supply such products to Logistics for delivery through its supply chain.

**L. Comeback Application**

245. If the Initial Order is granted, then the Applicants are seeking a direction from the Court that the Applicants may proceed with the Comeback Application on July 24, 2024, where

the Applicants will seek this Court's approval of the ARIO, an Order approving the SISP, a Claims Process Order, and a Sealing Order.

246. Pursuant to the ARIO, the Applicants will be seeking, among other things, approval of the following: an extension of the Stay of Proceedings; an increase to the Administration Charge up to \$750,000; an increase to the D&O Charge to \$900,000; an interim financing agreement and a charge in favour of the Plan Sponsor up to \$16,000,000; a Key Employee Retention Plan and charge up to \$655,000; and the appointment of Mark Townsend as the Chief Restructuring Officer ("**CRO**").
247. The proposed CRO, Mark Townsend, is the Managing Partner at Broderick Capital Corp. and has over fourteen years of experience in investment banking, private equity, capital markets, corporate development and strategy. He has been directly involved in over \$2,000,000,000 of M&A and financing transactions and has experience working with both public and private companies in Canada and the US across a wide variety of industries. He has been engaged with the Applicants since January, 2024 and has completed significant review of the Applicants' financial performance and valuation of the business.
248. The proposed CRO has substantial experience in the cannabis industry, having evaluated over eight retail cannabis acquisition opportunities in the past year. He has worked extensively with the Applicants in the time leading up to this application including assisting in the preparation of key financial analysis and the cash flow forecast.
249. The Applicants are seeking to keep the CCAA process as cost-effective as possible given the cash constraints they are currently facing.
250. If the Initial Order is granted, the Applicants will provide notice to all of their creditors of the proceedings, including the next significant steps that the Applicants will be taking in the CCAA proceedings.

## **XI. FORM OF ORDER AND CONCLUSION ON INITIAL ORDER**

251. With the assistance of their legal and financial advisors, the Applicants have determined that the proposed CCAA proceedings represent the best available strategy to maximize value for the Applicants' stakeholders in the circumstances.



**THIS IS EXHIBIT "1" TO THE  
AFFIDAVIT OF JOHN ARBUTHNOT IV  
SWORN BEFORE ME AT WINNIPEG, MANITOBA,  
this 12<sup>th</sup> day of July, 2024**

A handwritten signature in blue ink, appearing to read "Anjali Sandhu", is written over a horizontal line.

**A NOTARY PUBLIC IN AND FOR THE PROVINCE OF MANITOBA**

mccarthy  
tetrault

AK/11833A  
220099-587478

MLT AIKINS LLP  
VANCOUVER, BC  
MAY 22 2024  
RECEIVED

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Via Registered Mail

Delta 9 Cannabis Inc.  
2600 – 1066 West Hastings Street  
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May 21, 2024

**Via Registered Mail**

✓ **Delta 9 Cannabis Inc.**  
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**Delta 9 Cannabis Inc.**  
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**Delta 9 Cannabis Inc.**  
MLT Aikins LLP  
30<sup>th</sup> Floor, 360 Main Street  
Winnipeg, MB R3C 4G1

**Re: Secured Loan Facilities granted by SNDL Inc. (f/k/a Sundial Growers Inc. (the “Lender”) to Delta 9 Cannabis Inc. (the “Borrower”) and Delta 9 Bio-Tech Inc. (“Bio-Tech”), Delta 9 Lifestyle Cannabis Clinic Inc. (“Lifestyle”) and Delta 9 Cannabis Store Inc. (“Store”, and collectively with Bio-Tech and Lifestyle, the “Guarantors” and, together with the Borrower, the “Obligors” and, each, an “Obligor”)**

Please be advised that we are counsel to the Lender. We write further to:

- (a) the Note Purchase Agreement, dated March 30, 2022, between the Borrower and the Lender (the “**Note Purchase Agreement**”);
- (b) the 10% Senior Secured Second-Lien Convertible Debenture, dated March 30, 2022, between the Borrower and the Lender issued in connection with the Note Purchase Agreement (the “**Debenture**”);
- (c) the Side Letter in respect of the Debenture, dated March 9, 2022, between the Borrower and the Lender (the “**Side Letter**”, and collectively with the Note Purchase Agreement and Debenture, as each has been amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the “**Debenture Documents**”); and
- (d) the Guarantees (defined below), the Security Agreement (defined below), and any other guarantees, security documents, agreements, instruments, and documents entered into by any Obligor from time to time in connection with any of the Guarantees, the Security Agreement, or the Debenture Documents (collectively, in each case, as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the “**Additional Documents**” and, collectively with the Debenture Documents, the “**Financing Documents**”).

Please note that all references herein to “dollars” or “\$” are to Canadian dollars.

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As you know, pursuant to the Debenture Documents, the Lender made financing available to the Borrower in the principal amount of \$10,000,000 (the "**Loan**").

The Loan is guaranteed by the Guarantors pursuant to the following guarantees (collectively, the "**Guarantees**"):

- (a) an Unlimited Guarantee and Postponement granted by Bio-Tech with respect to the obligations of Borrower, dated March 22, 2022;
- (b) an Unlimited Guarantee and Postponement granted by Store with respect to the obligations of Borrower, dated March 22, 2022; and
- (c) an Unlimited Guarantee and Postponement granted by Lifestyle with respect to the obligations of Borrower, dated March 22, 2022.

To provide general and continuing security for the payment and performance of all indebtedness, liabilities, and other obligations of the Borrower to the Lender, including in relation to the Loan and the Financing Documents, the Borrower entered into a general security agreement, dated March 22, 2022, granting the Lender a security interest in all present and after-acquired property of the Borrower (the "**Security Agreement**").

As you are aware, multiple defaults have occurred and are continuing under the Financing Documents, including, without limitation:

1. the events of default described in (a) the first waiver in respect of the Debenture between the Lender and Borrower, dated August 11, 2022, (b) the second waiver in respect of the Debenture between the Lender and Borrower, dated September 9, 2022 (the "**Second Waiver**"), and (c) the written notice of default in respect of the Second Waiver delivered by the Lender to the Borrower, dated March 7, 2024; and
2. the occurrence of a material adverse change in the financial condition of the Obligor.

Accordingly, pursuant to the Financing Documents and on behalf of the Lender, we hereby demand immediate payment of all of the Borrower's indebtedness, liabilities, and other obligations under the Financing Documents, which, as at May 21, 2024, total \$12,512,876.71 (the "**Borrower Indebtedness**").

The Borrower Indebtedness is calculated as of May 21, 2024 and does not include any interest which may accrue after such date, legal fees and expenses, and/or any other costs or amounts recoverable pursuant to the Financing Documents (collectively, "**Additional Indebtedness**").

Payment of the Borrower Indebtedness, together with all Additional Indebtedness incurred to the date of payment (collectively, the "**Total Indebtedness**"), should be made by wire transfer, bank draft or certified cheque within 22 business days of the date of this letter, payable to:

McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver, BC V6E 0C5  
Attention: Sue Danielisz

Prior to making payment, please ensure you contact Ms. Danielisz at 604-643-5904 or [sdanielisz@mccarthy.ca](mailto:sdanielisz@mccarthy.ca) to confirm the Total Indebtedness on the date payment is to be made.

If payment of the Total Indebtedness is not made on or within 22 business days of this letter, the Lender will take such steps as it considers necessary to protect its rights and security, including, but not limited, to commencing action against the Obligor, without further notice to you.

We hereby enclose a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended. To the extent that the *Farm Debt Mediation Act*, SC 1997, c. 21, as amended (the "FDMA"), also applies, we also enclose a Notice of Intent by Secured Creditor, in accordance with section 21 of the FDMA.

For the avoidance of doubt, the Lender expressly reserves all rights, powers, and privileges available to it under the Loan, the Financing Documents, applicable law, and otherwise, including, without limitation, the right to appoint an interim receiver over any of the Obligor, and/or their assets and undertaking, prior to the expiry of any applicable notice period.

Yours truly,

McCarthy Tétrault LLP

Per:



Lance Williams\*

LW/kd

**NOTICE OF INTENTION TO ENFORCE A SECURITY  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

**To: Delta 9 Cannabis Inc.**

TAKE NOTICE THAT:

1. SNDL Inc. (f/k/a Sundial Growers Inc.) intends to enforce its security on Delta 9 Cannabis Inc.'s property described below:
  - a. all present and after-acquired personal property.
2. The security that is to be enforced is the following:
  - a. Security Agreement dated March 22, 2022 (the "**Security**").
3. The total amount of indebtedness secured by the Security as at May 21, 2024 is \$12,512,876.71 plus interest, costs, and other amounts recoverable and continuing to accrue to the date of payment.
4. SNDL Inc. (f/k/a Sundial Growers Inc.) will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless Delta 9 Cannabis Inc. consents to an earlier enforcement, by executing the consent and waiver attached hereto as **Schedule "A"** and providing a copy to the undersigned.

Dated at Vancouver, British Columbia, this 21<sup>st</sup> day of May, 2024.

SNDL Inc. (f/k/a Sundial Growers Inc.), by its solicitors, McCarthy Tétrault LLP



---

Lance Williams

**SCHEDULE "A"**

**CONSENT TO AN EARLIER ENFORCEMENT  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT (CANADA)***

**To: Delta 9 Cannabis Inc.**

**TAKE NOTICE THAT:**

The undersigned hereby acknowledges receipt of a Notice of Intention to Enforce Security dated \_\_\_\_\_, 2024 pursuant to section 244 of the *Bankruptcy and Insolvency Act (Canada)* with respect to the assets of Delta 9 Cannabis Inc., waives its right to the 10-day notice period to redeem the collateral, and consents to the immediate enforcement of the security held by SNDL Inc. (f/k/a Sundial Growers Inc.).

DATED at \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2024.

**Delta 9 Cannabis Inc.**

**Per:**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Print Name**

\_\_\_\_\_  
**Title**



### NOTICE OF INTENT BY SECURED CREDITOR

As required under Section 21 of the *Farm Debt Mediation Act*, you are hereby notified that it is the intent of:

Name of creditor

SNDL Inc. (f/k/a Sundial Growers Inc.)

To enforce a remedy against the property of; or commence a proceeding, action, execution or other proceeding, judicial or extra-judicial, for the recovery of a debt, the realization of the security or the taking of the property of:

Full name of farmer or business name

Delta 9 Cannabis Inc.

**Farmer's address**

Unit/Suite/Apt. 2600	Street Number 1066	Number Suffix	Street Name West Hastings	Street Type Street
Street direction	PO Box or Route Number	Municipality (City, Town, etc.) Vancouver	Province British Columbia	Postal code V6E 3X1

The security being (type(s) of security)	on (asset(s))
General Security Agreement dated March 22, 2022	All present and after-acquired property.

Dated this 21st day of May, 2024 at Vancouver, British Columbia

McCarthy Tétrault LLP

Name of secured creditor or authorized representative (print)

Signature of secured creditor or authorized representative

+1 604-643-7154

Creditor's phone number and ext.

LWilliams@mccarthy.ca

Email address of secured creditor or authorized representative

+1 604-643-7900

Creditor's fax number

You are hereby notified of your right to make application under Section 5 of the *Farm Debt Mediation Act* for a review of your financial affairs, mediation with your creditors, and to obtain a stay of proceedings against this action. Provided you are:

- a) currently engaged in farming for commercial purposes; and
- b) insolvent, meaning that you are:
  - unable to meet your obligations as they generally become due; or
  - have ceased paying your current obligations in the ordinary course of business as they generally become due; or
  - the aggregate of your property is not, at fair valuation, sufficient, or if disposed of at a fairly conducted sale under legal process would not be sufficient, to enable payment of all your obligations, due and accruing due.

**A secured creditor must wait 15 business days after this notice has been deemed served before beginning action to realize on their security. You may apply for mediation and a stay of proceedings at any time, before, during, or after the 15 business day period, by making an application to the Farm Debt Mediation Service.**

The Farm Debt Mediation Service provides qualified farm financial counsellors to conduct a financial review and to prepare a recovery plan for your mediation meeting. Qualified mediators are provided to help you and your creditors reach a mutually satisfactory arrangement. Application forms and more information about the service can be obtained from:

**Farm Debt Mediation Service**

<https://agriculture.canada.ca/en/agricultural-programs-and-services/farm-debt-mediation-service>

**Eastern Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmseast-smmeaest.aac@agr.gc.ca](mailto:aafc.fdmseast-smmeaest.aac@agr.gc.ca)

Fax: 1-506-452-4975

**Western Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmwest-smmeaouest.aac@agr.gc.ca](mailto:aafc.fdmwest-smmeaouest.aac@agr.gc.ca)

Fax: 1-306-780-7353

THIS IS EXHIBIT "2" TO THE  
AFFIDAVIT OF JOHN ARBUTHNOT IV  
SWORN BEFORE ME AT WINNIPEG, MANITOBA,  
this 12<sup>th</sup> day of July, 2024



---

A NOTARY PUBLIC IN AND FOR THE PROVINCE OF MANITOBA

## BILL OF SALE

This bill of sale (this “**Bill of Sale**”) is entered into on July 5, 2024 between **CONNECT FIRST AND SERVUS CREDIT UNION LTD.** (formerly Connect First Credit Union Ltd.) (“**Connect First**”) and **SNDL INC.** (“**SNDL**”).

**WHEREAS**, this Bill of Sale is made in connection with the purchase and sale of indebtedness agreement, dated on or about the date hereof, between Connect First and SNDL (the “**Purchase Agreement**”);

**AND WHEREAS**, reference is made to the commitment letter, dated February 1, 2022, among Connect First, as lender, Delta 9 Cannabis Inc. (including its successors and assigns, the “**Borrower**”), as borrower, and Delta 9 Bio-Tech Inc. (“**Bio-Tech**”), Delta 9 Lifestyle Cannabis Clinic Inc. (“**Lifestyle**”), and Delta 9 Cannabis Store Inc. (“**Store**” and, collectively with Bio-Tech and Lifestyle, including each of their respective successors and assigns, the “**Guarantors**” and, together with the Borrower, the “**Obligors**”), as guarantors (as amended, amended and restated, renewed, extended, supplemented, replaced, or otherwise modified from time to time, the “**Commitment Letter**”);

**AND WHEREAS**, under the Commitment Letter, the Obligors are, as of the date hereof, indebted, liable, or otherwise obligated to Connect First (the “**Debt**”);

**AND WHEREAS**, the Debt is evidenced, guaranteed, and secured, as applicable, by the Commitment Letter and the other Loan Documents;

**AND WHEREAS**, SNDL is the subordinate lender to the Borrower and holds security over the Obligors subject to the Priority Agreement;

**AND WHEREAS**, Connect First has agreed to sell, and SNDL has agreed to purchase, the Purchased Indebtedness, including, without limitation, the Debt and the Loan Documents;

**NOW, THEREFORE**, for good and valuable consideration in the form and amount paid in accordance with Section 4 of the Purchase Agreement, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Capitalized terms used and not otherwise defined in this Bill of Sale have the meanings given to them in the Purchase Agreement.
2. Effective on the date hereof and in accordance with the Purchase Agreement:
  - a. Connect First irrevocably sells, assigns, transfers, and sets over unto SNDL, and SNDL irrevocably purchases from Connect First, the Purchased Indebtedness, including, without limitation, all of Connect First’s right, title, and interest in and to the Debt and to the Loan Documents listed on Schedule “A” hereto, on a non-recourse and without liability basis to Connect First; and
  - b. SNDL assumes, covenants, and agrees to be responsible for the payment and performance of all obligations of Connect First under the Purchased Indebtedness.
3. This Bill of Sale incorporates by reference all of the terms of the Purchase Agreement as if each term was fully set forth herein. In the event of conflict

between the terms of the Purchase Agreement and the terms of this Bill of Sale, the terms of the Purchase Agreement govern and control.

4. This Bill of Sale and any amendments, waivers, consents, notice, or other forms of communication may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute one and the same agreement. A handwritten or electronically signed counterpart of this Bill of Sale delivered by email ("PDF" or "tif" format) or other electronic or digital transmission (including by transmission over an electronic signature platform acceptable to the parties, such as DocuSign or the equivalent thereof) is deemed to have the same legal effect as delivery of a manually executed original counterpart of this Bill of Sale.

*[Signature page follows.]*

**IN WITNESS WHEREOF**, the parties have duly executed and delivered this Bill of Sale as of the date first written above.

**CONNECT FIRST AND SERVUS  
CREDIT UNION LTD.**

By Ryan Andries

Name: Ryan Andries

Title: VP Corporate & Commercial Banking

By: Dominic Maucieri

Name: Dominic Maucieri

Title: AVP Commercial Markets

**SNDL INC.**

By \_\_\_\_\_

Name:

Title:

**IN WITNESS WHEREOF**, the parties have duly executed and delivered this Bill of Sale as of the date first written above.

**CONNECT FIRST AND SERVUS CREDIT UNION LTD.**

By \_\_\_\_\_

Name:

Title:

**SNDL INC.**

Signed by:  
By Zachary George  
820FD00DEFC504A0

Name: Zachary George

Title: Chief Executive Officer

**SCHEDULE A  
LOAN DOCUMENTS**

1. Commitment Letter
2. Loan Agreement in the amount of \$23,000,000, dated March 11, 2022, granted by the Borrower in favour of Connect First
3. Loan Agreement in the amount of \$5,000,000, dated March 11, 2022, granted by the Borrower in favour of Connect First
4. Overdraft Protection Agreement in the amount of \$4,000,000, dated March 11, 2022, granted by the Borrower in favour of Connect First
5. Unlimited Guarantee and Postponement of Claim, dated March 11, 2022, granted by Bio-Tech in favour of Connect First
6. Unlimited Guarantee and Postponement of Claim, dated March 11, 2022, granted by Lifestyle in favour of Connect First
7. Unlimited Guarantee and Postponement of Claim, dated March 11, 2022, granted by Store in favour of Connect First
8. General Security Agreement, dated March 11, 2022, granted by the Borrower in favour of Connect First
9. General Security Agreement, dated March 11, 2022, granted by Bio-Tech in favour of Connect First
10. General Security Agreement, dated March 11, 2022, granted by Lifestyle in favour of Connect First
11. General Security Agreement, dated March 11, 2022, granted by Store in favour of Connect First
12. First Charge Demand Collateral Mortgage of a freehold interest over the property known municipally as 760 Pandora Ave, Winnipeg, MB ("**760 Pandora**"), dated March 11, 2022, granted by Bio-Tech in favour of Connect First
13. First Assignment of Rents and Leases over property owned and registered in the name of Bio-Tech, dated March 11, 2022, granted by Bio-Tech in favour of Connect First
14. First Charge Demand Collateral Mortgage of a leasehold interest in a portion of the property known municipally as 770 Pandora Ave, Winnipeg, MB ("**770 Pandora**"), described as Building "C", dated March 14, 2022, granted by Bio-Tech in favour of Connect First
15. First Charge Demand Collateral Mortgage of a leasehold interest in a portion of the property known municipally as 770 Pandora, described as Building "D", dated March 14, 2022, granted by Bio-Tech in favour of Connect First
16. Environmental Indemnity Agreement, dated March 11, 2022, granted by the Obligors in favour of Connect First
17. Assignment and Postponement of shareholders' loans/affiliation company loans/debentures, dated March 11, 2022, granted by Lifestyle in favour of Connect First
18. Instruments, documents, and agreements evidencing and/or creating Connect First's interests in the Obligors' policies of insurance
19. Title insurance policies of Connect First with respect to the Lands

20. Officer's certificates in connection with the Loan Documents executed by the Obligors

**THIS IS EXHIBIT "3" TO THE  
AFFIDAVIT OF JOHN ARBUTHNOT IV  
SWORN BEFORE ME AT WINNIPEG, MANITOBA,  
this 12<sup>th</sup> day of July, 2024**



---

**A NOTARY PUBLIC IN AND FOR THE PROVINCE OF MANITOBA**



McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver BC V6E 0C5  
Canada  
Tel: 604-643-7100  
Fax: 604-643-7900

**Angelica Kovac**  
Direct Line: 604-643-5889  
Email: akovac@mccarthy.ca

*Assistant: Junko Breen*  
Direct Line: 604-643-7114  
Email: jbreen@mccarthy.ca

July 10, 2024

**Via Registered Mail**

**Delta 9 Cannabis Inc.**  
2600 – 1066 West Hastings Street  
Vancouver BC V6E 3X1

**Delta 9 Cannabis Inc.**  
210 – 777 – 8th Avenue SW  
Calgary AB T2P 3R5

Delta 9 Cannabis Inc.  
800 – 885 West Georgia Street  
Vancouver BC V6C 3H1

Delta 9 Cannabis Inc.  
MLT Aikins LLP  
30th Floor, 360 Main Street  
Winnipeg MB R3C 4G1

**Re: Secured Loan Facilities granted by SNDL Inc. (the “Lender”), as assignee of Connect First and Servus Credit Union Ltd. (formerly Connect First Credit Union Ltd.) (“Connect First”), to Delta 9 Cannabis Inc. (the “Borrower”), Delta 9 Bio-Tech Inc. (“Bio-Tech”), Delta 9 Lifestyle Cannabis Clinic Inc. (“Lifestyle”), and Delta 9 Cannabis Store Inc. (“Store”, and collectively with Bio-Tech and Lifestyle, the “Guarantors” and, together with the Borrower, the “Obligors” and, each, an “Obligor”)**

Please be advised that we are counsel to the Lender.

As you are aware:

- (a) the Obligors are indebted to the Lender pursuant to, *inter alia*, a Note Purchase Agreement, dated March 30, 2022, between the Borrower and the Lender and all related documents (collectively, the “**Note Purchase Agreement Documents**”), the Obligors are in default of their obligations thereunder, and the Lender has demanded that the Obligors immediately repay in full of all such indebtedness and issued all required statutory notices in respect of the enforcement of security granted in respect of same; and
- (b) the Lender was the subordinate lender to Connect First, but, effective July 5, 2024, the Lender purchased all of Connect First’s right, title, and interest in and to the Borrower Indebtedness (defined below) and the Commitment Letter Documents (defined below).

We write further to:

- (a) the commitment letter, dated February 1, 2022, among the Lender, as lender, the Borrower, as borrower, and the Guarantors, as guarantors (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the “**Commitment Letter**”), pursuant to which, *inter alia*, the Lender made available to the Borrower a commercial mortgage loan in the maximum principal amount of \$23,000,000, a commercial mortgage loan in the maximum principal amount of \$5,000,000, and an

authorized overdraft in the maximum principal amount of \$4,000,000 (collectively, the **"Credit Facilities"**);

- (b) the unlimited guarantees and postponements of claim, each dated March 11, 2022, granted by each of the Guarantors, respectively, with respect to all indebtedness, liabilities, and other obligations of the Borrower (collectively, in each case, as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the **"Guarantees"**);
- (c) the general security agreement, dated March 11, 2022, pursuant to which the Borrower granted a security interest in all of its present and after-acquired property (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the **"Security Agreement"**); and
- (d) any and all other guarantees, security documents, agreements, instruments, and documents entered into by any Obligor from time to time in connection with any of the Commitment Letter, the Guarantees, and/or the Security Agreement (collectively, in each case, as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the **"Additional Documents"** and, collectively with the Commitment Letter, the **"Commitment Letter Documents"**).

Please be advised that all capitalized terms used and not defined herein have the meanings ascribed thereto in the Commitment Letter and all references herein to "dollars" or "\$" are to Canadian dollars.

As you are aware, and without limiting the demand nature of any of the Credit Facilities that are payable on demand, multiple defaults have occurred and are continuing under the Commitment Letter Documents (collectively, the **"Defaults"**). The Defaults include, without limitation:

1. the defaults more particularly described in the notice of breach of financial covenant, dated July 13, 2024, issued by Connect First to the Borrower, including the Borrower failing to maintain a Debt Service Coverage Ratio of at least 1.40:1 and Current Ratio of at least 1.25:1, in each case, in accordance with the Commitment Letter;
2. the defaults by the Obligors under the Note Purchase Agreement Documents and the acceleration by the Lender of all of the indebtedness, liabilities, and other obligations of the Obligors pursuant to the same; and
3. the occurrence of a material adverse change in the financial condition, operations, assets, business, properties, and prospects of the Obligors in light of the foregoing.

Pursuant to the Commitment Letter Documents, and on behalf of the Lender, we hereby demand immediate payment of all of the Borrower's indebtedness, liabilities, and other obligations under the Commitment Letter Documents, which, as at July 5, 2024, totals \$27,868,283.94 (the **"Borrower Indebtedness"**).

The Borrower Indebtedness is calculated as of July 5, 2024 and does not include any interest which may accrue after such date, legal fees and expenses, and/or any other costs or amounts recoverable pursuant to the Commitment Letter Documents (collectively, **"Additional Indebtedness"**).

Payment of the Borrower Indebtedness, together with all Additional Indebtedness incurred to the date of payment (collectively, the “**Total Indebtedness**”), should be made by wire transfer, bank draft or certified cheque within 22 business days of the date of this letter, payable to:

McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver, BC V6E 0C5  
Attention: Sue Danielisz

Prior to making payment, please ensure you contact Ms. Danielisz at 604-643-5904 or [sdanielisz@mccarthy.ca](mailto:sdanielisz@mccarthy.ca) to confirm the Total Indebtedness on the date payment is to be made.

If payment of the Total Indebtedness is not made on or within 22 business days of this letter, the Lender will take such steps as it considers necessary to protect its rights and security, including, but not limited, to commencing action against the Obligors, without further notice to you.

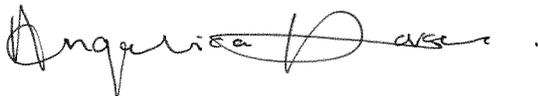
We hereby enclose a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended. To the extent that the *Farm Debt Mediation Act*, SC 1997, c. 21, as amended (the “**FDMA**”), also applies, we also enclose a Notice of Intent by Secured Creditor, in accordance with section 21 of the FDMA.

For the avoidance of doubt, the Lender expressly reserves all rights, powers, and privileges available to it under the Loan, the Commitment Letter Documents, applicable law, and otherwise, including, without limitation, the right to appoint an interim receiver over any of the Obligors, and/or their assets and undertaking, prior to the expiry of any applicable notice period.

Yours truly,

McCarthy Tétrault LLP

Per:



Angelica Kovac  
Associate | Sociétaire

AK/jb  
LW/kd

**NOTICE OF INTENTION TO ENFORCE A SECURITY  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

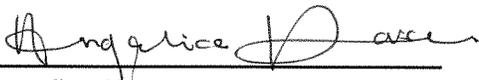
**To: Delta 9 Cannabis Inc.**

TAKE NOTICE THAT:

1. SNDL Inc. intends to enforce its security on Delta 9 Cannabis Inc.'s property described below:
  - a. all present and after-acquired personal property.
2. The security that is to be enforced is the following:
  - a. general security agreement dated March 11, 2022 (the "**Security**").
3. The total amount of indebtedness secured by the Security as at July 5, 2024 is \$27,868,283.94 plus interest, costs, and other amounts recoverable and continuing to accrue to the date of payment.
4. SNDL Inc. will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless Delta 9 Cannabis Inc. consents to an earlier enforcement, by executing the consent and waiver attached hereto as **Schedule "A"** and providing a copy to the undersigned.

Dated at Vancouver, British Columbia, this 10 day of July, 2024.

SNDL Inc., by its solicitors,  
McCarthy Tétrault LLP

  
\_\_\_\_\_  
Angelica Kovac

**SCHEDULE "A"**

**CONSENT TO AN EARLIER ENFORCEMENT  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT (CANADA)***

**To: SNDL Inc.**

TAKE NOTICE THAT:

The undersigned hereby acknowledges receipt of a Notice of Intention to Enforce Security dated \_\_\_\_\_, 2024 pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada) with respect to the assets of Delta 9 Cannabis Inc., waives its right to the 10-day notice period to redeem the collateral, and consents to the immediate enforcement of the security held by SNDL Inc.

DATED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**Delta 9 Cannabis Inc.**

Per:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title



## NOTICE OF INTENT BY SECURED CREDITOR

As required under Section 21 of the *Farm Debt Mediation Act*, you are hereby notified that it is the intent of:

Name of creditor  
SNDL Inc.

To enforce a remedy against the property of; or commence a proceeding, action, execution or other proceeding, judicial or extra-judicial, for the recovery of a debt, the realization of the security or the taking of the property of:

Full name of farmer or business name  
Delta 9 Cannabis Inc.

**Farmer's address**

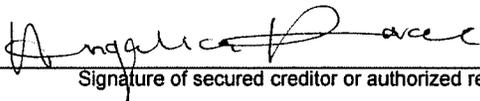
Unit/Suite/Apt. 2600	Street Number 1066	Number Suffix	Street Name West Hastings	Street Type Street
Street direction	PO Box or Route Number	Municipality (City, Town, etc.) Vancouver		Province British Columbia
			Postal code V6E 3X1	

The security being (type(s) of security)	on (asset(s))
General Security Agreement dated March 11, 2022	All present and after-acquired personal property

Dated this 10th day of July, 2024 at Vancouver, British Columbia

McCarthy Tétrault LLP

Name of secured creditor or authorized representative (print)

  
Signature of secured creditor or authorized representative

+1 604-643-5889

akovac@mccarthy.ca

Creditor's phone number and ext.

Email address of secured creditor or authorized representative

+1 604-643-7900

Creditor's fax number

You are hereby notified of your right to make application under Section 5 of the *Farm Debt Mediation Act* for a review of your financial affairs, mediation with your creditors, and to obtain a stay of proceedings against this action. Provided you are:

- a) currently engaged in farming for commercial purposes; and
- b) insolvent, meaning that you are:
  - unable to meet your obligations as they generally become due; or
  - have ceased paying your current obligations in the ordinary course of business as they generally become due; or
  - the aggregate of your property is not, at fair valuation, sufficient, or if disposed of at a fairly conducted sale under legal process would not be sufficient, to enable payment of all your obligations, due and accruing due.

**A secured creditor must wait 15 business days after this notice has been deemed served before beginning action to realize on their security. You may apply for mediation and a stay of proceedings at any time, before, during, or after the 15 business day period, by making an application to the Farm Debt Mediation Service.**

The Farm Debt Mediation Service provides qualified farm financial counsellors to conduct a financial review and to prepare a recovery plan for your mediation meeting. Qualified mediators are provided to help you and your creditors reach a mutually satisfactory arrangement. Application forms and more information about the service can be obtained from:

### Farm Debt Mediation Service

<https://agriculture.canada.ca/en/agricultural-programs-and-services/farm-debt-mediation-service>

**Eastern Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmseast-smmeaest.aac@agr.gc.ca](mailto:aafc.fdmseast-smmeaest.aac@agr.gc.ca)

Fax: 1-506-452-4975

**Western Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmwest-smmeaouest.aac@agr.gc.ca](mailto:aafc.fdmwest-smmeaouest.aac@agr.gc.ca)

Fax: 1-306-780-7353



McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver BC V6E 0C5  
Canada  
Tel: 604-643-7100  
Fax: 604-643-7900

**Angelica Kovac**  
Direct Line: 604-643-5889  
Email: akovac@mccarthy.ca

*Assistant: Junko Breen*  
Direct Line: 604-643-7114  
Email: jbreen@mccarthy.ca

July 10, 2024

**Via Registered Mail**

**Delta 9 Bio-Tech Inc.**  
30th Floor, 360 Main Street  
Winnipeg MB R3C 4G1

**Delta 9 Bio-Tech Inc.**  
770 Pandora Avenue E  
Winnipeg MB R2C 3N1

**Delta 9 Bio-Tech Inc.**  
760 Pandora Avenue East  
Winnipeg MB R2C 3N1

**Delta 9 Bio-Tech Inc.**  
PO Box 68096 Osborne Village  
Winnipeg, MB R3L 2V9

**Re: Secured Loan Facilities granted by SNDL Inc. (the “Lender”), as assignee of Connect First and Servus Credit Union Ltd. (formerly Connect First Credit Union Ltd.) (“Connect First”), to Delta 9 Cannabis Inc. (the “Borrower”), Delta 9 Bio-Tech Inc. (“Bio-Tech”), Delta 9 Lifestyle Cannabis Clinic Inc. (“Lifestyle”), and Delta 9 Cannabis Store Inc. (“Store”, and collectively with Bio-Tech and Lifestyle, the “Guarantors” and, together with the Borrower, the “Obligors” and, each, an “Obligor”)**

Please be advised that we are counsel to the Lender.

As you are aware:

- (a) the Obligors are indebted to the Lender pursuant to, *inter alia*, a Note Purchase Agreement, dated March 30, 2022, between the Borrower and the Lender and all related documents (collectively, the **“Note Purchase Agreement Documents”**), the Obligors are in default of their obligations thereunder, and the Lender has demanded that the Obligors immediately repay in full of all such indebtedness and issued all required statutory notices in respect of the enforcement of security granted in respect of same; and
- (b) the Lender was the subordinate lender to Connect First, but, effective July 5, 2024, the Lender purchased all of Connect First’s right, title, and interest in and to the Borrower Indebtedness (defined below) and the Commitment Letter Documents (defined below)

We write further to:

- (a) the commitment letter, dated February 1, 2022, among the Lender, as lender, the Borrower, as borrower, and the Guarantors, as guarantors (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the **“Commitment Letter”**), pursuant to which, *inter alia*, the Lender made available to the Borrower a commercial mortgage loan in the maximum principal amount of \$23,000,000, a commercial mortgage loan in the maximum principal amount of \$5,000,000, and an authorized overdraft in the maximum principal amount of \$4,000,000 (collectively, the **“Credit Facilities”**);

- (b) the unlimited guarantee and postponement of claim, dated March 11, 2022, granted by Bio-Tech, with respect to all indebtedness, liabilities, and other obligations of the Borrower (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Guarantee**");
- (c) the general security agreement, dated March 11, 2022, pursuant to which Bio-Tech granted a security interest in all of its present and after-acquired property (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Security Agreement**");
- (d) the mortgage, dated March 11, 2022 (the "**Mortgage**"), pursuant to which Bio-Tech granted the Lender a fixed and specific mortgage and charge over certain real property municipally known as 760 Pandora Avenue, Winnipeg, MB ("**760 Pandora**");
- (e) the general assignment of rents and leases, dated March 11, 2022, granted by Bio-Tech in respect of 760 Pandora (the "**Assignment of Rents**");
- (f) the mortgage of leasehold interest, dated March 14, 2022, granted by Bio-Tech with respect to the portion of the property municipally known as 770 Pandora Ave, Winnipeg, MB ("**770 Pandora**") described as Building "C" (the "**First Mortgage of Lease**");
- (g) the mortgage of leasehold interest, dated March 14, 2022, granted by Bio-Tech with respect to the portion the property municipally known as 770 Pandora described as Building "D" (the "**Second Mortgage of Lease**" and, collectively with the Security Agreement, the Mortgage, the Assignment of Rents, and the First Mortgage of Lease, the "**Security Documents**"); and
- (h) any and all other guarantees, security documents, agreements, instruments, and documents entered into by any Obligor from time to time in connection with any of the Commitment Letter, the Guarantee, and/or the Security Documents (collectively, in each case, as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Additional Documents**" and, collectively with the Commitment Letter, the "**Commitment Letter Documents**").

Please be advised that all capitalized terms used and not defined herein have the meanings ascribed thereto in the Commitment Letter and all references herein to "dollars" or "\$" are to Canadian dollars.

As you are aware, and without limiting the demand nature of any of the Credit Facilities that are payable on demand, multiple defaults have occurred and are continuing under the Commitment Letter Documents (collectively, the "**Defaults**"). The Defaults include, without limitation:

1. the defaults more particularly described in the notice of breach of financial covenant, dated July 13, 2024, issued by Connect First to the Borrower, including the Borrower failing to maintain a Debt Service Coverage Ratio of at least 1.40:1 and Current Ratio of at least 1.25:1, in each case, in accordance with the Commitment Letter;
2. the defaults by the Obligors under the Note Purchase Agreement Documents and the acceleration by the Lender of all of the indebtedness, liabilities, and other obligations of the Obligors pursuant to the same; and

3. the occurrence of a material adverse change in the financial condition, operations, assets, business, properties, and prospects of the Obligors in light of the foregoing.

Accordingly, the Lender has demanded that the Borrower immediately repay of all of its indebtedness, liabilities, and other obligations under the Commitment Letter Documents, and we enclose a copy of the demand letter sent today to the Borrower in connection therewith (the "**Demand Letter**").

As you know, Bio-Tech guaranteed all of the indebtedness, liabilities, and other obligations of the Borrower pursuant to the Guarantee and granted the Security Documents as general and continuing collateral security for the payment and performance of all of its indebtedness, liabilities, and obligations. Accordingly, further to the Demand Letter, pursuant to the Commitment Letter Documents, and on behalf of the Lender, we hereby demand immediate payment of all of the Borrower's indebtedness, liabilities, and other obligations under the Commitment Letter Documents, which, as at July 5, 2024, total \$27,868,283.94 (the "**Borrower Indebtedness**").

The Borrower Indebtedness is calculated as of July 5, 2024, and does not include any interest which may accrue after such date, legal fees and expenses, and/or any other costs or amounts recoverable pursuant to the Commitment Letter Documents (collectively, "**Additional Indebtedness**").

Payment of the Borrower Indebtedness, together with all Additional Indebtedness incurred to the date of payment (collectively, the "**Total Indebtedness**"), should be made by wire transfer, bank draft or certified cheque within 22 business days of the date of this letter, payable to:

McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver, BC V6E 0C5  
Attention: Sue Danielisz

Prior to making payment, please ensure you contact Ms. Danielisz at 604-643-5904 or [sdanielisz@mccarthy.ca](mailto:sdanielisz@mccarthy.ca) to confirm the Total Indebtedness on the date payment is to be made.

If payment of the Total Indebtedness is not made on or within 22 business days of this letter, the Lender will take such steps as it considers necessary to protect its rights and security, including, but not limited, to commencing action against the Obligors, without further notice to you.

We hereby enclose a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended. To the extent that the *Farm Debt Mediation Act*, SC 1997, c. 21, as amended (the "**FDMA**"), also applies, we also enclose a Notice of Intent by Secured Creditor, in accordance with section 21 of the FDMA.

For the avoidance of doubt, the Lender expressly reserves all rights, powers, and privileges available to it under the Commitment Letter Documents, applicable law, and otherwise, including, without limitation, the right to appoint an interim receiver over any of the Obligors, and/or their assets and undertaking, prior to the expiry of any applicable notice period.

Yours truly,

McCarthy Tétrault LLP

Per:

A handwritten signature in black ink, appearing to read "Angelica Kovac". The signature is fluid and cursive, with a prominent loop at the end.

Angelica Kovac  
Associate | Sociétaire

AK/jb  
Enclosures

**NOTICE OF INTENTION TO ENFORCE A SECURITY  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

**To: Delta 9 Bio-Tech Inc.**

TAKE NOTICE THAT:

1. SNDL Inc. intends to enforce its security on Delta 9 Bio-Tech Inc.'s property described below:
  - a. real property in the Province of Manitoba legally described as:
    - (i) PARCELS A, B, C, D, E AND F PLAN 51110 WLTO EXC FIRSTLY: OUT OF SAID PARCELS A AND C ALL MINES AND MINERALS MINERAL OILS PETROLEUM GAS COAL GRAVEL AND VALUABLE STONE OF EVERY DESCRIPTION THAT MAY BE FOUND IN UPON OR UNDER SAID PARCELS A AND C TOGETHER WITH THE RIGHT TO ENTER AND REMOVE THE SAME SECONDLY: OUT OF SAID PARCELS B AND E, ALL MINES AND MINERALS AS RESERVED IN DEED 2374744 WLTO AND THIRDLY: OUT OF SAID PARCEL F, ALL MINES AND MINERALS AS SET FORTH IN TRANSFER 2374748 WLTO IN SW 1/4 3 AND SE 1/4 4-11-4 EPM AND IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS (the "**Mortgaged Property**");
    - b. all leases in respect of the Mortgaged Property and all rents payable in respect of the Mortgaged Property;
    - c. all present and after-acquired personal property which is, now or at any time hereafter, located at, related to, used in connection with, arises from the business or affairs carried on at, and/or generated in respect of the Mortgaged Property and the following properties, and all parts, accessories, attachments, equipment additions, accretions and accessions thereto and proceeds thereof:
      - (i) PARCEL "G" PLAN 51110 WLTO EXC ALL MINES AND MINERALS AS SET FORTH IN TRANSFER 2374748 WLTO IN SW 1/4 3 AND SE 1/4 4-11-4 EPM AND IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS (the "**G Parcel**");
      - (ii) PARCEL "J" PLAN 51110 WLTO EXC ALL MINES AND MINERALS MINERAL OILS PETROLEUM GAS COAL GRAVEL AND VALUABLE STONE WHICH MAY BE FOUND IN UPON OR UNDER THE SAID PARCEL TOGETHER WITH THE RIGHT TO ENTER AND REMOVE THE SAME IN SW 1/4 3 AND SE 1/4 4-11-4 EPM AND IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS (the "**J Parcel**");
      - (iii) PARCEL "K" PLAN 51110 WLTO IN SW 1/4 3 AND SE 1/4 4-11-4 EPM AND IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS (the "**K Parcel**");
      - (iv) PARCEL "L" PLAN 51110 WLTO EXC ALL MINES AND MINERALS MINERAL OILS PETROLEUM GAS COAL GRAVEL AND VALUABLE STONE OF EVERY DESCRIPTION THAT MAY BE FOUND IN UPON OR UNDER THE SAID PARCEL TOGETHER WITH THE RIGHT TO ENTER AND REMOVE THE

SAME IN SW 1/4 3 AND SE and 1/4 4-11 EPM AND IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS (the "**L Parcel**"); and

- (v) PARCEL "H" PLAN 51110 WLTO EXC FIRSTLY: PLAN 65096 WLTO AND SECONDLY: ALL MINES AND MINERALS AS RESERVED IN TRANSFER 2374746 WLTO IN SW 1/4 3 AND SE 1/4 4-11-4 EPM AND IN GOVERNMENT ROAD ALLOWANCE (CLOSED) BETWEEN SAID SECTIONS (the "**H Parcel**" and collectively with, the G Parcel, the J Parcel, the K Parcel and the L Parcel, the "**Leased Properties**");
- d. leasehold interest in the portion of the Leased Properties described as Building "C"; and
- e. leasehold interest in the portion of the Leased Properties described as Building "D".

2. The security that is to be enforced is the following:

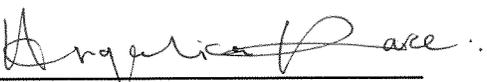
- a. mortgage in respect of the Mortgaged Property dated March 11, 2022;
- b. general assignment of leases and rents in respect of the Mortgaged Property, dated March 11, 2022;
- c. mortgage of lease by way of sublease in a portion of the Leased Properties, described as Building "C", dated March 14, 2022;
- d. mortgage of lease by way of sublease in a portion of the Leased Properties, described as Building "D", dated March 14, 2022; and
- e. general security agreement, dated March 11, 2022

(collectively, the "**Security**").

- 3. The total amount of indebtedness secured by the Security as at July 5, 2024 is \$27,868,283.94 plus interest, costs, and other amounts recoverable and continuing to accrue to the date of payment.
- 4. SNDL Inc. will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless Delta 9 Bio-Tech Inc. consents to an earlier enforcement, by executing the consent and waiver attached hereto as **Schedule "A"** and providing a copy to the undersigned.

Dated at Vancouver, British Columbia, this 10th day of July, 2024.

SNDL Inc., by its solicitors, McCarthy  
Tétrault LLP

  
\_\_\_\_\_  
Angelica Kovac

**SCHEDULE "A"**

**CONSENT TO AN EARLIER ENFORCEMENT  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT (CANADA)***

To: **SNDL Inc.**

TAKE NOTICE THAT:

The undersigned hereby acknowledges receipt of a Notice of Intention to Enforce Security dated \_\_\_\_\_, 2024 pursuant to section 244 of the *Bankruptcy and Insolvency Act (Canada)* with respect to the assets of Delta 9 Bio-Tech Inc., waives its right to the 10-day notice period to redeem the collateral, and consents to the immediate enforcement of the security held by SNDL Inc..

DATED at \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2024.

**Delta 9 Bio-Tech Inc.**

Per:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title



Agriculture and  
Agri-Food Canada

Farm Debt  
Mediation Service

Agriculture et  
Agroalimentaire Canada

Service de médiation en  
matière d'endettement agricole

PROTECTED B  
when completed

## NOTICE OF INTENT BY SECURED CREDITOR

As required under Section 21 of the *Farm Debt Mediation Act*, you are hereby notified that it is the intent of:

Name of creditor  
SNDL Inc.

To enforce a remedy against the property of; or commence a proceeding, action, execution or other proceeding, judicial or extra-judicial, for the recovery of a debt, the realization of the security or the taking of the property of:

Full name of farmer or business name  
Delta 9 Bio-Tech Inc.

### Farmer's address

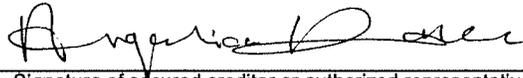
Unit/Suite/Apt. 30th Floor	Street Number 360	Number Suffix	Street Name Main	Street Type Street
Street direction	PO Box or Route Number	Municipality (City, Town, etc.) Winnipeg	Province Manitoba	Postal code R3C 4G1

The security being (type(s) of security)	on (asset(s))
See schedule "A" attached.	See schedule "A" attached.

Dated this 10 day of July, 2024 at Vancouver, British Columbia

McCarthy Tétrault LLP

Name of secured creditor or authorized representative (print)



Signature of secured creditor or authorized representative

+1 604-643-5889

Creditor's phone number and ext.

+1 604-643-7900

Creditor's fax number

akovac@mccarthy.ca

Email address of secured creditor or authorized representative

You are hereby notified of your right to make application under Section 5 of the *Farm Debt Mediation Act* for a review of your financial affairs, mediation with your creditors, and to obtain a stay of proceedings against this action. Provided you are:

- a) currently engaged in farming for commercial purposes; and
- b) insolvent, meaning that you are:
  - unable to meet your obligations as they generally become due; or
  - have ceased paying your current obligations in the ordinary course of business as they generally become due; or
  - the aggregate of your property is not, at fair valuation, sufficient, or if disposed of at a fairly conducted sale under legal process would not be sufficient, to enable payment of all your obligations, due and accruing due.

**A secured creditor must wait 15 business days after this notice has been deemed served before beginning action to realize on their security. You may apply for mediation and a stay of proceedings at any time, before, during, or after the 15 business day period, by making an application to the Farm Debt Mediation Service.**

The Farm Debt Mediation Service provides qualified farm financial counsellors to conduct a financial review and to prepare a recovery plan for your mediation meeting. Qualified mediators are provided to help you and your creditors reach a mutually satisfactory arrangement.

Application forms and more information about the service can be obtained from:

### Farm Debt Mediation Service

<https://agriculture.canada.ca/en/agricultural-programs-and-services/farm-debt-mediation-service>

The information you provide on this document is collected by Agriculture and Agri-Food Canada under the authority of the *Farm Debt Mediation Act* for the purpose of facilitating financial arrangements between farmers and their creditors. Personal information will be protected under the provisions of the *Privacy Act* and will be stored in Personal Information Bank AAFC-PPU-227. Information may be accessible or protected as required under the provisions of the *Access to Information Act*.

**Eastern Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmseast-smmeaest.aac@agr.gc.ca](mailto:aafc.fdmseast-smmeaest.aac@agr.gc.ca)

Fax: 1-506-452-4975

**Western Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmwest-smmeaouest.aac@agr.gc.ca](mailto:aafc.fdmwest-smmeaouest.aac@agr.gc.ca)

Fax: 1-306-780-7353

**Notice of Intent by Secured Creditor**

**Schedule "A"**

The security being (type(s) of security)	On (asset(s))
Mortgage dated March 11, 2022	Real property described therein (the "Mortgaged Property")
General Assignment of Leases and Rents dated March 11, 2022	All leases in respect of the Mortgaged Property and all rents payable in respect of the Mortgaged Property
Mortgage of Leasehold Interest, dated March 14, 2022	Leasehold interest in the portion of the property municipally known as 770 Pandora Ave, Winnipeg, MB (" <b>770 Pandora</b> ") described as Building "C"
Mortgage of Leasehold Interest, dated March 14, 2022	Leasehold interest in the portion of 770 Pandora described as Building "D"
General Security Agreement dated March 11, 2022	All present and after-acquired personal property



McCarthy Tétrauit LLP  
Suite 2400, 745 Thurlow Street  
Vancouver BC V6E 0C5  
Canada  
Tel: 604-643-7100  
Fax: 604-643-7900

**Angelica Kovac**  
Direct Line: 604-643-5889  
Email: akovac@mccarthy.ca

Assistant: Junko Breen  
Direct Line: 604-643-7114  
Email: jbreen@mccarthy.ca

July 10, 2024

**Via Registered Mail**

**Delta 9 Lifestyle Cannabis Clinic Inc.**  
30th Floor, 360 Main Street  
Winnipeg MB R3C 4G1

**Re: Secured Loan Facilities granted by SNDL Inc. (the “Lender”), as assignee of Connect First and Servus Credit Union Ltd. (formerly Connect First Credit Union Ltd.) (“Connect First”), to Delta 9 Cannabis Inc. (the “Borrower”), Delta 9 Bio-Tech Inc. (“Bio-Tech”), Delta 9 Lifestyle Cannabis Clinic Inc. (“Lifestyle”), and Delta 9 Cannabis Store Inc. (“Store”, and collectively with Bio-Tech and Lifestyle, the “Guarantors” and, together with the Borrower, the “Obligors” and, each, an “Obligor”)**

Please be advised that we are counsel to the Lender.

As you are aware:

- (a) the Obligors are indebted to the Lender pursuant to, *inter alia*, a Note Purchase Agreement, dated March 30, 2022, between the Borrower and the Lender and all related documents (collectively, the “**Note Purchase Agreement Documents**”), the Obligors are in default of their obligations thereunder, and the Lender has demanded that the Obligors immediately repay in full of all such indebtedness and issued all required statutory notices in respect of the enforcement of security granted in respect of same; and
- (b) the Lender was the subordinate lender to Connect First, but, effective July 5, 2024, the Lender purchased all of Connect First’s right, title, and interest in and to the Borrower Indebtedness (defined below) and the Commitment Letter Documents (defined below)

We write further to:

- (a) the commitment letter, dated February 1, 2022, among the Lender, as lender, the Borrower, as borrower, and the Guarantors, as guarantors (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the “**Commitment Letter**”), pursuant to which, *inter alia*, the Lender made available to the Borrower a commercial mortgage loan in the maximum principal amount of \$23,000,000, a commercial mortgage loan in the maximum principal amount of \$5,000,000, and an authorized overdraft in the maximum principal amount of \$4,000,000 (collectively, the “**Credit Facilities**”);
- (b) the unlimited guarantee and postponement of claim, dated March 11, 2022, granted by Lifestyle, with respect to all indebtedness, liabilities, and other obligations of the

Borrower (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Guarantee**");

- (c) the general security agreement, dated March 11, 2022, pursuant to which Lifestyle granted a security interest in all of its present and after-acquired property (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Security Agreement**");
- (d) the assignment and postponement agreement, dated March 11, 2022 (the "**Assignment and Postponement**" and, collectively with the Security Agreement, the "**Security Documents**"); and
- (e) any and all other guarantees, security documents, agreements, instruments, and documents entered into by any Obligor from time to time in connection with any of the Commitment Letter, the Guarantee, and/or the Security Documents (collectively, in each case, as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Additional Documents**" and, collectively with the Commitment Letter, the "**Commitment Letter Documents**").

Please be advised that all capitalized terms used and not defined herein have the meanings ascribed thereto in the Commitment Letter and all references herein to "dollars" or "\$" are to Canadian dollars.

As you are aware, and without limiting the demand nature of any of the Credit Facilities that are payable on demand, multiple defaults have occurred and are continuing under the Commitment Letter Documents (collectively, the "**Defaults**"). The Defaults include, without limitation:

1. the defaults more particularly described in the notice of breach of financial covenant, dated July 13, 2024, issued by Connect First to the Borrower, including the Borrower failing to maintain a Debt Service Coverage Ratio of at least 1.40:1 and Current Ratio of at least 1.25:1, in each case, in accordance with the Commitment Letter;
2. the defaults by the Obligors under the Note Purchase Agreement Documents and the acceleration by the Lender of all of the indebtedness, liabilities, and other obligations of the Obligors pursuant to the same; and
3. the occurrence of a material adverse change in the financial condition, operations, assets, business, properties, and prospects of the Obligors in light of the foregoing.

Accordingly, the Lender has demanded that the Borrower immediately repay of all of its indebtedness, liabilities, and other obligations under the Commitment Letter Documents, and we enclose a copy of the demand letter sent today to the Borrower in connection therewith (the "**Demand Letter**").

As you know, Lifestyle guaranteed all of the indebtedness, liabilities, and other obligations of the Borrower pursuant to the Guarantee and granted the Security Documents as general and continuing collateral security for the payment and performance of all of its indebtedness, liabilities, and obligations. Accordingly, further to the Demand Letter, pursuant to the Commitment Letter Documents, and on behalf of the Lender, we hereby demand immediate payment of all of the

Borrower's indebtedness, liabilities, and other obligations under the Commitment Letter Documents, which, as at July 5, 2024, total \$27,868,283.94 (the "**Borrower Indebtedness**").

The Borrower Indebtedness is calculated as of July 5, 2024, and does not include any interest which may accrue after such date, legal fees and expenses, and/or any other costs or amounts recoverable pursuant to the Commitment Letter Documents (collectively, "**Additional Indebtedness**").

Payment of the Borrower Indebtedness, together with all Additional Indebtedness incurred to the date of payment (collectively, the "**Total Indebtedness**"), should be made by wire transfer, bank draft or certified cheque within 22 business days of the date of this letter, payable to:

McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver, BC V6E 0C5  
Attention: Sue Danielisz

Prior to making payment, please ensure you contact Ms. Danielisz at 604-643-5904 or [sdanielisz@mccarthy.ca](mailto:sdanielisz@mccarthy.ca) to confirm the Total Indebtedness on the date payment is to be made.

If payment of the Total Indebtedness is not made on or within 22 business days of this letter, the Lender will take such steps as it considers necessary to protect its rights and security, including, but not limited, to commencing action against the Obligors, without further notice to you.

We hereby enclose a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended. To the extent that the *Farm Debt Mediation Act*, SC 1997, c. 21, as amended (the "**FDMA**"), also applies, we also enclose a Notice of Intent by Secured Creditor, in accordance with section 21 of the FDMA.

For the avoidance of doubt, the Lender expressly reserves all rights, powers, and privileges available to it under the Commitment Letter Documents, applicable law, and otherwise, including, without limitation, the right to appoint an interim receiver over any of the Obligors, and/or their assets and undertaking, prior to the expiry of any applicable notice period.

Yours truly,

McCarthy Tétrault LLP

Per:



Angelica Kovac  
Associate | Sociétaire

AK/jb  
Enclosures

**NOTICE OF INTENTION TO ENFORCE A SECURITY  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT (CANADA)***

**To: Delta 9 Lifestyle Cannabis Clinic Inc.**

TAKE NOTICE THAT:

1. SNDL Inc. intends to enforce its security on Delta 9 Lifestyle Cannabis Clinic Inc.'s property described below:
  - a. all present and after-acquired personal property.
2. The security that is to be enforced is the following:
  - a. general security agreement dated March 11, 2022; and
  - b. assignment and postponement dated March 11, 2022 (the "**Security**").
3. The total amount of indebtedness secured by the Security as at July 5, 2024 is \$27,868,283.94 plus interest, costs, and other amounts recoverable and continuing to accrue to the date of payment.
4. SNDL Inc. will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless Delta 9 Lifestyle Cannabis Clinic Inc. consents to an earlier enforcement, by executing the consent and waiver attached hereto as **Schedule "A"** and providing a copy to the undersigned.

Dated at Vancouver, British Columbia, this 10th day of July, 2024.

SNDL Inc., by its solicitors,  
McCarthy Tétrault LLP



---

Angelica Kovac

**SCHEDULE "A"**

**CONSENT TO AN EARLIER ENFORCEMENT  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

**To: SNDL Inc.**

TAKE NOTICE THAT:

The undersigned hereby acknowledges receipt of a Notice of Intention to Enforce Security dated \_\_\_\_\_, 2024 pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada) with respect to the assets of Delta 9 Lifestyle Cannabis Clinic Inc., waives its right to the 10-day notice period to redeem the collateral, and consents to the immediate enforcement of the security held by SNDL Inc.

DATED at \_\_\_\_\_, this \_\_\_\_ day of \_\_\_\_\_, 2024.

**Delta 9 Lifestyle Cannabis Clinic Inc.**

Per:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title



## NOTICE OF INTENT BY SECURED CREDITOR

As required under Section 21 of the *Farm Debt Mediation Act*, you are hereby notified that it is the intent of:

Name of creditor  
SNDL Inc.

To enforce a remedy against the property of; or commence a proceeding, action, execution or other proceeding, judicial or extra-judicial, for the recovery of a debt, the realization of the security or the taking of the property of:

Full name of farmer or business name  
Delta 9 Lifestyle Cannabis Clinic Inc.

### Farmer's address

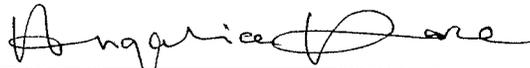
Unit/Suite/Apt. 30th Floor	Street Number 360	Number Suffix	Street Name Main	Street Type Street
Street direction	PO Box or Route Number	Municipality (City, Town, etc.) Winnipeg	Province Manitoba	Postal code R3C 4G1

The security being (type(s) of security)	on (asset(s))
General Security Agreement dated March 11, 2022	All present and after-acquired personal property
Assignment and Postponement dated March 11, 2022	Debts and liabilities of Delta 9 Cannabis Inc.

Dated this 10th day of July, 2024 at Vancouver, British Columbia

McCarthy Tétrault LLP

Name of secured creditor or authorized representative (print)

  
Signature of secured creditor or authorized representative

+1 604-643-5889

Creditor's phone number and ext.

+1 604-643-7900

Creditor's fax number

akovac@mccarthy.ca

Email address of secured creditor or authorized representative

You are hereby notified of your right to make application under Section 5 of the *Farm Debt Mediation Act* for a review of your financial affairs, mediation with your creditors, and to obtain a stay of proceedings against this action. Provided you are:

- a) currently engaged in farming for commercial purposes; and
- b) insolvent, meaning that you are:
  - unable to meet your obligations as they generally become due; or
  - have ceased paying your current obligations in the ordinary course of business as they generally become due; or
  - the aggregate of your property is not, at fair valuation, sufficient, or if disposed of at a fairly conducted sale under legal process would not be sufficient, to enable payment of all your obligations, due and accruing due.

**A secured creditor must wait 15 business days after this notice has been deemed served before beginning action to realize on their security. You may apply for mediation and a stay of proceedings at any time, before, during, or after the 15 business day period, by making an application to the Farm Debt Mediation Service.**

The Farm Debt Mediation Service provides qualified farm financial counsellors to conduct a financial review and to prepare a recovery plan for your mediation meeting. Qualified mediators are provided to help you and your creditors reach a mutually satisfactory arrangement. Application forms and more information about the service can be obtained from:

### Farm Debt Mediation Service

<https://agriculture.canada.ca/en/agricultural-programs-and-services/farm-debt-mediation-service>

**Eastern Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmseast-smmeaest.aac@agr.gc.ca](mailto:aafc.fdmseast-smmeaest.aac@agr.gc.ca)

Fax: 1-506-452-4975

**Western Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmwest-smmeaouest.aac@agr.gc.ca](mailto:aafc.fdmwest-smmeaouest.aac@agr.gc.ca)

Fax: 1-306-780-7353



McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver BC V6E 0C5  
Canada  
Tel: 604-643-7100  
Fax: 604-643-7900

**Angelica Kovac**  
Direct Line: 604-643-5889  
Email: akovac@mccarthy.ca

Assistant: Junko Breen  
Direct Line: 604-643-7114  
Email: jbreen@mccarthy.ca

July 10, 2024

**Via Registered Mail**

**Delta 9 Cannabis Store Inc.**  
30th Floor, 360 Main Street  
Winnipeg MB R3C 4G1

**Delta 9 Cannabis Store Inc.**  
1500 – 1874 Scarth Street  
Regina SK S4P 4E9

**Re: Secured Loan Facilities granted by SNDL Inc. (the “Lender”), as assignee of Connect First and Servus Credit Union Ltd. (formerly Connect First Credit Union Ltd.) (“Connect First”), to Delta 9 Cannabis Inc. (the “Borrower”), Delta 9 Bio-Tech Inc. (“Bio-Tech”), Delta 9 Lifestyle Cannabis Clinic Inc. (“Lifestyle”), and Delta 9 Cannabis Store Inc. (“Store”, and collectively with Bio-Tech and Lifestyle, the “Guarantors” and, together with the Borrower, the “Obligors” and, each, an “Obligor”)**

Please be advised that we are counsel to the Lender.

As you are aware:

- (a) the Obligors are indebted to the Lender pursuant to, *inter alia*, a Note Purchase Agreement, dated March 30, 2022, between the Borrower and the Lender and all related documents (collectively, the **“Note Purchase Agreement Documents”**), the Obligors are in default of their obligations thereunder, and the Lender has demanded that the Obligors immediately repay in full of all such indebtedness and issued all required statutory notices in respect of the enforcement of security granted in respect of same; and
- (b) the Lender was the subordinate lender to Connect First, but, effective July 5, 2024, the Lender purchased all of Connect First’s right, title, and interest in and to the Borrower Indebtedness (defined below) and the Commitment Letter Documents (defined below)

We write further to:

- (a) the commitment letter, dated February 1, 2022, among the Lender, as lender, the Borrower, as borrower, and the Guarantors, as guarantors (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the **“Commitment Letter”**), pursuant to which, *inter alia*, the Lender made available to the Borrower a commercial mortgage loan in the maximum principal amount of \$23,000,000, a commercial mortgage loan in the maximum principal amount of \$5,000,000, and an authorized overdraft in the maximum principal amount of \$4,000,000 (collectively, the **“Credit Facilities”**);
- (b) the unlimited guarantee and postponement of claim, dated March 11, 2022, granted by Store with respect to all indebtedness, liabilities, and other obligations of the Borrower

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(as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Guarantee**");

- (c) the general security agreement, dated March 11, 2022, pursuant to which Store granted a security interest in all of its present and after-acquired property (as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Security Agreement**"); and
- (d) any and all other guarantees, security documents, agreements, instruments, and documents entered into by any Obligor from time to time in connection with any of the Commitment Letter, the Guarantee, and/or the Security Agreement (collectively, in each case, as amended, supplemented, amended and restated, replaced, or otherwise modified from time to time, the "**Additional Documents**" and, collectively with the Commitment Letter, the "**Commitment Letter Documents**").

Please be advised that all capitalized terms used and not defined herein have the meanings ascribed thereto in the Commitment Letter and all references herein to "dollars" or "\$" are to Canadian dollars.

As you are aware, and without limiting the demand nature of any of the Credit Facilities that are payable on demand, multiple defaults have occurred and are continuing under the Commitment Letter Documents (collectively, the "**Defaults**"). The Defaults include, without limitation:

1. the defaults more particularly described in the notice of breach of financial covenant, dated July 13, 2024, issued by Connect First to the Borrower, including the Borrower failing to maintain a Debt Service Coverage Ratio of at least 1.40:1 and Current Ratio of at least 1.25:1, in each case, in accordance with the Commitment Letter;
2. the defaults by the Obligors under the Note Purchase Agreement Documents and the acceleration by the Lender of all of the indebtedness, liabilities, and other obligations of the Obligors pursuant to the same; and
3. the occurrence of a material adverse change in the financial condition, operations, assets, business, properties, and prospects of the Obligors in light of the foregoing.

Accordingly, the Lender has demanded that the Borrower immediately repay of all of its indebtedness, liabilities, and other obligations under the Commitment Letter Documents, and we enclose a copy of the demand letter sent today to the Borrower in connection therewith (the "**Demand Letter**").

As you know, Store guaranteed all of the indebtedness, liabilities, and other obligations of the Borrower pursuant to the Guarantee and granted the Security Agreement as general and continuing collateral security for the payment and performance of all of its indebtedness, liabilities, and obligations. Accordingly, further to the Demand Letter, pursuant to the Commitment Letter Documents, and on behalf of the Lender, we hereby demand immediate payment of all of the Borrower's indebtedness, liabilities, and other obligations under the Commitment Letter Documents, which, as at July 5, 2024, total \$27,868,283.94 (the "**Borrower Indebtedness**").

The Borrower Indebtedness is calculated as of July 5, 2024, and does not include any interest which may accrue after such date, legal fees and expenses, and/or any other costs or amounts

recoverable pursuant to the Commitment Letter Documents (collectively, “**Additional Indebtedness**”).

Payment of the Borrower Indebtedness, together with all Additional Indebtedness incurred to the date of payment (collectively, the “**Total Indebtedness**”), should be made by wire transfer, bank draft or certified cheque within 22 business days of the date of this letter, payable to:

McCarthy Tétrault LLP  
Suite 2400, 745 Thurlow Street  
Vancouver, BC V6E 0C5  
Attention: Sue Danielisz

Prior to making payment, please ensure you contact Ms. Danielisz at 604-643-5904 or [sdanielisz@mccarthy.ca](mailto:sdanielisz@mccarthy.ca) to confirm the Total Indebtedness on the date payment is to be made.

If payment of the Total Indebtedness is not made on or within 22 business days of this letter, the Lender will take such steps as it considers necessary to protect its rights and security, including, but not limited, to commencing action against the Obligor, without further notice to you.

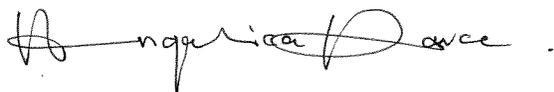
We hereby enclose a Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended. To the extent that the *Farm Debt Mediation Act*, SC 1997, c. 21, as amended (the “**FDMA**”), also applies, we also enclose a Notice of Intent by Secured Creditor, in accordance with section 21 of the FDMA.

For the avoidance of doubt, the Lender expressly reserves all rights, powers, and privileges available to it under the Commitment Letter Documents, applicable law, and otherwise, including, without limitation, the right to appoint an interim receiver over any of the Obligor, and/or their assets and undertaking, prior to the expiry of any applicable notice period.

Yours truly,

McCarthy Tétrault LLP

Per:



Angelica Kovac  
Associate | Sociétaire

AK/jb  
Enclosures

**NOTICE OF INTENTION TO ENFORCE A SECURITY  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT (CANADA)***

**To: Delta 9 Cannabis Store Inc.**

TAKE NOTICE THAT:

1. SNDL Inc. intends to enforce its security on Delta 9 Cannabis Store Inc.'s property described below:
  - a. all present and after-acquired personal property.
2. The security that is to be enforced is the following:
  - a. general security agreement dated March 11, 2022 (the "**Security**").
3. The total amount of indebtedness secured by the Security as at July 5, 2024 is \$27,868,283.94 plus interest, costs, and other amounts recoverable and continuing to accrue to the date of payment.
4. SNDL Inc. will not have the right to enforce the Security until after the expiry of the 10-day period after this notice is sent unless Delta 9 Cannabis Store Inc. consents to an earlier enforcement, by executing the consent and waiver attached hereto as **Schedule "A"** and providing a copy to the undersigned.

Dated at Vancouver, British Columbia, this 10th day of July, 2024.

SNDL Inc., by its solicitors,  
McCarthy Tétrault LLP



\_\_\_\_\_  
Angelica Kovac

**SCHEDULE "A"**

**CONSENT TO AN EARLIER ENFORCEMENT  
UNDER SECTION 244 OF THE *BANKRUPTCY AND INSOLVENCY ACT* (CANADA)**

**To: SNDL Inc.**

TAKE NOTICE THAT:

The undersigned hereby acknowledges receipt of a Notice of Intention to Enforce Security dated \_\_\_\_\_, 2024 pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada) with respect to the assets of Delta 9 Cannabis Store Inc., waives its right to the 10-day notice period to redeem the collateral, and consents to the immediate enforcement of the security held by SNDL Inc.

DATED at \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 2024.

**Delta 9 Cannabis Store Inc.**

Per:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title



### NOTICE OF INTENT BY SECURED CREDITOR

As required under Section 21 of the *Farm Debt Mediation Act*, you are hereby notified that it is the intent of:

Name of creditor  
SNDL Inc.

To enforce a remedy against the property of, or commence a proceeding, action, execution or other proceeding, judicial or extra-judicial, for the recovery of a debt, the realization of the security or the taking of the property of:

Full name of farmer or business name  
Delta 9 Cannabis Store Inc.

**Farmer's address**

Unit/Suite/Apt. 30th Floor	Street Number 360	Number Suffix	Street Name Main	Street Type Street
Street direction	PO Box or Route Number	Municipality (City, Town, etc.) winnipeg	Province Manitoba	Postal code R3C 4G1

The security being (type(s) of security)	on (asset(s))
General Security Agreement dated March 11, 2022	All present and after-acquired personal property

Dated this 10th day of July, 2024 at Vancouver, British Columbia

McCarthy Tétrault LLP

Name of secured creditor or authorized representative (print)

Signature of secured creditor or authorized representative

+1 604-643-5889

akovac@mccarthy.ca

Creditor's phone number and ext.

Email address of secured creditor or authorized representative

+1 604-643-7900

Creditor's fax number

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- b) insolvent, meaning that you are:
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  - have ceased paying your current obligations in the ordinary course of business as they generally become due; or
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**Farm Debt Mediation Service**  
<https://agriculture.canada.ca/en/agricultural-programs-and-services/farm-debt-mediation-service>

The information you provide on this document is collected by Agriculture and Agri-Food Canada under the authority of the *Farm Debt Mediation Act* for the purpose of facilitating financial arrangements between farmers and their creditors. Personal information will be protected under the provisions of the *Privacy Act* and will be stored in Personal Information Bank AAFC-PPU-227. Information may be accessible or protected as required under the provisions of the *Access to Information Act*.

**Eastern Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmseast-smmeaest.aac@agr.gc.ca](mailto:aafc.fdmseast-smmeaest.aac@agr.gc.ca)

Fax: 1-506-452-4975

**Western Canada Office**

Tel: 1-866-452-5556

Email: [aafc.fdmwest-smmeaouest.aac@agr.gc.ca](mailto:aafc.fdmwest-smmeaouest.aac@agr.gc.ca)

Fax: 1-306-780-7353