

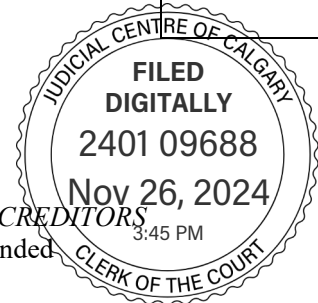
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COURT COURT OF KING'S BENCH OF ALBERTA

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

November 26, 2024

ADDRESS FOR
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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**", the "**Company**" 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. The Initial Order provided for limited relief to the Applicants including, but not limited to, the imposition of a stay of proceedings in favour of the Applicants and their assets (the "**Stay Period**") initially only through to July 25, 2024 (the "**Initial Stay Period**"), an administrative charge to a maximum amount of \$350,000 (the "**Initial Administration Charge**") and a directors and officers charge to a maximum amount of \$300,000 (the "**Initial Directors' Charge**").

July 24 Application

3. On July 24, 2024, the Applicants sought and obtained the following relief from this Honourable Court:
 - a) an amended and restated Initial Order (the "**ARIO**");
 - b) an Order (the "**Bio-Tech SISP Order**") approving a sales and investment solicitation process with respect to Bio-Tech (the "**SISP**"); and
 - c) an Order (the "**Claims Procedure Order**") approving a claims procedure to determine the claims of creditors and establish a claims bar date to prove such claims (the "**Claims Procedure**").

4. The ARIO, among other things:

- a) extended the Initial Stay Period to September 15, 2024;
- b) approved the interim financing facility (the "**Interim Financing Facility**") and related charge (the "**Interim Financing Charge**") in the amount of \$16 million, plus interest, costs and expenses;
- c) approved a key employee retention plan (the "**KERP**") and related charge (the "**KERP Charge**") in the amount of \$655,000;
- d) increased the Initial Administration Charge from \$350,000 to \$750,000 (the "**Amended Administration Charge**");
- e) increased the Initial Directors' Charge from \$300,000 to \$900,000, and extended the same in favour of legal counsel of the directors and officers of the Applicants, Norton Rose Fulbright LLP (the "**Amended Directors' Charge**");
- f) granted a break fee charge in favour of the Plan Sponsor (the "**Break Fee Charge**") of \$1.5 million; and
- g) authorized the appointment of a chief restructuring officer (the "**CRO**").

September 11 Application

5. On September 11, 2024, the Applicants sought and obtained the following relief from this Honourable Court (the "**Stay Extension and Approval Order**"):

- a) an extension of the Stay Period to November 1, 2024;
- b) an amendment to the Interim Financing Term Sheet (the "**Amended Interim Financing Term Sheet**") authorizing borrowing up to \$17.5 million from 2759054 Ontario Inc. o/a Fika Herbal Goods ("**Fika**", the "**Interim Lender**" and/or the "**Plan Sponsor**");

- c) approval of the Monitor and Monitor's counsel's fees and disbursements as set out in the Second Report; and
- d) approval of the Monitor's activities, actions, and conduct, as set out in the Pre-Filing Report, the First Report, and the Second Report.

November 1 Application

- 6. On November 1, 2024, the Applicants sought and obtained the following relief from this Honourable Court (the "**November 1 Application**"):
 - a) an extension of the Stay Period to January 31, 2025;
 - b) a further amendment to the Interim Financing Term Sheet (the "**Second Amended Interim Financing Term Sheet**") authorizing borrowings up to \$18.5 million from the Interim Lender; and
 - c) approval of the Monitor and Monitor's counsel's fees and disbursements as set out in the Third Report,

 (the "**Second Stay Extension and Approval Order**").
- 7. The Monitor also sought and obtained a minor amendment to the Claims Procedure Order which empowered the Monitor and the Company to accept and consider Claims filed subsequent to the Claims Bar Date (the "**Amended and Restated Claims Procedure Order**").
- 8. On November 1, 2024, the Plan Sponsor applied to this Honourable Court for a Meeting Order and related relief in respect of a Plan of Compromise and Arrangement dated October 21, 2024 (the "**Initial Plan**"), as outlined in the Third Report, and the Court reserved its decision in that regard. On November 8, 2024, the Court issued its Reasons for Decision (the "**Reasons for Decision**"), dismissing the Plan Sponsor's application without prejudice to its right to reapply. The Plan Sponsor's application and the Reasons for Decision are discussed in further detail in this Report.

November 15 Application

9. On November 15, 2024, the Applicants sought and obtained an order from this Honourable Court approving the sale and vesting of certain assets of Bio-Tech to 10213358 Manitoba Ltd., free and clear of all claims, encumbrances and charges (the "**102 MB SAVO**").

December 2 Application

10. As noted, the Court dismissed the Plan Sponsor's initial application to accept the Initial Plan for filing and authorize a creditor's meeting. Since receiving the Reasons for Decision, the Plan Sponsor has undertaken substantive negotiations with key stakeholders to resolve the matters in controversy at the November 1 Application. This has culminated in an amended plan, which the Plan Sponsor and the Applicants expect to be unopposed.
11. The Plan Sponsor has filed an application with this Honourable Court, returnable December 2, 2024. The relief sought by the Plan Sponsor includes:
 - a) accepting the filing of the amended plan of compromise and arrangement dated November 25, 2024 (the "**Plan**") as proposed by the Plan Sponsor;
 - b) authorizing Delta Parent, Lifestyle and Store (collectively, the "**Plan Applicants**") to establish a single class of creditors for the purpose of considering and voting on the Plan (the "**Affected Creditors**");
 - c) authorizing the Plan Applicants to convene a virtual meeting of the Affected Creditors on December 20, 2024, at 10:00 a.m. MST (the "**Creditors' Meeting**") to consider and vote on the Plan (the "**Creditors' Meeting Order**");
 - d) setting a date the week of January 6, 2025 for the hearing of the application for an order sanctioning the Plan, should the Plan be

approved for filing and approved by the requisite majorities of creditors at the Creditors' Meeting (the "**Plan Sanction Hearing**"); and

e) such further and other relief as may be sought by the Applicants and this Honourable Court may deem appropriate in the CCAA Proceedings.

12. In addition, the Monitor is applying to this Honourable Court for approval of a Restricted Court Access Order (the "**Restricted Court Access Order**") temporarily sealing Confidential Appendix "1" to this Report (the "**Confidential Appendix**") on the Court Record.
13. Capitalized terms not defined in this Monitor's Fifth Report (this "**Report**" or the "**Fifth Report**") are as defined in the ARIIO, the Prior Monitor Reports,¹ the Affidavits of John Arbuthnot and any supplements thereto sworn in these CCAA Proceedings (the "**Arbuthnot Affidavits**"), or the materials filed by the Applicants, the Plan Sponsor, or any other party in connection with the CCAA Proceedings.
14. This Report should be read in conjunction with the Affidavit of Mark Townsend sworn November 25, 2024, which is available on the Monitor's website at: www.alvarezandmarsal.com/delta9 (the "**Monitor's Website**").

PURPOSE

15. The purpose of this Report is to provide information to this Honourable Court in respect of the following:
 - a) an update on the Claims Procedure;

¹ The Pre-Filing Report of the Monitor dated July 12, 2024 (the "**Pre-Filing Report**"), the First Report of the Monitor dated July 22, 2024, (the "**First Report**"), the Second Report of the Monitor dated September 10, 2024, (the "**Second Report**"), the Third Report of the Monitor dated October 29, 2024 (the "**Third Report**") and the Fourth Report of the Monitor dated November 13, 2024 (the "**Fourth Report**") are collectively referred to as the "**Prior Monitor Reports**".

- b) an overview of the Plan proposed to be filed and circulated to creditors by the Plan Applicants;
- c) the proposed Creditors' Meeting Order outlining the process to be followed at the meeting of creditors to vote on the Plan;
- d) the Monitor's analysis of the Plan (including the application for the Restricted Court Access Order concerning Confidential Appendix "1" to this Report) and Creditors' Meeting Order; and
- e) the Monitor's overall recommendation in respect of the foregoing.

TERMS OF REFERENCE AND DISCLAIMER

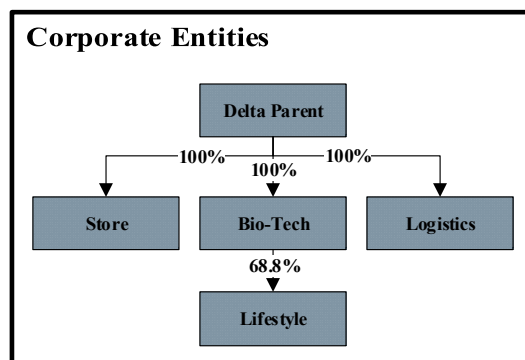
16. In preparing this Report, A&M, in its capacity as the Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by the Applicants and has held discussions with the Applicants' management ("**Management**") and their respective counsel and 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.

17. 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.
18. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.

BACKGROUND

19. The Delta 9 Group is engaged in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business-to-business sales. The Delta 9 Group's organizational chart is summarized below:



20. Further information regarding the Delta 9 Group's ownership structure and operations, the cause of the Applicants' insolvency and these CCAA Proceedings, including the Initial Order, the ARIO, other Orders of this Honourable Court, the Arbuthnot Affidavits, other affidavits and the Prior Monitor's Reports are available on the Monitor's Website.

UPDATE ON THE CLAIMS PROCEDURE

21. On July 24, 2024, this Honourable Court granted the Claims Procedure Order, which is described in greater detail in the Second Report. The Amended and Restated Claims Procedure Order was granted by this Honourable Court on

November 1, 2024, which empowered the Monitor and the Company to accept and consider Late Claims filed subsequent to August 17, 2024 (the "**Claims Bar Date**").

22. Following the Claims Bar Date, and in consultation with the Company and the Claimants, the Monitor has continued, and will continue, to: (i) review and accept Proofs of Claims and (ii) issue Notices of Dispute. A summary of the status of the Claims is below:

Delta 9 Group Summary of Claims <i>\$CAD, thousands, unaudited</i>							
Claim per Entity	Claims Accepted	Claims Under Review			Late Claims	Issued Responses	
	Total	Proofs of Claim Under Review	Notices of Dispute Under Review	Total	Total	Notices of Disallowance	Notices of Revision
Unsecured							
Delta 9 Cannabis Inc.	\$ 3,025	\$ 10,000	\$ -	\$ 10,000	\$ 3	\$ 1,036	\$ -
Delta 9 Stores	4,674	127	-	127	3	-	22
Delta 9 Lifestyle	5,902	431	-	431	16	-	35
Delta 9 Bio-Tech	3,394	4,782	-	4,782	487	7	63
Delta 9 Logistics	55	-	-	-	29	-	-
	17,050	15,340	-	15,340	538	1,043	120
Secured							
Delta 9 Cannabis Inc.	251	-	-	-	-	-	-
Delta 9 Stores	251	-	-	-	-	-	-
Delta 9 Lifestyle	251	-	-	-	-	-	-
Delta 9 Bio-Tech	251	7,596	-	7,596	-	-	-
Delta 9 Logistics	251	-	-	-	-	-	-
	1,255	7,596	-	7,596	-	-	-
D&O¹							
Delta 9 Cannabis Inc.	-	-	-	-	-	-	-
Delta 9 Stores	-	127	-	127	-	-	-
Delta 9 Lifestyle	-	1,294	-	1,294	-	-	-
Delta 9 Bio-Tech	-	14,464	-	14,464	-	-	-
Delta 9 Logistics	-	-	-	-	-	-	-
	-	15,885	-	15,885	-	-	-
Total Value	\$ 18,305	\$ 38,821	\$ -	\$ 38,821	\$ 538	\$ 1,044	\$ 121
Total Number	187	6	-	6	9	6	16

(1) CRA claims include both secured and unsecured claims against the Delta 9 entities, and also D&O claims for the same amounts

23. The Monitor has received and accepted 9 Late Claims totaling \$537,519 after the Claims Bar Date. At the Creditors' Meeting (which is described later in this Report), any unresolved or late unadmitted claims will be separately factored into the Affected Creditors' vote to determine if they would impact whether or not the proposed Plan is accepted.

PLAN OF ARRANGEMENT

Initial Plan

24. On October 21, 2024, the Plan Sponsor filed an application seeking the Court's approval to accept the Initial Plan and to authorize a creditors' meeting (the "**Initial Creditors' Meeting Order**"). The Initial Plan contemplated, *inter alia*, that from and after the Retail Implementation Date, the SNDL Claim would constitute valid outstanding indebtedness of the Applicants, which would be serviced in the ordinary course in accordance with the terms of the SNDL Credit Agreement.
25. On October 29, 2024, SNDL filed a bench brief opposing the Initial Plan and the Plan Sponsor's application for the Initial Creditors' Meeting Order. SNDL's bench brief asserted, *inter alia*, that the Initial Plan should not be approved by the Court on the basis that it was not capable of sanction by the Court due to the following:
 - a) the Initial Plan had the potential to adversely impact SNDL's position;
 - b) the Initial Plan did not properly incorporate the term in the Restructuring Term Sheet which stated that the Plan Sponsor would pay out the outstanding balance of the SNDL Debt on plan implementation; and
 - c) the Initial Plan violated Section 6(8) of the CCAA by paying equity claims before creditor claims were paid in full.
26. On November 1, 2024, after hearing the submissions of the Plan Sponsor, SNDL and the Monitor, the Court reserved its decision the Initial Plan and the Initial Creditors' Meeting Order, and on November 8, 2024, the Court provided its Reasons for Decision, which dismissed the Plan Sponsor's application, without

prejudice to its right re-apply again. Included in the Reasons for Decision are the following:

- a) the issue of the acceleration of SNDL's secured debt should be resolved before the Initial Plan is proposed to creditors to save a potentially wasteful process; and
- b) the Initial Plan was inconsistent with the Court's orders and the Restructuring Term Sheet upon which the Court and SNDL relied. As such, it would be inappropriate to allow the Plan Sponsor and Delta 9 to materially change SNDL's treatment under the Initial Plan without resolving or addressing the status of SNDL's Claim, attempting to address SNDL's concerns, obtaining SNDL's consent, or providing SNDL a vote.

27. Following the receipt of the Reasons for Decision, the Plan Sponsor has engaged in substantive negotiations with key stakeholders, including SNDL, to resolve the matters of controversy that arose at the November 1 Application. These negotiations have culminated in the amended Plan, which is being put forward for consideration by the Affected Creditors should the creditors meeting order application be granted. As a result, the Plan Sponsor and the Applicants expect this creditors meeting order application to be unopposed. The details of the amended Plan are outlined below.

Amended Plan Overview

28. The Plan Sponsor and the Plan Applicants, in consultation with the Monitor and the CRO, have developed the amended Plan to ensure that persons with an economic interest who are impacted by the Plan will, collectively, derive a greater benefit from the implementation of the Plan than they would derive from a bankruptcy or liquidation of the Plan Applicants.
29. In general, the Plan includes the following key elements, as more fully particularized in the Plan:

- a) the Applicants' cannabis retail operations (Store and Lifestyle) will continue as normal and without disruption following Plan implementation;
- b) as a result of the decision to sell or liquidate Bio-Tech, creditors of Bio-Tech shall not be considered Creditors for the purposes of the Plan, and shall not be entitled to vote on the Plan;
- c) as a result of the decision to wind-down Logistics and assign Logistics into bankruptcy under the BIA, creditors of Logistics shall not be considered Creditors for the purposes of the Plan, and shall not be entitled to vote on the Plan;
- d) a Creditor Cash Pool in the amount of \$750,000 and a separate Creditor Equity Pool consisting of 270,270 Class "A" voting common shares in the capital of the Plan Sponsor (with a value of \$4,000,000) will be established to be distributed *pro rata* among Eligible Voting Creditors;²
- e) funding sufficient to satisfy the Allowed Affected Claims of Convenience Creditors³ will be distributed to Convenience Creditors;
- f) on or before the Implementation Date, the SNDL 1L Claim⁴ will be indefeasibly repaid in full in cash and all obligations thereunder will be fully performed, the underlying loan and security agreements will be terminated including any obligations to extend credit of any sort to the Applicants or any other party; and

² Affected Creditors with Allowed Affected Claims that are not Convenience Claims.

³ Convenience Claims are Claims that are less than \$4,000, subject to some qualifications set out in the Plan. The Plan provides that creditors may not divide a claim for the purpose of qualifying their claim as a Convenience Claim.

⁴ All obligations owed by the Applicants, individually or collectively, to SNDL Inc. as the successor to Connect First and Servus Credit Union Ltd., including all related security held by SNDL Inc.

g) if a Final Order⁵ determining the quantum of the Disputed Amount⁶ has been issued on or prior to the Implementation Date, then, on or before the Implementation Date, the SNDL 2L Claim⁷ will be indefeasibly repaid in full in cash and all obligations thereunder will be performed in full. If a Final Order has not been issued on or prior to the Implementation Date, then the Applicants or the Plan Sponsor may elect to pay the Disputed Amount to the Monitor to be held in escrow by the Monitor, in a segregated account (the “**Disputed Amount Account**”), on the condition that, immediately upon a Final Order being issued, the Monitor will distribute the Disputed Amount to the Applicants and SNDL Inc. in accordance with the terms of such Final Order (the “**Ordered Amount**”).

30. The purpose of the Plan is to, among other things: (i) facilitate the distributions contemplated in the Plan; (ii) effect a compromise, settlement, release and discharge of all Affected Claims in exchange for distributions to Affected Creditors; and (iii) ensure the continuation of the Applicants' cannabis retail operations.

Arrangement and Compromise under the Plan

31. The structure of the Plan is as follows:

a) the Plan is presented to the Affected Creditors by the Plan Applicants on a joint and consolidated basis for the purpose of voting on the Plan

⁵ Any order, ruling or judgment of the Court, or any other court of competent jurisdiction: (a) that is in full force and effect; (b) that has not been reversed, modified or vacated and is not subject to any stay; and (c) in respect of which all applicable appeal periods have expired and any appeals therefrom have been finally disposed of, leaving such order, ruling or judgment wholly operable

⁶ The difference between the amounts that SNDL and the Applicants claim is due, owing and outstanding under the SNDL 2L Claim, plus all accrued and accruing interest and costs in respect of such amount.

⁷ All obligations owed by the Applicants, individually or collectively, to SNDL Inc. under the loan and security documents specified in the demand letters and notices of intention to enforce security dated May 21, 2024.

and receiving distributions under the Plan. An Affected Creditor is defined as having a Claim⁸ that is not an Unaffected Claim;⁹

- b) the Plan does not affect persons who hold Unaffected Claims. Such claims will be dealt with in accordance with the commercial agreements in effect on the Filing Date between the Plan Applicants and the holders of such claims, or such other agreements as may be agreed between the Plan Applicants and the holders of such claims;
- c) Convenience Creditors having a Convenience Claim or Affected Creditors who have made a Convenience Election to reduce their Allowed Affected Claims will be deemed to vote in favour of the plan and shall receive a cash payment of the Plan Implementation Date equal to the Convenience Amount, which is, the lesser of (i) a cash amount equal to \$4,000 and (ii) the amount of such allowed Affected Claim;
- d) the Plan Sponsor shall establish (i) the Cash Creditor Pool consisting of \$750,000 and (ii) the Creditor Equity Pool consisting of 270,270 Class "A" voting common shares of Fika valued at \$4,000,000. Each Eligible Voting Creditor shall be entitled to receive a Cash Payment from the Cash Creditor Pool and Equity Payment¹⁰ on the Plan Implementation Date, in full consideration for the irrevocable, full and final compromise and satisfaction of such Affected Creditors' Affected Claim;

⁸ Any or all Pre-Filing Claims, Restructuring Period Claims and D&O Claims, including any Claim arising through subrogation against any Applicant or any Director or Officer.

⁹ Unaffected Claims include: Claims against Bio-Tech in accordance with section 2.6 of the Plan; Claims against Logistics in accordance with section 2.7 of the Plan; Post-Filing Claims; Crown Claims; Secured Claims; Claims secured by a Charge; Employee Priority Claims; Intercompany Claims, subject to section 5.4(e) of the Plan; D&O Claims that cannot be compromised pursuant to the provisions of section 5.1(2) of the CCAA; and Claims that cannot be compromised pursuant to section 19(2) of the CCAA.

¹⁰ The applicable creditors' *pro rata* share of the Fika shares comprising the Creditor Equity Pool.

- e) upon the Plan Sponsor delivering the Plan Implementation Fund (defined below), the Monitor shall make a payment to each Convenience Creditor on the Plan Implementation Date equal to such creditors' Convenience Amount, in exchange for the full and final compromise and satisfaction of such Convenience Creditors' Affected Claim;
- f) Unsecured Claims that are Proven Claims and not Convenience Claims (if any) will be satisfied under the Plan by (i) the Monitor, on behalf of the Applicants, distributing to each such Affected Creditor a *pro-rata* share of the Creditor Cash Pool after any provision or holdback as determined in the discretion of the Monitor for a Unsecured Claims that were properly filed on a timely basis but which has not been finally determined (each, an "**Unresolved Claim**"), and (ii) the Creditor Equity Payments being deposited by the Plan Sponsor into a Voting Trust for the benefit of Eligible Voting Creditors;
- g) upon the Court granting an Order sanctioning and approving the Plan (the "**Sanction Order**"), the Plan shall be effective and binding, and shall constitute (a) full, final and absolute settlement of all rights by any Affected Creditor; and (b) an absolute release, extinguishment and discharge of all indebtedness, liabilities and obligations of the Plan Applicants in respect of any Affected Creditor. Additionally, the Plan shall provide for a release of the Plan Applicants, the past and current employees, legal and financial advisors, and other representatives of the Plan Applicants, the Plan Applicants' directors and officers, the Monitor and its legal advisors, and the Plan Sponsor;
- h) on or before the Implementation Date, the SNDL 1L Claim will be paid in full; and
- i) the SNDL 2L Claim will be paid in accordance with the terms of the Final Order. If the Final Order has not been granted prior to the

Implementation Date, the Disputed Amount of the SNLD 2L Claim may be paid to the Disputed Amount Account, to be distributed in accordance with the terms of the Final Order (once granted).

Treatment of Creditors

32. The Plan proposes to treat Claims in the following manner:

Claim Type	Treatment
Convenience Claims	Allowed Affected Claims that have made a Convenience Election shall receive a cash payment equal to the Convenience Amount.
Affected Claims	Eligible Voting creditors with Allowed Affected Claims that do not constitute Convenience Claims, shall receive, <i>pro rata</i> , a Cash Payment and an Equity Payment.
Intercompany Claims	All Intercompany Claims shall be preserved or extinguished at the election of the Plan Sponsor.
D&O Claims	All D&O Claims shall be fully, finally, and irrevocably compromised, released, discharged, cancelled, extinguished and barred. All D&O Indemnity Claims shall be treated for all purposes under the Plan as Pre-Filing Claims and shall be fully, finally, and irrevocably compromised, released, discharged, cancelled, extinguished and barred.
SNDL 1L Claim	On or before the Implementation Date, the SNDL 1L Claim will be indefeasibly repaid in full in cash and all obligations thereunder will be fully performed, the underlying loan and security agreements will be terminated including any obligations to extend credit of any sort to the Applicants or any other party.
SNDL 2L Claim	<p>The SNDL 2L Claim will be paid in accordance with the terms of the Final Order. If the Final Order has not been granted prior to the Implementation Date, the Disputed Amount of the SNLD 2L Claim may be paid to the Disputed Amount Account, to be distributed in accordance with the terms of the Final Order (once granted).</p> <p>If a Final Order determining the quantum of the Disputed Amount has been issued on or prior to the Implementation Date, then, on or before the Implementation Date, the SNDL 2L Claim will be indefeasibly repaid in full in cash and all obligations thereunder will be performed in full.</p> <p>If a Final Order determining the quantum of the Disputed Amount has <u>not</u> been issued on or prior to the Implementation Date, then, upon certification by the Monitor that it has received the Disputed Amount, the security held by SNDL Inc. and the obligations of the Applicants</p>

	in respect of the SNDL 2L Claim will automatically attach to the Disputed Amount and the Applicants' respective obligations relative to the SNDL 2L Claim will be deemed to have been fully performed and discharged.
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Funds & Reserves

33. On or prior to the Implementation Date, the Plan Sponsor shall deliver, or cause to be delivered, to the Monitor, an amount equal to the Creditor Cash Pool, together with funding sufficient to satisfy the Allowed Affected Claims of Convenience Creditors (the "**Plan Implementation Fund**"). The Plan Implementation Fund shall be held by the Monitor in a segregated account of the Monitor, and shall be used by the Monitor to pay, on behalf of the Plan Sponsor and the Applicants, all amounts payable to Eligible Voting Creditors and Convenience Creditors under the Plan.
34. On the Plan Implementation Day the Creditor Equity Payments will be deposited into a Voting Trust for the benefit of Eligible Voting Creditors.
35. On or prior to the Implementation Date, the Plan Sponsor shall also pay the Administrative Expense Reserve to the Monitor. From and after the Implementation Date, the Monitor will utilize the Administrative Expense Reserve to pay the reasonable and documented fees and disbursements (plus any applicable taxes thereon) for any post-Implementation Date services incurred by the Plan Applicants, and their legal counsel, the CRO, the Monitor, its legal counsel, and any other Persons from time to time retained or engaged by the Monitor, in connection with administrative and estate matters (collectively, the "**Administration Expenses**"). Any unused portion of the Administrative Expense Reserve shall be transferred by the Monitor to the Plan Sponsor.

Conditions Precedent to Plan Implementation

36. The implementation of the Plan is subject to certain conditions precedent, separately in favour of the Plan Sponsor, the Applicants and SNDL including, *inter alia*:

- a) the Plan shall have been approved by the Required Majority in accordance with the CCAA;
- b) the transaction resulting from the Successful Bid (as defined in the Bio-Tech SISP) in the Bio-Tech SISP shall have closed;
- c) the Court shall have granted the Sanction Order, which shall have become a Final Order;
- d) the Plan Implementation Fund and Administrative Expense Reserve shall have been paid to the Monitor;
- e) the Voting Trust and Creditor Equity Pool shall have been established to the satisfaction of the Applicants and such shares shall be authorized for issuance on the Implementation Date
- f) the SNDL 1L Claim shall have been indefeasibly repaid in cash, in full, and all obligations thereunder will have been fully performed by the Applicants; and
- g) if the SNDL 2L Claim has not been (or deemed to have been) indefeasibly repaid in cash, in full, and all obligations thereunder fully performed by the Applicants, then the Applicants will execute and deliver an acknowledgment in favour of SNDL Inc. acknowledging that the loan and security held by SNDL Inc. in respect of the SNDL 2L Claim will continue in full force, amended only to provide that the Ordered Amount will be due and payable within 5 days of a Final Order determining same.

37. If the Conditions Precedent are not satisfied or waived on or before January 31, 2025 (the “**Outside Date**”), or if the Plan Sponsor determines that the satisfaction of any Condition Precedent is not achievable, the applicable Party may provide written notice to the other Party and the Monitor that such Party is revoking or withdrawing the Plan and, upon delivery of such notice:
- a) the Plan shall be null and void in all respects;
 - b) any settlement or compromise embodied in the Plan and any document or agreement executed pursuant to the Plan shall be deemed null and void; and
 - c) in the case that the Plan Sponsor is the revoking party, the Plan Sponsor and the Applicants shall execute the Stalking Horse Purchase Agreement and shall pursue a Court-supervised sale and investment solicitation process in respect of the Applicants.

Plan Implementation Date

38. The Plan becomes effective on the business day on which the Plan Sponsor, the Plan Applicants and SNDL notify the Monitor of the satisfaction or waiver of the conditions set out in Section 8.1, Section 8.2 and 8.3 of the Plan (as summarized above).

CREDITORS' MEETING

39. The Plan Sponsor is seeking a Creditors' Meeting Order, which will grant the Plan Applicants the authority to circulate the Plan and related meeting materials to the Affected Creditors for the purpose of voting on the Plan.
40. The Creditors' Meeting Order, proposes, *inter alia*:
- a) the Meeting shall be held virtually by Microsoft Teams video-conference on December 20, 2024 at 10:00 a.m. MST for the purposes of considering and voting on, with or without variation, the Plan;

- b) a representative of the Monitor shall act as the Chair of the Meeting and, subject to any further Order of this Court, shall decide all matters relating to the conduct of the Meeting;
- c) the Monitor shall post electronic copies of the meeting materials (the "**Meeting Materials**") within two (2) business days following the granting of the Creditors' Meeting Order, and send the Meeting Materials by mail or personal delivery to each Affected Creditor within five (5) business days of the date of the Creditors' Meeting Order. The Meeting Materials include (i) the Notice to Affected Creditors; (ii) the Creditors' Meeting Order; (iii) a blank form of Affected Creditor Proxy; and (iv) the Convenience Election Notice;
- d) no later than seven (7) business days before the date of the Meeting, the Monitor shall serve a report regarding the Plan pursuant to section 23(1)(d.1) of the CCAA by posting such report on the Monitor's Website; and
- e) in the event the Plan is approved by the requisite majorities of creditors at the Creditor Meeting, the Plan Applicants may file an Application with this Court seeking the Sanction Order.

41. Affected Creditors shall each be entitled to one (1) vote as part of the Affected Creditor Class, in an amount equal to their Affected Claim. Any Affected Creditor that is entitled to vote at the Creditors' Meeting must:

- a) complete and sign an Affected Creditor Proxy substantially in the form attached as a Schedule to the Creditors' Meeting Order;
- b) specify in the proxy the name of the person with the power to attend and vote at the Creditors' Meeting on behalf of such Affected Creditor; and
- c) deliver such proxy to the Monitor so that it is received at or prior to 5:00 p.m. on the day that is two (2) Business Days before the Creditors'

Meeting and such delivery must be made in accordance with the instructions accompanying such proxy.

42. Any Affected Creditor with a Disputed Claim shall be entitled to attend the Creditors' Meeting and shall be entitled to one vote in respect of its Disputed Claim. The Monitor shall keep a separate record of votes cast by Affected Creditors with Disputed Claims and will report to the Court with respect thereto at the Plan Sanction Hearing. If approval of the Plan by Affected Creditors would be affected by the votes cast in respect of Disputed Claims, such result shall be reported to the Court as soon as reasonably practicable after the Creditors' Meeting.
43. The results of the vote conducted at the proposed Creditors' Meeting are proposed to be binding all of the Affected Creditors, whether or not the Affected Creditor is present in person or by proxy for voting at the Creditors' Meeting.
44. Further details of the Creditors' Meeting, including conduct at the Creditors' Meeting and other general provisions are included in the Creditors' Meeting Order.

MONITOR'S ANALYSIS OF THE PLAN

Overview

45. The Plan Applicants and the Plan Sponsor have made considerable efforts to prepare the Plan in a manner that addresses, to the extent possible, the various stakeholder groups' concerns. The Plan Sponsor and the Applicants, in consultation with the Monitor, SNDL, and the CRO, have prepared the Plan in a manner they believe achieves a result that is a fair and reasonable compromise between the Company and the Affected Creditors.
46. Management has indicated that there are no other viable restructuring options available other than the Plan, the alternative to which would be a formal liquidation. As discussed below, the Monitor agrees with Management's estimate that a liquidation scenario provides a materially worse recovery position to the Affected Creditors, (*i.e.*, \$0).

47. It is a condition of the Plan that the Affected Creditors must approve the Plan by the Required Majority. For greater certainty, the Affected Creditors shall not be bound by the terms of the Plan unless they have agreed to the Plan by the Required Majority. If the Affected Creditors do not approve the Plan, the likely scenario would be liquidation proceedings, under which the Plan Applicants' unsecured creditors would be anticipated to receive no distributions.
48. The Plan Applicants support the Plan and related reorganization as they believe the Plan provides the Applicants' business with the greatest opportunity to repay their outstanding debts to SNDL and to continue with a stronger owner (*i.e.*, Fika).
49. The Plan contemplates that the Affected Creditors will be handled on a consolidated basis (for clarity excluding the creditors of Bio-Tech and Logistics). The Plan Applicants, with the support of the Monitor, believe that there will be no material prejudice experienced by any of the Affected Creditors from the consolidated Plan given, as indicated below, that there would be no distributions to unsecured creditors in a liquidation scenario.
50. The Applicants are of the view that the Plan and the related distribution process not only provide for a better return than in a liquidation scenario, but also provide the Affected Creditors with the following advantages:
- a) in a liquidation scenario, the distributions to creditors would (in the case of bankruptcy) be subject to a statutory levy pursuant to the BIA, which is deducted from the distributions and payable to the Superintendent of Bankruptcy. No levy is payable in respect of distributions under the CCAA Proceedings;
 - b) a liquidation scenario would result in increased professional fees and costs as a result of the potential requirement for another claims process and associated administrative costs;

- c) a bankruptcy or liquidation scenario may fail to realize any value from certain corporate attributes that are available when the Plan Applicants' business continues as a going concern;
- d) the Creditor Equity Payment would not be available in a liquidation; and
- e) a bankruptcy or liquidation scenario may impact the validity of the licenses the Applicants hold in relation to their cannabis operations (e.g., retail cannabis licenses from provincial authorities).

Creditor Analysis

- 51. The Monitor has prepared the Liquidation Analysis, which details the anticipated recoveries by the Affected Creditors, and which is attached to this Report as Confidential Appendix "1". The Liquidation Analysis includes sensitive information, including an estimate of the potential proceeds contemplated in the Bio-Tech SISP (which remains ongoing). As a result, an abridged version of the liquidation analysis is included in Appendix "A".
- 52. The notes to the Liquidation Analysis are included in both Confidential Appendix "1" and Appendix "A" and should be read in conjunction with the Liquidation Analysis as they describe the assumptions and analysis used by the Monitor.
- 53. In preparing the Liquidation Analysis, the Monitor has necessarily relied upon unaudited financial and other information supplied, and representations made to it, by either Management or certain external information. Although the information has been reviewed for reasonableness, the Monitor has not independently verified the accuracy or completeness of the information provided by Management nor conducted an audit and, accordingly, the Monitor is not providing any form of assurance thereon. This preliminary assessment of value is not considered a formal business and/or asset valuation opinion and the Monitor has not provided such an opinion thereon and is based on the assumptions as discussed in Confidential Appendix "1". The Monitor has not provided any assurance on the reasonableness of the assumptions considered in Confidential Appendix "1". A change to one or

more of the underlying assumptions or the information provided may have a material impact on any calculations and/or conclusions contained in this Report. The Monitor is not providing an opinion on the fair market value in accordance with, among other things, CICBV Practice Standard 110.

54. The Liquidation Analysis is also summarised in the table below:

Delta 9 Group Liquidation Analysis			
	Liquidation Analysis		Plan Distribution
	<u>Low</u>	<u>High</u>	
Liquidation Proceeds	22,436,000	30,680,000	
SNDL Senior Debt	(27,219,776)	(27,219,776)	Discharged
SNDL Debenture	(3,156,251)	-	Discharged
Interim Financing Facility: Tranche 2	(11,696,814)	(11,696,814)	Discharged
Interim Financing Facility: Tranche 1	(5,698,858)	(5,698,858)	Discharged
Secured Indebtedness	(47,771,699)	(44,615,448)	
Shortfall	(25,335,699)	(13,935,448)	
Affected Creditors - Unsecured Recovery	-	-	4,750,000
Bio-Tech Creditors - Unsecured Recovery	-	-	-
Logistic Creditors - Unsecured Recovery	-	-	-

55. The Monitor is of the view that the Plan addresses various stakeholders' positions relating to the distribution and recovery to each creditor class by taking into account the following:

- the Plan Sponsor would be the fulcrum creditor under a liquidation scenario and is proposing to advance cash and equity to the Affected Creditors in support of the Plan;
- the Affected Creditors will receive *pro rata* consideration in the aggregate amount of \$4,750,000 (plus additional consideration provided to the Convenience Class Creditors) in contrast to no recovery under a liquidation scenario;
- the Plan allows for the employees and contractors of the retail cannabis stores to continue their employment, avoiding any further store closures and resulting terminations;

- d) SNDL's 1L Claim and 2L Claim (as determined by the Final Order) will be paid in full; and
 - e) the Plan was negotiated between arm's length parties, in good faith, and is commercially reasonable in the circumstances.
56. As a result of the decisions to sell or liquidate Bio-Tech and assign Logistics into bankruptcy under the BIA, creditors of Bio-Tech and Logistics are not Affected Creditors for the purposes of the Plan and will not be entitled to vote on the Plan. Bio-Tech and Logistics creditors (other than SNDL) would have no recovery under a liquidation scenario.

Conclusion

57. The quantum of senior secured debt (including the SNDL Senior Debt, with or without the remaining Disputed Amount, and the Interim Financing Facility) is greater than the estimated net proceeds if the property of the Applicants were to be liquidated. Hence, the Affected Creditors will receive a greater recovery under the Plan.
58. Pursuant to section 23(1)(i) of the CCAA, the Monitor is of the opinion that the Plan is fair and reasonable and provides the best available return, as the Affected Creditors will receive a greater recovery than under the alternative (formal liquidation proceedings).

RESTRICTED COURT ACCESS ORDER

59. In addition to the relief sought by the Applicants, the Monitor is seeking a Restricted Court Access Order temporarily sealing Confidential Appendix "1" on the Court Record, which includes the Liquidation Analysis.
60. The information within Confidential Appendix "1" includes sensitive information, including an estimate of the potential proceeds contemplated in the Bio-Tech SISP.

61. The sealing of this type of sensitive information is the common practice in insolvency proceedings to avoid disruption to debtor companies and maximize value. The Monitor does not believe that any stakeholder will be prejudiced if the Liquidation Analysis is temporarily sealed nor has the Monitor identified any public interest that would be served if Confidential Appendix "1" is disclosed in full.
62. As such, the Monitor is respectfully of the view that it is appropriate for this Honourable Court to seal Confidential Appendix "1" until (a) six-months after the closing of a sale(s) of all or substantially all of Bio-Tech's assets contemplated by the Bio-Tech SISP; or (b) further order of the Court, in accordance with the proposed form of Restricted Court Access Order.

CONCLUSIONS AND RECOMMENDATIONS

63. Based on the current information that has been made available to the Monitor, the Monitor is of the opinion that the relief sought by the Plan Sponsor is appropriate and respectfully recommends that this Honourable Court:
- a) approve the filing of the Plan;
 - b) authorize the Plan Applicants to establish a single class of creditors for the purpose of considering and voting on the Plan;
 - c) authorize the Plan Applicants to convene the Creditors' Meeting in accordance with the Creditors' Meeting Order; and
 - d) authorize the Applicants to schedule a hearing on January 10, 2025 for the Plan Sanction Hearing, should the Plan be approved for filing and approved by the requisite majorities of creditors at the Creditors' Meeting.
64. The Monitor is also of the opinion that the Restricted Court Access is appropriate and respectfully recommends that this Honourable Court approve the Application for the same.

All of which is respectfully submitted this 26th day of November, 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



David Williams, CPA, CIRP, LIT
Manager

APPENDIX "A"

ABRIDGED LIQUIDATION ANALYSIS

Delta 9 Group Liquidation Analysis				
	Liquidation Analysis		Plan Distribution	Notes
	<u>Low</u>	<u>High</u>		
Liquidation Proceeds	22,436,000	30,680,000		1
SNDL Senior Debt	(27,219,776)	(27,219,776)	Discharged	2
SNDL Debenture	(3,156,251)	-	Discharged	3
Interim Financing Facility: Tranche 2	(11,696,814)	(11,696,814)	Discharged	3
Interim Financing Facility: Tranche 1	(5,698,858)	(5,698,858)	Discharged	4
Secured Indebtedness	(47,771,699)	(44,615,448)		
Shortfall	(25,335,699)	(13,935,448)		
Affected Creditors - Unsecured Recovery	-	-	4,750,000	5
Bio-Tech Creditors - Unsecured Recovery	-	-	-	
Logistic Creditors - Unsecured Recovery	-	-	-	
Note 1: Liquidation proceeds calculated by entity, as per the assumptions disclosed in Confidential Appendix "1".				
Note 2: SNDL Senior Debt valid and enforceable first-lien debt is secured by each of Bio-Tech, Lifestyle and Store.				
Note 3: The undisputed SNDL Debenture has been paid to SNDL by Fika and maintains the valid and enforceable subordinated position secured by each of Bio-Tech, Lifestyle and Store. The illustrative "Low" scenario includes the disputed unpaid portion of the SNDL Debenture.				
Note 4: The Tranche 1 Interim Financing Facility includes amounts drawn to date, including estimated accrued interest. For illustrative purposes, the amount outstanding is shown as at January 31, 2025.				
Note 5: Includes a cash payment of \$750,000 and voting common shares in the capital of Fika with an aggregate value of \$4,000,000.				