

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF AYURCANN HOLDINGS CORP. AND
AYURCANN INC.**

**FIRST REPORT OF THE MONITOR
ALVAREZ & MARSAL CANADA INC.**

FEBRUARY 6, 2026

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	PURPOSE OF THIS REPORT.....	2
3.0	TERMS OF REFERENCE AND DISCLAIMER	3
4.0	UPDATES SINCE THE INITIAL ORDER.....	4
5.0	AMENDED AND RESTATED INITIAL ORDER	5
6.0	COURT-ORDERED CHARGES	10
7.0	UPDATED CASH FLOW FORECAST	12
8.0	ACTIVITIES OF THE MONITOR SINCE THE FILING DATE.....	14
9.0	MONITOR’S RECOMMENDATION.....	16

APPENDICES

Appendix A – Pre-Filing Report of the Proposed Monitor (without Appendices)

Confidential Appendix B – Key Employee Retention Plan

Appendix C – Updated Cash Flow Forecast for the Period Ending March 13, 2026

Appendix D – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

- 1.1 On January 30, 2026 (the “**Filing Date**”), Ayurcann Holdings Corp. and Ayurcann Inc. (collectively, the “**Applicants**”) were granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order (the “**Initial Order**”) of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 The Initial Order, among other things: (i) appointed Alvarez & Marsal Canada Inc. (“**A&M**”) as monitor of the Applicants (in such capacity, the “**Monitor**”); (ii) granted an initial 10 day stay of proceedings (the “**Stay**”) in favour of the Applicants until February 9, 2026; (iii) extended the benefit of the Stay to Ayurcann Holding Corp. and Ayurcann Merger Sub Inc. (the “**Non-Applicant Stay Parties**” and together with the Applicants, “**Ayurcann**”); and (iv) granted the Administration Charge and the Directors’ Charge (each as defined in the Initial Order).
- 1.3 Additional details regarding Ayurcann as well as their business and financial circumstances are set out in the Pre-Filing Report of the Proposed Monitor dated January 29, 2026 (the “**Pre-Filing Report**”) filed by A&M prior to the commencement of the CCAA Proceedings. The Pre-Filing Report and other public Court-filed documents in the CCAA Proceedings are available on the Monitor’s case website at: www.alvarezandmarsal.com/Ayurcann (the “**Case Website**”). A copy of the Pre-Filing Report is attached hereto (without appendices) as **Appendix “A”**.

1.4 This first report of the Monitor (the “**First Report**”) should be read in conjunction with the Pre-Filing Report, the affidavit of Igal Sudman, Chief Executive Officer of Ayurcann, sworn January 29, 2026 (the “**First Sudman Affidavit**”), and the affidavit of Igal Sudman sworn February 3, 2026 (the “**Second Sudman Affidavit**” and together with the First Sudman Affidavit, the “**Sudman Affidavits**”). Capitalized terms used and not defined in this First Report have the meanings given to them in the Pre-Filing Report, the Initial Order, or the Sudman Affidavits, as applicable.

2.0 PURPOSE OF THIS REPORT

2.1 The purpose of this First Report is to provide the Court with information regarding, and where applicable, the Monitor’s views on:

- (i) certain updates on Ayurcann’s business and restructuring efforts during the 10 day period since the granting of the Initial Order;
- (ii) the relief sought by Ayurcann pursuant to the proposed Amended and Restated Initial Order (the “**ARIO**”), which among other things:
 - (a) extends the Stay in favour of the Applicants and the Non-Applicant Stay Parties to and including February 27, 2026;
 - (b) approves a key employee retention plan (the “**KERP**”), grants a corresponding super-priority charge up to a maximum amount of \$66,250 over the Property as security for the obligation of the Applicants to make the payments under the KERP (the “**KERP Charge**”), and seals a summary

of the KERP appended hereto as **Confidential Appendix “B”** (the “**KERP Summary**”), subject to further order of the Court;

- (c) preserves the *status quo* of the Regulatory Licences (as defined below);
 - (d) authorizes the Applicants to pay, with the consent of the Monitor, certain amounts owing to critical suppliers who supplied goods and/or services prior to the Filing Date; and
 - (e) increases the quantum of the Administration Charge to \$800,000, and the Directors’ Charge to \$3,020,000;
- (iii) the activities of the Monitor since the Filing Date; and
- (iv) the Monitor’s conclusions and recommendations in connection with the relief sought at the comeback hearing returnable February 9, 2026.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this First Report, A&M, in its capacity as the Monitor, has been provided with, and has relied upon, unaudited financial information and the books and records prepared by Ayurcann, and has had discussions with management of Ayurcann and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this First Report in respect of Ayurcann’s cash flow forecast:

- (i) the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the

Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“CASs”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this First Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this First Report was prepared based on Ayurcann’s management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 UPDATES SINCE THE INITIAL ORDER

4.1 Since the Filing Date, the Applicants have made efforts to stabilize their business, develop a sale process (the “**Sale Process**”), advance negotiations with a potential third-party purchaser (the “**Potential Stalking Horse Bidder**”) regarding a proposed stalking horse purchase agreement (the “**Stalking Horse Purchase Agreement**”) as well as potential debtor-in-possession financing (“**DIP Financing**”) to be provided by the Potential Stalking

Horse Bidder, and deploy a communication plan, which among other things notified key stakeholders of the CCAA Proceedings.

- 4.2 Active discussions among the Applicants, the Monitor and the Potential Stalking Horse Bidder are ongoing at this time. The Applicants intend to return to Court in the near term once definitive documents have been finalized to seek approval of the proposed DIP Financing, the Stalking Horse Purchase Agreement, and the Sale Process.

5.0 AMENDED AND RESTATED INITIAL ORDER

- 5.1 The Applicants are seeking approval of the ARIO. The following paragraphs summarize the material changes from the Initial Order.

Extension of the Stay

- 5.2 The Stay under the Initial Order expires on February 9, 2026. Pursuant to the proposed ARIO, the Applicants are seeking a brief extension of the Stay to and including February 27, 2026.
- 5.3 The Monitor supports the Applicants' request to extend the Stay for the following reasons:
- (i) the proposed Stay extension will provide the Applicants with the time and stability necessary to operate the business in the normal course, and provide the Applicants with additional time to complete negotiations with the Potential Stalking Horse Bidder in respect to the Stalking Horse Purchase Agreement and the related Sale Process, and finalize terms of the proposed DIP Financing;

- (ii) as demonstrated in the Updated Cash Flow Forecast (as defined below), the Applicants are expected to have sufficient liquidity to fund their operations and the costs of the CCAA Proceedings during the requested Stay extension without the need for additional financing;
- (iii) the Applicants' have acted, and continue to act in good faith and with due diligence to advance their restructuring efforts and the CCAA Proceedings; and
- (iv) the Monitor is not aware of any party that would be materially prejudiced by the proposed Stay extension.

Key Employee Retention Plan & KERP Charge

- 5.4 To facilitate and encourage the continued participation of key employees during the CCAA Proceedings, the Applicants are seeking approval of: (i) a KERP for four employees and one contractor who are considered by the Applicants to be critical to the business and to advance the Sale Process and the CCAA Proceedings generally (collectively, the “**KERP Participants**”); and (ii) the granting of the KERP Charge to secure the obligation of the Applicants to make payments due under the KERP.
- 5.5 The proposed KERP provides for retention bonuses calculated as a percentage of the KERP Participants' annual salary, totaling approximately \$66,250 in the aggregate across the KERP Participants. The retention bonuses will be payable pursuant to the terms of agreements to be entered into with the KERP Participants, which agreements, among other things, will require that each KERP Participant continues to be employed by the Applicants through the earlier of: (i) the closing date of a sale of all or substantially all of the assets of

the Company to an acquiring entity; (ii) the date specified in a notice of termination on which the KERP Participant's employment with the Applicants ends without cause; or (iii) the Applicants' exit from the CCAA Proceedings.

5.6 The proposed ARIO provides for the granting of a KERP Charge over the Property in an amount not to exceed \$66,250 in favour of the KERP Participants.

5.7 As part of its review and consideration of the KERP, the Monitor examined key employee retention plans that have recently been approved by the Court in similar proceedings. The Monitor supports the approval of the KERP and the granting of the KERP Charge as:

- (i) the KERP will provide stability to the business and facilitate the Sale Process and successful completion of the CCAA Proceedings by appropriately incentivizing the retention and continued participation of the KERP Participants;
- (ii) the Applicants consider the KERP Participants crucial to advancing the Sale Process and the CCAA Proceedings in order to successfully restructure the business for the benefit of the Applicants' stakeholders;
- (iii) the Applicants believe the KERP Participants would likely consider other employment opportunities without the KERP, and that the process to find appropriately qualified replacements would be lengthy, difficult and costly;
- (iv) the Applicants exercised their business judgment in developing the KERP; and
- (v) the Monitor was consulted in the development of the KERP and terms of the KERP, including the quantum of the payments expected to be made thereunder. The

Monitor is of the view that the terms of the KERP are appropriate, reasonable and justified in the circumstances and are comparable to other key employee retention and incentive plans approved in similar CCAA proceedings.

Sealing

- 5.8 The Applicants are requesting a sealing order for the KERP Summary, which includes personal employee information, including compensation information. The Monitor believes it is appropriate to seal the KERP Summary until further order of the Court. The sealing of this type of sensitive and personal information is consistent with the approach taken in other CCAA proceedings for sensitive personal and financial information of this nature, protects the privacy of the KERP Participants and will help to avoid any unnecessary disruption or distraction to Ayurcann’s business that such disclosure may cause. The Monitor does not believe that any stakeholder will be prejudiced if the information in the confidential KERP Summary is sealed, including because the aggregate cost of the KERP has been disclosed.

Regulatory Licenses

- 5.9 The proposed ARIO contemplates the preservation of certain Regulatory Licenses, which will provide the Applicants the ability to process and sell cannabis inventory in the ordinary course.
- 5.10 The Monitor understands that Ayurcann holds a standard processing license with Health Canada (the “**Health Canada License**”), a license with the CRA to apply cannabis excise stamps to its products (the “**CRA Cannabis License**”), and an excise duty license with the

CRA to use bulk-alcohol, non-duty paid packaged alcohol and restricted formulation, on a duty-free basis (the “**Excise Duty License**” and collectively with the Health Canada License and the CRA Cannabis License, the “**Regulatory Licenses**”).

- 5.11 The Monitor understands that the Regulatory Licenses are necessary for the business to preserve the *status quo* and continue as a going concern during the CCAA Proceedings, with the intention of maintaining enterprise value to maximize value for the benefit of all stakeholders. The Monitor also understands that the preservation of the Regulatory Licenses contemplated in the ARIO will avoid costly disruptions to the Applicants’ business, and the Monitor is of the view that protection of the Regulatory Licenses is consistent with the spirit of the Stay provisions granted in the model Initial Order.

Critical Vendor and Other Payments

- 5.12 The proposed ARIO permits, but does not obligate, the Applicants to pay, with the consent of the Monitor, up to a maximum amount of \$300,000 to certain suppliers for amounts owing for goods and services actually supplied to the Applicants prior to the Filing Date.
- 5.13 The Monitor understands that the Applicants acquire products and services from a relatively small number of suppliers given the regulated nature of the cannabis industry. Any interruption of service from these third parties may prevent the Applicants from operating in the ordinary course and continuing to provide uninterrupted services to their customers.
- 5.14 The Monitor intends to work closely with the Applicants to identify certain critical suppliers that will be paid for these pre-filing amounts. In considering whether a pre-filing

debt shall be paid to a supplier, the Monitor shall consider among other factors, whether:

- (i) the supplier or service provider is essential to the business and ongoing operations of the Applicants and the payment is required to ensure ongoing supply;
- (ii) making such payment will preserve, protect or enhance the value of the Property or the business;
- (iii) making such payment is required to address regulatory concerns necessary for the preservation of the business; and
- (iv) the supplier or service provider is required to continue to provide goods or services to the Applicants after the Filing Date.

6.0 COURT-ORDERED CHARGES

6.1 The proposed ARIO seeks an increase to the Administration Charge, and the Directors' Charge, and the granting of a KERP Charge over the Property (collectively, the "**Charges**")

Administration Charge

6.2 The Initial Order provides for a super-priority charge over the Property in an amount not to exceed \$250,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants (the "**Administration Charge**"). The Applicants are seeking to increase the quantum of the Administration Charge to \$800,000 in the ARIO.

6.3 The Monitor assisted the Applicants in the calculation of the Administration Charge and is of the view that the amount of the charge is reasonable and appropriate in the circumstances having regard to: (i) the nature of the proceedings; (ii) the need for the continued participation of the proposed beneficiaries of the Administration Charge during the CCAA Proceedings to complete a successful restructuring; (iii) the distinct roles of the proposed beneficiaries; and (iv) the quantum of administration charges approved in similar CCAA proceedings.

Directors' Charge

- 6.4 The Initial Order provides that the Applicants shall indemnify their respective directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicants after the commencement of the CCAA Proceedings, except to the extent that the obligation or liability was incurred as a result of an officer's or director's gross negligence or wilful misconduct.
- 6.5 The Initial Order approved a super priority charge over the Property in the amount of \$625,000 in favour of the Applicants' directors and officers as security for such indemnity (the "**Directors' Charge**"). The Applicants are seeking an increase in the amount of the Directors' Charge to \$3,020,000 in the ARIO.
- 6.6 The Monitor assisted the Applicants in the calculation of the quantum of the Directors' Charge, taking into consideration the amount of the Applicants' payroll, vacation pay, federal and provincial sales tax liabilities, and excise tax liabilities. The components that comprise the Directors' Charge are as follows:

Proposed Director's Charge	
Provision for employee wages and source deductions (2 pay periods)	\$200,000
Provision for accrued vacation, employee benefits, and other amounts	80,000
Provision for sales taxes (HST, GST) (2 months)	340,000
Provision for post-filing excise taxes (2 months)	2,400,000
Total	\$3,020,000

- 6.7 The priorities of the Charges are proposed to be as follows:

Proposed Charges & Priorities

1. Administration Charge	\$800,000
2. Directors' Charge	\$3,020,000
3. KERP Charge	\$66,250

6.8 As described above, the Monitor believes that the Charges are reasonable in the circumstances.

7.0 UPDATED CASH FLOW FORECAST

7.1 Ayurcann, with the assistance of the Monitor, has prepared an updated cash flow (the “**Updated Cash Flow Forecast**”) for the 6-week period ending March 13, 2026 (the “**Cash Flow Period**”). A copy of the Updated Cash Flow Forecast, together with a summary of assumptions (the “**Cash Flow Assumptions**”) and management’s report on the cash-flow statement required by section 10(2)(b) of the CCAA, are attached hereto as **Appendices “C”** and **“D”**, respectively.

7.2 A summary of the Updated Cash Flow Forecast is set out in the following table:

Ayurcann Cash Flow Forecast	6-Week \$000's
Receipts	\$1,944
Disbursements	
Payroll & Benefits	(458)
Sales and Marketing	(1,139)
Excise Taxes	(-)
Sales Taxes	(165)
Office and General	(331)
Restructuring Professional Fees	(443)
Total Disbursements	(2,536)
Net Cash Flow	(592)
Opening Cash Balance	876
Net Cash Flow	(592)
Ending Cash Balance	\$284

7.3 The Monitor notes the following:

- (i) receipts include the collection of existing accounts receivable and forecast sales from the continuing operations;
- (ii) payroll and benefits include salaries, benefits, and taxes;
- (iii) sales and marketing include cost of supplies and materials relating to product sales along with other selling expenses required for operations;
- (iv) office and general include non-merchandise vendor payments, including rent, insurance and other expenses; and
- (v) restructuring professional fees include the fees of Ayurcann's counsel, the Monitor and the Monitor's counsel.

7.4 During the Cash Flow Period, net cash flows are projected to be negative \$592,000, which is projected to be sufficiently funded by cash on hand, and customer collections. No additional interim financing is required during the Cash Flow Period, however as described above, the Applicants are currently negotiating the contemplated DIP Financing to fund its ongoing operations during the CCAA Proceedings.

Monitor's Review

7.5 Based on the Monitor's review¹, nothing has come to its attention that causes it to believe, in all material respects that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Updated Cash Flow Forecast; (ii) as at the date of this First Report, the Updated Cash Flow Assumptions are not suitably supported and consistent with the plans of Ayurcann or do not provide a reasonable basis for the Updated Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Updated Cash Flow Forecast does not reflect the Cash Flow Assumptions.

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

8.0 ACTIVITIES OF THE MONITOR SINCE THE FILING DATE

8.1 Since the Filing Date, the primary activities of the Monitor have included the following:

¹ The Monitor has reviewed the Updated Cash Flow Forecast to the standard required of a Court-appointed Monitor by section 23(1)(b) of the CCAA. Section 23(1)(b) requires a Monitor to review the debtor's cash flow statement as to its reasonableness and to file a report with the Court on the Monitor's findings. Pursuant to this standard, the Monitor's review of the Updated Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by Ayurcann's key members of management. The Monitor reviewed information provided by management for the Cash Flow Assumptions. Since the Cash Flow Assumptions need not be supported, the Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Updated Cash Flow Forecast.

- (i) together with the Monitor’s legal counsel, Reconstruct LLP (“**Reconstruct**”) assisting the Applicants to negotiate the DIP Financing and Stalking Horse Purchase Agreement, and develop the Sale Process;
- (ii) monitoring the Applicants’ cash receipts and disbursements, and assisting in preparing weekly cash flow variance reporting;
- (iii) activating the Case Website and coordinating the posting of Court-filed documents thereon;
- (iv) engaging with certain suppliers, and stakeholders who have reached out to the Monitor;
- (v) completing and/or coordinating the notice requirements pursuant to paragraph 39 of the Initial Order, including, among other things:
 - (a) arranging for publication of notice of the CCAA Proceedings, in the prescribed form, in *The Globe and Mail (National Edition)* on February 4, 2026 and February 11, 2026;
 - (b) posting the Initial Order to the Case Website on January 30, 2026;
 - (c) arranging for notice of the CCAA Proceedings to be emailed or mailed to all known creditors having a claim against the Applicants’ of more than \$1,000 (“**Notice Creditors**”), in the prescribed manner on February 3, 2026;

- (d) preparing and posting to the Case Website on February 3, 2026 a listing of the names and addresses of Notice Creditors; and
- (e) activating the Monitor's toll-free number and email account for the CCAA Proceedings and responding to creditors and other inquiries received through those and other contact points; and
- (vi) with the assistance of Reconstruct, preparing this First Report.

9.0 MONITOR'S RECOMMENDATION

- 9.1 For the reasons set out in this First Report, the Monitor respectfully recommends that the Court grant the ARIO in the form sought by the Applicants.

All of which is respectfully submitted to this Court this 6th day of February, 2026.

**ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Monitor of Ayurcann
Holdings Corp. *et al.***

Per:



Josh Nevsky
Senior Vice President

APPENDIX A
PRE-FILING REPORT OF THE PROPOSED MONITOR

Court File No: _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

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

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF AYURCANN HOLDINGS CORP. AND
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**PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

JANUARY 29, 2026

TABLE OF CONTENTS

1.0	INTRODUCTION	1
2.0	PURPOSE OF THE PRE-FILING REPORT	2
3.0	TERMS OF REFERENCE AND DISCLAIMER	4
4.0	A&M’S QUALIFICATIONS TO ACT AS MONITOR	5
5.0	BACKGROUND INFORMATION	6
6.0	NON-APPLICANT STAY PARTIES	10
7.0	CASH FLOW FORECAST	10
8.0	CASH MANAGEMENT SYSTEM	12
9.0	COURT ORDERED CHARGES SOUGHT IN THE INITIAL ORDER	13
10.0	INTENDED NEXT STEPS IN THESE CCAA PROCEEDINGS	16
11.0	STAY OF PROCEEDINGS	16
12.0	MONITOR’S RECOMMENDATION	17

APPENDICES

Appendix A – Consent to act as Monitor

Appendix B – Cash Flow Forecast for the 10-Day Period Ending February 9, 2026

Appendix C – Management’s Representation Letter Regarding the Cash Flow Forecast

1.0 INTRODUCTION

- 1.1 Alvarez & Marsal Canada Inc. (“**A&M**” or the “**Proposed Monitor**”) understands that Ayurcann Holdings Corp. and Ayurcann Inc. (collectively, the “**Applicants**”) intend to make an application to the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) for an order (the “**Initial Order**”) pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), among other things: (i) declaring that the Applicants are debtor companies to which the CCAA applies; (ii) granting a stay of proceedings in favour of the Applicants; (iii) extending the benefit of the stay of proceedings to Ayurcann Holding Corp. and Can Ayurcann Merger Sub Inc. (collectively, the “**Non-Applicant Stay Parties**” and together with the Applicants, “**Ayurcann**” or the “**Company**”); and (iv) appointing A&M as Monitor of the Applicants (in such capacity, the “**Monitor**”). The proceedings to be commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
- 1.2 Ayurcann, through Ayurcann Inc., is a licensed cannabis producer and manufacturer serving recreational markets across Canada and has approximately 37,315 product listings across Ontario, New Brunswick, Manitoba, Saskatchewan, Alberta, British Columbia, Newfoundland and Labrador, and Yukon. Ayurcann operates from a leased facility in Pickering, Ontario, comprised of manufacturing, processing and storage facilities, together with its head office.
- 1.3 Ayurcann Holdings Corp. is a reporting issuer in the provinces of Ontario, British Columbia and Alberta, and is publicly listed on the Canadian Securities Exchange (CSE: AYUR) and the Frankfurt Stock Exchange (FSE: 3ZQ0).

- 1.4 Ayurcann generates substantial revenue from its market leading brands and products. However, severe working capital and liquidity issues have prevented it from being able to pay its obligations in the ordinary course. As a result, the Company has accrued significant arrears owing to creditors, including a material amount owed to the Canada Revenue Agency (the “**CRA**”) for excise taxes.
- 1.5 The principal purpose of these CCAA Proceedings is to stabilize and maintain Ayurcann’s business, which urgently requires a stay of proceedings and related relief under the CCAA. During the CCAA Proceedings, Ayurcann intends to operate its business in the ordinary course, while developing and implementing a sale process (the “**Sale Process**”).
- 1.6 This pre-filing report (the “**Report**”) should be read in conjunction with the affidavit of Igal Sudman, Chief Executive Officer of Ayurcann Holdings Corp., sworn January 29, 2026, and filed in support of the Company’s application for relief under the CCAA (the “**Sudman Affidavit**”). The Sudman Affidavit, among other things, provides a detailed summary of Ayurcann’s background, including the events leading up to, and reasons for, the commencement of these CCAA Proceedings. Capitalized terms used and not defined in this Report have the meanings given to them in the Sudman Affidavit.

2.0 PURPOSE OF THE PRE-FILING REPORT

- 2.1 The purpose of this Report is to provide the Court with information, and, where applicable, the Proposed Monitor’s views on:
- (i) A&M’s qualifications to act as Monitor (if appointed);
 - (ii) certain background information with respect to Ayurcann;

- (iii) Ayurcann’s cash flow forecast for the initial 10-day period ending February 9, 2026 (the “**Cash Flow Forecast**”);
- (iv) the relief sought by the Applicants as part of the proposed Initial Order, including, among other things:
 - (a) extending the stay of proceedings under the proposed Initial Order to the Non-Applicant Stay Parties;
 - (b) authorizing the Applicants to continue to utilize their Cash Management System (as defined below); and
 - (c) granting the proposed Administration Charge and Directors’ Charge (each as defined below and together, the “**Charges**”) in the initial amounts set out in the proposed Initial Order over the Applicants’ current and future assets, property and undertakings (collectively, the “**Property**”);
- (v) the intended next steps in these CCAA Proceedings; and
- (vi) the Proposed Monitor’s conclusions and recommendations in connection with the foregoing, as applicable.

2.2 If the Initial Order is granted, the Applicants intend to return to Court on or around February 9, 2026 for a hearing (the “**Comeback Hearing**”) to seek the Court’s approval of:

- (i) an Amended and Restated Initial Order (the “**ARIO**”) which, among other things, would: (i) extend the stay of proceedings; (ii) approve a debtor-in-possession

financing facility (the “**DIP Facility**”) and grant a related super-priority charge; (iii) increase the amount of the proposed Administration Charge and Directors’ Charge; (iv) authorize the Applicants to pay, with the consent of the Monitor, certain critical amounts owing for goods and services supplied prior to the CCAA Proceedings; (iv) approve a key employee retention plan (the “**KERP**”) and grant a related super-priority charge; and

- (ii) the contemplated Sale Process, together with a stalking horse purchase agreement, which will serve as a “stalking horse bid” in the Sale Process.

3.0 TERMS OF REFERENCE AND DISCLAIMER

3.1 In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with, and has relied upon, unaudited financial information and the books and records prepared by Ayurcann, and has had discussions with management of Ayurcann and its legal counsel (collectively, the “**Information**”). Except as otherwise described in this Report in respect of Ayurcann’s cash flow forecast:

- (i) the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards (“**CASs**”) pursuant to the *Chartered Professional Accountants Canada Handbook* (the “**CPA Handbook**”) and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and

(ii) some of the information referred to in this Report consists of forecasts and projections. An examination or review of the financial forecasts and projections, as outlined in the CPA Handbook, has not been performed.

3.2 Future oriented financial information referred to in this Report was prepared based on Ayurcann's management's estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

3.3 Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

4.0 A&M'S QUALIFICATIONS TO ACT AS MONITOR

4.1 Alvarez & Marsal Canada ULC, an affiliated company of A&M, was engaged to act as financial consultant to Ayurcann on January 12, 2026, to, among other things, assist Ayurcann in reviewing and considering their financial position and assessing strategic and restructuring alternatives. The Proposed Monitor is familiar with the business and operations of Ayurcann, their personnel and the key issues and stakeholders in the proposed CCAA Proceedings.

4.2 A&M is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered

Insolvency and Restructuring Professionals, and Licensed Trustees in Bankruptcy, and who have acted in CCAA matters of similar nature.

4.3 The Monitor has retained Reconstruct LLP to act as its independent legal counsel.

4.4 A&M has consented to act as Monitor should the Initial Order be granted by the Court. A copy of A&M's consent to act as Monitor is attached hereto as **Appendix "A"**.

5.0 BACKGROUND INFORMATION

5.1 The background of Ayurcann's business and operations is set out in the Sudman Affidavit. Certain key points are summarized below.

5.2 The Company, through Ayurcann Inc, is a licensed cannabis producer and extraction company specializing in the formulation, packaging, distribution, and product development of cannabis products in the Canadian recreational market. The Company focuses on the development and commercialization of its proprietary cannabis brands, with an emphasis on vapes, pre-rolls and extracts.

5.3 The Company is vertically integrated, with in-house cannabis brands (including Fuego, Xplor, and Happy & Stoned), manufacturing and processing operations, and distribution networks. The Company offers approximately 146 unique SKUs, with its products sold through approximately 2,598 retail stores across Canada, with approximately 70% of total sales generated in Ontario.

5.4 Each of the Applicants is based in Ontario, and the Company's operations are primarily conducted out of a leased, licenced cannabis facility in Pickering, Ontario. In support of its day-to-day operations, the Company employs 56 employees and has arrangements with

another 63 contractors. The Company maintains distribution and/or supply arrangements across eight provinces and territories.

Financial Summary

- 5.5 As detailed in the Sudman Affidavit, until recently, the Company has generated strong revenues and stable cash flow, while managing its working capital position. Similar to many cannabis companies in Canada, the Company has accumulated material excise tax arrears payable to the CRA, which liabilities were historically addressed through monthly “catch-up” payments pursuant to an informal payment arrangement with the CRA. The payment plan enabled the Company to gradually reduce its outstanding excise tax balance while maintaining sufficient liquidity to meet its other obligations in the ordinary course.
- 5.6 Notwithstanding the Company’s compliance with the informal payment arrangement, on December 5, 2025, the CRA unilaterally imposed a revised payment plan requiring monthly excise “catch-up” payments of approximately \$1.056 million (as compared to approximately \$165,000 under the prior arrangement), in addition to the Applicants’ ongoing excise remittance obligations, such that required monthly excise payments would total approximately \$3 million in aggregate. The Applicants lack sufficient liquidity to comply with the revised CRA-mandated payment plan and, as a result, are unable to meet their obligations as they become due.
- 5.7 The following table provides a summary of Ayurcann’s balance sheet, as at December 31, 2025:

\$000's	December 31, 2025
Cash	\$2,706
Trade and Other Receivables	2,905
Inventory	2,940
Prepaid Expenses	92
Current Assets	\$8,643
Property and Equipment	664
Other Assets	1,734
Non-Current Assets	\$2,398
Total Assets	\$11,042
Trade and Other Payables	\$14,664
Other Current Liabilities	167
Current Liabilities	\$14,832
Lease Liability	574
Long Term Debt	75
Non-Current Liabilities	\$648
Total Liabilities	\$15,480

5.8 The Proposed Monitor notes the following:

- (i) as at December 31, 2025, the Company had total consolidated assets with a book value of approximately \$11.0 million, consisting primarily of cash, accounts receivable and inventory;
- (ii) as at December 31, 2025, the Company had total consolidated liabilities with a book value of approximately \$15.5 million, consisting primarily of accounts payable and excise tax liabilities. Other than financing arrangements for two vehicles and Alterna's (as defined below) security interests registered against the Company's operating bank account, the Company does not have any material secured liabilities; and

- (iii) as explained further below, the Company's largest creditor is the CRA in respect of accrued excise tax obligations. As at January 26, 2026, Ayurcann owed the CRA approximately \$10.6 million, comprised of unpaid excise taxes, statutory remittances, interest and penalties.

Employees

- 5.9 Ayurcann employs 56 individuals, comprised of 38 salaried and 18 hourly employees. None of the Company's employees are represented by a union or are parties to a collective bargaining agreement. In support of its day-to-day operations, the Company also utilizes approximately 63 contractors who are employed by third-party agencies which invoice the Company directly on a monthly basis.
- 5.10 The Proposed Monitor understands that at this time, no head-count reductions are planned or anticipated. Ayurcann is current on all of its obligations associated with employee and contractor costs, and during the CCAA Proceedings, intends to continue funding ongoing employee and contractor related costs and benefits in the ordinary course. Notwithstanding this, the Proposed Monitor understands that an amount of approximately \$30,000 relating to the source deductions for the 2024 taxation year is currently under dispute with the CRA.

Unsecured Obligations

- 5.11 Based on Ayurcann's books and records, as at January 23, 2026, amounts payable to unsecured creditors totalled approximately \$12.7 million, comprised of:
 - (i) approximately \$1.6 million, owing to various vendors and suppliers;

- (ii) approximately \$10.6 million owing to the CRA in accrued excise taxes arrears, including amounts that have accumulated since December 31, 2025; and
- (iii) approximately \$600,000 owing to other unsecured creditors, including Health Canada and other accrued amounts.

5.12 Amounts payable to unsecured creditors do not include potential litigation and other contingent liabilities.

6.0 NON-APPLICANT STAY PARTIES

6.1 The Applicants seek an extension of the stay of proceedings granted under the Initial Order to the Non-Applicant Stay Parties. These entities are direct, wholly owned subsidiaries of Ayurcann Holdings Corp., share the same directors and officers of Ayurcann Inc. and their registered offices are located at the Pickering Facility.

6.2 The Non-Applicant Stay Parties are integrated members of the Ayurcann corporate group. The Proposed Monitor is of the view that the relief sought in the Initial Order should be extended to the Non-Applicant Stay Parties in order to minimize distraction to the Applicants' restructuring efforts and to facilitate the Applicants' ability to market and sell their interests in the Non-Applicant Stay Parties.

7.0 CASH FLOW FORECAST

7.1 The Applicants have prepared the Cash Flow Forecast for the 10-day period ending February 9, 2026 (the "**Initial Period**"). A copy of the Cash Flow Forecast, together with a summary of assumptions (the "**Cash Flow Assumptions**") and management's report on

the cash-flow statement required by section 10(2)(b) of the CCAA are attached hereto as **Appendices “B” and “C”**, respectively.

7.2 The following table provides a summary of the Cash Flow Forecast:

Cash Flow Forecast		\$000's
		<u>Initial Period</u>
Receipts		\$265
Disbursements		
Payroll & Benefits		(-)
Sales and Marketing		(-)
Excise Taxes		(-)
Sales Taxes		(-)
Office and General		(114)
Restructuring Professional Fees		(-)
Total Disbursements		(114)
Net Cash Flow		151
Opening Cash Balance		343
Net Cash Flow		151
Ending Cash Balance		\$494

7.3 The Proposed Monitor notes that only limited receipts and disbursements are forecast during the Initial Period. Receipts include the collection of existing accounts receivable anticipated to be collected during the Initial Period. Vendor payments include only post-filing obligations.

7.4 During the Initial Period, net cash flows are projected to be positive \$151,000. No additional interim financing is required during the Initial Period. However, to the extent that the cash flows filed by the Applicants after the Initial Period demonstrate that they require additional liquidity, the Applicants intend to seek approval of the DIP Facility at the Comeback Hearing.

- 7.5 Based on the Proposed Monitor’s review, nothing has come to its attention that causes it to believe, in all material respects, that: (i) the Cash Flow Assumptions are not consistent with the purpose of the Cash Flow Forecast; (ii) as at the date of this Report, the Cash Flow Assumptions are not suitably supported and consistent with the plans of Ayurcann or do not provide a reasonable basis for the Cash Flow Forecast, given the Cash Flow Assumptions; or (iii) the Cash Flow Forecast does not reflect the Cash Flow Assumptions.
- 7.6 The Cash Flow Forecast has been prepared solely for the purpose described above and readers are cautioned that it may not be appropriate for other purposes.

8.0 CASH MANAGEMENT SYSTEM

- 8.1 As described in the Sudman Affidavit, cash disbursements and collections are managed on a day-to-day basis by treasury and finance personnel directly through the Company’s primary operating banking account (the “**Cash Management System**”).
- 8.2 Ayurcann maintains and administers one bank account (the “**Bank Account**”) with Alterna Savings & Credit Union Limited (“**Alterna**”), which holds the Company’s operating and corporate funds. In addition, the Company maintains a corporate American Express credit card used for day-to-day operational expenses, and an account with Corpay, a payment platform that allows the Applicants to effect payments in multiple currencies.
- 8.3 Pursuant to the proposed Initial Order, the Applicants seek approval of their continued use of the Cash Management System in substantially the same manner as before the commencement of these CCAA Proceedings. Given the scale and nature of Ayurcann’s operations, the Proposed Monitor is of the view that the continued use of the existing Cash Management System is required and appropriate during these CCAA Proceedings.

8.4 As part of its monitoring procedures, the Proposed Monitor will:

- (i) review receipts and disbursements processed through the Cash Management System;
- (ii) review weekly receipts and disbursements summaries, compare the summaries to the corresponding cash flow forecasts and review variances with management; and
- (iii) review disbursements, as reasonably appropriate, for compliance with provisions of the proposed Initial Order.

9.0 COURT ORDERED CHARGES SOUGHT IN THE INITIAL ORDER

9.1 The proposed Initial Order seeks the granting of the:

- (i) Administration Charge in the initial amount of \$250,000; and
- (ii) Directors' Charge in the initial amount of \$625,000.

9.2 The Initial Order provides that the Charges are to rank in priority to all other security interests, trusts, liens, charges, encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**"), in favour of any person, provided that the Charges shall rank behind Encumbrances in favour of any parties that have not been served with notice of the Applicants' application under the CCAA. The Proposed Monitor understands the Applicants will seek full priming of the Charges at the Comeback Hearing.

Administration Charge

- 9.3 The proposed Initial Order provides for a first ranking charge in an amount not to exceed \$250,000 on the Property to secure the fees of the Monitor, counsel to the Monitor and counsel to the Applicants (the “**Administration Charge**”). The Proposed Monitor understands that the Applicants intend to seek an increase in the amount of the Administration Charge to \$800,000 at the Comeback Hearing.
- 9.4 The Proposed Monitor assisted Ayurcann in the calculation of the Administration Charge and is of the view that the amount of the charge for the initial 10-day period is reasonable and appropriate in the circumstances, having regard to the nature of the proceedings and the size of charges approved in similar proceedings.

Directors’ Charge

- 9.5 The proposed Initial Order provides that the Applicants will indemnify their current and future directors and officers against obligations and liabilities that they may incur in their capacity as directors and officers of the Applicants from the commencement of the CCAA Proceedings, except to the extent that any obligation or liability was incurred as a result of gross negligence or wilful misconduct, and provides for a second ranking charge on the Property subordinate to the Administration Charge in the amount of \$625,000 as security for any such obligations or liabilities arising after the commencement of these CCAA Proceedings (the “**Directors’ Charge**”).
- 9.6 As described in the Sudman Affidavit, Ayurcann maintains directors’ and officers’ liability insurance (the “**D&O Insurance**”). However, it is uncertain whether all claims for which

the directors and officers may be personally liable will be covered by the D&O Insurance given exclusions under the policy. It is also uncertain whether the coverage provided by the D&O Insurance will be sufficient to adequately protect the directors and officers from liability and to incentivize the directors and officers to continue their service to Ayurcann.

9.7 The Proposed Monitor assisted Ayurcann in sizing the Directors' Charge, taking into consideration the amount of Ayurcann's payroll, vacation pay, federal and provincial sales tax and excise tax liabilities during the proposed initial 10-day stay period. The Applicants' directors and officers will only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any D&O Insurance, or to the extent that such coverage is insufficient to pay the amounts indemnified.

9.8 The components that comprise the proposed Directors' Charge are estimated as follows:

Proposed Director's Charge	
Provision for employee wages and source deductions	\$200,000
Provision for accrued vacation, employee benefits, and other amounts	40,000
Provision for sales taxes (HST, GST)	55,000
Provision for excise taxes	330,000
Total	\$625,000

9.9 The Proposed Monitor understands that the directors and officers of the Applicants have advised that they are not willing to continue in their current roles absent the protection afforded to them under the Directors' Charge. In the circumstances, the Proposed Monitor is of the view that the Directors' Charge is required and reasonable.

10.0 INTENDED NEXT STEPS IN THESE CCAA PROCEEDINGS

10.1 The Proposed Monitor understands that, subject to obtaining the proposed Initial Order, Ayurcann intends to:

- (i) continue to operate its business in the ordinary course, including focusing efforts on production and sales;
- (ii) continue discussions with the potential stalking horse bidder in connection with the stalking horse bid and providing financing under the DIP Facility;
- (iii) develop a KERP, pursuant to which the Company proposes to make retention payments to a limited number of the Applicants' employees;
- (iv) return to Court at the Comeback Hearing to seek the ARIO; and
- (v) develop and seek approval of a Sale Process, to be implemented by the Monitor.

11.0 STAY OF PROCEEDINGS

11.1 The proposed Initial Order contemplates the granting of an initial 10-day stay of proceedings in respect of Ayurcann, its business and the Property, as well as Ayurcann's directors and officers.

11.2 The proposed stay of proceedings will provide Ayurcann with stability for its business and enable it to operate in the normal course while it works to develop and implement the Sale Process or other restructuring solution to maximize value for stakeholders.

12.0 MONITOR'S RECOMMENDATION

12.1 For the reasons set out in this Report, the Proposed Monitor is of the view that the relief sought by the Applicants in the proposed Initial Order is reasonable, appropriate and necessary, having regard to the current circumstances of the Company.

12.2 The Proposed Monitor supports the Applicants' application for CCAA protection and respectfully recommends that the Court grant the Initial Order containing the relief requested by the Applicants.

All of which is respectfully submitted to this Court this 29th day of January, 2026.

ALVAREZ & MARSAL CANADA INC.,
solely in its capacity as Monitor of Ayurcann
Holdings Corp. *et al.*

Per:



Josh Nevsky
Senior Vice President

**CONFIDENTIAL APPENDIX B
KEY EMPLOYEE RETENTION PLAN**

KEY EMPLOYEE RETENTION PLAN SUMMARY

[Subject to Sealing Order Request.]

APPENDIX C
UPDATED CASH FLOW FORECAST

Ayurcann
Cash Flow Forecast

Unaudited, in CAD \$

	<u>Note</u>	Week 1 Feb-06	Week 2 Feb-13	Week 3 Feb-20	Week 4 Feb-27	Week 5 Mar-06	Week 6 Mar-13	6 Week Total
Receipts	1	388,920	23,459	269,898	532,522	264,825	464,419	1,944,044
<u>Disbursements</u>								
Payroll & Benefits	2	(7,944)	(147,514)	--	(147,514)	--	(155,459)	(458,432)
Sales and Marketing	3	--	(247,120)	(55,370)	(282,055)	(259,960)	(294,283)	(1,138,789)
Excise Taxes	4	--	--	--	--	--	--	--
Sales Taxes	5	--	--	--	(165,365)	--	--	(165,365)
Office and General	6	(100,350)	(16,950)	(20,700)	(24,948)	(127,470)	(40,680)	(331,098)
Professional Fees	7	--	(80,000)	(235,000)	--	--	(127,500)	(442,500)
Total Disbursements		(108,294)	(491,584)	(311,070)	(619,882)	(387,430)	(617,922)	(2,536,183)
Net Cash Flow		280,626	(468,125)	(41,172)	(87,360)	(122,605)	(153,503)	(592,139)
Cash Balance								
Beginning Cash		876,485	1,157,110	688,985	647,813	560,453	437,848	876,485
+/- Net Cash Flow		280,626	(468,125)	(41,172)	(87,360)	(122,605)	(153,503)	(592,139)
Ending Cash		1,157,110	688,985	647,813	560,453	437,848	284,345	284,345

Ayurcann

6-Week Cash Flow Forecast

Notes and Summary of Assumptions

Disclaimer

In preparing this illustrative cash flow forecast (the "Forecast"), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast reflects assumptions including those discussed below with respect to the requirements and impact of a filing under the Companies' Creditors Arrangement Act ("CCAA"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized. The Forecast is presented in thousands of CAD dollars.

The Forecast is presented in Canadian dollars.

1) Receipts

Includes collection of existing receivables and future sales based on management's forecast.

2) Payroll & Benefits

Includes salaries, wages, statutory remittances and benefits for salaried and hourly employees disbursed bi-weekly.

3) Sales and Marketing

Includes supplies and materials related to forecast sales.

4) Excise Taxes

Includes excise taxes relating to the sale of cannabis product during the post-filing period only.

5) Sales Taxes

Sales taxes are projected to be paid in the ordinary course.

6) Office and General

Includes rent, insurance and other overhead costs.

7) Professional Fees

Includes payments to the Applicants' legal counsel, the Monitor and the Monitor's counsel.

APPENDIX D
MANAGEMENT'S REPRESENTATION LETTER
REGARDING THE CASH FLOW FORECAST



AYURCANN

Alvarez & Marsal Canada Inc.

200 Bay Street, Suite 2900

Toronto ON M5J 2J1

Attention: Mr. Joshua Nevsky

February 5, 2026

Dear Sirs:

Re: Ayurcann Holdings Corp., and Ayurcann Inc. (together, “Ayurcann” or the “Applicants”) – CCAA section 10(2) Prescribed Representations with Respect to Updated Cash Flow Forecast

In connection with the Ayurcann proceedings under the Companies’ Creditors Arrangement Act, the management of Ayurcann have prepared the attached cash flow statement for the period January 31, 2026 to March 13, 2026 (the “Updated Cash Flow Forecast”) and the list of assumptions on which the Updated Cash Flow Forecast is based. The purpose of the Updated Cash Flow Forecast is to determine the liquidity requirements of the Applicants during the CCAA proceedings.

Ayurcann confirms that the hypothetical assumptions on which the Updated Cash Flow Forecast is based are reasonable and consistent with the purpose described herein, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the projections. All such assumptions are disclosed in notes to the Updated Cash Flow Forecast (the “Notes”).

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

The projections have been prepared solely for the purpose described herein, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Updated Cash Flow Forecast may not be appropriate for other purposes.

Yours truly,

Per: Igal Sudman, CEO

Ayurcann Inc.

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 +1.905.492.3322

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

Court File No: CL-26- 00000039-0000

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
AYURCANN HOLDINGS CORP. AND AYURCANN INC.**

Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**
Proceeding commenced at Toronto

FIRST REPORT OF THE MONITOR

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