



**Estate File No.: 31-3069331  
31-3069342  
31-3069076**

**IN THE MATTER OF THE BANKRUPTCIES OF  
ALEAFIA HEALTH INC, EMBLEM CORP.  
AND 1000682692 ONTARIO INC.  
OF THE CITY OF TORONTO, IN THE PROVINCE OF ONTARIO**

**TRUSTEE'S REPORT TO CREDITORS ON  
PRELIMINARY ADMINISTRATION**

## **1.0 Introduction**

1. On July 25, 2023, KSV Restructuring Inc. ("KSV") was appointed as monitor (in such capacity, the "Monitor") of Aleafia Health Inc. ("AHI"), Emblem Corp. ("Emblem Corp."), Emblem Cannabis Corporation ("ECC"), Emblem Realty Ltd. ("Emblem Realty"), Growwise Health Limited ("Growwise"), Canabo Medical Corporation ("Canabo"), Aleafia Inc. ("Aleafia Sub"), Aleafia Farms Inc. ("Aleafia Farms"), Aleafia Brands Inc. ("Aleafia Brands"), Aleafia Retail Inc. ("Aleafia Retail"), 2672533 Ontario Inc. ("2672") and 2676063 Ontario Inc. ("2676") (collectively, the "CCAA Applicants" or the "Aleafia Group") in their proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA Proceedings").
2. Red White & Bloom Brands Inc. ("RWB") was the CCAA Applicants' principal senior secured creditor and the debtor-in-possession lender in the CCAA Proceedings. Pursuant to an order issued on October 30, 2023 (the "ARVO"), among other things, the Court approved certain transactions (the "Transactions") between certain of the CCAA Applicants and RWB (PV) Canada Inc. (the "Purchaser"), an affiliate of RWB, for the sale of substantially all of the Aleafia Group's business and assets. The ARVO also provided that, among other things, (i) upon closing of the Transactions, each of ECC, Growwise, Canabo, Aleafia Sub, Aleafia Retail and Aleafia Farms, being the purchased entities under the Transactions, would cease to be Applicants in the CCAA Proceedings; and (ii) 1000682692 Ontario Inc. ("1000", and together with AHI, Emblem Corp., Emblem Realty, Aleafia Brands, 2672 and 2676, the "Remaining Applicants") would be added as an Applicant in the CCAA Proceedings. The Transactions closed on January 12, 2024.
3. On March 1, 2024, the Court issued an order (the "CCAA Termination Order"), *inter alia*, authorizing the Monitor to file assignments in bankruptcy for and on behalf of the Remaining Applicants. In order to reduce the costs of the bankruptcy process and to facilitate the orderly administration of the bankruptcy estates, the CCAA Termination Order authorized the Monitor to procedurally consolidate the Remaining Applicants' bankruptcy estates.

4. On April 17, 2024, the Monitor issued the Monitor's Termination Certificate (as defined in the CCAA Termination Order), which caused the CCAA Proceedings to be terminated without any further act or formality. Following the termination of the CCAA Proceedings, on April 17, 2024, the Monitor assigned 1000 into bankruptcy pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA"). Further, on April 18, 2024, the Monitor assigned AHI and Emblem Corp. into bankruptcy pursuant to the BIA. AHI, Emblem Corp. and 1000 are collectively referred to herein as the "Bankrupt Companies". KSV was appointed Licensed Insolvency Trustee (in such capacity, the "Trustee") of the Bankrupt Companies, subject to affirmation at the First Meeting of Creditors on May 8, 2024.

## 1.1 Restrictions

1. In preparing this preliminary report (the "Report"), the Trustee has relied upon unaudited financial information prepared by representatives and advisors of the Bankrupt Companies and the books and records of the Bankrupt Companies.
2. The Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied upon to prepare this Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Trustee expresses no opinion or other form of assurance contemplated by the CAS. Any party wishing to place reliance on the financial information should perform its own diligence.

## 2.0 Background

1. Prior to the Transactions, the Aleafia Group was a federally licensed Canadian cannabis organization which operated two primary lines of business, being: (i) cannabis production and resale; and (ii) virtual cannabis clinics. The Aleafia Group sold cannabis products primarily through three core sales channels: adult-use, medical and international.
2. Further information with respect to the Aleafia Group's business and operations, including that of the Bankrupt Companies, and details of the events leading up to the commencement of the CCAA Proceedings, can be found in the Court materials previously filed by the CCAA Applicants and the Monitor in the CCAA Proceedings, which are available on KSV's case website at <https://www.ksvadvisory.com/experience/case/aleafia>.

## 3.0 Assets

1. Pursuant to the Transactions, substantially all of the business and assets of the Aleafia Group were sold to the Purchaser and, accordingly, the Bankrupt Companies do not have any material assets or conduct any business operations.

## 4.0 Creditors

### 4.1 Secured Creditors

1. AHI raised capital through the issuance of certain secured convertible debentures (the "Debentures") pursuant to a debenture indenture dated June 27, 2019 between AHI

and Computershare Trust Company of Canada (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the “Debenture Agreements”). As of the commencement of the CCAA Proceedings, the amount outstanding under the Debentures was approximately \$42.9 million. The holders of the Debentures are the principal secured creditors of the Bankrupt Companies. No amounts were distributed to debentureholders in the CCAA Proceedings.

2. Prior to the Transactions, RWB was the principal senior secured creditor of the Bankrupt Companies. Pursuant to the Transactions, RWB acquired substantially all of the business and assets of the Aleafia Group through, among other things, a credit bid equivalent to the amount owing by the CCAA Applicants, including the Bankrupt Companies. Accordingly, RWB is no longer a creditor of the Bankrupt Companies.

#### **4.2 Unsecured Creditors**

1. According to the Bankrupt Companies’ books and records, unsecured creditor obligations total approximately \$17.1 million as at the dates of the bankruptcy.

#### **4.3 Property of the Bankrupt Not Divisible Amongst Creditors**

1. The Trustee is not aware of any property that would not be divisible among the Bankrupt Companies’ creditors by virtue of subsection 67(1) of the BIA or otherwise.

#### **5.0 Books and Records**

1. The Trustee has taken possession of the books and records required to complete its duties and obligations under the BIA, including the Bankrupt Companies’ minute books.

#### **6.0 Preferences and Transfers at Undervalue**

1. As part of its statutory duties, the Trustee is required to conduct a preliminary review for potential preferences and transfers at undervalue by examining the Bankrupt Companies’ bank statements and accounting records for the year preceding the dates of bankruptcy. KSV was appointed Monitor on July 25, 2023 and has reviewed all transactions since its appointment. The Trustee will discuss the requirement for a further review with the estate inspectors.

#### **7.0 Trustee’s Fees**

1. The Trustee’s fees and expenses for the Bankrupt Companies’ bankruptcy estates are to be funded through a reserve that was funded to KSV by the Purchaser in connection with the Transactions.

#### **8.0 Anticipated Realization and Projected Distribution**

1. As described above, the Bankrupt Companies have no assets and carry on no business activities. As a result, there will be no funds available for distribution to the Bankrupt Companies’ creditors in their respective bankruptcies.

## 9.0 Other Matters

1. There are no other matters to discuss at this time.

\* \* \*

DATED at Toronto, Ontario, this 7<sup>th</sup> day of May, 2024.

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS LICENSED INSOLVENCY TRUSTEE OF  
ALEAFIA HEALTH INC, EMBLEM CORP. AND  
1000682692 ONTARIO INC.  
AND NOT IN ITS PERSONAL OR CORPORATE CAPACITIES**