

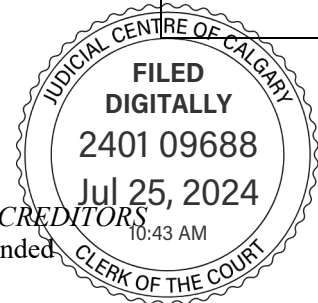
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COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

MATTER 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
BIO-TECH INC., DELTA 9 LIFESTYLE CANNABIS CLINIC
INC., DELTA 9 CANNABIS STORE INC., AND DELTA 9
LOGISTICS INC.

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

July 22, 2024

ADDRESS FOR
SERVICE AND
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INTRODUCTION

1. On July 15, 2024 (the "**Filing Date**"), Delta 9 Cannabis Inc. ("**Delta Parent**"), Delta 9 Bio-Tech Inc. ("**Bio-Tech**"), Delta 9 Lifestyle Cannabis Clinic Inc. ("**Lifestyle**"), Delta 9 Cannabis Store Inc. ("**Store**") and Delta 9 Logistics Inc. ("**Logistics**" and collectively, the "**Delta 9 Group**" or the "**Applicants**") were granted an initial Order (the "**Initial Order**") by the Court of King's Bench of Alberta (the "**Court**"), in relation to proceedings (the "**CCAA Proceedings**") under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**"). Pursuant to the Initial Order, Alvarez & Marsal Canada Inc., ("**A&M**") was appointed as monitor (the "**Monitor**") in the CCAA Proceedings.
2. Amongst other things, the Initial Order provided for:
 - a) a stay of proceedings (the "**Stay Period**") until July 25, 2024 (the "**Initial Stay Period**");
 - b) approval of charges over the assets, undertaking and property of the Applicants (the "**Property**") in the following relative priorities:
 - i. First – a charge in favour of the Monitor, its legal counsel and the Applicants' legal counsel in respect of their fees and disbursements to a maximum amount of \$350,000 (the "**Initial Administration Charge**"); and
 - ii. Second – a charge in favour of the Applicants' directors and officers to a maximum amount of \$300,000 (the "**Initial Directors' Charge**"); and
 - c) following review by, and the consent of, the Proposed Monitor, permission for the Applicants to pay certain pre-filing payables (up to \$200,000).
3. Capitalized terms not defined in this Monitor's First Report (this "**Report**" or the "**First Report**") are as defined in the Initial Order, the Pre-Filing Report of the

Monitor dated July 12, 2024 (the "**Pre-Filing Report**"), the Arbuthnot Affidavits¹ or the materials filed by the by Applicants in connection with the Comeback Application (defined below).

4. As discussed further herein, the Applicants have entered into a binding plan sponsor term sheet dated July 12, 2024 (the "**Restructuring Term Sheet**") with Fika Herbal Goods ("**Fika**" or the "**Plan Sponsor**"). The Restructuring Term Sheet provides support for the Applicants' proposed restructuring plan and ensures that will be sufficient financing available through interim financing to complete the restructuring plan.
5. The Applicants have now filed an application with this Honourable Court returnable July 24, 2024, (the "**Comeback Application**"). The relief sought by the Applicants at the Comeback Applications includes, among other things:
 - a) an amended and restated Initial Order (the "**ARIO**"):
 - i. extending the Stay Period to September 15, 2024 (the "**Stay Extension**");
 - ii. approving the interim financing facility (the "**Interim Financing Facility**") to be provided by the Plan Sponsor to the Applicants in a principal amount of up to \$16,000,000 pursuant to the terms and conditions of the Interim Financing Term Sheet (defined below) and the proposed repayment of the SNDL Debenture (as defined below) as well as specific terms required by the Restructuring Term Sheet, including a break fee in favor of the Plan Sponsor (the "**Break Fee**") and the appointment of Mark Townsend as chief restructuring officer (the "**CRO**");

¹ Including the Affidavit of John Arbuthnot IV sworn July 12, 2024 (the "**First Arbuthnot Affidavit**"), the Affidavit of John Arbuthnot IV sworn July 18, 2024 (the "**Second Arbuthnot Affidavit**") and together, with all other affidavits of John Arbuthnot IV and any supplements thereto sworn in these CCAA Proceedings (the "**Arbuthnot Affidavits**").

- iii. approving a proposed key employee retention plan (the "**KERP**");
- iv. increasing to the Initial Administration Charge from \$350,000 to \$750,000 (the "**Amended Administration Charge**");
- v. increasing the Initial Directors' Charge from \$300,000 to \$900,000 and extending the same in favour of legal counsel of the directors and officers of the Applicants, Norton Rose Fulbright LLP (the "**Amended Directors' Charge**");
- vi. approval of the following additional charges over the Property in the following relative priorities:
 - (A) Third – a charge in favour of certain key employees of the Applicants for amounts to be provided under the KERP in the amount of \$655,000 (the "**KERP Charge**").
 - (B) Fourth – a charge in favour of the Interim Lender, in the amount of \$16,000,000, plus interest, costs and expenses, ranking subordinate to the SNDL Inc. ("**SNDL**") secured indebtedness (the "**Interim Lender's Charge**"); and
 - (C) Fifth – a charge in favour of the Plan Sponsor in the amount of \$1,500,000 representing the Break Fee, ranking subordinate to the SNDL secured indebtedness (the "**Break Fee Charge**"),

(collectively, with the Amended Administration Charge and the Amended Directors' Charge, the "**Charges**"); and
- b) an Order (the "**SISP Order**") approving a proposed sales and investment solicitation process (a "**SISP**") with respect to Bio-Tech (the "**Bio-Tech SISP**");

- c) an order approving a claims procedure to determine the claims of creditors and establish a claims bar date to prove such claims (the "**Claims Procedure Order**");
- d) a Restricted Court Access Order (the "**Restricted Court Access Order**") temporarily sealing the Confidential Appendix 1 and 2 to this Report (the "**Confidential Appendices**") on the Court record; and
- e) such further and other relief as may be sought by the Applicants and this Honourable Court may be deemed appropriate in the CCAA Proceedings.

PURPOSE

- 6. The purpose of this Report is to provide information to this Honourable Court in respect of the following:
 - a) the initial activities of the Monitor since the granting of the Initial Order;
 - b) the actual cash flow results of Delta 9 Group compared to its Consolidated Cash Flow Forecast (defined and discussed below);
 - c) the Applicants' consolidated cash flow projection for the 13-week period from July 19, 2024 to October 18, 2024;
 - d) details of the Restructuring Term Sheet, including background on Fika, the request for the Break Fee and related charge, and the appointment of the CRO (including the application for the Restricted Court Access Order concerning Confidential Appendix "1" to this Report);
 - e) the reasons underlying the Applicants' requests for approval of:

- i. the Interim Financing Facility, the Interim Financing Term Sheet and the proposed repayment of the SNDL Debenture (as defined herein);
 - ii. the Bio-Tech SISP;
 - iii. the KERP (including the Restricted Court Access Order concerning Confidential Appendix "2" to this Report);
 - iv. the increase and resulting Amended Administration Charge and Amended Directors' Charge;
 - v. the additional Charges;
 - vi. the proposed extension of the Stay Period; and
 - f) the Monitor's overall recommendation in respect of the foregoing.
7. This Report should be read in conjunction with the Applicants' materials filed in support of the Comeback Application. The Monitor notes that certain of the relief sought by the Delta 9 Group, including but not limited to the SISP, the KERP and the KERP Charge and the Directors' Charge remain subject to ongoing negotiations among the Delta 9 Group, the Plan Sponsor and/or SNDL. As such, the Monitor is relying on existing drafts that have been provided to the Court and, to the extent any changes are material, the Monitor will provide further comments either in a supplemental Report or orally to the Court at the Comeback Application.

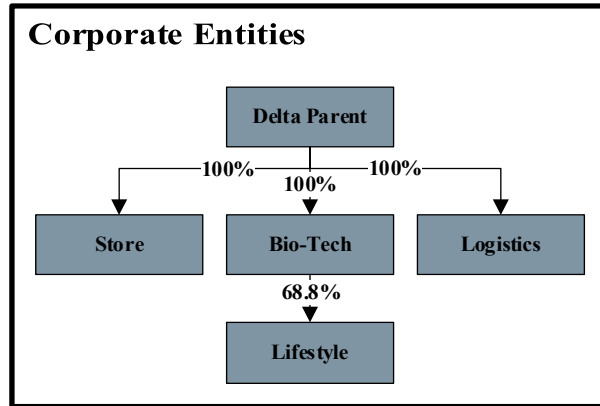
TERMS OF REFERENCE AND DISCLAIMER

8. In preparing this 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 the Applicants and has held discussions with the Applicants' management ("**Management**") and their respective counsel and directors (collectively, the "**Information**"). Except as otherwise described in this Report, in respect of the Applicants' cash flow forecast:

- a) 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
 - b) 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.
9. Future-oriented financial information referred to in this Report was prepared based on the Applicants' estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.
10. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

BACKGROUND

11. The Delta 9 Group is engaged in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business-to-business sales. A copy of the Delta 9 Group's organizational chart is attached to the July 12 Arbuthnot Affidavit as Exhibit "6" and is summarized below:



12. Delta Parent is a publicly traded corporation incorporated in the province of British Columbia, regulated by the Manitoba Securities Commission, and a reporting issuer in all provinces and territories in Canada. Delta Parent holds 100% of the issued and outstanding shares of Bio-Tech, Logistics, and Store.
13. Bio-Tech is a privately held corporation existing under the laws of the province of Alberta. Bio-Tech is a 100% wholly-owned subsidiary of Delta Parent. Bio-Tech is the licensed producer in the Applicants' corporate structure, holding a licence issued by Health Canada pursuant to the *Cannabis Act*, SC 2018, c 16, which permits Bio-Tech to produce and sell cannabis, cannabis oils, extracts, and derivative products. Bio-Tech operates a 95,000-square-foot cannabis cultivation and processing facility located at 760 Pandora Avenue East in Winnipeg, Manitoba. Bio-Tech owns 68.8% of the issued and outstanding shares of Lifestyle.
14. Logistics is a privately held corporation existing under the laws of the province of Alberta. It was established to enter into a supply agreement with the Manitoba Liquor & Lotteries Corporation and to facilitate the supply of recreational cannabis products to the province of Manitoba. The Monitor understands that this supply agreement expired on June 28, 2019, and is no longer required as the government of Manitoba has granted Delta Parent authorization to continue supplying its products in Manitoba. Logistics operates under an April 14, 2022 Distribution Agreement with the Manitoba Liquor, Gaming and Cannabis Authority. Logistics

operates a distribution and cross-docking facility located at 770 Pandora Avenue East in Winnipeg, Manitoba.

15. Store is a privately held federal corporation incorporated under the *Canada Business Corporations Act* and extra-provincially registered in Alberta, with 100% of its shares owned by Delta Parent. Store owns and operates 21 cannabis retail stores across Alberta and one cannabis retail store in Saskatchewan under the trade names "Delta 9 Cannabis Store," "Discounted Cannabis," and "Uncle Sam's Cannabis". Delta Store is licensed for the retail sale of recreational cannabis by both the Alcohol, Gaming, Lottery and Cannabis Authority of Alberta and the Saskatchewan Liquor and Gaming Authority.
16. Lifestyle is a privately held corporation existing under the laws of the province of Alberta. Bio-Tech owns 68.8% of Lifestyle's issued and outstanding shares, while the remaining portion is owned by Fika. Lifestyle owns and operates a chain of 19 retail cannabis stores across Manitoba under the trade names "Delta 9 Cannabis Store" and "Garden Variety". These stores offer cannabis flowers, oils, pre-rolls, derivative products, and accessories to adult recreational customers. Lifestyle is licensed by the Liquor, Gaming and Cannabis Authority in Manitoba for the retail sale of recreational cannabis.
17. Further information regarding the cause of the Applicants' insolvency and these CCAA Proceedings, including the Initial Order, the Arbuthnot Affidavits and other affidavits, and the Pre-Filing Report are available on the Monitor's website at: www.alvarezandmarsal.com/delta9 (the "**Monitor's Website**").

INITIAL ACTIVITIES OF THE MONITOR

18. Following the granting of the Initial Order, the Monitor's activities to date have included the following:
 - a) conducting ongoing discussions with Management and the Delta 9 Group's legal counsel regarding the Delta 9 Group's business and financial affairs;

- b) engaging in discussions with the Delta 9 Group and its legal counsel with respect to various matters including the Interim Financing Facility, the KERP and the SISP;
- c) assisting Management with the roll-out of the Delta 9 Group's post-filing communication plans with various trade creditors, suppliers and other stakeholders;
- d) attending townhall meetings with employees both virtually and in-person in Winnipeg;
- e) preparing and issuing requisite statutory notices under the CCAA and the Initial Order, which involved:
 - i. establishing the Monitor's Website and posting the Initial Order, and other filed materials thereon;
 - ii. coordinating the publishing of notices as prescribed under the CCAA in *The Globe and Mail*, the *Calgary Herald*, and the *Winnipeg Free Press*, which were published on July 18, 2024 and the *Insolvency Insider* which was published on July 22, 2024;
 - iii. preparing a list of creditors with claims over \$1,000 and posting same to the Monitor's Website;
 - iv. coordinating and distributing the requisite statutory notice to the Delta 9 Group's creditors known to the Monitor, which were mailed on July 18, 2024;
 - v. filing the required statutory notices and forms with the Office of the Superintendent of Bankruptcy as required under section 23(1)(f) of the CCAA; and

- vi. establishing various reporting protocols with the Delta 9 Group, including, but not limited to, reviewing the Delta 9 Group's receipts and disbursements and the associated cash flow reporting;
- f) retaining independent legal counsel, Burnet, Duckworth & Palmer LLP ("**BD&P**"), and holding conversations with the Monitor's Counsel regarding various matters pertaining to these CCAA Proceedings;
- g) retaining independent Manitoba legal counsel, Taylor McCaffrey LLP ("**Manitoba Counsel**" and together with BD&P, "**Monitor's Counsel**") and holding conversations regarding various matters pertaining to these CCAA Proceedings;
- h) reviewing and discussing the weekly payables with Management;
- i) responding to information requests from SNDL and attending meetings with their financial advisor;
- j) assisting in various communications and meetings with the Delta 9 Group's financial accounting team; and
- k) reviewing the Delta 9 Group's bank details and assisting the Delta 9 Group with the compilation of their budget to actual reporting for purposes of communicating the same to this Honourable Court.

ACTUAL CASH FLOW RESULTS COMPARED TO FORECAST

19. The Delta 9 Group's actual cash receipts and disbursements as compared to the Consolidated Cash Flow Forecast presented in the Pre-Filing Report during the period of July 15, 2024 to July 19, 2024 (the "**Reporting Period**") is summarized below.

Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc., Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc.
Cash Flow Variance - Prepared by Management
For the period from July 15, 2024 to July 19, 2024
unaudited, in CAD \$000's

	Forecast	Actual	Variance
Receipts			
Accounts Receivable - Government	125	107	(18)
Accounts Receivable - Other	165	47	(118)
Cannabis Sales	1,141	906	(235)
Total Receipts	1,431	1,060	(371)
Operating Disbursements			
Cannabis Product Purchases	797	759	38
Payroll and Source Deductions	592	612	(20)
Rent, Utilities and Insurance	-	14	(14)
Logistics, Product Treatment and Lab Testing	50	4	46
Production Supplies and Materials	25	60	(35)
SG&A Expenses	65	25	40
Contingency	15	-	15
Excise Tax Remittance	225	-	225
Total Operating Disbursements	1,769	1,473	296
Net Cash Flow from Operations	(338)	(413)	(75)
Non-Operating Disbursements			
Potential Critical Supplier Costs	-	-	-
Professional Fees	-	-	-
Total Non-Operating Disbursements	-	-	-
Net Cash Flow	(338)	(413)	(75)
Opening Cash	528	528	-
Net Cash Flow	(338)	(413)	(75)
Ending Cash	190	115	(75)

20. Over the Reporting Period, the Delta 9 Group experienced a negative cash flow variance of approximately \$75,000, primarily as a result of temporary timing differences, as well as two large offsetting permanent variances, which are described below:

- a) a negative timing variance related to accounts receivable (government and other). Management anticipates these amounts to be received in the coming weeks, and they have been reflected in Week 1 of the Consolidated Cash Flow Forecast (defined and discussed below);

- b) a positive timing variance related to logistics, product treatment, lab testing and SG&A expenses. Management has advised that these amounts will be paid in the coming weeks, and they have been reflected in Week 1 of the Consolidated Cash Flow Forecast;
- c) a positive permanent variance due to the allocated contingency that was not required during the Reporting Period. The contingency was incorporated into the Consolidated Cash Flow Forecast to account for unexpected costs not forecasted during the Forecast Period (defined below); and
- d) a negative permanent variance of \$235,000 related to cannabis sales related to cash receipts collected early and reflected in the opening cash balance; and
- e) a positive permanent variance of \$225,000 related to an excise tax payment. This amount was included as contingency for the payment of pre-filing excise taxes that could have been, but ultimately were not, automatically withdrawn from Delta 9 Group's account during the Reporting Period.

CCAA CASH FLOW FORECAST

21. Management has prepared a weekly consolidated cash flow forecast (the "**Consolidated Cash Flow Forecast**") for the 13-week period from July 19, 2024 to October 18, 2024 (the "**Forecast Period**"), using the probable and hypothetical assumptions set out in the notes to the Consolidated Cash Flow Forecast. A copy of the Consolidated Cash Flow Forecast, together with a summary of the assumptions are attached hereto as Appendix "A" and Appendix "B", respectively.

22. The Consolidated Cash Flow Forecast is summarized below:

Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc., Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc. Management Prepared 13 Week Cash Flow Forecast For the period from July 19, 2024 to October 18, 2024 <i>unaudited, in CAD \$000's</i>	
	13 Week Total
Receipts	
Accounts Receivable - Government	1,893
Accounts Receivable - Other	2,513
Cannabis Sales	14,833
Total Receipts	19,239
Operating Disbursements	
Cannabis Product Purchases	10,364
Payroll and Source Deductions	3,552
Consultant Fees	98
Rent, Utilities and Insurance	1,573
Logistics, Product Treatment and Lab Testing	696
Production Supplies and Materials	425
SG&A Expenses	885
Contingency	195
Excise Tax Remittance	338
GST Remittance	120
Total Operating Disbursements	18,245
Net Cash Flow from Operations	994
Non-Operating Disbursements	
Potential Critical Supplier Costs	200
Key Employee Retention Plan	365
Professional Fees	2,585
Debt Service	840
Total Non-Operating Disbursements	3,990
Net Cash Flow	(2,996)
Opening Cash	115
Net Cash Flow	(2,996)
Interim Financing Advance/(Repayment)	3,000
Ending Cash	118
Opening Interim Financing Balance	
Advances	3,000
Repayments	-
Closing Interim Financing Balance	3,000

23. A summary of the Consolidated Cash Flow Forecast and select assumptions underlying the same are as follows:

- a) total projected cash receipts of approximately \$19.2 million;
- b) total projected operating cash disbursements of approximately \$18.2 million and non-operating cash disbursements of approximately \$4.0 million, resulting in a net decrease in cash of approximately \$3.0 million during the Forecast Period; and
- c) borrowings from the Interim Financing Facility of \$3.0 million, subject to Court approval.

24. Pursuant to section 23(1)(b) of the CCAA, and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Professional Practice No. 9, the Monitor hereby reports as follows:

- a) the Consolidated Cash Flow Forecast has been prepared by Management for the purpose described in the notes to the Cash Flow Forecast, using probable and hypothetical assumptions as set out in the notes;
- b) the Monitor's review of the Consolidated Cash Flow Forecast consisted of inquiries, analytical procedures, and discussion related to information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purposes of the Consolidated Cash Flow Forecast. The Monitor also reviewed the support provided by Management for the probable assumptions and the preparation and presentation of the Consolidated Cash Flow Forecast;

- c) based on the Monitor's preliminary review of the Consolidated Cash Flow Forecast, nothing has come to the Monitor's attention to believe that, in all material respects:
 - i. the hypothetical assumptions are inconsistent with the purpose of the Consolidated Cash Flow Forecast;
 - ii. as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the Delta 9 Group's plans or do not provide a reasonable basis for the Consolidated Cash Flow Forecast, given the hypothetical assumptions; or
 - iii. the Consolidated Cash Flow Forecast does not reflect the probable and hypothetical assumptions; and
- d) since the Consolidated Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Monitor does not express any assurance as to whether the Consolidated Cash Flow Forecast will be accurate. The Monitor does not express any opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report, or relied upon by the Monitor in preparing this Report.

25. The Consolidated 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.

RESTRUCTURING TERM SHEET

26. The Delta 9 Group has been engaged with Fika regarding the terms of a potential merger transaction since late 2023. The Monitor understands that Fika's original offer was submitted in the Spring of 2024 and has since been refined and negotiated

into the current offer advanced through these CCAA Proceedings and as represented by the Restructuring Term Sheet.

Fika

27. Fika is a leading Canadian cannabis retailer operating 144 stores across five provinces and one territory and have been in the retail industry since July 2021.² The Monitor is seeking additional financial information from Fika; however, based on the responses to its initial inquiries, the Monitor is satisfied that Fika has the financial wherewithal to fulfill its obligations under the Plan Sponsor Term Sheet.
28. Fika is a privately-held company whose three (3) main investors (the "**Key Fika Shareholders**") account for approximately 80% of its outstanding voting shares. The remaining minority shareholders are those of smaller investors. Through oral and written discussions, including a draft confidential commitment letter (which the Monitor expects to have a final, signed copy prior to the Comeback Application) addressed to the Monitor, Fika and/or the Key Fika Shareholders (as the case may be) have advised the Monitor that:
- a) the Key Fika Shareholders consist of ultra-high-net-worth individuals / institutions who have deep and longstanding relationships with certain Schedule I banks under the *Bank Act* who have been supportive in providing facilities in Fika's recent cannabis acquisitions;
 - b) the Key Fika Shareholders have advised the Monitor that they possess sufficient resources to provide the liquidity funding required to close the transactions currently contemplated by Fika transaction;
 - c) in September 2023, Fika was the successful acquirer of Fire & Flower Inc. ("**Fire & Flower**") through a CCAA proceeding adjudicated in the Ontario Superior Court of Justice, ultimately acquiring seventy-two

² Further background on Fika is contained in the Affidavit of Mark Townsend, sworn July 19, 2024 (the "**Townsend Affidavit**").

(72) retail locations and, since the closing of the Fire & Flower transaction, the Monitor is further advised that Fika has closed three additional cannabis acquisitions incorporating an additional 45 stores in its portfolio for a transaction value aggregating over \$27 million; and

- d) they are well capitalized and are committed to fulfill their obligations under the proposed Plan Sponsor Term Sheet.

Proposed Break Fee & Break Fee Charge

- 29. The Delta 9 Group is seeking this Honourable Court's approval for the payment of the Break Fee of \$1,500,000 to the Plan Sponsor if this Court approves any plan of compromise, arrangement or other transaction that would preclude the Plan Sponsor from completing the acquisition contemplated by the Restructuring Term Sheet (the "**Acquisition Transaction**"), or the Delta 9 Group otherwise enters into any agreement that would preclude the Acquisition Transaction.
- 30. The proposed Break Fee is a covenant of the Delta 9 Group contained in the Restructuring Term Sheet. The Break Fee was calculated to compensate the Plan Sponsor for its considerable investment of both funds and time in the process to date, including its work with the Delta 9 Group for many months negotiating with the Delta 9 Group's former primary secured lender, ConnectFirst Credit Union, and other of the Applicants' shareholders and key stakeholders.
- 31. The Plan Sponsor has entered into the Restructuring Term Sheet and agreed to provide the Interim Financing Facility to not only fund the Delta 9 Group's ongoing business operations during these CCAA Proceedings, but also to repay the SNDL Debenture in full.
- 32. The concept of a break fee occurs regularly in insolvency settings. While generally in the context of stalking horse bids backstopping a SISP, the Monitor agrees with the Delta 9 Group that the Plan Sponsor is effectively acting as a stalking horse bidder as it has exposed the details of the Restructuring Term Sheet to the market. As such, there is a risk to the Plan Sponsor that another party can submit a more

- lucrative plan of arrangement based largely on the Restructuring Term Sheet, preventing the Plan Sponsor from completing the Acquisition Transaction.
33. The Break Fee has been negotiated with the Plan Sponsor to protect the Plan Sponsor from the risk that it will not be compensated for engaging in significant negotiations and discussions with Delta 9 to formulate the proposal contained in the Restructuring Term Sheet after such terms are exposed in a public process.
 34. The Break Fee represents approximately 3% of the estimated \$50,000,000 in total consideration proposed to be advanced by the Plan Sponsor to the Delta 9 Group's stakeholders pursuant to the Restructuring Term Sheet (i.e. the cumulative amount of the repayment of the Senior Debt, the SNDL Debenture, the Interim Financing Facility and the Fika equity and cash components made available to stakeholders).
 35. The Break Fee Charge is proposed to rank after all of the other court-ordered Charges and subordinate to the SNDL secured indebtedness. Further, the Break Fee will only apply in the circumstance that the plan(s) of arrangement contemplated under the Restructuring Term Sheet do not proceed and the Plan Sponsor is prevented from completing the Acquisition Transaction.
 36. The Monitor has reviewed a number of Court-approved break fees for cannabis industry transactions in proceedings under the CCAA and under the *Bankruptcy and Insolvency Act* since 2023 (the "**Comparable Break Fees**"). Based on its analysis, the range of the Comparable Break Fees as a percentage of estimated transaction value is ranges from 1.7% to 5.2%. The Monitor is of the view that the Break Fee and Break Fee Charge are reasonable in the circumstances, which it has calculated at approximately 3%, within this range and the underlying rationale and reasoning is comparable to that of similar insolvency filings.

CRO

37. The Delta 9 Group is seeking this Honourable Court's approval of the appointment of the CRO to facilitate the restructuring. This Court's approval of the CRO is a condition precedent to the Restructuring Term Sheet.

38. Mr. Townsend is the Managing Partner at Broderick Capital Corp. ("**Broderick**") and has over fourteen years of experience in investment banking, private equity, capital markets, corporate development and strategy. His qualifications and experience are detailed further in the Townsend Affidavit, which qualifications include direct involvement in over \$2,000,000,000 of M&A and financing transactions and experience working with both public and private companies in Canada and the US across a wide variety of industries. Further, Mr. Townsend has been engaged with the Delta 9 Group since approximately January, 2024 and has completed a significant review of their financial performance as well as a valuation of their business.
39. The Monitor notes that Broderick's Founding Partner is Mr. Mark Vasey, who is also the Chief Executive Officer of Fika. While the CRO is non-arm's length to Fika and is not a traditional, independent CRO, the Monitor is supportive of the CRO's engagement for, among others, the following reasons:
- a) the CRO shall report to the CEO of Delta Parent and has no agency or ability to bind any of the Applicants without consent of the Delta Parent CEO or its board of directors;
 - b) the CRO has a limited ability to bind or represent the Delta 9 Group and his mandate is not to make managerial or restructuring decisions on behalf of the Delta 9 Group;
 - c) the Monitor believes Mr. Townsend will be able to provide positive and effective assistance to the Company and the Monitor throughout the restructuring proceedings; and
 - d) the Monitor is confident that, as an independent Court Officer, it can ensure that any and all decisions made throughout these CCAA Proceedings are value preserving and maximizing for all stakeholders.
40. A copy of the CRO engagement letter (the "**CRO Engagement**") is attached hereto as a confidential appendix ("Confidential Appendix **1**").

PROPOSED INTERIM FINANCING FACILITY AND CHARGE

41. In order to provide the required liquidity to fund the Applicants' operations during the CCAA Proceedings and to repay the second-lien convertible debenture (the "**SNDL Debenture**") owing to SNDL, the Applicants are seeking approval for interim financing in the form of the Interim Financing Facility. Fika is the Interim Lender under the proposed Interim Financing Facility, which is subject to Court approval of the term sheet between the Delta 9 Group and the Plan Sponsor, dated July 18, 2024 (the "**Interim Financing Term Sheet**").
42. The Interim Financing Facility is non-revolving and is divided into two tranches ("**Tranche 1**" and "**Tranche 2**", respectively). Tranche 1 will be used to fund working capital requirements in connection with the CCAA Proceedings, while Tranche 2 will be used to fund the repayment of the SNDL Debenture.
43. The proposed ARIO provides for the creation of the Interim Lender's Charge to secure advances made under the Interim Financing Facility in the amount of the initial maximum allowable borrowing under the Interim Financing Facility of \$16,000,000, plus interest, costs and expenses.
44. A copy of the Interim Financing Term Sheet submitted to the Court is attached hereto as Appendix "**C**" to this Report. The material terms of the Interim Financing Term Sheet include:
 - a) the amount of the Interim Financing Facility is up to an aggregate maximum of \$16,000,000, comprised of a maximum of \$3,000,000 for Tranche 1 and a maximum of \$13,000,000 for Tranche 2;
 - b) the maximum amount of Tranche 1 shall be advanced to the Borrowers to be disbursed in accordance with the Consolidated Cash Flow Forecast;
 - c) subject to clarification by the Monitor, Tranche 2 will be drawn in a single advance and paid within ten (10) business days of the ARIO by

the Plan Sponsor, for and on behalf of the Delta 9 Group, directly to SNDL to repay the SNDL Debenture; and

d) the term of the Interim Financing Facility shall be the period commencing on the issuance of the ARIO and ending on the earliest of (such ending date, the "**Maturity Date**");

i. October 14, 2024 or such later date specified by the Plan Sponsor in writing;

ii. the implementation of the plan of arrangement within the CCAA Proceedings which, for certainty, has been approved by the requisite majorities of Delta 9 Group's creditors and by an order entered by this Court;

iii. the closing of any sale or investment transaction involving any of the Applicants (other than Bio-Tech or the Acquisition Transaction), which transaction has been approved by an Order of the Court;

iv. the termination of the CCAA Proceedings; or

v. the occurrence of an Event of Default (as defined in the Interim Financing Facility Term Sheet).

45. During the term of the Interim Financing Facility, the Applicants may repay any principal amount of the Interim Financing Facility without penalty provided all accrued interest and recoverable expenses are paid in full. If the Delta 9 Group chooses to prepay any amount owing under the Interim Financing Facility, any such payment shall be applied: (i) first, to all accrued and unpaid interest; (ii) second, to the recoverable expenses; and (iii) third, to any principal amount outstanding under the Interim Financing Facility.

46. Interest accrues on the Interim Financing Facility at the rate of Toronto Dominion Bank's "prime rate" + 3% *per annum*. Interest is calculated on the daily outstanding

balance owing under the Interim Financing Facility, not in advance, and shall accrue and be paid on the Maturity Date.

47. As outlined in the Arbuthnot Affidavits, the advances under the Interim Financing Facility will be administered using the Applicants' cash management system described in paragraphs 107 to 114 of the First Arbuthnot Affidavit.
48. The Consolidated Cash Flow Forecast indicates that, with access to Tranche 1, the Applicants will be able to fund operations in the normal course of business until the expiry of the proposed Stay Period.
49. Absent access to the Interim Financing Facility (or another similar facility), the Delta 9 Group would not be able to continue with its restructuring activities and would likely be faced with an immediate liquidation of its assets. Based on the information available to the Monitor at this time, the Monitor estimates that this would likely result in significantly lower recoveries than those obtained through the CCAA Process.
50. The Monitor has reviewed the terms and values within the Interim Financing Term Sheet, including the annual interest rate and the Interim Lender's Charge, which appear to be commercially reasonable in the circumstances. The Monitor is of the view that the fees are comparable to, and within a reasonable range of, other interim financing loans in recent CCAA filings.
51. Pursuant to section 11.2(4) of the CCAA, the Monitor has reviewed the Interim Financing Term Sheet and has considered the following factors:
 - a) the period during which the Delta 9 Group is expected to be subject to the proceedings under the CCAA;
 - b) how the Delta 9 Group's business and financial affairs are to be managed during the proceedings;
 - c) whether Management has the confidence of its major creditor(s) impacted under these proceedings;

- d) whether the Interim Financing Facility would enhance the prospects of a viable proposal being made in respect of the Delta 9 Group; and
 - e) the nature and value of the Delta 9 Group's property.
- 52. The Monitor is also of the view that the Interim Financing Facility is warranted, as without it, it would be difficult, if not impossible, for the Delta 9 Group to continue in the CCAA Proceedings. Further, in any probable realization strategy, a receiver, trustee or other administrator or manager, would likely recommend expending a similar amount of funds in order to preserve and market the Business and/or the Property, which would be further complicated by the regulated nature of the cannabis industry.

Interim Lender's Charge

- 53. The Applicants are seeking the Interim Lender's Charge against the Property to secure obligations incurred on the Interim Financing Facility.
- 54. Given the benefits that the Interim Financing Facility will provide and the purpose for which it will be utilized in the Consolidated Cash Flow Forecast, the Monitor does not consider the Interim Financing Facility to be unduly prejudicial to the Delta 9 Group's other creditors and the Monitor supports the application for approval of the Interim Lender's Charge in the amount sought. Specifically, the entirety of Tranche 1 is projected to be utilized to cover the Applicants' estimated net cash flow up to October 18, 2024. The Monitor is of the view that the Interim Financing Facility will enhance the Delta 9 Group's ability to restructure under the CCAA.
- 55. The Interim Lender's Charge is necessary in order to ensure that the Interim Lender has security for the Interim Financing Facility. The proposed quantum of the advance under Interim Financing Facility has been determined based upon the projected cash flow needs set out in the Consolidated Cash Flow Forecast.

56. It is the Monitor's respectful view that the Interim Lender's Charge is reasonable and appropriate to ensure the working capital necessary to complete these proceedings.

PROPOSED REPAYMENT OF THE SNDL DEBENTURE

57. The Delta 9 Group is seeking this Honourable Court's approval to repay the SNDL Debenture using Tranche 2 of the Interim Financing Facility.
58. To that end, the Monitor has requested a written opinion from BD&P, confirming the validity and enforceability of the security interests held by SNDL solely in its capacity as lender under the SDNL Debenture and that the same has been validly executed and delivered, and has been perfected and registered in accordance with the laws of the Provinces of Manitoba, Alberta and Saskatchewan.
59. BD&P requested, and legal counsel to SNDL has already provided, documentation in support of the SNDL Debenture for purposes of completing an independent security review. BD&P also requested that SNDL provide details to the Monitor of the amounts owing outstanding under the SNDL Debenture, as the Delta 9 Group has advised the Monitor that they are of the view that a discrepancy exists regarding the amounts owing thereunder.
60. The Monitor has also engaged Manitoba Counsel to independently review the security governed by Manitoba law. BD&P has already commenced its review of the Alberta and Saskatchewan security and has advised the Monitor that it will be completed shortly.
61. Pending receipt of confirmation that: (i) SNDL's security in respect of the SNDL Debenture is enforceable in accordance with its terms as against the subject real and present and after acquired personal property of the Borrowers; and (ii) the amount outstanding as it relates to unpaid and accrued interest, the Monitor is supportive of the repayment of the SNDL Debenture.

PROPOSED SALES AND INVESTMENT SOLICITATION PROCESS

62. To address its liquidity and certain operational concerns, the Delta 9 Group believes that it is important to immediately initiate the Bio-Tech SISP. The Applicants, with the support of the Monitor, believe that a SISP that provides for flexibility in soliciting and selecting bids from interested parties for the sale of or investment in the shares or assets of Bio-Tech, a refinancing, reorganization, recapitalization, restructuring, joint-venture, merger or other business transaction involving Bio-Tech, or some combination thereof, will provide the greatest chance for the Delta 9 Group to complete a restructuring of its operational and financial affairs.
63. The Monitor is concerned that, should a SISP not be implemented forthwith, the Applicants will not have adequate funding and may be unable to complete a restructuring of their operational and financial affairs. A SISP that allows for the greatest flexibility by effectively and efficiently exposing Bio-Tech to the market, while being able to act in a pragmatic manner should an appropriate offer be presented, is critical.
64. The Delta 9 Group, with the support of the Monitor, believes that it is appropriate to initiate a targeted and efficient SISP process that will facilitate a restructuring of the Delta 9 Group's business and financial affairs in the most efficient manner possible while also soliciting the greatest number of potential offers from prospective investors, purchasers and other interested parties.

Summary of proposed Bio-Tech SISP

65. A summary of certain key points of the proposed SISP is below. In the event that the Bio-Tech SISP is approved, all potential bidders are advised to review the SISP procedures that are ultimately attached to the SISP Order and posted to the Monitor's Website. Capitalized terms not otherwise defined in this section of the Report have the meaning set forth in the SISP. A copy of the proposed SISP is attached as Schedule "B" to the Comeback Application.
66. The Bio-Tech SISP will be prepared and implemented by the Monitor and its Sales

Advisor(s) in consultation with the Applicants.

67. The Bio-Tech SISP is intended to solicit interest in, and opportunities for, a sale of, or investment in, all or part of Bio-Tech's assets and business operations (the "**Opportunity**"). The Opportunity may include one or more of a restructuring, recapitalization or other form or reorganization of the business and affairs of Bio-Tech as a going concern, or a sale of all, substantially all, or one or more components of Bio-Tech's assets (the "**Bio-Tech Property**") and business operations (the "**Bio-Tech Business**") as a going concern or otherwise.
68. The SISP authorizes the Monitor, if deemed necessary, to engage one or more sales advisors (each, a "**Sales Advisor**") on customary terms for such engagements. To that end, the Applicants and the Monitor have proactively reached out to potential Sales Advisors regarding the Bio-Tech Property and the Monitor anticipates that engagements are forthcoming. The Monitor does not expect to retain a Sales Advisor for the Bio-Tech Business.
69. Any transaction involving Bio-Tech, its shares or the Bio-Tech Property will be on an "as is, where is" basis and without surviving representations, warranties, covenants or indemnities of any kind, nature, or description by the Delta 9 Group, the Monitor or any of their respective agents, estates, advisors, professionals or otherwise, except to the extent set forth in a written agreement with the person who is a counterparty to such a transaction.
70. The following is a summary of the timelines in the proposed Bio-Tech SISP:

Action	Deadline
Bio-Tech to create list of Known Potential Bidders	July 26, 2024
Monitor to prepare and have available for Potential Bidders the Data Room	July 26, 2024
Monitor to distribute Teaser Letters and NDAs to Known Potential Bidders	July 31, 2024
Bid Deadline	August 26, 2024
Auction (if required)	August 28, 2024

Transaction Approval Application Hearing (if required)	September 2 - 6, 2024
Closing Date Deadline	September 9, 2024

Solicitation of Interest

71. As soon as reasonably practicable after the granting of the SISP Order, the Monitor, in consultation with the Applicants, will prepare a list of Prospective Bidders that will include both strategic and financial parties who, in the reasonable business judgment of the Monitor and the Applicants, may be interested in and have the financial capacity to participate in the Opportunity.
72. Concurrently, the Monitor in conjunction with Delta 9 Group, will prepare an initial offering summary (the "**Teaser**") notifying Potential Bidders of the existence of the SISP procedures and inviting the Potential Bidders to express their interest in making an offer or bid on the Bio-Tech Property or Bio-Tech Business.
73. The Monitor will publish the SISP procedures in various media outlets (newspapers) across the country (global outlets) and *Insolvency Insider* as soon as practical upon granting of the SISP Order and, by no later than July 31, 2024, begin initial distribution of the Teaser, as well as a confidentiality and non-disclosure agreement ("**NDA**") to the Potential Bidders, who have been identified by the Monitor and the Applicants. Upon receipt of the executed NDA to the Monitor, the Potential Bidder will be granted access to a virtual data room and other due diligence material that has been established by the Monitor.
74. The SISP is designed to have one phase and, if necessary, an auction.

Phase I

75. A Potential Bidder will be deemed a "Qualified Bidder" if, in the opinion of the Monitor, and in consultation with the Applicants, the Potential Bidder submits a formal binding bid to the Monitor, with a copy to the Applicants (a "**Qualified Bid**") at anytime before 5:00 p.m. MDT on August 26, 2024 (the "**Bid Deadline**").

- A bid will only qualify as a Qualified Bid in the event that it contains, meets or includes the criteria listed in the SISP. A Qualified Bid must include a non-refundable deposit in the form of a wire transfer to a trust account specified by the Monitor in an amount not less than 10% of the purchase price by the Bid Deadline.
76. Notwithstanding the above, the Monitor, in consultation with the Applicants and acting reasonably, may waive non-compliance with any one or more of the requirements specified in the SISP and may deem any a bid to be a Qualified Bid.
77. The Monitor, in consultation with the Applicants, will assess any Qualified Bid(s) received and will determine whether or not there is a reasonable prospect that the one or more transactions are likely to be consummated from such Qualified Bid(s). Such assessment will be made as promptly as practicable after the Bid Deadline.
78. If the Monitor, in consultation with the Applicants, determines, in its reasonable discretion, that:
- a) one or more Qualified Bids have been received for the Bio-Tech Property not contemplated in the Successful Bid (as defined in the SISP), the Monitor may designate the applicable Qualified Bids as the respective Successful Bids for the applicable Bio-Tech Property (as well as any applicable Back-up Bids (as defined in the SISP)); or
 - b) one or more Qualified Bids have been received for some or all of the Bio-Tech Property, the Monitor may either:
 - i. designate one or more Qualified Bids as Successful Bids and one or more of the other Qualified Bids as Back-up Bids; or
 - ii. provide all parties that have made Qualified Bids, the opportunity to make further bids through the auction process set out below (the "**Auction**").
79. In the event that the Monitor, after consultation with the Applicants, determines that one or more Qualified Bid(s) have been submitted, the Monitor will notify all

Qualified Bidders that they are proceeding to the Auction phase of the SISP.

80. If an Auction is to be held, the Monitor will conduct the Auction commencing at 10:00 a.m. MDT on August 28, 2024 at BD&P's offices in Calgary, Alberta. Further details of the Auction and its potential outcomes are described in the SISP.
81. The Applicants shall thereafter complete the transactions contemplated by such selected Successful Bid(s) in accordance with the terms thereof and any order issued by the Court.

Monitor's view of the SISP

82. The Monitor is of the view that the implementation of the proposed SISP by the Monitor is appropriate under the circumstances, considering:
 - a) the Applicants have been engaged in a soft marketing process to assess the interest of select counter parties who might be interested in purchasing the Bio-Tech Property and Business. This process was ongoing for approximately four to six months prior to the Filing Date; and
 - b) the Monitor (with consent of the Applicants and the Plan Sponsor) may extend the dates set out in the SISP and will consider this option if there is significant interest in the opportunity and/or there are requests from Qualified Bidders to do so.
83. The Monitor is of the respectful view that the SISP Order should be granted by this Honourable Court for the following reasons:
 - a) the SISP provides a fair and transparent process which will be conducted in a manner that grants potential bidders equal access to express their interest in the Opportunity;
 - b) no stakeholder appears to be prejudiced by the process; and

- c) while the Monitor itself has significant experience in marketing distressed assets in these types of circumstances, the Monitor anticipates engaging Sales Advisor(s) in the coming days to further expand the reach of the SISP.

84. The Monitor is also of the view that time is of the essence given the liquidity concerns noted in this Report, and ensuring that a successful restructuring of the business occurs in order to allow it to continue to fulfill orders, meet market demand and exit from the CCAA Proceedings.

PROPOSED CLAIMS PROCEDURE

85. The Applicants are seeking the Claims Procedure Order to approve the Claims Procedure to, among other things, determine the claims of creditors ("**Claims**") and establish a claims bar date to prove Claims (the "**Claims Bar Date**").

86. The purpose of the proposed Claims Procedure is to establish the quantum of claims as at the date of the Initial Order that will be considered under a potential plan(s) of compromise and/or arrangement (the "**Plan**") which the Delta 9 Group may present to its creditors and stakeholders. A copy of the proposed Claims Procedure Order is attached hereto as Appendix "**D**".

87. As set out in greater detail in the Claims Procedure Order, the Monitor, on behalf of the Delta 9 Group, would be authorized to solicit the following claims:

- a) General Unsecured Claims: any right or claim of any Person against any of the Delta 9 Group entities in connection with any indebtedness, liability or obligation of any kind whatsoever of any such Delta 9 Group entity that was in existence on the Filing Date;
- b) D&O Claims: any right or claim that may be asserted by any Person against one or more of the Directors and/or Officers, however arising, whereby such Directors and/or Officers are by law or equity, liable to pay in his or her capacity as a Director or Officer; and

- c) Restructuring Claims: any right or claim of any Person arising out of the restructuring, disclaimer, resiliation, termination or breach by any such Delta 9 Group entity on or after the Filing Date of any contract, lease or other agreement whether written or oral.

88. The Claims Procedure Order does not apply to the following:

- a) any Claim entitled to the benefit of Charges under the Initial Order and/or ARIO;
- b) intercompany Claims owing as between any of the Delta 9 Group entities;
- c) any Claim enumerated in sections 5.1(2) and 19(2) of the CCAA;
- d) any Claim advanced by SNDL as, based on the Restructuring Term Sheet, they are an unaffected creditor; or
- e) any Claim advanced by Fika.

89. The proposed forms and notices for the Claims Procedure are included as schedules to the draft Claims Procedure Order. Capitalized terms describing the Claims Procedure, and as set out below, shall have the meaning ascribed to them in the Claims Procedure Order.

90. The Delta 9 Group, with the support of the Monitor, is of the view that, should this Honourable Court grant the SISP Order, a parallel process to prove Claims should be commenced, which may assist potential participants in determining the quantum of Claims, formulating prospective offers and, for Creditors, participation in a potential plan.

91. The following chart summarizes the key steps and timelines in the proposed Claims Procedure Order:

Action	Deadline
1. Monitor's Website	
Post on the Monitor's Website a copy of: (a) the Claims Procedure Order; (b) the Notices to Creditors; (c) a blank Proof of Claim form; and (d) a blank Notice of Dispute form.	Within (2) business days following issuance of Claims Procedure Order.
2. Notice of Claims	
Claims Package sent to each Creditor with an Affected Claim as evidenced by the books and records of the Applicants as of the Filing Date.	Within (5) business days following issuance of Claims Procedure Order.
3. Newspaper Notice	
Publication of Notice of Claims Procedure for one (1) business day in the <i>Calgary Herald</i> and the <i>Winnipeg Free Press</i> .	Caused to be published within (5) business days following issuance of the Claims Procedure Order.
4. Claims Bar Dates	
4A. D&O Claims Bar Date	August 17, 2024 at 5:00p.m. MDT.
4B. General Unsecured Claims Bar Date	August 17, 2024 at 5:00p.m. MDT.
4C. Restructuring Claims Bar Date	Later of (a) the General Unsecured Claims Bar Date and (b) 5:00p.m. MDT, on the date that is (15) days following the date the Monitor sends a Claims Package with respect to a Restructuring Claim.
5. Adjudication of Claims	
5A. Monitor shall review any Proofs of Claim received on or before the Claims Bar Date, and if applicable, issue a Notice of Revision or Disallowance.	Following receipts of any Proofs of Claims.
5B. If a Claimant wishes to dispute the Notice of Revision or Disallowance it must issue a Notice of Dispute.	No later than (10) calendar days after the Notice of Revision or Disallowance was delivered.

92. Pursuant to the Claims Procedure Order, the Monitor, in cooperation with the Delta 9 Group, shall, within five (5) Business Days of the date of the proposed Claims Procedure Order, deliver a copy of the Claims Process Order, the Notice to Claimants, and a Proof of Claim and related instructions, along with any other documentation the Applicants, in consultation with the Monitor, may deem

- appropriate (the "**Claims Package**") (attached as Schedules to the Claims Procedure Order) to each Known Claimant (as defined in the Claims Procedure Order) who had a Claim as at July 15, 2024, as such Creditors may be identified to the Monitor by the Delta 9 Group.
93. A notice to Creditors (the "**Notice to Creditors**") regarding the Claims Procedure is to be published in the *Calgary Herald* and the *Winnipeg Free Press* within five (5) Business Days of the date of the proposed Claims Procedure Order.
 94. The Monitor shall cause the Claims Package and a copy of the Claims Procedure Order to be posted on the Monitor's Website within two (2) Business Days of the date of the granting of the Claims Procedure Order.
 95. Known Claimants who agree with the amount and classification as set out in the Claims Package do not need to do anything further; the quantum and classification of their claim will be accepted as a Proven Claim. Known Claimants who disagree with the amount and/or classification of their claim must submit a Notice of Dispute to the Monitor by the Claims Bar Date.
 96. Unknown Claimants and holders of D&O Claims and Restructuring Claims must submit a Proof of Claim by the relevant dates set out in the Claims Procedure Order.
 97. Further details of the Claims Procedure, including the Claims Bar Date for Known Claimants and Unknown Claimants, the adjudication of claims and the process for disputing claims are included in the Claims Procedure Order

Monitor's comments regarding the proposed Claims Procedure

98. The Monitor is of the view that the proposed Claims Procedure provides reasonable timelines for Creditors to prove their claims against the Delta 9 Group (to the extent there is a disagreement with a Known Claimant's Claim), for the Monitor to adjudicate the Claims and for the dispute resolution process to be carried out by the Monitor and ultimately, by this Honourable Court if any claims cannot be resolved consensually.

PROPOSED KEY EMPLOYEE RETENTION PLAN & KERP CHARGE

99. The Applicants have identified a group of nine key personnel (the "**Key Employees**") who are critical to the Delta 9 Group's restructuring efforts, supporting the proposed Bio-Tech SISP and managing the day-to-day operations.
100. In order to retain and incentivize the Key Employees as full-time employees, the Applicants have developed the KERP. Under the provisions of the proposed KERP, each of the Key Employees will receive a set amount, payable in two tranches:
- a) Tranche 1: \$365,000 payable to all Key Employees on plan implementation or completion of restructuring, whichever is sooner; and
 - b) Tranche 2: \$290,000 payable to certain key personnel on sale of Bio-Tech securities or all or substantially all of its assets, whichever is sooner. For certainty, these key personnel are included as Key Personnel within Tranche 1.
101. The maximum aggregate amount of payments under the KERP is \$655,000 for nine Key Employees, which represents a range of 10-60% of the respective Key Employee's base salary for Tranche 1 and a range of 45-51% for Tranche 2 (collectively 95-109%).
102. A Key Employee will lose his or her entitlements under the KERP if they are terminated for cause, if they resign before the applicable Vesting Event (being a restructuring under Tranche 1 or a sale of Bio-Tech under Tranche 2), as applicable, or otherwise do not otherwise meet the conditions for earning such KERP payment.
103. The terms of the proposed KERP and the redacted names, title and the calculations described in the previous paragraph is attached hereto as Appendix "E". The unredacted names, titles and calculation as at the time of this Report are attached hereto as Confidential Appendix "2".

104. The KERP was developed by the Applicants, in consultation with the Monitor, and is supported by Fika. The Monitor is of the view that the KERP is reasonable and appropriate in the circumstances for, among others, the following reasons:

- a) it will provide stability to the business and provides continuity of leadership and knowledge during the pendency of the CCAA Proceedings by encouraging the Key Employees to remain with Delta 9 Group for a reasonable period of time;
- b) given the highly regulated nature of the cannabis industry, leadership and involvement of key personnel, it would be challenging for the Applicants to easily replace key personnel and continue to operate the Business. In fact, any disruption or loss of the directors and officers of the Applicants could, more than in similar proceedings, result in the Applicants no longer meeting the requirements for such licences (including the federal cannabis licence and the various retail licences which are necessary and required for the restructuring plan to proceed). Due to the extensive and varied nature of the Applicants' businesses, identifying replacement management with the requisite sector experience, the multitude of federal and provincial security clearances and knowledge of the underlying business will be nearly impossible and is simply not practical in the short term. There are further risks that if the Key Employees seek alternative employment, the overall business will suffer and other staff and employees may also seek alternative employment opportunities;
- c) the Key Employees are critical to efficient and cost-effective execution of a restructuring plan and their participation should enhance or maximize realizations for the benefit of stakeholders;
- d) many of the Key Employees are directly or indirectly responsible for Bio-Tech's operations, and, as this segment is proposed to undergo a

SISP, their ongoing role is uncertain pending the results of the proposed Bio-Tech SISF;

- e) certain Key Employees have indicated that they are considering alternative employment opportunities should the consideration in the KERP not be provided, including both the material retention payment amounts and the traditional director and officer releases in the specified circumstances;
- f) the number of Key Employees is proportionately reasonable to the size and nature of the business and the milestones described above;
- g) the Monitor considered the proposed KERP terms with for other Court-approved KERPs in the cannabis industry (for proceedings within the CCAA and the *Bankruptcy and Insolvency Act*) since 2023 (the "**Comparable KERPs**"). As the details of KERPs are generally filed under seal, there are limited quantitative factors the Monitor can analyze and compare. While each KERP is unique to the circumstances of a given proceeding, and notwithstanding that each KERP has different terms and milestones, the range of the Comparable KERPs as a percentage of secured debt appears to be within a wide range from 1.0 to 10.0%. The proposed KERP as a percentage of secured debt is approximately 1.6% (with Tranche 1 being 0.9%). The Monitor is of the view that the quantum of the KERP payments and the terms of the KERP are commercially reasonable in the circumstances; and
- h) the KERP amount (which was included in the Restructuring Term Sheet) was approved by the Applicants' independent Boards of Directors (prior to the resignation of the independent directors) and is supported by Fika.

105. The proposed form of ARIQ provides for a charge (the "**KERP Charge**") in an amount not to exceed \$655,000 in favour of the Key Employees as security for all

amounts becoming payable under the KERP. As currently drafted, the KERP Charge is to rank in subordinate to the Administration Charge and the Directors' Charge. The KERP is to be paid within the Consolidated Cash Flow Forecast as part of the proposed borrowings under the Interim Financing Facility. The details of the KERP have been provided to this Honourable Court by the Monitor, subject to a sealing request made by the Applicants.

INCREASE TO ADMINISTRATION CHARGE AND DIRECTORS' CHARGE

Administration Charge

106. The Initial Order provides for a charge in the amount of \$350,000 in favour of the Monitor, counsel to the Monitor and counsel to the Applicants, as security for professional fees and disbursements (the "**Initial Administration Charge**") incurred both before and after the making of the Initial Order in respect of the CCAA Proceedings.
107. The Applicants have applied to this Honourable Court to increase the Initial Administration Charge to \$750,000 at the Comeback Application.
108. The Monitor has worked with the Applicants and their counsel to estimate the quantum of the Amended Administration Charge and is satisfied that it is reasonable in the circumstances of the CCAA Proceedings, given the proposed payment for professional fees and disbursements are provided for in the Consolidated Cash Flow Forecast (which are included to be paid as part of the proposed borrowings under the Interim Financing Facility).
109. The Monitor has also compared the quantum of the proposed Amended Administration Charge with those in other recent CCAA Proceedings and is satisfied that it is commercially reasonable and not 'off-market' in the circumstances. In response to concerns raised by SNDL, and in an effort to achieve minimal reliance on the Administration Charge, the Monitor has offered to ensure that the beneficiaries of the Amended Administration Charge are invoicing the Applicants on a bi-weekly basis and ensure prompt payment is made.

Directors' Charge

110. The Initial Order also provides for the Initial Directors' Charge in the amount of \$300,000 in favour of the directors and officers of the Applicants against obligations and liabilities that they may incur as directors and officers of the Applicants after commencement of the CCAA Proceedings.
111. The Applicants are seeking to increase the Initial Directors' Charge to \$900,000 at the Comeback Application. It is the Monitor's view that the continued support and services of the directors and officers of the Applicants during the CCAA Proceedings would be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through completion of the CCAA Proceedings.
112. The Amended Directors' Charge is intended to address potential claims that may be brought against directors and officers that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.
113. The Monitor has reviewed the underlying assumptions upon which the Applicants have based the estimate of the potential liability in respect of the directors' statutory obligations and is of the view that the increase to the Amended Directors' Charge is reasonable in relation to the quantum of the estimated potential liability and is appropriate in the circumstances, given the Initial Directors' Charge was sized based on a ten-day stay period and the exposure is therefore approximately three times larger. In addition, the Amended Directors' Charge is also proposed to extend in favour of legal counsel of the directors and officers of the Applicants, Norton Rose Fulbright LLP.
114. The items covered by the Directors' Charge are to be paid on a regular, recurring basis within the Consolidated Cash Flow Forecast as part of the proposed borrowings under the Interim Financing Facility.

RANKING OF PROPOSED CHARGES

115. As proposed by the Delta 9 Group, the priorities of the Charges, as among them, shall be as follows:

- a) In priority to the SNDL Inc. secured indebtedness:
 - i. First: Amended Administration Charge, up to the maximum amount of \$750,000;
 - ii. Second: Amended Directors' Charge, up to the maximum amount of \$900,000;
 - iii. Third: KERP Charge, up to the maximum amount of \$655,000;
- b) Subordinate to the SNDL Inc. secured indebtedness:
 - i. Fourth: Interim Lender's Charge, to the extent drawn on the Interim Financing Facility and up to a maximum of \$16,000,000, plus interest, costs and expenses; and
 - ii. Fifth: Break Fee Charge, up to the maximum amount of \$1,500,000

116. Each of the Charges shall constitute a charge on the Property and subject always to section 136 of the BIA and the Charges (if granted) shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person, except in the case of the Interim Lender's Charge and the Break Fee Charge, which shall rank subordinate to the SNDL Inc. secured indebtedness but in priority to all other security interests, trusts, liens, charges and encumbrances, and claims of secured creditors, statutory or otherwise in favour of any Person.

RESTRICTED COURT ACCESS ORDER

117. The Applicants are seeking a Restricted Court Access Order temporarily sealing the Confidential Appendices, which include unredacted copies of the CRO

Engagement and the KERP, on the Court record. In the event that the existing Confidential Appendices do not match the final versions as agreed upon between the necessary parties, the Monitor anticipates that further sealed versions will be put before the Court on a confidential basis by either the Delta 9 Group or the Monitor.

118. The documents in the Confidential Appendices include sensitive information, including compensation and other personal and identifiable details of individuals.
119. The sealing of this type of sensitive and personal information is the common practice in insolvency proceedings to avoid disruption to debtor companies and to protect the privacy of individuals. The Monitor does not believe that any stakeholder will be prejudiced if the information in the engagement letter is sealed or any public interest that will be served if the terms of the Confidential Appendices are disclosed in full.
120. As such, the Monitor is respectfully of the view that it is appropriate for this Honourable Court to seal the Confidential Appendices until (a) completion of the Applicants' proceedings under the CCAA; (b) January 24, 2025; or (c) further order of the Court, in accordance with the proposed form of Restricted Court Access Order.

EXTENSION TO THE STAY OF PROCEEDINGS

121. Pursuant to the Initial Order, the Stay Period will expire on July 25, 2024. The Applicants are seeking the Stay Extension to September 15, 2024.
122. The Monitor supports the Stay Extension for, among others, the following reasons:
 - a) it will afford the Applicants and the Monitor sufficient time to:
 - i. develop a restructuring plan for the Applicants;
 - ii. conduct the Bio-Tech SISP; and

- iii. allow for the parties to understand the results and implications of the proposed Claims Procedure and the related impact to the restructuring plan;
- b) the Applicants are forecasted to have sufficient liquidity up to September 15, 2024; however, they will require forecasted borrowings of up to \$3 million to continue to operate in the ordinary course of business during the requested extension of the Stay Period; and
- c) the Monitor is unaware of any creditor of the Applicants who will be materially prejudiced by the proposed Stay Extension.

CONCLUSIONS AND RECOMMENDATIONS

123. Based on the current information that has been made available to the Monitor by the Applicants, the Monitor is of the opinion that the relief sought by the Applicants is appropriate and respectfully recommends that this Honourable Court approve:

- a) the extension of the Stay Period to September 15, 2024;
- b) the Interim Financing Facility and the Interim Financing Facility Term Sheet;
- c) subject to the receipt of the additional information discussed herein and the Monitor's conclusions in respect of the same, the repayment of the SNDL Debenture;
- d) the proposed Bio-Tech SISP;
- e) the proposed Claims Procedure;
- f) the proposed KERP;
- g) the Applicant's request for the Restricted Court Access Order; and

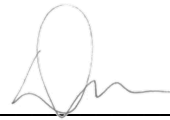
- h) the proposed Charges, being the Amended Administration Charge, the Amended Directors' Charge and the KERP Charge (all ranking in priority to the SNDL Inc. secured indebtedness) and the Interim Financing Charge and the Break Fee Charge (both ranking subordinate to the SNDL Inc. secured indebtedness).

All of which is respectfully submitted this 22nd day of July, 2024.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Monitor of Delta 9 Cannabis Inc.,
Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc.,
Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc., and
not in its personal or corporate capacity**



Orest Konowalchuk, CPA, CA, CIRP, LIT
Senior Vice-President



Duncan MacRae, CPA, CA, CIRP, LIT
Vice-President

APPENDIX "A"

Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc., Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc.
Management Prepared 13 Week Cash Flow Forecast
For the period from July 19 2024 to October 18, 2024
unaudited, in CAD \$000's

	Notes	Week 1 26-Jul-24	Week 2 02-Aug-24	Week 3 09-Aug-24	Week 4 16-Aug-24	Week 5 23-Aug-24	Week 6 30-Aug-24	Week 7 06-Sep-24	Week 8 13-Sep-24	Week 9 20-Sep-24	Week 10 27-Sep-24	Week 11 04-Oct-24	Week 12 11-Oct-24	Week 13 18-Oct-24	13 Week Total
Receipts															
Accounts Receivable - Government	1	143	125	125	150	150	150	150	150	150	150	150	150	150	1,893
Accounts Receivable - Other	2	283	165	165	190	190	190	190	190	190	190	190	190	190	2,513
Cannabis Sales	3	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	1,141	14,833
Total Receipts		1,567	1,431	1,431	1,481	1,481	1,481	1,481	1,481	1,481	1,481	1,481	1,481	1,481	19,239
Operating Disbursements															
Cannabis Product Purchases	4	797	797	797	797	797	797	797	797	797	797	797	797	797	10,364
Payroll and Source Deductions	5	-	592	-	592	-	592	-	592	-	592	-	592	-	3,552
Consultant Fees	6	8	8	8	8	8	8	8	8	8	8	8	8	8	98
Rent, Utilities and Insurance	7	112	375	-	-	112	-	375	-	112	-	375	-	112	1,573
Logistics, Product Treatment and Lab Testing	8	96	50	50	50	50	50	50	50	50	50	50	50	50	696
Production Supplies and Materials	9	25	25	75	25	25	25	25	25	75	25	25	25	25	425
SG&A Expenses	10	105	65	65	65	65	65	65	65	65	65	65	65	65	885
Contingency	11	15	15	15	15	15	15	15	15	15	15	15	15	15	195
Excise Tax Remittance	12	-	-	-	-	-	-	113	-	-	-	-	225	-	338
GST Remittance	13	-	-	-	-	-	40	-	-	-	-	80	-	-	120
Total Operating Disbursements		1,158	1,927	1,010	1,552	1,072	1,592	1,447	1,552	1,122	1,552	1,415	1,777	1,072	18,245
Net Cash Flow from Operations		409	(496)	421	(71)	409	(111)	34	(71)	359	(71)	66	(296)	409	994
Non-Operating Disbursements															
Potential Critical Supplier Costs	14	200	-	-	-	-	-	-	-	-	-	-	-	-	200
Key Employee Retention Plan	15	-	-	-	-	-	-	-	-	-	-	-	-	365	365
Professional Fees	16	50	1,058	-	488	-	278	-	263	-	308	-	138	-	2,585
Debt Service	17	-	28	252	-	-	-	280	-	-	-	28	252	-	840
Total Non-Operating Disbursements		250	1,086	252	488	-	278	280	263	-	308	28	390	365	3,990
Net Cash Flow		159	(1,582)	169	(559)	409	(389)	(246)	(334)	359	(379)	38	(686)	44	(2,996)
Opening Cash		115	274	692	861	302	711	322	576	242	601	722	760	74	115
Net Cash Flow		159	(1,582)	169	(559)	409	(389)	(246)	(334)	359	(379)	38	(686)	44	(2,996)
Interim Financing Advance/(Repayment)		-	2,000	-	-	-	-	500	-	-	500	-	-	-	3,000
Ending Cash		274	692	861	302	711	322	576	242	601	722	760	74	118	118
Opening Interim Financing Balance															
Advances		-	2,000	-	-	-	-	500	-	-	500	-	-	-	3,000
Repayments		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Interim Financing Balance		-	2,000	-	-	-	-	500	-	-	500	-	-	-	3,000

UNAUDITED CASH FLOW FORECAST PREPARED BY MANAGEMENT, MUST BE READ IN CONJUNCTION WITH THE NOTES AND ASSUMPTIONS & MONITOR'S REPORT ON THE CASH FLOW STATEMENT

John Arbuthnot
Director

Orest Konowalchuk, LIT
Senior Vice President

APPENDIX "B"

Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Lifestyle Cannabis Clinic Inc., Delta 9 Cannabis Store Inc., and Delta 9 Logistics Inc.

Notes to Management Prepared 13-Week Cash Flow Forecast

For the period from July 19 2024 to October 18, 2024

Disclaimer

In preparing this cash flow forecast (the "Forecast"), the Applicants have relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Forecast includes assumptions 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 protections will be realized. The Forecast is presented in thousands of Canadian dollars.

Note 1 (AR - Government): Forecast collections of existing and forecast accounts receivable, primarily from the Manitoba Liquor & Lotteries Corporation and the Alcohol, Gaming, Lottery and Cannabis Authority of Alberta. Payment terms are generally 15 to 30 days.

Note 2 (AR - Other): Forecast collections of existing and forecast accounts receivable from private customers. Payment terms are generally 30 to 60 days

Note 3 (Cannabis Sales): Forecast sales of inventory based on trailing 3-month sales for Store and Lifestyle retail locations. Point of sale purchases are made with either debit card, credit card or cash

Note 4 (Cannabis Product Purchases): Forecast purchases based on trailing 3-month purchases of cannabis product for Store and Lifestyle retail locations. Payments for cannabis product are COD

Note 5 (Payroll and Source Deductions): Forecast salaries, wages, statutory remittances and benefits for salaried and hourly employees disbursed bi-weekly

Note 6 (Consultant and Contractor Fees): Monthly payments to consultant and contractors related to the CCAA Proceedings.

Note 7 (Rent, Utilities & Insurance): Forecast monthly rent payments for Delta Group's logistics facility and retail locations, as well as monthly utilities and insurance costs. Rent is payable on the 1st of every month, utilities are payable on the 21st of every month and insurance is payable on the 20th of every month

Note 8 (Logistics, Product Treatment and Lab Testing): Forecast shipping costs and required quality control and biological testing for cannabis product

Note 9 (Production Supplies and Materials): Estimated supplies and materials related to cannabis product sales.

Note 10 (S&GA Expenses): Estimated selling, general, and administrative expenses required for operations

Note 11 (Contingency): A weekly contingency of \$15,000 has been included to account for possible unforeseen expenditures

Note 12 (Excise Tax Remittance): Excise tax and regulatory fees relating to the sale of cannabis product in the CCAA Proceedings.


Note 13 (GST Remittance): Goods and Sales tax, net of input tax credits.

Note 14 (Potential Critical Supplier Costs): Estimate for potential critical supplier payments that may be required for operations

Note 15 (KERP): Payment for Tranche 1 of the KERP, which is payable on plan implementation or completion of the restructuring, whichever is sooner. The timing of the payment for Tranche 2 of the KERP, which is \$290,000, is uncertain at this time and has been excluded from the Forecast period for conservatism.

Note 16 (Professional Fees & Expenses): Expected professional fees to be incurred by Delta Group's legal advisors as well as the CCAA Monitor, Monitor's Counsel, Plan Sponsor's Counsel and Director's & Officers' Counsel. Expected fees are to be paid on a bi-weekly basis.

Note 17 (Debt Service): Forecast debt service for the senior secured indebtedness.



John Arbutnot
Director



July 22, 2024

Alvarez & Marsal Canada Inc.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7

Attention: Orest Konowalchuk

Dear Sirs:

Re: Proceedings under the Companies' Creditors Arrangement Act ("CCAA") for Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc. Delta 9 Lifestyle Cannabis Clinic Inc. Delta 9 Cannabis Store Inc. Delta 9 Logistics Inc. (the "Companies")

Responsibilities/Obligations and Disclosure with Respect to Cash Flow Projections

In connection with the application of the Companies for the commencement of proceedings under the CCAA in respect of the Companies, the management of the Companies ("**Management**") prepared the attached consolidated cash flow statement and the assumptions on which the consolidated cash flow statement is based.

The Companies confirms that:

1. The consolidated cash flow statement and the underlying assumptions are the responsibility of the Companies;
2. All material information relevant to the consolidated cash flow statement and to the underlying assumptions has been made available to Alvarez & Marsal Canada Inc. in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. that the individual assumptions underlying the consolidated cash flow statement are appropriate in the circumstances;
 - b. that the assumptions underlying the consolidated cash flow statement, taken as a whole, are appropriate in the circumstances; and
 - c. that all relevant assumptions have been properly presented in the consolidated cash flow statement or in the notes accompanying the consolidated cash flow statement.
4. Management understands and agrees that the determination of what constitutes a material adverse change in the projected cash flow or financial circumstances, for the purposes of your monitoring the on-going activities of the Companies, is ultimately at your sole discretion, notwithstanding that Management may disagree with such determination.
5. Management understands its duties and obligations under the CCAA and that breach of these duties and obligations could make the Companies' Management liable to fines and imprisonment in certain circumstances.



6. The consolidated cash flow statement and assumptions have been reviewed and approved by the Companies' board of directors or Management has been duly authorized by the Companies' board of directors to prepare and approve the cash flow assumptions.

Yours Truly,

A handwritten signature in black ink, appearing to read "John Arbuthnot", is written over a horizontal line. The signature is stylized with a large, looping "J" and "A".

Name: John Arbuthnot

Title: Director

APPENDIX "C"

July 18, 2024

Delta 9 Cannabis Inc.
Delta 9 Bio-Tech Inc.
Delta 9 Cannabis Store Inc.
Delta 9 Lifestyle Cannabis Clinic Inc.
Delta 9 Logistics Inc.

Attention: John Arbuthnot, CEO

Re: Debtor-in-Possession Financing of Delta 9 Cannabis Inc. et al

A. Pursuant to the order of the Honourable Justice Mah of the Court of King's Bench of Alberta (the "**Court**") issued July 15, 2024 (the "**Initial Order**"), Delta 9 Cannabis Inc. ("**Delta Parent**"), Delta 9 Bio-Tech Inc. ("**Bio-Tech**"), Delta 9 Cannabis Store Inc. ("**Store**"), Delta 9 Lifestyle Cannabis Clinic Inc. ("**Lifestyle**") and Delta 9 Logistics Inc. ("**Logistics**", and together with Delta Parent, Bio-Tech, Store and Lifestyle, the "**Borrowers**") were granted, among other things, creditor protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA Proceedings**"), and Alvarez & Marsal Canada Inc. was appointed as monitor (in such capacity, the "**Monitor**") of the Borrowers.

B. The Borrowers intend to return to Court on July 24, 2024 to seek: (i) an amended and restated initial order to, among other things, extend the initial stay of proceedings established by the Initial Order, approve this debtor-in-possession term sheet (this "**Term Sheet**"), appoint Mark Townsend as Chief Restructuring Officer to the Borrowers (in such capacity, the "**CRO**") and grant the Interim Lender's Charge (as defined herein) (as may be further amended and restated from time to time, the "**ARIO**"); and (ii) an order approving and authorizing the Borrowers, in consultation with the Monitor, to conduct a sales and investment solicitation process (the "**Bio-Tech SISP**") for the business and/or assets of Bio-Tech (as may be amended and restated from time to time, the "**SISP Order**").

C. The Borrowers require funding to satisfy the cash flow requirements of the CCAA Proceedings, the Bio-Tech SISP and other short-term liquidity requirements.

D. The Borrowers and 2759054 Ontario Inc. o/a Fika Herbal Goods (the "**Interim Lender**") have entered into a binding plan sponsor term sheet dated on or about the date hereof (the "**Plan Sponsor Term Sheet**") pursuant to which the Interim Lender agreed to: (i) acquire a 100% ownership interest in the Borrowers (other than potentially Bio-Tech) within the CCAA Proceedings (the "**Transaction**") pursuant to one or more plans of compromise or arrangement (collectively, the "**Plan**"); and (ii) establish a debtor-in-possession credit facility in the maximum aggregate principal amount of \$16,000,000 (as may be increased in accordance with the terms hereof), plus applicable interest and costs, subject to and in accordance with the terms and conditions of this Term Sheet.

NOW THEREFORE in consideration of the foregoing and the mutual covenants and agreements set forth below, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

SUMMARY OF TERMS FOR INTERIM FINANCING FACILITY

1. **Borrowers:** Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc., Delta 9 Cannabis Store Inc., Delta 9 Lifestyle Cannabis Clinic Inc. and Delta 9 Logistics Inc., on a joint and several basis.
2. **Interim Lender:** 2759054 Ontario Inc. o/a Fika Herbal Goods

3. Interim Financing Facility:

Non-revolving, committed credit facility in the maximum aggregate principal amount of \$16,000,000 (as may be increased in accordance with the terms hereof), plus applicable interest and costs (the "**Maximum Amount**"), consisting of:

- (a) up to \$3,000,000 ("**Tranche 1**"), to fund working capital requirements in connection with the CCAA Proceedings in accordance with the Cash Flow Forecast approved by the Monitor and the Interim Lender from time to time (the "**Cash Flow Forecast**"); and
- (b) up to \$13,000,000 ("**Tranche 2**" and together with Tranche 1, collectively, the "**Interim Financing Facility**"), to fund the repayment of any and all secured indebtedness (the "**SNDL Mezzanine Debt**") owing to SNDL Inc. ("**SNDL**"), under the Note Purchase Agreement dated March 30, 2022 and the Senior Secured Second-Lien Convertible Debenture dated March 30, 2022; provided that the quantum, validity and enforceability of the SNDL Mezzanine Debt shall be confirmed by the Monitor.

The amount and purpose of the Interim Financing Facility may be amended by the Borrowers and the Interim Lender in writing and subject to the consent of the Monitor or order of the Court. The Borrowers may not use the proceeds of the Interim Financing Facility to pay any pre-filing obligations of the Borrowers, except: (i) obligations contemplated by the Cash Flow Forecast (which shall include professional fees incurred in connection with the CCAA Proceedings and debt service payments that would otherwise be due and payable to SNDL but for these CCAA Proceedings); or (ii) obligations for which the Borrowers have obtained the prior written consent of the Interim Lender and the Monitor. Notwithstanding the foregoing, where Tranche 1 has been fully Advanced, the Maximum Amount shall be increased by the Interim Lender to cover any fees and disbursements of the Professional Advisors in excess thereof; provided that the Interim Lender's Charge shall be increased accordingly, and the Interim Lender shall have no obligation to advance any amount that is not properly secured by the Interim Lender's Charge.

4. Advances:

Subject to the funding conditions set out in Section 10 of this Term Sheet, the Interim Financing Facility shall be available by multiple advances (individually, an "**Advance**" and collectively, the "**Advances**").

Tranche 1 shall be Advanced to the Borrowers (or such other person as the Borrowers shall direct) in multiple draws in accordance with: (a) the Cash Flow Forecast; and (b) for Advance requests that are not contemplated by the Cash Flow Forecast, the Borrowers shall provide the Interim Lender and the Monitor with no less than two (2) business days' written notice, which notice shall state the purpose for which the Advance is to be used by the Borrowers. For certainty, Advance requests that are not contemplated by the Cash Flow Forecast shall require the approval of the Interim Lender.

Subject to completion of the review outlined in section 3(b) above, Tranche 2 shall be made in a single Advance within ten (10) business days of the ARIO being issued. Such Advance shall be paid by the Interim Lender, for

and on behalf of the Borrowers, directly to SNDL in an amount sufficient to repay the SNDL Mezzanine Debt.

Nothing in this Term Sheet creates a legally binding obligation on the Interim Lender to advance any amount under the Interim Financing Facility at any time unless: (a) the Borrowers are in compliance with the provisions of this Term Sheet, the Plan Sponsor Term Sheet and the ARIO; (b) the funding conditions set out in Section 10 of this Term Sheet have been satisfied, if applicable; and (c) the Borrowers are operating within the parameters of the Cash Flow Forecast.

5. Interest:

Interest shall accrue on all amounts Advanced under the Interim Financing Facility at a rate equal to the Prime Rate plus 3% (the “**Interest**”). Interest shall be calculated on the daily outstanding balance owing under the Interim Financing Facility, not in advance, and shall accrue and be paid on the Maturity Date (as defined herein).

Notwithstanding the foregoing, upon the occurrence of an Event of Default (as defined below) and the expiry of the Cure Period (as defined below), Interest shall be increased to the greater of: (a) the Prime Rate plus 8%; and (b) 15% per annum; from the date that the Cure Period expires in respect of such Event of Default, until such time as the Obligations are repaid in full.

“**Prime Rate**” means, on any day, the annual rate of interest equal to the rate which the principal office of The Toronto Dominion Bank in Toronto, Ontario quotes, publishes and refers to as its “prime rate” from time to time, and which is its reference rate of interest for loans in Canadian Dollars made in Canada to Canadian borrowers.

6. Recoverable Expenses:

The Borrowers shall pay all reasonable fees and expenses (collectively, the “**Recoverable Expenses**”) incurred by the Interim Lender in connection with the preparation, registration and ongoing administration of the Plan Sponsor Term Sheet, this Term Sheet, the Interim Financing Facility, the Initial Order, the ARIO, the Interim Lender’s Charge and with the enforcement of the Interim Lender’s rights and remedies hereunder and thereunder, at law or in equity, including, without limitation, all reasonable legal fees and disbursements incurred by the Interim Lender. An estimate of Recoverable Expenses shall be included in the Cash Flow Forecast along with the fees of the Professional Advisors, and shall be paid to the Interim Lender on a bi-weekly basis.

For greater certainty, “Recoverable Expenses” shall include all reasonable fees and expenses incurred by the Interim Lender in connection with the CCAA Proceedings and all court attendances in respect thereof. If the Interim Lender has paid any expense for which the Interim Lender is entitled to reimbursement from the Borrowers, such expenses shall be added to the Interim Financing Facility and shall accrue interest at the rate set out above. All such fees and expenses and interest thereon shall be secured by the Interim Lender’s Charge whether or not any funds under the Interim Financing Facility are advanced.

The Borrowers shall also pay all compensation and reasonable fees and expenses incurred by the CRO in connection with his mandate, as further set out in that certain CRO engagement letter dated as of the date hereof.

7. Security:

All debts, liabilities and obligations of the Borrowers to the Interim Lender under or in connection with the Interim Financing Facility, this Term Sheet and any other documents executed in connection therewith shall be secured by a Court-ordered priority charge (the “**Interim Lender’s Charge**”), granted to the Interim Lender in and to all present and future properties, assets and undertakings of the Borrowers, real and personal, tangible and intangible, whether now owned or hereafter acquired (the “**Property**”), subject only to the following priorities:

- (a) first, an administration charge in the maximum aggregate amount of \$750,000 securing the payment of reasonable and documented fees and expenses of the Monitor, counsel to the Borrowers and counsel to the Monitor (as may be increased from time to time with the agreement of the Interim Lender);
- (b) second, a directors’ charge in the maximum aggregate amount of \$900,000 as security for the indemnity provided to the directors and officers of the Borrowers against obligations and liabilities they may incur after the commencement of the CCAA Proceedings and the fees of the counsel to the directors (the “**Directors’ Charge**”);
- (c) third, a KERP charge in the maximum aggregate amount of \$655,000 as security for the obligations of the Borrowers under the key employee retention plan to be approved by the Court; and
- (d) fourth, any secured obligations owing to SNDL.

8. Maturity Date:

Unless otherwise agreed to by the Interim Lender and the Borrowers in writing, the term of the Interim Financing Facility shall expire, and the Borrowers shall repay all obligations owing to the Interim Lender under this Term Sheet, on the earliest of the following (the “**Maturity Date**”):

- (a) October 14, 2024 or such later date as specified by the Interim Lender in writing;
- (b) the implementation of the Plan within the CCAA Proceedings which, for certainty, has been approved by the requisite majorities of the Borrowers’ creditors and by an order entered by the Court;
- (c) the closing of any sale or investment transaction involving any Borrower (other than Bio-Tech or the Transaction) which transaction has been approved by an order of the Court;
- (d) the date on which the CCAA Proceedings are terminated for any reason, including if the CCAA Proceedings are converted into a proceeding under the *Bankruptcy and Insolvency Act*, RSC 1985, C B-3 (the “**BIA**”); and

- (e) the occurrence of an Event of Default (as defined herein), subject to a cure period of three (3) business days (the “**Cure Period**”), beginning on the date of the occurrence of such Event of Default.

9. Repayment:

The aggregate principal amount owing under the Interim Financing Facility plus all accrued and unpaid Interest and the Recoverable Expenses, shall become immediately due and payable on the Maturity Date. The Interim Financing Facility may be prepaid at any time, without penalty (provided all accrued and unpaid Interest and Recoverable Expenses are paid in full). If the Borrowers choose to prepay any amount owing under the Interim Financing Facility, any such payment shall be applied: (i) first, to all accrued and unpaid Interest; (ii) second, to the Recoverable Expenses; and (iii) third, to any principal amount outstanding under the Interim Financing Facility.

10. Funding Conditions: The availability of the Advances under the Interim Financing Facility shall be subject to and conditional upon the following, which may be waived by the Interim Lender in writing:

- (a) the Court shall have issued the ARIO, in a form and substance satisfactory to the Interim Lender, including:

- i. approving this Term Sheet and the Interim Financing Facility;
- ii. authorizing and directing the Interim Lender to repay the SNDL Mezzanine Debt to SNDL directly, on behalf of the Borrowers, within ten (10) business days of the issuance of the ARIO;
- iii. granting the Interim Lender’s Charge in favour of the Interim Lender in the amount of \$16,000,000 plus interest, fees and costs;
- iv. authorizing the Interim Lender to effect registrations, filings and recordings wherever in its discretion it deems appropriate regarding the Interim Lender’s Charge;
- v. providing that the Interim Lender’s Charge shall be valid and effective to secure all of the obligations of the Borrowers to the Interim Lender hereunder, without the necessity of the making of any registrations or filings and whether or not any other documents have been executed by the Borrowers;
- vi. declaring that the granting of the Interim Lender’s Charge and all other documents executed and delivered to the Interim Lender as contemplated herein, including, without limitation, all actions taken to perfect, record and register the Interim Lender’s Charge, do not constitute conduct meriting an oppression remedy, settlement, fraudulent preference, fraudulent conveyance or other challengeable or reviewable transaction under any applicable federal or provincial legislation; and

- vii. provisions restricting the granting of any additional priority liens or encumbrances on the assets of the Borrowers, other than as permitted herein and the Interim Lender's Charge.
- (b) the Court shall have issued the SISP Order, in a form and substance satisfactory to the Interim Lender;
- (c) the ARIO and the SISP Order shall not have been vacated, stayed, appealed or amended in a manner not acceptable to the Interim Lender, and no application or motion shall have been made to vacate, stay, appeal or amend same;
- (d) the Interim Lender shall have received and approved the Cash Flow Forecast, and such Cash Flow Forecast shall not have been varied or amended without the prior written consent of the Interim Lender, and the Borrowers shall be in material compliance with respect to same;
- (e) the Interim Lender shall be satisfied that the Borrowers have complied with and are continuing to comply in all material respects with all applicable laws, regulations and orders of the Court in the CCAA Proceedings; and
- (f) no Event of Default shall have occurred or shall be reasonably expected to occur as a result of such Advance.

11. Covenants

The Borrowers covenant and agree with the Interim Lender, so long as any amounts are outstanding by the Borrowers to the Interim Lender hereunder, to:

- (a) bring an application before the Court for the approval of the ARIO in a form and substance satisfactory to the Interim Lender, as particularized in Section 10(a);
- (b) promptly on the receipt by the Borrowers of the same, give the Interim Lender a copy of any Application to vary, supplement, revoke, terminate or discharge the ARIO, including (without limitation) any application to the Court for the granting of new or additional security that will or may have priority over the Interim Lender's Charge, or otherwise for the variation of the priority of the Interim Lender's Charge;
- (c) provide the Interim Lender with all materials it intends to file in the CCAA Proceedings and provide the Interim Lender and its counsel a reasonable amount of time to review same prior to filing;
- (d) promptly provide the Interim Lender with any additional financial information reasonably requested by the Interim Lender;
- (e) use the Advances under the Interim Financing Facility for the purposes for which they are being provided, as set out in Section 3 of this Term Sheet, or such other purposes that may be agreed to by the Interim Lender and the Monitor in writing;

- (f) provide the Interim Lender and the Monitor with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default, a breach of any covenant, or other term or condition of this Term Sheet, or of any document executed in connection with this Term Sheet;
- (g) pay all claims which, under law, may rank prior to or *pari passu* with the Interim Lender's Charge due and payable from and after the commencement of the CCAA Proceedings, as and when such amounts are due;
- (h) allow the Interim Lender or its advisors, on reasonable written notice during regular business hours, and at any time after and during the continuance of an Event of Default, to enter on and inspect each of the Borrower's assets and properties;
- (i) keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
- (j) provide the Interim Lender or its advisors, on reasonable written notice and during normal business hours, full access to the books and records of the Borrowers;
- (k) not make any payment to any director, officer, investor or related party (except salary and wages in the normal course and any KERP payments) without the prior written consent of the Interim Lender;
- (l) keep the Borrowers' Property insured against such perils and in such manner as is in place at the time of the Initial Order;
- (m) not, without the prior written consent of the Interim Lender, incur any borrowings or other additional secured indebtedness, obligations or liabilities, other than the Interim Financing Facility, or create or grant any security (other than the charges described in Section 7) over any of its property, whether ranking in priority to or subordinate to the Interim Lender's Charge;
- (n) not sell, transfer, assign, convey or lease any Property, including but not limited to any indebtedness owing by one Borrower to another Borrower (other than in the ordinary course or in accordance with the Bio-Tech SISP) unless agreed to by the Interim Lender;
- (o) other than the CRO, the Monitor, and the legal counsel of the Monitor, Borrowers, the directors of the Borrowers, and Interim Lender engaged as of the date hereof (the "**Professional Advisors**"), or as approved in the Initial Order, not pay, incur any obligation to pay, or establish any retainer with respect to, the fees, expenses or disbursements of a legal, financial or other advisor of any party, unless such fees, expenses or disbursements of such additional advisors, as applicable, are reviewed and approved in advance by the Monitor and the Interim Lender, acting reasonably;

- (p) comply with all orders of the Court in the CCAA Proceedings and all applicable laws; and
- (q) conduct all activities in the ordinary course and in material compliance with the Cash Flow Forecast.

12. Events of Default:

The Interim Financing Facility shall be subject to the following events of default ("**Events of Default**"):

- (a) the Borrowers' failure to pay any amount due hereunder when due and payable;
- (b) the Borrower's failure to comply with or fulfill, to the reasonable satisfaction of the Interim Lender, any covenant, condition precedent, payment obligation, or other term or condition of this Term Sheet or the Plan Sponsor Term Sheet;
- (c) the seeking or support by the Borrowers of, or the issuance of, any Court order (in the CCAA Proceedings or otherwise) which is adverse to the interests of the Interim Lender, including for certainty but without limitation, any change to the Interim Financing Facility or the Interim Lender's Charge;
- (d) the issuance of any court order staying, reversing, vacating or modifying the terms of the ARIO, the Interim Financing Facility or the Interim Lender's Charge without the Interim Lender's consent;
- (e) any material failure by the Borrowers to comply with the ARIO, the SISP Order, or any other Court order approving or affecting the Transaction;
- (f) the Borrowers become bankrupt or subject to a proceeding under the BIA, or a receiver, interim receiver, receiver and manager or trustee in bankruptcy is appointed in respect of any Borrower or any of its Property;
- (g) the acceptance of any offer, or the filing of a motion seeking approval of the Court to accept any such offer, unless the total indebtedness owing by the Borrowers under the Interim Financing Facility is to be paid in full in cash or other immediately available funds upon completion of the transaction resulting from such offer;
- (h) the filing of any plan of reorganization, arrangement or liquidation to which the Interim Lender does not consent;
- (i) the commencement of any claim, action, proceeding, application, motion, defense or other contested matter the purpose of which is to seek or the result of which would be to obtain any order, judgment, determination, declaration or similar relief: (i) invalidating, setting aside, avoiding, or subordinating the obligations of the Borrowers under the Interim Financing Facility, the Interim Lender's Charge; (ii) for monetary, injunctive or other relief against the Interim Lender; or (iii) preventing, hindering or otherwise delaying the

exercise by the Interim Lender of any of its rights and remedies hereunder, pursuant to the ARIO or under applicable law, or the enforcement or realization by the Interim Lender against any of its collateral.

13. Remedies and Enforcement

Following the occurrence of an Event of Default and the expiration of the Cure Period, upon written notice to the Borrowers and the Monitor, the Interim Lender shall have the right, subject to the Interim Lender obtaining an Order from the Court lifting the stay under the CCAA Proceedings, to:

- (a) seek the appointment of a receiver, an interim receiver or a receiver and manager over the Property, or to seek the appointment of a trustee in bankruptcy of the Borrowers;
- (b) enforce the Interim Lender's Charge and realize on the Property and any other collateral securing the Interim Financing Facility;
- (c) exercise the rights and powers of a secured lender pursuant to the *Personal Property Security Act*, R.S.A. 2000, c. P-7, or any legislation of similar effect; and
- (d) exercise all such other rights and remedies available to the Interim Lender under this Term Sheet, the ARIO, any other order of the Court or applicable law.

No failure or delay on the part of the Interim Lender in exercising any of its rights and remedies shall be deemed to be a waiver of any kind.

14. Amendments; Waivers:

No amendment or waiver of any provision of this Term Sheet or consent to any departure by the Borrowers from any provision hereof is effective unless it is in writing and signed by the Interim Lender. Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given.

15. Timing:

Time is of the essence in this Term Sheet and the Interim Financing Facility and all transactions contemplated thereby.

16. Severability:

Each of the provisions contained in this Term Sheet is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

17. Further Assurances:

The Borrowers will, at their own expense and promptly on demand by the Interim Lender at any time, do such acts and things and execute and deliver such documents as the Interim Lender may reasonably request to give effect to any other provisions set out hereunder.

18. Assignment:


The Borrowers shall not assign this Term Sheet or any of the provisions set out herein without the prior written consent of the Interim Lender. The Interim Lender may assign or sell its rights or obligations with respect to this Term Sheet to any person without the prior written consent of the Borrowers.

- 19. Governing Law:** The Interim Financing Facility and the provisions set out herein shall be governed and construed in all respects in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.
- 20. Currency:** All dollar amounts herein are in Canadian Dollars.
- 21. Counterparts:** This Term Sheet may be executed in any number of counterparts, each of which when taken together shall constitute one and the same instrument. Any counterpart of this Term Sheet can be executed and delivered by any manner of direct electronic transmission each of which shall be deemed to be an original hereof.

[Signature Page Follows]

Dated this 18th day of July, 2024.

**2759054 ONTARIO INC. O/A FIKA
HERBAL GOODS, as Interim Lender**

Per: Signed by:

284E634ED2884FE
Name: Mark Vasey
Title: CEO

DELTA 9 CANNABIS INC., as borrower

Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

DELTA 9 LOGISTICS INC., as borrower

Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

**DELTA 9 CANNABIS STORE INC., as
borrower**

Per: _____
Name: John Arbuthnot
Title: Authorized Signatory

Dated this 18th day of July, 2024.

**2759054 ONTARIO INC. O/A FIKA
HERBAL GOODS, as Interim Lender**

Per: _____
Name: Mark Vasey
Title: CEO

DELTA 9 CANNABIS INC., as borrower

Per: John Arbuthnot
Name: John Arbuthnot
Title: Authorized Signatory

DELTA 9 LOGISTICS INC., as borrower

Per: John Arbuthnot
Name: John Arbuthnot
Title: Authorized Signatory

**DELTA 9 CANNABIS STORE INC., as
borrower**

Per: John Arbuthnot
Name: John Arbuthnot
Title: Authorized Signatory

DELTA 9 BIO-TECH INC., as borrower

Per: John Arbuthnot

Name: John Arbuthnot

Title: Authorized Signatory

**DELTA 9 LIFESTYLE CANNABIS CLINIC
INC., as borrower**

Per: John Arbuthnot

Name: John Arbuthnot

Title: Authorized Signatory




D9 DIP (Final)(37029284.3)

Final Audit Report

2024-07-18

Created:	2024-07-18
By:	Chris Nyberg (cnyberg@mltaikins.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAjGJAQtK9Jn7X1VmVpr0aSViKg4U_y1Z5

"D9 DIP (Final)(37029284.3)" History

-  Document created by Chris Nyberg (cnyberg@mltaikins.com)
2024-07-18 - 4:01:08 PM GMT
-  Document emailed to john.arbuthnot@delta9.ca for signature
2024-07-18 - 4:01:55 PM GMT
-  Email viewed by john.arbuthnot@delta9.ca
2024-07-18 - 4:09:56 PM GMT
-  Signer john.arbuthnot@delta9.ca entered name at signing as John Arbuthnot
2024-07-18 - 4:10:43 PM GMT
-  Document e-signed by John Arbuthnot (john.arbuthnot@delta9.ca)
Signature Date: 2024-07-18 - 4:10:45 PM GMT - Time Source: server
-  Agreement completed.
2024-07-18 - 4:10:45 PM GMT

APPENDIX "D"

Clerk's Stamp:

COURT FILE NUMBER: 2401-09668

COURT COURT OF KING'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

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

AND IN THE MATTER OF THE 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: **CLAIMS PROCEDURE ORDER**

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
PARTY FILING THIS DOCUMENT

MLT AIKINS LLP
2100, 222 - 3rd Ave SW
Calgary, AB T2P 0B4
Telephone: 403.693.5420/4311
Attention: Ryan Zahara/Kaitlin Ward
Email: rzahara@mltaikins.com
kward@mltaikins.com
File: 136555-34

DATE ON WHICH ORDER WAS PRONOUNCED: JULY 24, 2024

LOCATION WHERE ORDER WAS PRONOUNCED: EDMONTON, ALBERTA

**NAME OF JUSTICE WHO MADE THIS ORDER: THE HONOURABLE ASSOCIATE
CHIEF JUSTICE K.G. NIELSEN**

UPON THE APPLICATION of the applicants, Delta 9 Cannabis Inc. ("**D9 Parent**"), 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**", and together with D9 Parent, Logistics, Bio-Tech, and Lifestyle, the "**Delta 9**" or the "**Applicants**") pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**") for, among other things, an order approving a procedure for the determination and resolution of claims against the Applicants and

authorizing and directing the Applicants and the Monitor (defined below) to administer the claims procedure in accordance with its terms;

AND UPON having read the First Affidavit of John Arbuthnot IV sworn on July 12, 2024, the Second Affidavit of John Arbuthnot IV sworn on July 18, 2024, the Affidavit of Mark Townsend, sworn on July 19, 2024 and the Affidavit of Service of Regie Agcaoili sworn on July ___, 2024; **AND UPON** having read the Pre-Filing Report of the Monitor, dated July 15, 2024, and the First Report of the Monitor, dated July ___, 2024 and the Confidential Appendices enclosed thereto; **AND UPON** hearing from counsel for the Applicants, counsel for the Monitor, and any other interested party in attendance;

IT IS HEREBY ORDERED AND DECLARED THAT:

SERVICE & INTERPRETATION

1. Service of notice of this application and supporting materials is hereby abridged to that actually given, if necessary, and declared to be good and sufficient. The application is properly returnable today and no other person is required to have been served with notice of this application.
2. In this Order:
 - a. "**BIA**" means the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended;
 - b. "**Business Day**" means a day, other than a Saturday, Sunday or a statutory holiday, on which banks are generally open for business in Calgary, in the Province of Alberta, Canada;
 - c. "**Calendar Day**" means a day, including Saturday, Sunday and any statutory holidays in the Province of Alberta, Canada;
 - d. "**CCAA Proceedings**" means the within proceedings under the CCAA in respect of the Applicants;
 - e. "**Claim**" means: (i) Pre-Filing Claims; (ii) D&O Claims; and (iii) Restructuring Claims;
 - f. "**Claimant**" means any Person asserting a Claim and includes without limitation the transferee or assignee of a Claim transfer and recognized as a Claimant in accordance with paragraph 35 hereof or a trustee, executor, liquidator, receiver, receiver and manager, or other Person acting on or behalf of or through such Person;

- g. **"Claims Bar Date"** means 5:00 p.m. on August 17, 2024;
- h. **"Claims Package"** means the document package which shall include a copy of the Claims Process Order, the Notice to Claimants, and a Proof of Claim and related instructions, along with any other documentation the Applicants, in consultation with the Monitor, may deem appropriate;
- i. **"Claims Procedure"** means the procedures outlined in this Order, including the Schedules hereto;
- j. **"Court"** means the Court of King's Bench of Alberta in the Judicial Centre of Calgary;
- k. **"Director"** means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, a director or *de facto* director of one or more of the Applicants;
- l. **"D&O Claim"** means all demands, claims (including claims for contribution or indemnity), actions, causes of action, counterclaims, suits, debts, sums of money, liabilities, accounts, covenants, damages, judgments, orders (including orders for injunctive relief or specific performance and compliance orders), expenses, executions, encumbrances and recoveries on account of any liability, obligation, demand or cause of action of whatever nature that any creditor or other Person has or may be entitled to assert (including for, in respect of or arising out of environmental matters, pensions or post-employment benefits or alleged wrongful or oppressive conduct, misrepresentation, fraud or breach of fiduciary duty), whether known or unknown, matured or unmatured, contingent or actual, direct, indirect or derivative, at common law, in equity or under statute, foreseen or unforeseen, existing or hereafter arising, based in whole or in part on any act, omission, transaction, duty, responsibility, indebtedness, liability, obligation, dealing, matter or occurrence that in any way relate to or arise out of or in connection with (i) any right or claim of any Person that may be asserted or made in whole or in part against one or more of the Directors or Officers that relates to a claim for which such Directors or Officers are by law liable to pay in their capacity as Directors or Officers; (ii) any Pre-Filing Claim that may be asserted against Directors or Officers; or (iii) the assets, property, obligations, business or affairs of the Applicants, but "D&O Claim" does not include a claim that cannot be compromised due to the provisions of subsection 5.1(2) of the CCAA and for greater certainty does not include any Excluded Claims;

- m. **"D&O Indemnity Claim"** means any Claim of a current or former Director or Officer of one or more of the Applicants for indemnification from the Applicants in relation to a D&O Claim under the Claims Process;
- n. **"Excluded Claims"** means:
 - i. any Claim secured by a charge now or hereinafter granted by the Court in connection with these CCAA Proceedings;
 - ii. any Claim arising under a contract entered into by the Applicants after the Filing Date or with respect to goods or services provided to any of the Applicants on or after the Filing Date;
 - iii. inter-company Claims against the Applicants by another Applicant; and
 - iv. any claims by SNDL Inc. or 2759054 Ontario Inc. operating as Fika Herbal Goods (**"Fika"** or the **"Plan Sponsor"**);
- o. **"Filing Date"** means July 15, 2024, the date on which the Applicants were granted an Initial Order in the CCAA Proceedings;
- p. **"Monitor"** means Alvarez & Marsal Canada Inc.;
- q. **"Notice of Dispute"** means the notice referred to in paragraphs 15 and 30 hereof, substantially in the form attached as **Schedule "E"** hereto, which must be delivered to the Monitor by any Claimant wishing to dispute a Notice to Known Claimant or Notice of Revision or Disallowance, with reasons for its dispute;
- r. **"Notice of Revision or Disallowance"** means the notice referred to in paragraph 29 hereof, substantially in the form attached as **Schedule "D"** hereto that the Monitor, in consultation with the Applicants, has revised or rejected all or part of such Claimant's Claim as set out in its Proof of Claim;
- s. **"Notice to Claimant"** means a notice referred to in paragraph 19 hereof, substantially in the form attached as **Schedule "B"** hereto;
- t. **"Notice to Known Claimant"** means a notice referred to in paragraph 14 hereof, substantially in the form attached as **Schedule "A"** hereto;
- u. **"Notice to Unknown Claimant"** means a notice referred to in paragraph 30 hereof, substantially in the form attached as **Schedule "A"** hereto;

- v. **"Officer"** means anyone who is or was, or may be deemed to be or have been, whether by statute, operation of law or otherwise, an officer or *de facto* officer of one or more of the Applicants;
- w. **"Person"** means any individual, corporation, firm, limited or unlimited liability company, general or limited partnership, association (incorporated or unincorporated), trust, unincorporated organization, joint venture, trade union, government authority or any agency, regulatory body, or officer thereof, or any other entity, wherever situate or domiciled, and whether or not having legal status, and whether acting on their own or in a representative capacity;
- x. **"Pre-Filing Claims"** means (i) any indebtedness, liability, or obligation of any kind that would be a claim provable within the meaning of section 2 of the *BIA*; and/or (iii) all Claims against the Applicants or current or former Directors or Officers of the Applicants (or any one of them), but excluding Excluded Claims. For greater certainty, a "Claim" shall include any right or claim of any Person arising prior to the Filing Date that may be asserted or made in whole or in part against the Applicants or their current or former Directors or Officers, whether or not asserted or made, in connection with any indebtedness, liability or obligation of any kind whatsoever, and any interest accrued thereon or costs payable in respect thereof, including without limitation, by reason of the commission of a tort (intentional or unintentional), by reason of any breach of contract or other agreement (oral or written), by reason of any breach of duty (including, without limitation, any legal, statutory, equitable or fiduciary duty) or by reason of any right of ownership of or title to property or assets or right to a trust or deemed trust (statutory, express, implied, resulting, constructive or otherwise), and whether or not any indebtedness, liability or obligation is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present or future, known or unknown, by guarantee, surety or otherwise, and whether or not any right or claim is executory or anticipatory in nature including, without limitation, any right or ability of any Person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future;
- y. **"Proof of Claim"** means the Proof of Claim referred to in paragraph 23 hereof, substantially in the form attached as **Schedule "C"** hereto;

- z. **“Proven Claim”** means the amount and status of a Claim of a Claimant as finally determined in accordance with this Claims Procedure Order;
 - aa. **“Restructuring Claim”** means any right of claim of any Person against any of the Applicants in connection with any indebtedness, liability, or obligation of any kind whatsoever owed by any such Applicant to such Person arising out of the restructuring, disclaimer, repudiation, resiliation, or termination by such Applicant on or after the Filing Date of any contract, lease, other agreement or obligation whether written or oral;
 - bb. **“Restructuring Claims Bar Date”** means the later of:
 - i. the Claims Bar Date; and
 - ii. 15 days after the Monitor sends a Claims Package with respect to a Restructuring Claim in accordance with paragraph 22 hereof;
 - cc. **“Website”** means <https://www.alvarezandmarsal.com/Delta9>.
- 3. All references as to time herein shall mean local time in Calgary, Alberta, Canada, and any reference to an event occurring on a Business Day shall mean prior to 5:00 p.m. on such Business Day unless otherwise indicated herein.
 - 4. All references to the word "including" shall mean "including without limitation".
 - 5. All references to the singular herein include the plural, the plural include the singular, and any gender includes the other gender.
 - 6. All Claims shall be denominated in Canadian dollars. Any Claims denominated in a foreign currency shall be converted to Canadian dollars based on the Bank of Canada's daily average exchange rate for that currency against the Canadian Dollar on the Filing Date.
 - 7. Interest and penalties that would otherwise accrue after the Filing Date shall not be included in any Claims.

MONITOR'S ROLE

- 8. The Monitor, in addition to its prescribed rights, duties, responsibilities and obligations under the CCAA, shall assist the Applicants in connection with the administration of the Claims Procedure provided for herein, and is hereby directed and empowered to take such

other actions and fulfill such other roles as are contemplated by this Order or incidental thereto.

9. In carrying out the terms of this Order, the Monitor shall:
 - a. have all of the protections given to it by the CCAA and any subsequent orders and extensions related thereto, and this Order, or as an officer of the Court, including the stay of proceedings in its favour;
 - b. incur no liability or obligation as a result of the carrying out of the provisions of this Order, save and except for any gross negligence or willful misconduct on its part;
 - c. be entitled to rely on the books and records of the Applicants and any information provided by the Applicants, all without independent investigation; and
 - d. not be liable for any claims or damages resulting from any errors or omissions in such books, records or information, save and except for any gross negligence or willful misconduct on its part.
10. The Applicants and the Monitor are hereby authorized to use reasonable discretion as to the adequacy of compliance with respect to the manner in which forms delivered hereunder are completed and executed, and may, where they are satisfied that a Claim has been adequately proven, waive strict compliance with the requirements of this Order as to completion and execution of such forms and to request any further documentation from a Person that the Applicants or the Monitor may require in order to enable them to determine the validity of a Claim.
11. The form and substance of each of the documents comprising the Claims Package substantially in the forms attached as schedules hereto, are hereby approved. Despite the foregoing, the Monitor may, from time to time, make such minor changes to such forms as the Monitor, in consultation with the Applicants, considers necessary or desirable.
12. Copies of all forms delivered hereunder, as applicable, and determinations of Claims by the Court, as the case may be, shall be maintained by the Monitor and, subject to further order of the Court, the applicable Claimant will be entitled to have access thereto by appointment during normal business hours on written request to the Monitor or the Applicant.

NOTICE TO KNOWN CLAIMANTS

13. The Applicants shall provide to the Monitor a complete list of known potential Claimants with Pre-Filing Claims, save and except for Claimants with D&O Claims, listed in the books and records of the Applicants (the “**Known Claimants**”) as at the date of this Claim Procedure Order, and the Applicants, in consultation with the Monitor, shall determine the value of such Known Claimants' Claim for all purposes, on the basis of the books and records of the Applicants.
14. The Monitor shall send a Claims Package to each of the Known Claimants (or to the counsel of record for any such Known Claimants) by prepaid ordinary mail, courier, personal delivery, or electronic or facsimile transmission, within 5 Business Days from the granting of this Claims Procedure Order. A Claims Package sent to a Known Claimant shall include the value of such Known Claimant's Claim, as determined by the Applicants in accordance with this Claims Procedure Order (the “**Notice to Known Claimant**”).
15. If a Known Claimant, having received a Claims Package, disagrees with the amount or classification of such amount in the Notice to Known Claimant, the Claimant must deliver a Notice of Dispute of Known Claimant in the form attached as **Schedule “E”** hereto to the Applicants and the Monitor, by no later than the applicable Claims Bar Date. Such Notice of Dispute of Known Claimant shall outline the basis for the dispute, include the amount believed to be owing to the Known Claimant and the classification of such amount, and where possible, including supporting documentation. Where a Claimant that receives a Notice to Known Claimant pursuant to paragraph 14 does not deliver a Notice of Dispute of Known Claimant by the applicable Claims Bar Date, the amount owing to the Claimant and the classification of such amount shall be deemed to be as set out in the Notice to Known Claimant sent to such Claimant.

D&O CLAIMS

16. Any Person entitled or that intends to assert a D&O Claim must do so by the Claims Bar Date in accordance with paragraph 23 of this Order and shall be an Unknown Claimant and subject to the same process as an Unknown Claimant set out in paragraph 23 of this Claims Procedure Order.

DISCLAIMERS AND RESILIATIONS

17. Any action taken by the Applicant to restructure, disclaim, resiliate, terminate, or breach any contract, lease, or other agreement, whether written or oral, must occur on or before the day that is 14 Calendar Days prior to the date of any meeting called for the purpose of considering and voting on a Plan pursuant to the CCAA (a **"Meeting"**). Any notices of disclaimer or resiliation delivered after the date of this Order to Claimants in connection with the foregoing shall be accompanied by a Claims Package.
18. Any Person entitled or that intends to assert a Restructuring Claim must do so by the Restructuring Claims Bar Date in accordance with paragraph 23 of this Order and shall be an Unknown Claimant and subject to the same process as an Unknown Claimant set out in paragraph 24 of this Claims Procedure Order.

CLAIMS PROCEDURE FOR UNKNOWN CLAIMANTS

19. The Monitor shall, as soon as is practicable after the date of this Claims Procedure Order cause the Notice to Claimants to be published once in the *Insolvency Insider*, *The Globe and Mail*, the *Calgary Herald*, and the *Winnipeg Free Press*.
20. The Monitor will also post to the Website electronic copies of the Notice to Claimants and Claims Package as soon as is practicable and cause it to remain posted thereon until its discharge as Monitor of the Applicants.
21. The publication of the Notice to Claimants, in accordance with this Order, and the posting of this Order on the Website shall constitute good and sufficient service and delivery of notice of this Order and the Claims Bar Date on all Persons and no other notice or service need to be given or made.
22. Upon the Monitor receiving a request by a Claimant for a Claims Package or documents or information relating to the Claims Procedure prior to the applicable Claims Bar Date or any applicable Restructuring Claims Bar Date (each hereafter referred to as an **"Unknown Claimant"**), the Monitor shall forthwith send a Claims Package, direct such Person to the documents posted on the Website, or otherwise respond to the request for information or documents as the Monitor considers appropriate in the circumstances.

PROOFS OF CLAIM

23. Any Unknown Claimant that wishes to assert:
- a. a D&O Claim, must deliver to the Monitor and the Applicants a completed Proof of Claim form, together with all relevant supporting documentation in respect of such D&O Claim, in the manner set out in this Claims Procedure Order on or before the Claims Bar Date;
 - b. a Pre-Filing Claim, must deliver to the Monitor and the Applicants a completed Proof of Claim form, together with all relevant supporting documentation in respect of such Pre-Filing Claim, in the manner set out in this Claims Procedure Order on or before the Claims Bar Date; and/or
 - c. a Restructuring Claim, must deliver to the Monitor and the Applicants a completed Proof of Claim form, together with all relevant supporting documentation in respect of such Restructuring Claim, in the manner set out in this Claims Procedure Order on or before the Restructuring Claims Bar Date.
24. Any Unknown Claimant who fails to deliver a Proof of Claim to the Monitor and the Applicants in accordance with this Claims Procedure Order by either the Claims Bar Date or the Restructuring Claims Bar Date, as applicable, unless otherwise ordered by the Court, shall:
- a. be forever barred from making or enforcing any such Claim against any of the Applicants, their Directors and their Officers, and all such Claims will be forever extinguished and barred without any further act or notification by the Applicants;
 - b. be forever barred from making or enforcing any such Claim as against any other Person who could claim contribution or indemnity from the Applicants, its Directors and their Officers, or any of them and all such Claims will be forever extinguished and barred without any further act or notification by the Applicants;
 - c. will not be permitted to vote at any creditors' Meeting on account of such Claim;
 - d. will not be entitled to receive further notice with respect to the Claims Process or these proceedings with respect to such Claim; and
 - e. will not be permitted to participate in any distribution under any Plan or otherwise on account of such Claim.

25. To the extent that any D&O Claim is filed in accordance with this Claims Procedure Order, a corresponding D&O Indemnity Claim shall be deemed to have been filed in respect of such D&O Claim.
26. Any Person with an Excluded Claim shall not file a Proof of Claim in this process unless required to do so by further order of the Court, nor shall the Monitor send a Claims Package to Claimants with Excluded Claims.

REVIEW OF PROOFS OF CLAIM

27. The Monitor and the Applicants (and in the case of a D&O Claim, in consultation with the applicable Director/Officer, and/or their counsel, if applicable) shall review all Proofs of Claim filed in accordance with the Claims Procedure Order and at any time may:
 - a. request additional information from a Claimant;
 - b. request that a Claimant file a revised Proof of Claim;
 - c. attempt to resolve and settle any issue arising in a Proof of Claim or in respect of a Claim;
 - d. accept (in whole or in part), the amount and/or status of any Claim and so notify the Claimant in writing; and
 - e. revise or disallow (in whole or in part) the amount and/or status of any Claim and so notify the Claimant in writing.
28. Where a Claim has been accepted by the Monitor (and in the case of a D&O Claim, with the acceptance of the Monitor and the affected Director or Officer) in accordance with this Claims Procedure Order, such Claim shall constitute such Claimant's Proven Claim. The acceptance of any Claim or other determination of same in accordance with this Claims Procedure Order, in full or in part, shall not constitute an admission of any fact, thing, liability, quantum, or status of any claim by any Claimant, save and except in the context of these CCAA proceedings.
29. Where a Claim is revised or disallowed (in whole or in part, and whether as to amount and/or status), the Monitor shall deliver to the Claimant a Notice of Revision or Disallowance.

NOTICE OF DISPUTE

30. Any Claimant who intends to dispute a Notice of Revision or Disallowance sent pursuant to paragraph 29 above shall deliver a Notice of Dispute of Unknown Claimant to the Applicants and the Monitor no later than 7 Calendar Days after such Claimant is deemed to have received the Notice of Revision or Disallowance, or such longer period as may be agreed to by the Monitor in writing ("**Notice of Dispute of Unknown Claimant**").
31. Where a Claimant that receives a Notice of Revision or Disallowance pursuant to paragraph 29 above does not file a Notice of Dispute of Unknown Claimant by the time set out in paragraph 30 above, the amount and classification of such Claimant's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance, and the Claimant shall be barred from disputing or appealing same, and the balance of such Claimant's Claim, if any, shall be forever barred and extinguished.

RESOLUTION AND ADJUDICATION OF CLAIMS

32. As soon as is practicable after a Notice of Dispute of Known Claimant or a Notice of Dispute of Unknown Claimant (hereinafter referred to together as a "**Notice of Dispute**") is received by the Applicants and the Monitor in accordance with this Claims Procedure Order, the Monitor, in consultation with the Applicants (and in the case of a D&O Claim, in consultation with the applicable Director/Officer, and/or their counsel, if applicable), may attempt to resolve and settle the Claim with the Claimant.
33. In the event that the Monitor, in consultation with the Applicants (and in the case of a D&O Claim, in consultation with the applicable Director/Officer, and/or their counsel, if applicable), is unable to resolve a dispute regarding a Notice of Dispute with the Claimant, the Claimant must file an Application to the Court for the resolution of the Claim for voting and distribution purposes. Any such application must be filed and served within 10 Calendar Days after the Claimant has delivered a Notice of Dispute, failing which the amount and classification of such Claimant's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance. Thereafter, the Court shall resolve the dispute and determine the amount and/or classification of the Claimant's Claim for voting and distribution purposes. Any affected Director or Officer shall have standing to participate in any such Court process.

34. Where the amount and/or classification of a Claimant's Claim has not been finally determined by the Court by the date of a Meeting, the Monitor shall either:
- a. accept the Claimant's determination of the amount and/or classification of the Claim as set out in the applicable Notice of Dispute of Revision or Disallowance only for the purposes of voting and conduct the vote of the creditors on that basis subject to a final determination of such Claimant's Claim, and in such case the Monitor shall record separately such Claimant's Claim and whether Claimant voted in favour of or against the Plan;
 - b. adjourn the Meeting until a final determination of the Claim(s) is made; or
 - c. deal with the matter as the Court may otherwise direct or as the Applicant, the Monitor, and the relevant Claimant may otherwise agree.

NOTICE OF TRANSFEREES

35. If, after the Filing Date, the holder of a Claim transfers or assigns the whole of such Claim to another Person, neither the Applicants nor the Monitor shall be obligated to give notice or otherwise deal with the transferee or assignee of such Claim in respect thereof unless and until actual notice of transfer or assignment, together with satisfactory evidence of such transfer or assignment, has been received and acknowledged by the Applicants and the Monitor in writing and thereafter such transferee or assignee shall for the purposes hereof constitute the "Claimant" in respect of such Claim. Any such transferee or assignee of a Claim shall be bound by any notices given or steps taken in respect of such Claim in accordance with this Order prior to receipt and acknowledgement by the Applicants and the Monitor of satisfactory evidence of such transfer or assignment. A transferee or assignee of a Claim takes the Claim subject to any rights of set-off to which the Applicants may be entitled with respect to such Claim. For greater certainty, a transferee or assignee of a Claim is not entitled to set-off, apply, merge, consolidate or combine any Claims assigned or transferred to it against or on account or in reduction of any amounts owing by such Person to the Applicants. No transfer or assignment shall be received for voting purposes unless such transfer shall have been received by the Monitor no later than five Business Days prior to the Meetings, failing which the original transferor shall have all applicable rights as the "Claimant" with respect to such Claim as if no transfer of the Claim had occurred. Reference to transfer in this Claims Procedure Order includes a transfer or assignment whether absolute or intended as security.

36. If a Claimant, or any subsequent holder of a Claim, who has been acknowledged by the Monitor as the holder of such, transfers or assigns the whole of such Claim to more than one Person or part of such Claim to another Person, such transfers or assignments shall not create separate Claims and such Claims shall continue to constitute and be dealt with as a single Claim notwithstanding such transfers or assignments. The Monitor shall not, in each case, be required to recognize or acknowledge any such transfers or assignments and shall be entitled to give notices to and otherwise deal with such Claim only as a whole and then only to and with the Person last holding such Claim provided such Claimant may, by notice in writing delivered to the Monitor, direct that subsequent dealings in respect of such Claim, but only as a whole, shall be dealt with by a specified Person and in such event such Person shall be bound by any notices given or steps taken in respect of such Claim with such Claimant in accordance with the provisions of this Order.
37. Neither the Applicants nor the Monitor are under any obligation to give notice to any Person other than a Claimant holding a Claim and shall have no obligation to give notice to any Person holding a security interest, lien or charge in, or a pledge or assignment by way of security in, a Claim as applicable in respect of any Claim.

SERVICE AND NOTICE

38. The Monitor and the Applicants may, unless otherwise specified by this Order, serve and deliver any letters, notices or other documents contemplated by this Claims Procedure Order to Claimants, Directors or Officers, and any other interested Persons, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic or digital transmission to such Persons (with copies to their counsel if applicable) at the address as last shown on the records of the Applicants or set out in such Claimant's Proof of Claim. Any such service or notice by courier, personal delivery or electronic or digital transmission shall be deemed to have been received: (i) if sent by ordinary mail, on the third Business Day after mailing within Alberta, the fifth Business Day after mailing within Canada (other than within Alberta), and the tenth Business Day after mailing internationally; (ii) if sent by courier or personal delivery, on the next Business Day following dispatch; and (iii) if delivered by electronic or digital transmission by 5:00 p.m. on a Business Day, on such Business Day, and if delivered after 5:00 p.m. or other than on a Business Day, on the following Business Day.

39. Any notice or other communication (including Proofs of Claim) to be given under this Order by any Person to the Applicant and the Monitor shall be in writing in substantially the form, if any, provided for in this Order and will be sufficiently given only if delivered by prepaid registered mail, courier, personal delivery or electronic or digital transmission addressed to the following address and any such notice or other communication by a Claimant shall be deemed received only upon actual receipt thereof during normal business hours on a Business Day, or if delivered outside of a normal business hours, the next Business Day:

To the Applicants:

MLT AIKINS LLP
2100, 222 - 3rd Ave SW
Calgary, AB T2P 0B4
Attention: Ryan Zahara/Molly McIntosh
Email: rzahara@mltaikins.com
mmcintosh@mltaikins.com

To the Monitor:

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7
Email: delta9@alvarezandmarsal.com

With a copy to:

BURNET, DUCKWORTH & PALMER LLP

Attention: David LeGeyt (dlegeyt@bdplaw.com)
Ryan Algar (ralgar@bdplaw.com)
Jenny Deyholos (jdeyholos@bdplaw.com)

40. If during any period during which notices or other communications are being given pursuant to this Order a postal strike or postal work stoppage of general application should occur, such notices or other communications sent by ordinary mail and then not received shall not, absent further order of the Court, be effective and notices and other communications given hereunder during the course of any such postal strike or work stoppage of general application shall only be effective if given by courier, personal delivery or electronic or digital transmission in accordance with this Order.

41. In the event that this Order is later amended by further order of the Court, the Monitor shall post such further order on the Website and such posting shall constitute adequate notice of such amended claims procedure.

SET-OFF

42. The Applicants may set-off (whether by way of legal, equitable or contractual set-off) against payments or other distributions to be made pursuant to the Claims Process Order to any Claimant, any claims of any nature whatsoever that the Applicants (or any of them) may have against such Claimant, however, neither the failure to do so nor the allowance of any claim hereunder shall constitute a waiver or release by the Applicants (or any of them) of any such claim that the Applicants may have against such Claimant.

MISCELLANEOUS

43. The Applicants or the Monitor may from time to time apply to this Court to amend, vary, supplement or replace this Order or for advice and direction concerning the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.
44. This Order shall have full force and effect in all provinces and territories of Canada, outside Canada and against all Persons against whom it may be enforceable.
45. This Court hereby requests the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or the United States, or in any other foreign jurisdiction, to give effect to this Order and to assist the Applicants, or any of them, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of the Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Applicants in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

46. Each of the Applicants and the Monitor shall be at liberty and are hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Claims Procedure Order and for assistance in carrying out the terms of this Claims Procedure Order.

The Honourable Associate Chief Justice Neilsen
Justice of the Court of King's Bench of Alberta

SCHEDULE "A"

NOTICE TO KNOWN CLAIMANTS

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

**AND IN THE MATTER OF THE 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.**

NOTICE LETTER TO KNOWN CLAIMANTS REGARDING CLAIMS PROCEDURE

RE: Notice of Claims Procedure, Claims Bar Date & Restructuring Claims Bar Date

This notice is published pursuant to the Order of the Honourable Associate Chief Justice Neilsen of the Court of King's Bench of Alberta, dated July 24, 2024 (the "**Claims Procedure Order**"), in the Applicants' proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended. Pursuant to the Initial Order dated July 15, 2024, Alvarez & Marsal Canada Inc. was appointed as monitor of the Applicants (in such capacity, the "**Monitor**"), and pursuant to the Claims Procedure Order will, with the assistance of the Applicants, conduct a Claims Procedure with respect to Claims against the Applicants and their present and former Directors and Officers. Additionally, the Monitor is required to send Claims Packages to the Applicants' Known Claimants.

All capitalized terms used herein that are not otherwise defined have the meaning ascribed to them in the Claims Procedure Order.

The Claims Procedure Order, the Claims Package, a Proof of Claim form, and related materials can be accessed on the Monitor's Website at: <https://www.alvarezandmarsal.com/Delta9>. Proof of Claim forms can also be obtained by contacting the Monitor at the address below and providing particulars as to your name, address, facsimile number and email address.

I. CREDITOR CLAIM

Based on the books and records of the Applicants, [Creditor Name] has a Known Claim against the Applicants (or any one of them) which arose before the commencement of these CCAA proceedings. Details regarding [Creditor name]'s claim are as follows:

Creditor Name	
Creditor Claim (\$CAD)	
Classification of Creditor Claim	

If you AGREE with the amount and classification as set out in this notice, you need not do anything further; the quantum and classification of your claim, as set out in this notice, will be accepted as your Proven Claim.

If you DISAGREE with the amount and/or classification as set out in this notice, or wish to assert a different claim, you **MUST** submit a 'Notice of Dispute' to the Monitor **by**:

(a) in respect of Pre-Filing Claims, no later than 5:00 p.m. MST on August 17, 2024 (the “**Claims Bar Date**”); and

(b) in respect of Restructuring Claims, on or before the later of:

- (i) the Claims Bar Date; and
- (ii) 15 Business Days after the Monitor sends the Claims Package with respect to such Claim in accordance with paragraph 17 of the Claims Procedure Order

(the “**Restructuring Claims Bar Date**”).

The Notice of Dispute must outline the basis for the dispute and including supporting documentation.

Additional information about these proceedings may be found on the Monitor’s Website or may be obtained by contacting the Monitor directly. Contact details for the Monitor are described below:

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7
Email: delta9@alvarezandmarsal.com

Dated at the City of Calgary, in the Province of Alberta, this [date] of [month], [year].

Alvarez & Marsal Canada Inc.
in its capacity as Monitor of the Applicants, and not
in its personal or corporate capacity

SCHEDULE “B”

NOTICE TO CLAIMANTS

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

**AND IN THE MATTER OF THE 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.**

NOTICE LETTER TO CLAIMANTS REGARDING CLAIMS PROCEDURE

RE: Notice of Claims Procedure, Claims Bar Date & Restructuring Claims Bar Date

This notice is published pursuant to the Order of the Honourable Associate Chief Justice Nielsen of the Court of King’s Bench of Alberta, dated July 24, 2024 (the “**Claims Procedure Order**”), in the Applicants’ proceedings under the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36, as amended. Pursuant to the Initial Order dated July 15, 2024, Alvarez & Marsal Canada Inc. was appointed as monitor of the Applicants (in such capacity, the “**Monitor**”), and pursuant to the Claims Procedure Order will, with the assistance of the Applicants, conduct a Claims Procedure with respect to Claims against the Applicants and their present and former Directors and Officers.

All capitalized terms used herein that are not otherwise defined have the meaning ascribed to them in the Claims Procedure Order.

The Claims Procedure Order, the Claims Package, a Proof of Claim form, and related materials can be accessed on the Monitor’s Website at: <https://www.alvarezandmarsal.com/Delta9>. Proof of Claim forms can also be obtained by contacting the Monitor at the address below and providing particulars as to your name, address, facsimile number and email address.

I. SUBMISSION OF PROOF OF CLAIM

Any Person who believes they have a Claim against the Applicants (or any one of them) or their Directors or Officers shall submit their Claim in a Proof of Claim form, other than an Excluded Claim, in accordance with the Claims Procedure Order.

All Claimants MUST submit their Proof of Claim to the Applicants and the Monitor:

- II. in respect of Pre-Filing Claims, no later than 5:00 p.m. MST on August 17, 2024 (the “**Claims Bar Date**”); and
- III. in respect of Restructuring Claims, on or before the later of:
 - (iii) the Claims Bar Date; and
 - (iv) 15 Business Days after the Monitor sends the Claims Package with respect to such Claim in accordance with paragraph 17 of the Claims Procedure Order(the “**Restructuring Claims Bar Date**”).

Proofs of Claim MUST be submitted by prepaid registered mail, courier, personal delivery, or electronic or digital transmission addressed to the following address:

To the Applicants:

MLT AIKINS LLP
2100, 222 - 3rd Ave SW
Calgary, AB T2P 0B4
Attention: Ryan Zahara (rzahara@mltaikins.com)
Kaitlin Ward (kward@mltaikins.com)

To the Monitor:

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7
Email: delta9@alvarezandmarsal.com

With a copy to:

BURNET, DUCKWORTH & PALMER LLP

Attention: David LeGeyt (dlegeyt@bdplaw.com)
Ryan Algar (ralgar@bdplaw.com)
Jenny Deyholos (jdeyholos@bdplaw.com)

CLAIMS WHICH ARE NOT RECEIVED BY THE MONITOR BY THE APPLICABLE CLAIMS BAR DATE WILL BE FOREVER BARRED FROM MAKING OR ENFORCING ANY CLAIM AGAINST ANY OF THE APPLICANTS, THEIR DIRECTORS, OR THEIR OFFICERS.

Additional information about these proceedings may be found on the Monitor's Website or may be obtained by contacting the Monitor directly at the address above.

Dated at the City of Calgary, in the Province of Alberta, this [date] of [month], [year].

Alvarez & Marsal Canada Inc.
in its capacity as Monitor of the Applicants, and not
in its personal or corporate capacity

SCHEDULE "C"

PROOF OF CLAIM FORM

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

**AND IN THE MATTER OF THE 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.**

Regarding the claim of _____ (referred to
in this form as "**the Claimant**"). (Name of Claimant)

All notices or correspondence regarding this claim to be forwarded to the Claimant at the following
address:

Telephone Number: _____
Facsimile Number: _____
Attention (Contact
Person): _____
Email Address: _____

*(Note – All future correspondence will be delivered to the designated email address unless the
Claimant specifically requests that hardcopies be provided)*

☐ Please provide hardcopies of materials to the address above.

I, _____ (name of the Claimant or representative of the
Claimant), of _____ (City, Province or State) do hereby certify
that:

(a) I am (select one):

☐ the Claimant; or

☐ I am _____ (*state position/title*) of the Claimant.

(b) I have knowledge of all the circumstances connected with the Claim referred to below;

(c) I confirm that complete documentation in support of the Claim referred to below is attached;
and

(d) The Applicants and/or one or more of the Directors or Officers of the Applicants were and still
are Indebted to the Claimant as follows:

I. Pre-Filing Proof of Claim

Debtor	Pre-Filing Claim Amount	Nature of Claim (Secured, Priority, Unsecured or Secured)	Value of Security Held (if any)
Delta 9 Cannabis Inc.	CAD\$		
Directors and Officers of Delta 9 Cannabis Inc. (insert names of same)	CAD\$		
Delta 9 Logistics Inc.	CAD\$		
Directors and Officers of Delta 9 Logistics Inc. (insert names of same)	CAD\$		
Delta 9 Bio-Tech Inc.	CAD\$		
Directors and Officers of Delta 9 Bio-Tech Inc. (insert names of same)	CAD\$		
Delta 9 Lifestyle Cannabis Clinic Inc.	CAD\$		
Directors and Officers of Delta 9 Lifestyle Cannabis Clinic Inc. (insert names of same)	CAD\$		
Delta 9 Cannabis Store Inc.	CAD\$		
Directors and Officers of Delta 9 Cannabis Store Inc. (insert names of same)	CAD\$		

II. Restructuring Proof of Claim

Debtor	Pre-Filing Claim Amount	Nature of Claim (Secured, Priority, Unsecured or Secured)	Value of Security Held (if any)
Delta 9 Cannabis Inc.	CAD\$		
Directors and Officers of Delta 9 Cannabis Inc. (insert names of same)	CAD\$		
Delta 9 Logistics Inc.	CAD\$		
Directors and Officers of Delta 9 Logistics Inc.	CAD\$		

<i>(insert names of same)</i>			
Delta 9 Bio-Tech Inc.	CAD\$		
Directors and Officers of Delta 9 Bio-Tech Inc. <i>(insert names of same)</i>	CAD\$		
Delta 9 Lifestyle Cannabis Clinic Inc.	CAD\$		
Directors and Officers of Delta 9 Lifestyle Cannabis Clinic Inc. <i>(insert names of same)</i>	CAD\$		
Delta 9 Cannabis Store Inc.	CAD\$		
Directors and Officers of Delta 9 Cannabis Store Inc. <i>(insert names of same)</i>	CAD\$		

The particulars of the undersigned's total Claim, in the sum of \$CAD _____
(insert \$CAD value of total Claim) are attached.

(Please provide full particulars of the Claim and supporting documentation including amount, description of transaction(s) or agreement(s) or legal breach(es) giving rise to the Claim, name of any guarantor(s) which have guaranteed the Claim, particulars and copies of any security and amount of Claim allocated thereto, date and number of all invoices, particulars of all credits, discounts, etc. claimed. If a Claim is made against any Directors or Officers, specify the applicable Directors or Officers and the legal basis for the Claim against each of them. Any claim for interest must be supported by contractual documentation evidencing the entitlement to interest. Claims should not include the value of goods and/or services supplied or interest accrued after July 15, 2024).

FILING DEADLINES FOR CLAIM:

For Pre-Filing Claims, this Proof of Claim must be received by the Applicants and the Monitor before 5:00 p.m. MST on August 17, 2024 (the "**Claims Bar Date**").

For Restructuring Claims, this Proof of Claim must be received by the Applicants and the Monitor on or before the later of: (i) the Claims Bar Date, or 15 Business Days after the Monitor sends the Claims Package with respect to such Claim in accordance with paragraph 17 of the Claims Procedure Order.

Proofs of Claim MUST be submitted by prepaid registered mail, courier, personal delivery, or electronic or digital transmission addressed to the following address:

To the Applicants:

MLT AIKINS LLP
2100, 222 - 3rd Ave SW

Calgary, AB T2P 0B4
Attention: Ryan Zahara/Molly McIntosh
Email: rzahara@mtlaikins.com
mmcintosh@mtlaikins.com

To the Monitor:

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7
Email: delta9@alvarezandmarsal.com

With a copy to:

BURNET, DUCKWORTH & PALMER LLP

Attention: David LeGeyt (dlegeyt@bdplaw.com)
Ryan Algar (ralgar@bdplaw.com)
Jenny Deyholos (jdeyholos@bdplaw.com)

Any such notice or communication delivered by a Claimant shall be deemed to be received upon actual receipt thereof before 5:00 p.m. MST on a Business Day or if delivered outside of normal business hours, the next Business Day.

CLAIMS WHICH ARE NOT RECEIVED BY THE MONITOR BY THE APPLICABLE CLAIMS BAR DATE WILL BE FOREVER BARRED FROM MAKING OR ENFORCING ANY CLAIM AGAINST ANY OF THE APPLICANTS, THEIR DIRECTORS, OR THEIR OFFICERS.

DATED this ____ day of _____, 2024

.

Witness

Per: _____

Print name of Claimant:

If Claimant is other than an individual, print name and title of authorized signatory

Name: _____

Title: _____

SCHEDULE "D"

NOTICE OF REVISION OR DISALLOWANCE

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

**AND IN THE MATTER OF THE 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.**

TO: [name and address of claimant]

PLEASE TAKE NOTICE that this Notice of Revision or Disallowance is being sent pursuant to an order of the Court of King's Bench of Alberta (the "**Court**") dated July 24, 2024 (the "**Claims Procedure Order**") issued in the Applicants' proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended. A copy of the Claims Procedure Order, and all other related materials, may be found on the Monitor's Website at: <https://www.alvarezandmarsal.com/Delta9>.

The Monitor, and in the case of a D&O Claim, the named Director or Officer, has reviewed your Notice of Dispute or your Proof of Claim dated _____, 2024, and has revised or disallowed your Claim for the following reasons:

Subject to further dispute by you in accordance with the provisions of the Claims Procedure Order, your Claim will be allowed for voting and distributions purposes as follows:

	Submitted or Disputed Amount	Allowed
Claimant		
Claim		
Classification		

If you **AGREE** with the amount and classification allowed by Monitor as set out above, you need not do anything further; the quantum and classification of your claim, as set out as allowed in this Notice of Revision or Disallowance, will be accepted as your Proven Claim. In the event you take

no action, your claim will also be accepted based on the allowed amount as set out above.

If you **DISAGREE** with the amount and classification allowed by Monitor (or the affected Director of Officer) as described above, you are obligated to file a **Notice of Dispute** with the Monitor within 7 Calendar Days after receipt of the Notice of Revision or Disallowance, failing which the amount and classification of your claim shall be deemed to be as set out as allowed in this Notice of Revision or Disallowance.

In the event the Monitor is unable to resolve the dispute about your allowable claim, you may file an application with the Court for the resolution or adjudication of your claim for voting and distribution purposes by no later than 10 Calendar Days after delivery of the Notice of Dispute of Revision or Disallowance, failing which the amount and classification of your claim shall be deemed to be as set out as allowed in this Notice of Revision or Disallowance.

Additional information about these proceedings may be found on the Monitor's Website or may be obtained by contacting the Monitor directly. Contact details for the Monitor are described below:

ALVAREZ & MARSAL CANADA INC.
Bow Valley Square 4
Suite 1110, 250 6th Ave SW
Calgary, AB T2P 3H7
Email: delta9@alvarezandmarsal.com

Dated at the City of Calgary, in the Province of Alberta, this [date] of [month], [year].

Alvarez & Marsal Canada Inc.
in its capacity as Monitor of the Applicants, and not
in its personal or corporate capacity

SCHEDULE "E"

NOTICE OF DISPUTE OF KNOWN CLAIMANT OR UNKNOWN CLAIMANT

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

**AND IN THE MATTER OF THE 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.**

PLEASE TAKE NOTICE that by order of the Court of King's Bench of Alberta (the "**Court**") dated July 24, 2024 (the "**Claims Procedure Order**"), in the Applicants' proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended, the Monitor, with assistance from the Applicants, have been authorized to conduct a claims procedure (the "**Claims Procedure**"). A copy of the Claims Procedure Order, and all other related materials, may be found on the Monitor's Website at: <https://www.alvarezandmarsal.com/Delta9>.

Name of Claimant: _____

Address: _____

Telephone Number: _____

Facsimile Number: _____

Email Address: _____

PLEASE TAKE NOTICE THAT, pursuant to the Claims Procedure Order, we hereby give you notice of our intention to dispute the Notice to Known Claimant or the Notice of Revision or Disallowance, as applicable, issued by Alvarez & Marsal Canada Inc., acting in its capacity as Court-appointed Monitor of the Delta 9 Group in respect of our Claim. We dispute the following portion(s) of our Claim as articulated in the Notice to Known Claimant or Notice of Revision or Disallowance, as applicable:

Claim as Listed in the Notice to Known Claimant (\$CAD)	Revised Claim (\$CAD)

or

Allowed Claim as Listed in the Notice of Revision or Disallowance (\$CAD)	Revised Claim (\$CAD)

--	--

Allowed Classification of Claim as Listed in the Notice of Revision	Revised Classification

Reason for the dispute (attach copies of any supporting documentation):

The address for Service of Notice of Dispute is as follows:

To the Applicants:

MLT AIKINS LLP
 2100, 222 - 3rd Ave SW
 Calgary, AB T2P 0B4
 Attention: Ryan Zahara/Molly McIntosh
 Email: rzahara@mltaikins.com
mmcintosh@mltaikins.com

To the Monitor:

ALVAREZ & MARSAL CANADA INC.
 Bow Valley Square 4
 Suite 1110, 250 6th Ave SW
 Calgary, AB T2P 3H7
 Email: delta9@alvarezandmarsal.com

With a copy to:

BURNET, DUCKWORTH & PALMER LLP

 Attention: David LeGeyt (dlegeyt@bdplaw.com)
 Ryan Algar (ralgar@bdplaw.com)
 Jenny Deyholos (jdeyholos@bdplaw.com)

THIS FORM AND ANY REQUIRED SUPPORTING DOCUMENTATION MUST BE RETURNED TO THE MONITOR AND THE APPLICANT BY REGISTERED MAIL, PERSONAL SERVICE, EMAIL, FACSIMILE OR COURIER TO THE ADDRESS INDICATED ABOVE:

- **FOR NOTICE OF DISPUTE OF KNOWN CLAIMANT MUST BE ACTUALLY RECEIVED BY 5:00 P.M. ON THE CLAIMS BAR DATE**

OR

- **FOR A NOTICE OF DISPUTE OF UNKNOWN CLAIMANT MUST BE ACTUALLY RECEIVED BY 5:00 P.M. CALGARY TIME 7 CALENDAR DAYS AFTER RECEIPT OF NOTICE OF REVISION OR DISALLOWANCE.**

In the event that the Monitor is unable to resolve a dispute regarding my claim following its receipt of this Notice of Dispute of Revision or Disallowance, I understand that:

- a) I am obligated to make an application to the Court for the resolution or adjudication of the Claim for voting and distribution purposes; and,
- b) any such application must be filed in the Court (and served on the Applicants and the Monitor) no later than 10 Calendar Days after the Claimant has delivered a Notice of Dispute of Revision or Disallowance, failing which the amount and classification of such Claimant's Claim shall be deemed to be as set out in the Notice of Revision or Disallowance.

DATED this ____ day of _____, 2024

Witness

Per: _____

Name of Claimant

If Claimant/Restructuring Period Claimant is other than an individual, print name and title of authorized signatory

Name: _____

Title: _____

APPENDIX "E"

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 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.

KEY EMPLOYEE RETENTION PLAN

July 24, 2024

Overview

1. On July 15, 2024, Delta 9 Cannabis Inc., Delta 9 Bio-Tech Inc. ("**Bio-Tech**"), Delta 9 Cannabis Store Inc., Delta 9 Logistics Inc. and Delta 9 Lifestyle Cannabis Clinic Inc. (collectively, the "**D9 Group**") were granted protection under the *Companies' Creditors Arrangement Act* (Canada), as amended (the "**CCAA Proceedings**") pursuant to an Initial Order granted by Justice D.R. Mah of the Court of King's Bench of Alberta (the "**Court**").
2. Alvarez & Marsal Canada Inc. was appointed monitor ("**Monitor**") of the D9 Group in the CCAA Proceedings.
3. 2759054 Ontario Inc. o/a Fika Herbal Goods (the "**Interim Lender**") has agreed to provide interim financing to the D9 Group to facilitate the CCAA Proceedings and the Restructuring (as defined below).
4. On July 24, 2024, the D9 Group brought an application in the CCAA Proceedings to, among other things (a) approve this key employee retention plan (the "**KERP**"), and (b) secure the amounts payable under this KERP with a charge (the "**KERP Charge**") on all of the property of the D9 Group on the terms and with the priority proposed in the Second Affidavit of John William Arbuthnot IV sworn July 18, 2024 and described in more detail in the first report of the Monitor dated July 25, 2024.
5. The eligible participants in this KERP (each, an "**Eligible Participant**") will initially be comprised of the key employees of the D9 Group set out on Schedule A (each a "**Key D9 Employee**"), including [REDACTED]
[REDACTED] Eligible Participants may be added or removed in accordance with the terms of this KERP.

Eligibility Criteria

6. The D9 Group and the Monitor have determined that each of the Key D9 Employees is essential to ensure the stability of the D9 Group's business, enhances the effectiveness of the proposed restructuring, plan(s) of arrangement and/or sales and investment solicitation process (the "**SISP**" and collectively, the "**Restructuring**") to be commenced by, or in respect of, the D9 Group and/or its assets, is necessary to facilitate an efficient Restructuring, and should be deemed to be an Eligible Participant as of the date hereof.
7. The D9 Group, with the approval of the Monitor and the Interim Lender, may designate additional employees of the D9 Group (each an "**Additional D9 Employee**") as Eligible Participants for the purposes of participating in this KERP if the qualifications of this Section 7 are met in respect of

such Additional D9 Employees (who then shall be Eligible Participants for the purposes of this KERP), provided that the total amount of KERP Payments (as defined below) allocated and/or paid to all Eligible Participants does not exceed the KERP Cap (as defined below), unless Court approval is obtained to increase such KERP Cap.

Allocation

8. The total aggregate amount authorized to be paid to all Eligible Participants under the KERP is \$655,000.00 (the “**KERP Cap**”). The current allocation (the “**KERP Allocation**”) of retention payments (“**KERP Payments**”) as between the initial Eligible Participants is set out in **Schedule A**. Notwithstanding the foregoing, the D9 Group may, with the approval of the Monitor, the Interim Lender and any affected Eligible Participant, amend the KERP Allocation from time to time in accordance with the terms hereof; provided that the total amount of KERP Payments allocated and/or paid to all Eligible Participants does not exceed the KERP Cap, unless Court approval is obtained to increase such KERP Cap.
9. Without limiting the D9 Group’s rights under the other provisions of this KERP (including where subject to approval of the Monitor and the Interim Lender), in the event that any Eligible Participant resigns or is terminated with cause prior to a Vesting Event (as defined below), and the D9 Group is required to (a) hire a new employee; (b) designate an Additional D9 Employee as a Eligible Participant; or (c) reassign the resigning Eligible Participant’s work to another Eligible Participant (as applicable, the “**Replacement**”), the D9 Group may, with the approval of the Monitor and the Interim Lender, revoke the resigning Eligible Participant’s right to participate in this KERP and reallocate to the Replacement the unearned portion of the applicable KERP Payments originally allocated to the resigning Eligible Participant; provided that the total amount of KERP Payments allocated and/or paid to all Eligible Participants does not exceed the KERP Cap, unless Court approval is obtained to increase such KERP Cap.

Vesting Criteria

10. The KERP Payments will vest in those Eligible Participants entitled to such payments in accordance with **Schedule A** (each such event being a “**Vesting Event**”). For the purpose of **Schedule A**, “**Qualifying Bio-Tech Transaction**” means either: (a) the sale of, or subscription for, Bio-Tech securities or all or substantially all of Bio-Tech’s assets, whichever is sooner, provided that the aggregate value of the sale and/or subscription consideration (including, for certainty, any credit bid or non-cash consideration) is greater than [REDACTED] net of any brokerage fees, commissions, and taxes; or (b) the sale of, or subscription for, Bio-Tech securities or all or substantially all of Bio-Tech’s assets to the Interim Lender or any affiliate, assignee, nominee or designee thereof.
11. In addition to any other conditions set out herein, and those which may be established or imposed by the D9 Group with the approval of the Monitor from time to time, Eligible Participants will only be eligible for their applicable KERP Payments if they are: (a) actively employed with the D9 Group when such KERP Payment(s) are earned, (b) performing their duties and responsibilities, including any reasonable additional or transitional duties, through to the applicable payment date, or (c) terminated without cause before the applicable KERP Payment is due and payable hereunder (and such Eligible Participant has otherwise met all other requirements for payment). An Eligible Participant will lose its entitlements under this KERP if they are terminated for cause, if they resign before the applicable Vesting Event, as applicable, or otherwise do not otherwise meet the conditions for earning such KERP Payment.

Payment Criteria

12. Subject to the terms hereof, the applicable KERP Payments shall be payable to the Eligible Participants within five (5) days following the applicable Vesting Event.

Release Criteria

13. As part of the enticement and compensation to the D&Os for continuing to provide services and maintain their roles as directors and officers of the D9 Group during their CCAA proceedings, the D9 Group agrees to seek and obtain a release of all liability as a director and officer of any member of the D9 Group that is subject to a sale of its business and operations by way of a reverse vesting order and/or a release of all liability as a director and officer of each member of D9 Group that is subject to a plan of arrangement or compromise in the CCAA Proceedings.

SCHEDULE “A”

Name	Entitlement (up to)	Vesting Criteria
██████████	<p>██████████</p> <p>Release of all liability as a director and officer of any member of the D9 Group subject to a sale of the business or operations by way of a reverse vesting order</p> <p>Release of all liability as a director and officer of each member of D9 Group subject to a plan of arrangement or compromise in the CCAA Proceedings</p>	<p>██████████ on the earlier of: (i) plan implementation (ii) completion of the Restructuring, and (ii) October 15, 2024.</p> <p>██████████ on the earlier of: (i) a Qualifying Bio-Tech Transaction and (ii) January 15, 2025.</p>
██████████	<p>██████████</p> <p>Release of all liability as a director and officer of any member of the D9 Group subject to a sale of the business or operations by way of a reverse vesting order</p> <p>Release of all liability as a director and officer of each member of D9 Group subject to a plan of arrangement or compromise in the CCAA Proceedings</p>	<p>██████████ on the earlier of: (i) plan implementation (ii) completion of the Restructuring, and (ii) October 15, 2024.</p> <p>██████████ on the earlier of: (i) a Qualifying Bio-Tech Transaction and (ii) January 15, 2025.</p>
██████████	<p>██████████</p> <p>Release of all liability as a director and officer of any member of the D9 Group subject to a sale of the business or operations by way of a reverse vesting order</p> <p>Release of all liability as a director and officer of each member of D9 Group subject</p>	<p>██████████ on the earlier of: (i) plan implementation (ii) completion of the Restructuring, and (ii) October 15, 2024.</p> <p>██████████ on the earlier of: (i) a Qualifying Bio-Tech Transaction and (ii) January 15, 2025</p>

Name	Entitlement (up to)	Vesting Criteria
	to a plan of arrangement or compromise in the CCAA Proceedings	
██████████	██████████	██████████ on the earlier of: (i) plan implementation; (ii) completion of the Restructuring, and (iii) October 15, 2024.
██████████████████	██████████	██████████ on the earlier of: (i) plan implementation; (ii) completion of the Restructuring, and (iii) October 15, 2024.
██████████	██████████	██████████ on the earlier of: (i) plan implementation; (ii) completion of the Restructuring, and (iii) October 15, 2024.
██████████████████	██████████	██████████ on the earlier of: (i) plan implementation; (ii) completion of the Restructuring, and (iii) October 15, 2024.
██████████████████	██████████	██████████ on the earlier of: (i) plan implementation; (ii) completion of the Restructuring, and (iii) October 15, 2024.
██████████████████	██████████	██████████ on the earlier of: (i) plan implementation; (ii) completion of the Restructuring, and (iii) October 15, 2024.

CONFIDENTIAL APPENDIX "1"

CONFIDENTIAL APPENDIX "2"