

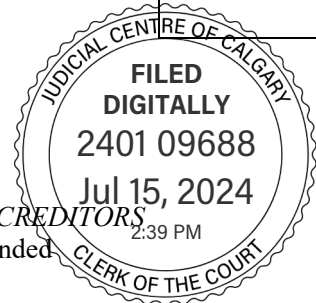
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Clerk's Stamp

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 **PRE-FILING REPORT OF THE PROPOSED MONITOR
ALVAREZ & MARSAL CANADA INC.**

July 12, 2024

ADDRESS FOR
SERVICE AND
CONTACT
INFORMATION OF
PARTY FILING THIS
DOCUMENT

PROPOSED MONITOR

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INTRODUCTION

1. Alvarez & Marsal Canada Inc. ("**A&M**" or the "**Proposed Monitor**" and, if appointed, the "**Monitor**") understands that 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 Group**" or "**Applicants**") are applying (the "**CCAA Application**") for certain relief under the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended (the "**CCAA**").
2. A&M further understands that the Applicants have (i) filed an Originating Application under the CCAA seeking an initial order (the "**Initial Order**") to be heard on July 15, 2024 and (ii) plan to file an additional application wherein the Applicants will seek an amended and restated initial order (the "**ARIO**") on July 24, 2024 (the "**Comeback Application**").
3. A&M understands that the Applicants are seeking the following relief under the Initial Order:
 - a) an abridgment of the time for service and deeming service of the Originating Application and supporting materials to be good and sufficient;
 - b) the commencement of the CCAA Proceedings under the CCAA;
 - c) a declaration that the Applicants are companies to which the CCAA applies;
 - d) the establishment of an initial stay of proceedings of not more than 10 days (the "**Initial Stay Period**");
 - e) the appointment of A&M as Monitor in the CCAA Proceedings;
 - f) authorization to file a plan of arrangement;

- g) authorization to carry on business in a manner consistent with the preservation of their Business and Property;
- h) a stay of all proceedings, right and remedies against or in respect of the Applicants, their directors and officers, and the Monitor during the Initial Stay Period;
- i) approval of charges at this time over the assets, undertaking and property of the Applicants 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; and
 - ii. Second – a charge in favour of the Applicants' directors and officers to a maximum amount of \$300,000; (collectively, the "**Charges**");
- j) permit the Applicants to pay certain pre-filing payables (up to \$200,000) following review by and consent of the Proposed Monitor;
- k) authorization to pay the reasonable fees and disbursements of the Monitor and its counsel and the Applicants' professional advisors and legal advisors incurred both before and after the date of the Initial Order;
- l) a direction that the Applicants incur no further expenses in relation to any filings (including financial statements), disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required and declaring that none of the directors, officers, employees and other representatives of the Applicants, the Monitor and its directors, officers, employees and representatives shall have any personal liability for any failure by the Applicants to make Securities Filings; and

- m) such further and other relief as may be sought by the Applicants and this Honourable Court may be deemed appropriate in the CCAA Proceedings.
- 4. If granted, the Initial Order, along with the application materials and all other documents filed in the CCAA Proceedings, will be posted on the Proposed Monitor's website at: www.alvarezandmarsal.com/delta9.
- 5. Capitalized terms not otherwise defined in the Proposed Monitor's pre-filing report (this "**Report**") have the meaning given to them in the Proposed Initial Order, the Affidavit of John Arbuthnot IV sworn July 12, 2024 (the "**Arbuthnot Affidavit**") or such other materials filed by the Applicants in support of the Proposed Initial Order.

PURPOSE

- 6. The purpose of this Report is to provide information to this Honourable Court in respect of the following:
 - a) the qualifications of A&M to act as Monitor;
 - b) a brief background of the Applicants and the events leading to their insolvency;
 - c) the Applicants' consolidated cash flow projection for the two-week period from July 12, 2024 to July 26, 2024; and
 - d) the underlying reasons for the Applicants' application seeking approval of:
 - i. the proposed Charges;
 - ii. the proposed payment of certain pre-filing invoices; and
 - iii. the length of the Initial Stay Period; and

- e) the Proposed 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 CCAA Application.

TERMS OF REFERENCE AND DISCLAIMER

- 8. In preparing this Report, A&M, in its capacity as the Proposed Monitor, has been provided with and has relied upon unaudited financial information and the books and records prepared by 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 Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposed Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CASs**") pursuant to the Chartered Professional Accountants Canada Handbook (the "**CPA Handbook**") and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CASs in respect of the Information; and
 - 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.

A&M'S QUALIFICATIONS TO ACT AS MONITOR

Overview

11. On June 14, 2024, Alvarez & Marsal Canada ULC ("**A&M ULC**"), an affiliate of A&M, was engaged as a financial advisor to the Applicants. In its role as financial advisor, A&M ULC assisted in the preparation of materials necessary for an Initial Order, reviewed and provided comments regarding the Applicants' intended restructuring strategy, reviewed and analyzed the Applicants' cash flow forecasts, and helped to facilitate the Applicants' discussions with 2759054 Ontario Inc., o/a Fika Herbal Goods (the "**Plan Sponsor**") and its consultant, and the Applicants' secured and unsecured creditors. For these reasons, among others, A&M, as the Proposed Monitor, is familiar with the Applicants' business and operations, their personnel, and the key issues and stakeholders in the proposed CCAA Proceedings.
12. A&M is a licensed trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada) and is not subject to any of the restrictions regarding who may be appointed as monitor set out in section 11.7(2) of the CCAA. Specifically, A&M is not, and has never been:
 - a) a director, officer or employee of the Applicants;
 - b) related to the Applicants or to any director or officer of the Applicants;
 - c) the auditor, accountant or legal counsel, or a partner or an employee of the auditor, accountant or legal counsel, of the Applicants;
 - d) the trustee under a trust indenture issued by the Applicants or, to the best of its knowledge, any person related to the Applicants, or the

holder of a power of attorney under an act constituting a hypothec within the meaning of the Civil Code of Quebec that is granted by the Applicants or, to the best of its knowledge, any person related to the Applicants; or

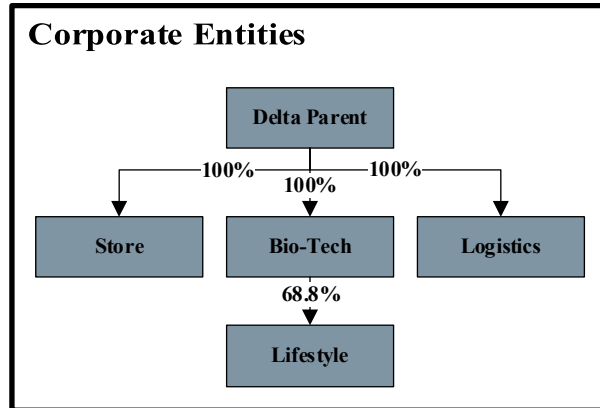
- e) to the best of its knowledge, related to the trustee, or the holder of a power of attorney, referred to in paragraph 19(d), above.

13. Accordingly, A&M is of the view that the restrictions as to who may be appointed as a Monitor under section 11.7(2) of the CCAA do not preclude A&M from acting as Monitor for the Applicants.
14. The senior A&M professional personnel with carriage of this matter include experienced insolvency and restructuring practitioners who are Chartered Professional Accountants (Chartered Accountants), Chartered Insolvency and Restructuring Professionals and Licensed Insolvency Trustees, and who have previously acted in CCAA matters of a similar nature in Canada.
15. A&M has consented to act as the Monitor in these Proceedings should this Honourable Court grant the Proposed Initial Order. A copy of A&M's consent to act as Monitor is attached hereto as Appendix "A" to this Report.
16. The Proposed Monitor has retained Burnet, Duckworth & Palmer LLP (the "**Proposed Monitor's Counsel**") to act as its proposed independent legal counsel in the CCAA Proceedings.

BACKGROUND

Overview

17. The Delta Group is engaged in cannabis cultivation, processing, extraction, wholesale distribution, retail, and business-to-business sales. A copy of the Delta Group's organizational chart (the "**Organizational Chart**") is attached to the Arbuthnot Affidavit as Exhibit "6" and is summarized below:



18. Delta Parent is a publicly traded corporation incorporated in the province of British Columbia, regulated by the British Columbia 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.
19. Bio-Tech is a privately held corporation incorporated in the province of Manitoba and continued into 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 license issued pursuant to the *Cannabis Act*, SC 2018, c 16, from Health Canada, 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.
20. Logistics is a privately held corporation incorporated in the province of Manitoba and continued into the province of Alberta. It was established to enter into a supply agreement with the Manitoba Liquor & Lotteries Corporation and facilitate the supply of recreational cannabis products to the province of Manitoba. The Proposed 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 a

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

21. 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.
22. Lifestyle is a privately held corporation incorporated in the province of Manitoba and continued into 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.
23. Further background on the Applicants and their operations is contained in the materials filed in support of the CCAA Application.

Cause of Insolvency

24. The cannabis industry is emerging, highly regulated, and has undergone numerous rapid changes since legalization in 2017. These changes have introduced significant uncertainty, creating various challenges for companies in the industry. These challenges include, but are not limited to, difficulties in securing adequate investment and financing to properly scale operations and manage capital expenditures.

25. While a large portion of the Delta Group's business is cash-flow positive, the Applicants' books and records indicate that there is insufficient capital to meet their debt obligations while also funding Bio-Tech's operations, which continues to operate at a significant loss due to the following:
- a) intense competition and an over-supply of cannabis products leading to significant price compression and the sale of inventory at a loss;
 - b) the impact of the illicit supply of cannabis, including illegal dispensaries and black market suppliers;
 - c) the burdensome costs associated with the regulatory regime in the cannabis industry at large;
 - d) the significant amount of capital required to successfully develop and generate revenue from new products;
 - e) the changing capital market investor sentiment driving public investment away from the cannabis sector, forcing the Applicants to seek more expensive and burdensome forms of financing; and
 - f) higher interest rates leading to investors demanding increased rates of return in excess of returns that the Applicants are able to provide.
26. The Applicants advise that these losses have led to working capital challenges, resulting in liquidity issues. This situation has also made it difficult to raise additional capital and attract necessary investments to adequately scale their operations. Consequently, the Applicants have been unable to meet their debt obligations to creditors when they come due.

Summary of Assets and Liabilities

27. As at May 31, 2024, on a consolidated basis, total net book values of the Applicants' assets and liabilities are approximately \$65.2 million and \$81.0 million, respectively (with current assets and current liabilities being approximately \$12.5

million and \$14.5 million, respectively). A copy of the Delta Group's unaudited consolidated balance sheet as at May 31, 2024 is attached to the Arbuthnot Affidavit as Exhibit "21".

Material Secured Creditors

28. The Proposed Monitor understands that the Applicants' material secured debt obligations are to SNDL Inc. ("**SNDL**") for the following secured amounts:

- a) as at July 5, 2024 approximately \$27.9 million related to a line of credit and commercial term loans ("**Senior Debt**"). The Senior Debt is secured by a first charge demand collateral mortgage over the Bio-Tech property and a general security agreement comprising a first charge security interest over Bio-Tech, Store and Lifestyle; and
- b) as at July 2, 2024, approximately \$10.8 million (the "**Subordinated Debt**") and

29. The Proposed Monitor understands that on or about May 21, 2024, SNDL demanded on the Subordinated Debt and that on July 10, 2024, SNDL demanded payment of the Senior Debt.

CCAA CASH FLOW FORECAST

30. For purposes of paragraph 10(2)(a) of the CCAA, the Applicants' management ("**Management**") have prepared a weekly consolidated cash flow forecast (the "**Consolidated Cash Flow Forecast**") for the two-week period from July 12, 2024 to July 26, 2026 (the "**Initial 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 and a summary of assumptions are attached hereto as Appendices "**B**" and "**C**", respectively.

31. Provided that the Administration Charge is granted by this Honourable Court, the Applicants will have sufficient funds to operate during the Initial Forecast Period, The Applicants anticipate they will not have sufficient funds to operate in the very

near future, unless this Honourable Court grants an order approving the proposed interim financing facility which the Applicants will seek on the Comeback Application.

32. 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 Two Week Cash Flow Forecast For the period from July 12, 2024 to July 26, 2024 <i>unaudited, in CAD \$000's</i>	
	2 Week Total
Receipts	
Accounts Receivable - Government	250
Accounts Receivable - Other	330
Cannabis Sales	2,282
Total Receipts	2,862
Operating Disbursements	
Cannabis Product Purchases	1,595
Payroll and Source Deductions	592
Rent, Utilities and Insurance	112
Logistics, Product Treatment and Lab Testing	100
Production Supplies and Materials	50
SG&A Expenses	130
Contingency	30
Excise Tax Remittance	225
Total Operating Disbursements	2,834
Net Cash Flow from Operations	29
Non-Operating Disbursements	
Potential Critical Supplier Costs	200
Professional Fees	-
Total Non-Operating Disbursements	200
Net Cash Flow	(172)
Opening Cash	528
Net Cash Flow	(172)
Ending Cash	357

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

- a) total projected cash receipts of approximately \$2.86 million; and

- b) total operating cash disbursements forecast of approximately \$2.83 million and non-operating cash disbursements of approximately \$0.20 million, resulting in a net decrease in cash of approximately \$0.17 million during the Forecast Period;
34. 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 Proposed Monitor 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 Proposed Monitor's review of the Consolidated Cash Flow Forecast consisted of inquiries, analytical procedures, and discussions regarding information supplied to it by Management. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether those assumptions were consistent with the purposes of the Consolidated Cash Flow Forecast. The Proposed 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 Proposed Monitor's preliminary review of the Consolidated Cash Flow Forecast, nothing has come to its attention that causes A&M 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 Applicants' 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, A&M does not express any assurance as to whether the Consolidated Cash Flow Forecast will be accurate. A&M 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 A&M in preparing this Report.

35. 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.

COURT ORDERED CHARGES SOUGHT BY APPLICANTS

Administration Charge

36. The Proposed Initial Order provides for a charge on the Applicants' Property in an amount not to exceed \$350,000, in favour of the Monitor, counsel to the Monitor and the Applicants' counsel, to secure payment of their professional fees and disbursements, whether incurred before or after the date of the Initial Order (the "**Administration Charge**") until the Comeback Application. The Administration Charge is to be granted in priority of all other Charges.

37. To date, the Applicants, their counsel, the Proposed Monitor and the Proposed Monitor's Counsel have incurred professional fees in preparation for the CCAA Proceedings, including the Proposed Initial Order, this Report and communicating with certain key employees and stakeholders (including the board of directors)

- about the potential strategies for the Applicants' restructuring. Additionally, the Proposed Monitor has prepared the statutory mailings and communications required by the CCAA should this Honourable Court grant the Proposed Initial Order.
38. These Proceedings require the prompt and vigorous involvement of professional advisors to guide and/or complete a successful restructuring, and as such, it is the Proposed Monitor's respectful view that the Administration Charge is reasonable and appropriate to ensure the respective professionals' (being the Applicants' counsel, the Proposed Monitor and the Proposed Monitor's Counsel) continued support of the Applicants' efforts to restructure their affairs.
39. The Proposed Monitor also believes that it is appropriate for the proposed beneficiaries of the Administration Charge, being non-stakeholders in these CCAA Proceedings, to be afforded the benefit of the Administration Charge as they will be undertaking a necessary and integral role in the CCAA Proceedings.
40. It is the respectful view of the Proposed Monitor that the quantum of the proposed Administration Charge is reasonable and appropriate in the circumstances, having regard to the scale and complexity of the CCAA Proceedings, the services to be provided by the beneficiaries of the Administration Charge and the size of the similar charges approved in similar proceedings.

D&O Charge

41. The Applicants are seeking a charge (the "**D&O Charge**") against the Property to a maximum amount of \$300,000 as security for the Applicants' obligation to indemnify their directors and officers (the "**D&Os**") for obligations and liabilities which the D&Os may incur in such capacities after the commencement of these Proceedings, except to the extent that such obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.
42. The D&O Charge is intended to secure amounts that may be incurred following the Initial Order and in advance of the Comeback Application and to address potential

claims that may be brought against the D&Os that are not covered under existing insurance or to the extent coverage is insufficient to cover such claims.

43. The Applicants require the services of the D&Os to develop a viable plan of arrangement and otherwise manage the CCAA Proceedings. The D&Os possess technical knowledge, experience, and relationships necessary to maximize the value of the Applicants and to guide the Applicants through a successful restructuring.
44. It is the Proposed Monitor's view that the continued support and services of the D&Os of the Applicants in the CCAA Proceedings would be beneficial to the Applicants' efforts to preserve value and maximize recoveries for stakeholders through the completion of the CCAA Proceedings. The Proposed Monitor has reviewed the underlying assumptions upon which the Applicants have based the estimate of the potential liability in respect of the D&Os' statutory obligations and is of the view that the D&O Charge is reasonable in relation to the quantum of the estimated potential liability and appropriate in the circumstances.

Ranking of Proposed Charges

45. The priorities of the Charges, as among them, shall, unless otherwise ordered by this Court, be as follows:
 - a) First: the Administration Charge, to the maximum amount of \$350,000;
and
 - b) Second: the D&O Charge, to the maximum amount of \$300,000.
46. If granted, each of the Charges shall (i) constitute a charge on the Property and (ii) subject always to section 136 of the BIA, 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.

PROPOSED PAYMENT TO CRITICAL VENDORS

47. Management has identified certain vendors' invoices where these vendors are critical to the ongoing operations of the Applicants and no suitable replacement vendor is available. The total of these invoices is estimated to be approximately \$200,000 which Management has deemed critical (the "**Critical Supplier Invoices**").
48. The Proposed Monitor has held discussions with Management with respect to the Critical Supplier Invoices to understand the nature of the work, the corresponding project and the individual vendors associated with each of the invoices. In order to continue operations and complete the proposed restructuring, it may be necessary for the Applicants to pay some or all of the Critical Supplier Invoices.
49. The Proposed Monitor is of the respectful view that the Critical Supplier Invoices are (i) critical in nature and (ii) necessary to be paid to ensure not only the viability and stability of the Applicants' business, but also to allow the Applicants to complete their operations prior to and during the CCAA Proceedings.
50. The Consolidated Cash Flow Forecast currently contemplates the payment of these Critical Supplier Invoices. The Proposed Monitor will review all proposed Critical Supplier Invoices to determine if the proposed pre-filing amounts are reasonable, appropriate and are deemed critical to the business and ongoing operations of the Applicants prior to payments being released.
51. The Proposed Monitor is of the respectful view that it is appropriate under the circumstances for this Honourable Court to permit the Applicants to pay these pre-filing payables during the CCAA to ensure the Applicants can successfully complete a restructuring.

PROPOSED STAY OF PROCEEDINGS

52. The Applicants are seeking the Initial Stay of Period up to and including July 25, 2024. The requested Initial Stay Period provides that no proceeding (each, a "**Proceeding**") or enforcement process (an "**Enforcement**") in any court or tribunal

shall be commenced or continued against or in respect of the Applicants or the Monitor, or affecting the Applicants' business or their property, except with the written consent of the Applicants and the Proposed Monitor, or with leave of this Court and any Proceeding or Enforcement currently underway against or in respect of the Applicants or affecting the Applicants' business or their property is stayed and suspended pending further Order of the Court.

53. The Initial Stay Period would allow the Applicants the initial time required to prepare materials required to seek the ARIO and to coordinate their restructuring in a manner that preserves value for the benefit of all stakeholders.

PLAN SPONSOR

54. As described in the Arbuthnot Affidavit, the Applicants have conducted, and continue to conduct, significant negotiations with the Plan Sponsor with the ultimate goal of emerging from the CCAA Proceedings as a restructured going-concern business.
55. In connection with its role as financial advisor, A&M ULC has had the opportunity to engage with the Applicants and the Plan Sponsor regarding the terms of a binding plan sponsor term sheet (the “**Restructuring Term Sheet**”). Based on the information provided to and reviewed to date, the proposed Monitor is presently supportive of the transactions and restructuring contemplated by the Restructuring Term Sheet which expressly states that creditors of the Applicants will receive more under the proposed plan of arrangement than they would receive in a liquidation of the Applicants.

CONCLUSIONS AND RECOMMENDATIONS

56. The Proposed Monitor is advised that the inclusion of all of the Applicants in the CCAA Proceedings is fundamental to the proposed restructuring plan, and the Applicants are of the view that this structure will allow for the maximization of value for the benefit of all Stakeholders.

57. Based on the current information that has been made available to the Proposed Monitor by the Applicants, the Proposed Monitor respectfully recommends that this Honourable Court grant the Initial Order substantially in the form sought by the Applicants.

All of which is respectfully submitted this 12th day of July, 2024.

**ALVAREZ & MARSAL CANADA INC.,
in its capacity as Proposed 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"

COURT FILE NUMBER: 2401-
COURT COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE CALGARY
PROCEEDINGS IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, c C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF DELTA 9 CANNABIS INC., DELTA 9 LOGISTICS INC., DELTA 9 BIO-TECH INC., DELTA 9 LIFESTYLE CANNABIS CLINIC INC. and DELTA 9 CANNABIS STORE INC.
APPLICANTS DELTA 9 CANNABIS INC., DELTA 9 LOGISTICS INC., DELTA 9 BIO-TECH INC., DELTA 9 LIFESTYLE CANNABIS CLINIC INC. and DELTA 9 CANNABIS STORE INC.
DOCUMENT **CONSENT TO ACT AS MONITOR**
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Telephone: 403.693.5420/4311
Fax: 403.508.4349
Attention: Ryan Zahara/Kaitlin Ward
File: 0136555.00034

TAKE NOTICE THAT Alvarez & Marsal Canada Inc., a licensed trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended, if so appointed, hereby consents to act as the Court-appointed Monitor 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. pursuant to section 11.7 of the *Companies' Creditors Arrangement Act*, RSC 1985, c C-36, as amended.

DATED at Calgary, Alberta and effective this 11th day of July, 2024.

ALVAREZ & MARSAL CANADA INC.



Per:

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.
Management Prepared Two Week Cash Flow Forecast
For the period from July 12, 2024 to July 26, 2024
unaudited, in CAD \$000's

	Notes	Week 1 19-Jul-24	Week 2 26-Jul-24	Week 1 to 2 Total
Receipts				
Accounts Receivable - Government	1	125	125	250
Accounts Receivable - Other	2	165	165	330
Cannabis Sales	3	1,141	1,141	2,282
Total Receipts		1,431	1,431	2,862
Operating Disbursements				
Cannabis Product Purchases	4	797	797	1,595
Payroll and Source Deductions	5	592	-	592
Consultant Fees	6	-	-	-
Rent, Utilities and Insurance	7	-	112	112
Logistics, Product Treatment and Lab Testing	8	50	50	100
Production Supplies and Materials	9	25	25	50
SG&A Expenses	10	65	65	130
Contingency	11	15	15	30
Excise Tax Remittance	12	225	-	225
GST Remittance	13	-	-	-
Total Operating Disbursements		1,769	1,064	2,834
Net Cash Flow from Operations		(338)	367	29
Non-Operating Disbursements				
Potential Critical Supplier Costs	14	-	200	200
Professional Fees	15	-	-	-
Total Non-Operating Disbursements		-	200	200
Net Cash Flow		(338)	167	(172)
Opening Cash		528	190	528
Net Cash Flow		(338)	167	(172)
Interim Financing Advance/(Repayment)		-	-	-
Ending Cash		190	357	357
Opening Interim Financing Balance				
Advances		-	-	-
Repayments		-	-	-
Closing Interim Financing Balance		-	-	-

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

John Arbuthnot
Director

Orest Konowalchuk, LIT
Senior Vice President

APPENDIX "C"

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 Two Week Cash Flow Forecast

For the period from July 12, 2024 to July 26, 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 projections 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 are not anticipated during the two week period.

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.

Note 8 (Logistics, Product Treatment & 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): Excise tax and regulatory fees relating to the sale of cannabis product in the forecast period.

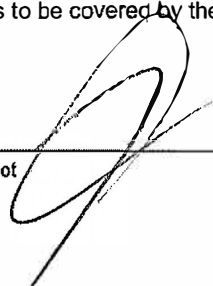
Note 13 (GST): Goods and Sales tax, net of input tax credits, remittance of which is not anticipated in the two week forecast.

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

Note 15 (Professional Fees & Expenses): Expected professional fees to be incurred by Delta 9's legal advisors as well as the CCAA Monitor and Monitor's counsel. This is not anticipated during the two week

period, and is to be covered by the proposed Administration Charge

John Arbuthnot
Director



July 12, 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 Proposed 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,

Name: John Arbuthnot

Title: Director