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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 **MONITOR'S REPORT TO CREDITORS
(PLAN OF ARRANGEMENT)**

December 11, 2024

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INTRODUCTION

1. Pursuant to the order of the Honourable Justice D.R. Mah of the Court of King's Bench of Alberta (the "**Court**") issued July 15, 2024 (as amended and restated on July 24, 2024, and as may be further amended and restated, the "**Initial Order**"), Delta 9 Cannabis Inc. ("**Delta Parent**"), Delta 9 Cannabis Store Inc. ("**Store**"), Delta 9 Lifestyle Cannabis Clinic Inc. ("**Lifestyle**" and together with Store and Delta Parent, the "**Plan Applicants**"), Delta 9 Bio-Tech Inc. ("**Bio-Tech**") and Delta 9 Logistics Inc. ("**Logistics**" and together with Bio-Tech and the Plan Applicants, the "**Applicants**"), *inter alia*, commenced proceedings under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**") and Alvarez & Marsal Canada Inc. was appointed Monitor of the Applicants (in such capacity, the "**Monitor**") in the proceedings (the "**CCAA Proceedings**").
2. On December 2, 2024, the Plan Sponsor, sought and obtained a Creditors' Meeting Order, which provided the following relief:
 - 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 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; and
 - d) setting a date on January 10, 2025, for the hearing of the application for an order sanctioning the Plan, should the Plan be approved by the requisite majorities of creditors at the Creditors' Meeting (the "**Plan Sanction Hearing**")

PURPOSE OF THIS REPORT

3. The purposes of this Report are to:
- a) provide background information about the Plan Applicants;
 - b) summarize the terms of the Plan;
 - c) discuss the Monitor's analysis of the Plan and compare the result for creditors under the Plan to the result if the Plan is not accepted the assets of the Plan Applicants are liquidated;
 - d) provide the Monitor's opinion as to the reasonableness of the provision in the Plan that sections 95 to 101 do not apply in respect of the Plan, as required pursuant to Section 23(1)(d.1) of the CCAA;
 - e) discuss the requirements for a successful plan and the implications for failure to implement the Plan; and
 - f) provide the Monitor's recommendation on the Plan.

TERMS OF REFERENCE AND LIMITATIONS

4. In preparing this Report, the Monitor has relied upon unaudited financial information prepared by the Applicant's representatives, the books and records of the Applicants and discussions with representatives of the Applicants.
5. The Monitor has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook.
6. The Monitor expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Monitor in preparing this Report. Any party wishing to place reliance on the Applicant's financial information should perform its own due diligence and any reliance placed

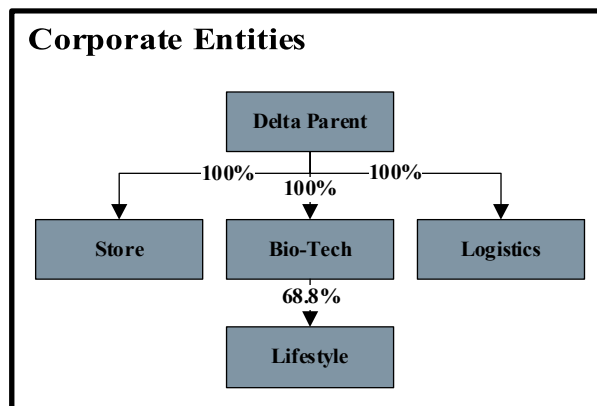
by any party on the information presented herein shall not be considered sufficient for any purpose whatsoever. The Monitor accepts no reliance to any party based on the information in this Report

7. Unless otherwise stated, all monetary amounts contained in this Report are expressed in Canadian dollars.
8. Capitalized terms not defined in this report (the "**Report**") are as defined in the Plan, the prior Reports of the Monitor, including the Fifth Report of the Monitor dated November 26, 2024 (the "**Fifth Report**"), the Affidavits of John Arbuthnot and any supplements thereto sworn in these CCAA Proceedings, or the materials filed by the Applicants, the Plan Sponsor, or any other party in connection with the CCAA Proceedings.

BACKGROUND

Overview

9. The Applicant's are engaged in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business-to-business sales. A copy of the Applicant's organizational chart is summarized below:



10. Delta Parent is a formerly publicly traded corporation incorporated in the province of British Columbia. Delta Parent holds 100% of the issued and outstanding shares of Bio-Tech, Logistics, and Store.

11. 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 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.
12. 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 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.
13. Challenges arising from, among other things, the highly regulated and competitive nature of the Canadian cannabis industry forced the Applicants to explore restructuring solutions, which ultimately resulted in the execution of a binding term sheet with the Plan Sponsor. The Plan Sponsor agreed to work with the Applicants to develop, submit and present the Plan to the Applicants' Creditors for the purpose of, among other things, effecting a transaction that allows the Applicants to continue retail operations as a going concern, while maximizing value for Creditors and other stakeholders.
14. Further information regarding the cause of the Applicants' insolvency and these CCAA Proceedings, including the Initial Order, the ARIQ, and the Monitor's Reports are available on the Monitor's website at: www.alvarezandmarsal.com/delta9 (the "**Monitor's Website**").

SUMMARY OF THE PLAN

15. The Plan Sponsor and the Plan Applicants, in consultation with the Monitor and the CRO, have developed the 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.
16. 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 or receive any consideration under 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 or receive any consideration under 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 an estimated value of \$4,000,000) will be established to be distributed *pro rata* among Eligible Voting Creditors;¹

¹ Affected Creditors with Allowed Affected Claims that are not Convenience Claims.

- e) funding sufficient to satisfy the Allowed Affected Claims of Convenience Creditors² will be distributed to Convenience Creditors;
- f) on or before the Implementation Date, the SNDL 1L Claim³ 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
- g) if a Final Order⁴ determining the quantum of the Disputed Amount⁵ has been issued on or prior to the Implementation Date, then, on or before the Implementation Date, the SNDL 2L Claim⁶ 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

² 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.

³ 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.

⁴ 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

⁵ 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.

⁶ 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.

SNDL Inc. in accordance with the terms of such Final Order (the "**Ordered Amount**").

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

Arrangement and Compromise under the Plan

18. The structure of the Plan is as follows:

- a) The Plan Applicants are presenting the Plan to the Affected Creditors on a joint and consolidated basis for the purpose of voting on the Plan and receiving distributions under the Plan. An Affected Creditor is defined as having a Claim⁷ that is not an Unaffected Claim;⁸
- 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 will be deemed to vote in favour of the plan and shall receive a cash payment of the

⁷ 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.

⁸ 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.

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) Affected Creditors who do not make a Convenience Election will be classified as Eligible Voting Creditors and will receive a *pro rata* distribution of the Cash Creditor Pool and Creditor Equity Pool;
- e) 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;
- f) 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 Payment⁹ on the Plan Implementation Date, in full consideration for the irrevocable, full and final compromise and satisfaction of such Affected Creditors' Affected Claim;
- g) 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

⁹ The applicable creditors' *pro rata* share of the Fika shares comprising the Creditor Equity Pool.

creditors' Convenience Amount, in exchange for the full and final compromise and satisfaction of such Convenience Creditors' Affected Claim;

- h) Unsecured Claims that are Proven Claims and not Convenience Claims 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 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;
- i) the SNDL 1L Claim will be paid in full on or before the Implementation Date; and
- j) 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 SNDL 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

19. 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 SNDL 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 not 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 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.</p>

Funds & Reserves

20. 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.
21. The Creditor Equity Payments will be deposited into a Voting Trust on or before the Implementation Date for the benefit of Eligible Voting Creditors.
22. The Plan Sponsor shall also pay the Administrative Expense Reserve to the Monitor on or prior to the Implementation Date. 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**"). The Monitor will return any unused portion of the Administrative Expense Reserve to the Plan Sponsor.

Conditions Precedent to Plan Implementation

23. 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 has not been 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.

24. 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, other than the Excluded Assets (as defined in the Stalking Horse Purchase Agreement).

Plan Implementation Date

- 25. 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).

PREFERENCE AND TRANSFERS AT UNDER VALUE

- 26. As part of its statutory duties, the Monitor is required to conduct a review of the Applicants' transactions immediately preceding the commencement of the Plan proceedings to identify transactions that could be considered preferences or transfers at undervalue.
- 27. As of the date of this Report, the Monitor conducted a review of reviewable or preference transactions. The Plan provides that Sections 95 to 101 of the *Bankruptcy and Insolvency Act* ("**BIA**"), being the sections of the BIA describing transactions that may be challenged by a Monitor, do not apply to the Plan. The Monitor believes this to be reasonable based on its review and the Monitor will continue and complete its review and comment on its findings at the meeting of creditors.
- 28. The Monitor is not aware of any offences under the BIA being committed in relation to the Plan Applicants or the Plan.

MONITOR'S ANALYSIS OF PLAN

Overview

29. 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 and the CRO, have prepared the Plan in a manner they believe achieves a result that is a fair and reasonable compromise between the Applicants and the Affected Creditors.
30. 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).
31. 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, in which the Plan Applicants' unsecured creditors would be anticipated to receive no distributions.
32. 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).
33. The Plan contemplates that the Affected Creditors of the Plan Applicants 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.

34. The Plan Applicants are of the view that the Plan and the related distribution processes not only provide for a better return than 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) based on market conditions and an assessment of value, it is likely that any offer in a liquidation scenario would result in lower recoveries and proceeds in the estate for the general benefit of all creditors;
 - c) 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;
 - d) 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;
 - e) the Creditor Equity Payment would not be available in a liquidation; and
 - f) 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

35. The Monitor has prepared the Liquidation Analysis, which details the anticipated recoveries by the Affected Creditors, and which is attached to this Report as Appendix "A".

36. The notes to the Liquidation Analysis are included in Appendix "A" and should be read in conjunction with the Liquidation Analysis as they describe the assumptions and analysis used by the Monitor.
37. 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. The preliminary assessment of value is based on the assumptions discussed in Appendix "A". The Monitor has not provided any assurance on the reasonableness of the assumptions considered in Appendix "A". 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.

38. 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)	Unaffected
Interim Financing Facility: Tranche 1	(5,698,858)	(5,698,858)	Unaffected
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	-	-	-

39. 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:

- a) 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;
- b) 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;
- c) 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.

40. 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 or receive any consideration thereunder. Bio-Tech and Logistics creditors (other than SNDL) would have no recovery under a liquidation scenario.

Conclusion

41. The Monitor believes that 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 was forced into a liquidation proceeding. Hence, the Monitor believes that the Affected Creditors will likely receive a greater recovery under the Plan than in a liquidation.

42. 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 likely receive a greater recovery than under the alternative (formal liquidation proceedings).

REQUIREMENTS FOR A SUCCESSFUL PLAN AND IMPLICATIONS OF FAILURE TO IMPLEMENT THE PLAN

43. In order for the Plan to proceed, it must be approved by an affirmative vote of the Required Majority in the Affected Creditor Class. Specifically, the Plan must be approved by that number of Eligible Voting Creditors voting at the Meeting which represent a majority in number of the Affected Creditor Class, and whose Claims represent at least two-thirds in value of all Claims held by members of the Affected Creditor Class.

44. If the Plan is not approved at the Meeting, the Plan Sponsor has the option to enter into the Stalking Horse Purchase Agreement, which will represent the minimum bid in a Court-supervised sale and investment solicitation process in respect of the Applicants. The Stalking Horse Purchase Agreement has been finalized and has been posted on the Monitor's Website.
45. The Stalking Horse Purchase Agreement contemplates a transaction whereby the Plan Sponsor will acquire the Applicants in exchange for a release of existing debt. The Monitor believes it is unlikely that another bidder will submit a superior bid in the sales process, which would result in the Affected Creditors not receiving a distribution or recovery on their Claims.

MONITOR'S RECOMMENDATION

46. For the reasons discussed in this Report, the Monitor is supportive of the Plan as the Monitor believes it will result in the greatest recoveries for all Affected Creditors and stakeholders, in the circumstances, and should the Plan not be accepted by the Affected Creditors the Monitor believes it is likely that there will be not be any recovery for unsecured creditors.

Dated this 11th day of December, 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

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)	Unaffected	3
Interim Financing Facility: Tranche 1	(5,698,858)	(5,698,858)	Unaffected	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	-	-	-	
<p>Note 1: Liquidation proceeds calculated by entity, as per the assumptions disclosed in Confidential Appendix "1" of the Monitor's Fifth Report.</p> <p>Note 2: SNDL Senior Debt valid and enforceable first-lien debt is secured by each of Bio-Tech, Lifestyle and Store.</p> <p>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.</p> <p>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.</p> <p>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.</p>				