Court File No.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC.
(each an **"Applicant"** and collectively, the **"Applicants")**

REPORT OF THE PROPOSED MONITOR DATED DECEMBER 21, 2023

INTRODUCTION

1. Ernst & Young Inc. ("**EY**" or the "**Proposed Monitor**") understands that the Applicants have brought an application (the "**CCAA Application**") before this Court returnable on December 22, 2023, seeking an initial order (the "**Proposed Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") to, among other things, obtain a stay of proceedings to allow them an opportunity to restructure their business and affairs. The Applicants propose that EY be appointed as Monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**").

2. This report (the "**Pre-Filing Report**") has been prepared by the Proposed Monitor prior to its appointment as Monitor, should this Court grant the Proposed Initial Order, to provide information and recommendations to this Court for its consideration in respect of the Applicants' CCAA Application.

PURPOSE

3. The purpose of this Pre-Filing Report is to provide information to the Court on:

a. EY's qualifications to act as Monitor;

b. an overview of the Applicants and their business operations;

c. background on the circumstances leading to the Applicants' decision to commence CCAA proceedings;

d. an overview of the Applicants' 13-week cash flow forecast on a consolidated basis for all the Applicants (the "**Cash Flow Forecast**") and the Proposed Monitor's comments regarding the reasonableness thereof; and

e. the relief sought in the Proposed Initial Order.

TERMS OF REFERENCE

4. In preparing this Pre-Filing Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon, audited and unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants ("**Management**"), and information from other third-party sources (collectively, the "**Information**"). Except as described in this Pre-Filing Report in respect of the 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 such information in a manner that would wholly or partially comply with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Proposed Monitor expresses no opinion or other form of assurance contemplated under CAS in respect of the Information; and

    b. some of the information referred to in this Pre-Filing Report consists of forecasts and projections. An examination or review of the financial forecast and projections, as outlined in the Chartered Professional Accountants Canada Handbook, has not been performed.

5. Future oriented financial information referred to in this Pre-Filing Report was prepared based on Management's 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.

6. Unless otherwise indicated, the Proposed Monitor's understanding of factual matters expressed in this Pre-Filing Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Proposed Monitor.

7. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian dollars.

EY'S QUALIFICATION TO ACT AS MONITOR

8. The Applicants are seeking the appointment of EY as the Proposed Monitor in their CCAA proceedings. The Board of Directors of the Trees Corporation ("**Trees**"), the parent company and one of the Applicants, has approved EY acting as the Proposed Monitor.

9. EY notes that, while it meets the requirements of subsection 11.7(1) of the CCAA, it is subject to one of the restrictions set out in section 11.7(2) of the CCAA, in that Ernst & Young LLP, an affiliate of EY, previously acted as Trees' auditor in the two-year period prior to the CCAA application. The last period audited by Ernst & Young LLP was December 31, 2021. Ernst & Young LLP resigned in its capacity as auditor effective May 10, 2022 and a new auditor was appointed subsequently.

10. Accordingly, in view of the restriction set out in section 11.7(2) of the CCAA, the appointment of EY as Monitor notwithstanding the prior audit relationship between Ernst & Young LLP and Trees must be specifically authorized by the Court.

11. With respect to this authorization, EY herby confirms the following:

    a. Ernst & Young LLP no longer acts as auditor to any of the Applicants and has not acted as such in over 19 months;

b. None of the members of EY working or expected to work on the Monitor engagement had any involvement in the prior audit work done by Ernst & Young LLP for Trees;

c. EY and Ernst & Young LLP have put in place the usual measures to ensure confidentiality and prevent any disclosure of information between their respective representatives in connection with this matter;

d. EY is not aware of any conflict of interest or loss of independence arising from Trees' prior relationship with Ernst & Young LLP as its auditor, and it does not believe that the former audit role held by Ernst & Young LLP creates any real or perceived reasonable apprehension of bias or impartiality on the part of EY as Proposed Monitor; and

e. EY consents to act as Monitor of these proceedings, if the Court chooses to appoint it as Monitor.

12. The Proposed Monitor has retained Torys LLP to act as its independent counsel.

OVERVIEW OF THE APPLICANTS

Overview

13. This Pre-Filing Report should be read in conjunction with the Affidavit of Jeffrey Holmgren sworn December 21, 2023 (the "**Holmgren Affidavit**") for additional background and financial information with respect to the Applicants. Any terms not expressly defined herein are otherwise defined in the Holmgren Affidavit.

14. Trees, a public entity listed on Cboe Canada under the ticker symbol "TREE", was created by amalgamation on December 22, 2021, under the *Canada Business Corporations Act* ("**CBCA**").

15. Trees, along with its wholly owned subsidiaries, registered office is located at 181 Bay Street, Suite 1800, Toronto, Ontario M5J 2T9.

16. The principal business activities of the Applicants are the operating of retail stores that sell cannabis products and accessories to adult-use consumers from their leased retail premises located in British Columbia and Ontario.

17. There are six Applicants in these proposed CCAA proceedings. A summary of these entities is as follows:

a. Trees is the parent company and operates four (4) licensed cannabis retail stores in British Columbia at leased locations at 1483A Bowen Road, Nanaimo, 1545 Fort Street, Victoria, 230 Cook Street, Victoria and 510 5th Street, Nanaimo. Trees had a fifth leased location on 695 Alpha Street, Victoria, which closed in November 2023;

b. Miraculo Inc. ("**Miraculo**"), is a wholly-owned subsidiary of Trees. On March 15, 2022, Trees acquired Miraculo by way of amalgamation under the *Business Corporations Act* (Ontario) ("**OBCA**"). Miraculo operated several online platforms including "cannabisMD.com", a consumer-education platform designed to help guide consumers on their exploration of the benefits of medical cannabis and CBD and "askCMD.com", a proprietary recommendation engine that guides consumers to the CBD products that best fit their needs. In October 2022, Miraculo ceased operations;

c. Ontario Cannabis Holdings Corp. ("**OCH**") is a wholly-owned subsidiary of Trees and was incorporated on September 20, 2018, under the OBCA. It does not have its own operations;

d. 2707461 Ontario Ltd., a wholly-owned subsidiary of OCH, operating as Camp Cannabis ("**Camp Cannabis**"), was incorporated on July 22, 2019, under the OBCA and operates one (1) licensed cannabis store at a leased location at 3007 New Street, Burlington, Ontario;

e. OCH Ontario Consulting Corp. ("**Ontario Consulting**"), a wholly-owned subsidiary of OCH, was incorporated on July 17, 2019, under the OBCA. Ontario Consulting operates four (4) licensed cannabis retail stores in Ontario at leased locations at 680 Rexdale Blvd, Etobicoke, 131 Kennedy Road N, Brampton, 395 Ontario St., St. Catherines and 305 Port Union Road, Toronto; and

f. 11819496 Canada Inc., a wholly-owned subsidiary of OCH, doing business as Trees Cannabis ("**Trees Cannabis**" collectively with OCH, Miraculo, Camp Cannabis, and Ontario Consulting, the "**Subsidiaries**"), was incorporated on January 2, 2020, under the

CBCA and operates four (4) licensed cannabis stores in Ontario at leased locations at 1735 Kipling Ave, Etobicoke, 76 St. Clair Ave W, Toronto, 5485 Dundas St E, Etobicoke and 3812A Bloor St W., Etobicoke. Trees Cannabis rented a further location at 62-66 Overlea Blvd. for a prospective retail store; however, a store was ultimately not opened at that location.

18. God's Greenery Inc. ("**God's Greenery**"), a wholly-owned subsidiary of Miraculo, was incorporated in the U.S in the state of Delaware. God's Greenery is not an Applicant. This company is dormant and has no activities.

19. The Applicants have no operations in the U.S.

20. A copy of the Tree's organizational chart set forth in the Holmgren Affidavit is appended hereto as **Appendix "A".**

Business and Operations

21. The Applicants operate 13 licensed cannabis retail stores in British Columbia and Ontario:

   a. Four (4) in British Columbia under the trademark banner name of "Trees Cannabis"; and

   b. Nine (9) in Ontario under the trademark banner name of "Trees Cannabis".

22. The Applicants currently have approximately 102 active employees and four (4) full-time contractors, with approximately 42 in British Columbia, 62 in Ontario and two (2) in Alberta.

23. The Applicants do not maintain any pension plans, defined contribution plans, or any deferred compensation plans.

24. As further described in the Holmgren Affidavit, all purchases of cannabis products in Ontario and British Columbia must be purchased from the Ontario Cannabis Store ("**OCS**") and the British Columbia Liquor Distribution Branch ("**BCLDB**") in their respective provinces.

Retail Licensing

25. The Applicants operate in a highly regulated environment under the *Cannabis Act* (Canada), and other applicable provincial and municipal legislation. Each province and territory is

responsible for regulating the sale and distribution of cannabis within its jurisdiction. Further details of the regulatory regimes are provided in the Holmgren Affidavit.

26. The Applicants hold:

a. Five (5) Cannabis Retail Store licenses issued by the British Columbia Liquor and Cannabis Regulation Branch for each of its locations in British Columbia. These licenses will expire between December 31, 2023, and April 30, 2024. However, one (1) of these licenses is in the process of revocation as the leased retail location to which it relates has closed;

b. Three (3) operator licences from the Alcohol and Gaming Commission of Ontario ("**AGCO**") for each of Trees Cannabis, Camp Cannabis, and Ontario Consulting. All are valid until November 2024;

c. Nine (9) Cannabis Retail Store Authorizations ("**RSA**") from AGCO for each of the Applicants' locations in Ontario, under one of the three operator licences. RSA expiration dates range from August 2024 to March 2025.

Secured Debt Obligations

27. As described in the Holmgren Affidavit, there are numerous secured creditors of the Applicants. A summary is provided in this Report.

<u>Trees</u>

28. As at the date of this Pre-Filing Report, Trees' total secured debt is approximately $1,657,500, inclusive of interest, consisting of the following outstanding amounts:

a. Secured convertible debentures with an aggregate principal amount of $210,000 bearing an annual interest of 58.8% and with an outstanding amount of approximately $469,500. On December 15, 2023, Trees received demand letters and Notices of Intention to Enforce Security ("**NITES**") from these secured debenture holders, being PMH Investco Ltd., 606093 Saskatchewan Ltd., Minerva Investments Ltd., and Echo Capital Growth Corporation. The Monitor intends to review the security and to be in a position to advise the Court as to its views at the comeback hearing;

b. Crown charge pursuant to the *Provincial Sales Tax Act* (British Columbia) by the Ministry of Finance of British Columbia in respect of unpaid sales tax totalling approximately $44,000;

c. Secured convertible promissory notes with an aggregate principal amount of $1,005,000 bearing interest at a rate of 12% per annum and an outstanding amount of approximately $1,144,000. Some of the noteholders are non-arms length to the Applicants; and

29. There is a contingent secured liability of $1,000,000 under a profit participation agreement in respect of which Trees owes such amount upon a change of control of Trees.

<u>OCH</u>

30. As at the date of this Pre-Filing Report, OCH's total secured debt is approximately $2,210,000, inclusive of interest, consisting of the following outstanding amounts:

a. As guarantor for Ontario Consulting's secured convertible promissory note with a principal amount of $3,000,000 bearing interest at a rate of 8.5% per annum with an outstanding amount of approximately $900,000; and

b. Secured grid promissory notes with an aggregate principal amount of $830,000 bearing interest at a rate of 15% per annum with an outstanding amount of approximately $1,310,000. The loan matured on January 1, 2023. On December 21, 2023, Trees received a demand letter and NITES from these secured debenture holders, being CJ Marketing Ltd. and Arthur Minh Tri Nguyen-Cao. The Monitor intends to review the security and to be in a position to advise the Court as to its views at the comeback hearing.

<u>Ontario Consulting</u>

31. As at the date of this Pre-Filing Report, Ontario Consulting's total secured debt is approximately $9,500,000 inclusive of interest, consisting of the following outstanding amounts:

a. Secured convertible promissory note with a principal amount of $3,000,000 bearing interest at a rate of 8.5% per annum. The secured noteholder is Tweed Franchise Inc. This note matured on March 11, 2023 and the outstanding balance is approximately $900,000.

The Monitor intends to review the security and to be in a position to advise the Court as to its views at the comeback hearing; and

b. Secured grid promissory notes with a principal amount of $1,300,000 bearing interest at a rate of 8.5% per annum. The secured note holder is Trees. This note matured on March 1, 2021 and has an outstanding amount of approximately $8,600,000.

32. The Proposed Monitor understands that the Applicants have provided their secured creditors with notice shortly prior to bringing their CCAA Application. Such secured creditors will be included on the Service List in connection with these CCAA proceedings moving forward and, as such, will be provided with motion materials in connection with the Comeback Motion (as defined below).

33. In addition to the foregoing secured obligations, the Applicants are also subject to numerous unsecured obligations, as set out in more detail in the Holmgren Affidavit.

CIRCUMSTANCES LEADING TO THE APPLICANTS' CCAA FILING

34. As detailed in the Holmgren Affidavit, the Applicants incurred significant operating losses in the past three years due to a mix of unfavourable factors, including fierce competition, increased operating costs, and regulatory restrictions that have resulted in lower gross margins than the Applicants anticipated and also resulting in some unprofitable stores. In addition, the operations are unable to generate sufficient revenue to service the existing secured and unsecured debt obligations and certain settlements of claims entered into by the Applicants.

35. It is the Proposed Monitor's understanding that many other licensed cannabis retailers in Canada face similar pressures due to the unfavourable operating environment that has challenged the cannabis retail industry.

36. A number of creditors are threatening to exercise rights and remedies against the Applicants, including: (i) the secured creditors mentioned in paragraph 28(a) and paragraph 30(b) who are owed approximately $1,779,500 and have issued demands and NITES; and (ii) certain unsecured creditors that have obtained judgments against one or more of the Applicants.

37. Without a further capital injection, the Applicants expect that their liquidity will be fully depleted in the immediate future.

38. Pursuant to the Proposed Initial Order, the Applicants are seeking a stay of proceedings up to and including January 1, 2024 (the "**Stay Period**"), which they will seek to extend in a proposed Amended and Restated Initial Order (the "**ARIO**") at their comeback motion, to be heard on or before December 29, 2023 (the "**Comeback Motion**").

39. The proposed CCAA proceedings will allow the Applicants to gain access to debtor-in-possession ("**DIP**") financing to fund the working capital requirements of the Applicants and maintain their business operations at profitable retail locations, preserve supplier relationships and jobs for their employees, terminate leases of unprofitable locations and restructure debt, while pursuing a sale process for the benefit of all stakeholders. Without the DIP Facility (as defined below), the Applicants would not be able to continue as a going concern through the CCAA proceedings.

OVERVIEW OF APPLICANTS' THIRTEEN-WEEK CASH FLOW PROJECTION

40. The Applicants, with the assistance of the Proposed Monitor, have prepared a Cash Flow Forecast for the 13-week period from December 17, 2023 to the week ending March 16, 2024 (the "**Cash Flow Period**") for the purpose of projecting the Applicants' estimated liquidity needs during the Cash Flow Period. A copy of the Cash Flow Forecast is attached as **Appendix "B"** to this Pre-Filing Report.

41. The Cash Flow Forecast is presented on a weekly basis during the Cash Flow Period and represents the estimates of Management of the Applicants' projected cash flow during the Cash Flow Period. The Cash Flow Forecast has been prepared by the Applicants using probable and hypothetical assumptions (the "**Assumptions**") set out in the notes to the Cash Flow Forecast.

42. The Proposed Monitor has reviewed the Cash Flow Forecast through inquiries, analytical procedures and discussions, and review of documents related to the Information supplied to it by certain key members of Management and employees of the Applicants. Based on the

Proposed Monitor's review, nothing has come to its attention that causes it to believe, in all material respects, that:

a. the Assumptions are not consistent with the purpose of the Cash Flow Forecast;

b. as at the date of this Pre-Filing Report, the Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the probable and hypothetical assumptions; or

c. the Cash Flow Forecast does not reflect the Assumptions.

43. The Applicants maintain bank accounts with Alterna Bank, Alterna Savings and Bank of Montreal for their operations. Currently, the Applicants have no bank credit or overdraft facilities.

44. The Cash Flow Forecast shows that during the Cash Flow Period, the Applicants project estimated total combined receipts of approximately $4.5 million and estimated total combined disbursements of approximately $5.3 million. The Cash Flow Forecast projects that the Applicants will have sufficient liquidity during the first 13 weeks of the CCAA proceedings, subject to Court approval of the DIP term sheet dated December 21, 2023 between One Plant Retail Corp. (the "**DIP Lender**") and the Applicants (the "**DIP Term Sheet**"), and the related DIP Charge (as defined and discussed later herein) in favour of the DIP Lender.

45. The Proposed Initial Order limits the initial advance under the DIP Term Sheet to $350,000, to be secured by the DIP Charge (plus interest, fees and expenses). However, the Applicants will seek to increase the authorized borrowing limit under the DIP Term Sheet and secured by the DIP Charge to $800,000 under the proposed ARIO at the Comeback Motion.

RELIEF SOUGHT IN THE PROPOSED INITIAL ORDER

46. The Proposed Initial Order provides for three super-priority charges (collectively, the "**Charges**") on the current and future assets, undertakings and properties of the Applicants, wherever located, including all proceeds thereof that rank in the following order (each as defined below):

a. first, the Administration Charge;

b. second, the DIP Charge; and

c. third, the Directors' Charge.

47. Each of the Charges are discussed below.

Administration Charge

48. The Proposed Initial Order provides for a charge up to a maximum amount of $350,000 (the "**Administration Charge**") in favour of counsel to the Applicants, counsel to the board, if any, the Proposed Monitor and the Proposed Monitor's independent counsel, as security for the professional fees and disbursements incurred prior to and after the commencement of the CCAA proceedings. Professional fee obligations secured by the Administration Charge will be paid in the ordinary course from funding provided by, among other things, the DIP Facility (as defined below).

49. At the Comeback Motion, the Applicants will seek to increase the Administration Charge to $500,000 under the proposed ARIO.

50. The Proposed Monitor is of the view that given the current liquidity constraints of the Applicants, the proposed Administration Charge and quantum is required and reasonable in the circumstances based upon a review and assessment of the anticipated professional costs to be incurred during this matter and the limited retainers, if any, held by such professionals.

DIP Facility and related DIP Charge

51. In order to provide the required liquidity needed to fund the operations of the Applicants during the CCAA proceedings, the Applicants are seeking the approval of the DIP Term Sheet, pursuant to which the DIP Lender has agreed to provide the DIP financing (the "**DIP Facility**") required in the Cash Flow Forecast, subject to the terms of the DIP Term Sheet. In addition to the approval of the DIP Term Sheet, the Proposed Initial Order also provides for the creation of a related charge (the "**DIP Charge**") in favour of the DIP Lender to secure all obligations that may be owing to the DIP Lender under the DIP Term Sheet within the first 10-day period of the CCAA proceedings. The DIP Charge is in an amount equal to the

maximum allowable borrowing amount as proposed in the Proposed Initial Order, plus potential accruing interest, fees and expenses. As mentioned above, at the Comeback Motion, the Applicants will seek to increase the borrowing limit under the DIP Facility to $800,000 under the proposed ARIO, along with an increase to the associated DIP Charge.

52. The DIP Charge will be secured by present and future real and personal, tangible and intangible property and assets and undertakings in favour of the DIP Lender in priority to all security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise. A copy of the DIP Term Sheet is attached as Exhibit "FF" to the Holmgren Affidavit.

53. The following is a summary of the material terms of the DIP Term Sheet:

a. <u>DIP Facility</u>: non-revolving loan up to the maximum amount of $800,000. The first Advance in the amount of $350,000 shall be made forthwith after the conditions precedent in the DIP Term Sheet have been satisfied.

b. <u>Advances</u>: the DIP Facility shall be advanced by the DIP Lender to the Applicants as needed in installments of not less than CAD $100,000, as approved by the Monitor.

c. <u>Interest Rate</u>: to accrue at fifteen percent (15%) per annum on the outstanding indebtedness. Interest shall be calculated on the daily outstanding balance owing under the DIP Facility, not in advance, and shall accrue and be paid on the Maturity Date, February 29, 2024.

d. <u>Fees</u>: The Applicants shall pay a commitment fee of $50,000 (the "**Fee**"), which Fee shall be earned and paid as part of the first advance under the DIP Term Sheet.

e. <u>Maturity date</u>: earliest of: (a) the Maturity Date of February 29, 2024; (b) the closing of a Transaction (as defined in the DIP Term Sheet); (c) any Order made by the Court replacing EY as Monitor; (d) the date on which the CCAA proceedings are terminated for any reason, including if one or more of the Applicants become bankrupt, whether voluntarily or in-voluntarily; and (e) the occurrence of an Event of Default (as defined in the DIP Term Sheet).

54. It is our understanding that the Applicants had reached out to existing lenders and some companies in the cannabis industry in attempt for additional funding with little success. The DIP Lender is a prospective purchaser. The Proposed Monitor has reviewed the DIP Term Sheet and does not view that the DIP Lender as a potential stalking horse bidder is being provided any advantage, including dictating timing or substance, with respect to a future contemplated sale and investment solicitation process by the Applicants.

55. In light of the current market environment, the state of the cannabis industry in Canada, the nature of the Applicants' assets, and the financial challenges facing the Applicants, the Applicants believe that the terms being offered in the DIP Term Sheet, including the interest rate and Fee, are reasonable in the circumstances and interest rates and costs are similar in recent CCAA filings, including those within the Cannabis industry. The Proposed Monitor concurs with this assessment.

56. As described in the Cash Flow Forecast, the Applicants have a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicants are projected to exhaust their liquidity in the first 10-day period and will thus be unable to maintain their operations and effect a restructuring. Accordingly, the Proposed Monitor is of the view that the Applicants' request for approval of the DIP Term Sheet and the DIP Charge is required and reasonable in the circumstances prior to the Comeback Motion.

<u>Directors' Charge</u>

57. The Proposed Initial Order provides for a charge in an amount not to exceed $251,000 (the "**Directors' Charge**") to secure an indemnity in favour of the current director and officers of the Applicants against obligations and liabilities that they may incur as director or officers of the Applicants after the commencement of these CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of such director's or officer's gross negligence

or willful misconduct. The Applicants, at the Comeback Motion, will seek to increase the Directors' Charge to $483,000 under the proposed ARIO.

58. The directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, to the extent such coverage is insufficient to pay an indemnified amount as described above, or to the extent that such coverage is denied by the insurance provider.

59. The Proposed Monitor assisted the Applicants in the calculation of the Directors' Charge, taking into consideration the estimated payroll-related costs, the timing of such payroll related costs, the estimated vacation accrual, and an estimate of goods and services or other applicable sales taxes ("**Sales Taxes**") based on historical run rates. This analysis also estimates the directors' and officers' exposure in respect of accrued payroll costs, vacation pay and Sales Taxes obligations in the first 10-day period and thereafter.

60. The Proposed Monitor is of the view that the Directors' Charge is required and is reasonable under the circumstances.

CONCLUSIONS AND RECOMMENDATIONS

61. The Proposed Monitor has reviewed the Applicants' CCAA Application materials and has consented to act as the Monitor of the Applicants, should this Court grant the Proposed Initial Order.

62. From its review of the Applicants' CCAA Application materials, and subject to the reporting above, the Monitor is satisfied that the Applicants are not seeking at this time any relief that is not customary in CCAA proceedings in comparable circumstances.

63. For the reasons stated herein, the Proposed Monitor believes it is appropriate for the Applicants to be granted protection under the CCAA and respectfully request that the Court grants the Proposed Initial Order.

All of which is respectfully submitted this 21st day of December 2023.

ERNST & YOUNG INC., in its capacity as Proposed Monitor of the Applicants, and not in its corporate or personal capacity.

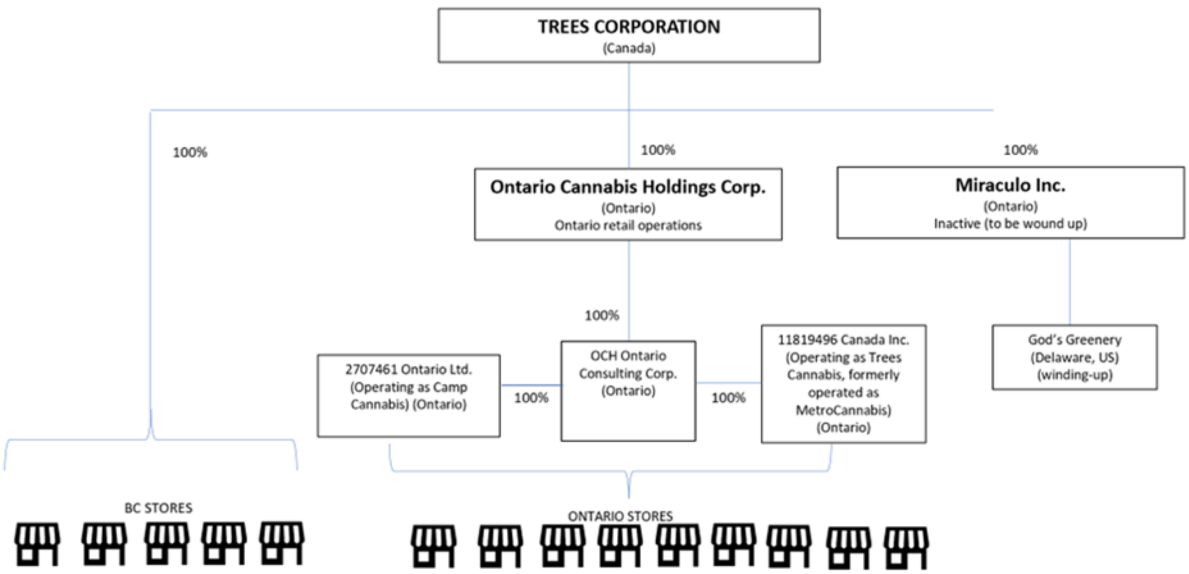
per: ___________________________________

Alex Morrison, CPA, CA
Senior Vice-President

Karen Fung, CPA, CA
Senior Vice-President

Appendix A

Tree's organizational chart



Appendix B

Cash Flow Forecast

Trees Corporation
Consolidated Cash Flow Forecast
$CDN 000's

Week	Notes	1	2	3	4	5	6	7	8	9	10	11	12	13	Total
		17-Dec-23	**24-Dec-23**	**31-Dec-23**	**7-Jan-24**	**14-Jan-24**	**21-Jan-24**	**28-Jan-24**	**4-Feb-24**	**11-Feb-24**	**18-Feb-24**	**25-Feb-24**	**3-Mar-24**	**10-Mar-24**	
Receipts															
Retail Sales and Other Receipts	1	$ 370	$ 394	$ 380	$ 413	$ 360	$ 360	$ 311	$ 355	$ 311	$ 311	$ 311	$ 355	$ 311	$ 4,540
Total Receipts		**370**	**394**	**380**	**413**	**360**	**360**	**311**	**355**	**311**	**311**	**311**	**355**	**311**	**4,540**
Disbursements															
Cannabis and Accessory Inventory Purchases	2	246	351	233	225	208	230	200	230	200	200	200	200	200	2,924
Payroll Costs	3	104	55	61	93	65	91	51	81	55	88	51	83	58	934
Rent	4	5	-	-	120	-	-	-	91	-	-	-	91	-	306
Operational G&A and Taxes	5	8	45	119	173	2	16	2	191	2	-	18	75	15	668
Restructuring Costs	6	-	300	-	50	-	50	-	50	-	25	-	25	-	500
Total Disbursements		363	751	413	662	274	387	253	643	257	313	269	474	273	5,332
Net cash receipts/(disbursements)		**$ 7**	**$ (358)**	**$ (33)**	**$ (249)**	**$ 86**	**$ (27)**	**$ 58**	**$ (289)**	**$ 54**	**$ (2)**	**$ 42**	**$ (120)**	**$ 38**	**$ (792)**
Cash on hand															
Opening Balance	7	$ 36	$ 43	$ 35	$ 2	$ 203	$ 289	$ 262	$ 320	$ 32	$ 86	$ 84	$ 126	$ 6	$ 36
DIP Facility Draw/Repayment		-	350	-	450	-	-	-	-	-	-	-	-	-	800
Net Cash Receipts/(disbursements)		7	(358)	(33)	(249)	86	(27)	58	(289)	54	(2)	42	(120)	38	(792)
Ending cash balance		**$ 43**	**$ 35**	**$ 2**	**$ 203**	**$ 289**	**$ 262**	**$ 320**	**$ 32**	**$ 86**	**$ 84**	**$ 126**	**$ 6**	**$ 44**	**$ 44**
Proposed Debt-in-Procession Financing															
Opening balance		$ -	$ -	$ 401	$ 402	$ 855	$ 857	$ 860	$ 862	$ 865	$ 867	$ 870	$ 872	$ 875	$ -
Draw/(Repayment)	8	-	350	-	450	-	-	-	-	-	-	-	-	-	800
Commitment fee			50	-	-	-	-	-	-	-	-	-	-	-	50
Accrued Interest	8	-	1	1	2	2	2	2	2	2	3	3	3	3	27
Ending balance		**$ -**	**$ 401**	**$ 402**	**$ 855**	**$ 857**	**$ 860**	**$ 862**	**$ 865**	**$ 867**	**$ 870**	**$ 872**	**$ 875**	**$ 877**	**$ 877**

IN THE MATTER OF THE CCAA OF TREES CORPORATION, ONTARIO CANNABIS HOLDINGS CORP., MIRACULO INC., 2707461 ONTARIO LTD., OCH ONTARIO CONSULTING CORP., AND 11819496 CANADA INC. (collectively, the "Applicants")

Notes to the Unaudited Cash Flow Forecast of the Applicants

December 17, 2023 to March 16, 2024 (the "Forecast Period")

Disclaimer:

In preparing this cash flow forecast (the "**Cash Flow Forecast**"), the Applicants, with the assistance of Ernst & Young Inc. (the "**Proposed Monitor**"), have relied upon unaudited financial information and the Applicants have not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes estimates concerning the Applicants' operations and additional assumptions discussed below with respect to the requirements and impact of a *Companies' Creditors Arrangement Act* ("**CCAA**") filing (the "**Probable and Hypothetical Assumptions**" or the "**Assumptions**"). Since the Cash Flow Forecast is based on Assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the Assumptions materialize, and such variation may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

The Proposed Monitor has reviewed the Cash Flow Forecast to the standard required of a Court-appointed Monitor pursuant to section 23(1)(b) of the CCAA, which requires a Monitor to review the debtor's cash flow statements as to its reasonableness and to file a report with the Court on the Monitor's findings.

Pursuant to this standard, the Proposed Monitor's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to information supplied to it by management of the Applicants. Since the Probable and Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by the Applicants for the Probable and Hypothetical Assumptions and the preparation and presentation of the Cash Flow Forecast.

Based on the Proposed Monitor's review, nothing has come to the Monitor's attention that causes the Proposed Monitor to believe, in any material respect, that:

(a) The Probable and Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;

(b) As at the date of this report, the Probable and Hypothetical Assumptions are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the Cash Flow Forecast, given the Probable and Hypothetical Assumptions; or

(c) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions.

Overview:

The Cash Flow Forecast includes the receipts and disbursements of the Applicants during the Forecast period. The Applicants, with the assistance of the Proposed Monitor, have prepared the Cash Flow Forecast based primarily on estimated receipts and disbursements related to the Applicants' ongoing operations and the CCAA proceedings.

Receipts and disbursements are denominated in thousands of Canadian dollars.

Assumptions:

1. **Retail Sales and Other Receipts**
   This category includes revenues generated by the Applicants' retail stores and the profit-sharing from sales data sold through a service provided to licensed producers.

2. **Cannabis and Accessory Inventory Purchases**
   Represents disbursements related to weekly inventory purchases from the provincial distributors in British Columbia and Ontario for the Applicants' operations, as well as cannabis accessory purchases from vendors.

3. **Payroll Costs**
   Store employees are paid bi-weekly while executives are paid semi-monthly. Payroll is funded on a gross basis through a third-party service provider which then remits withholding taxes. Payroll costs also includes, full-time contractors, and health care benefits and life insurance premiums. It is assumed the closure of certain locations in January.

4. **Rent**
   Represents the monthly lease obligations for the leased retail stores. It is assumed that certain leases are disclaimed.

5. **Operational G&A and Taxes**
   Operational expenses such as utilities, security, software, cash management services, insurance for the store locations, sales taxes, and other general administrative costs. This includes payment of amounts owed to the external corporate counsel.

6. **Restructuring Costs**
   Restructuring costs include professional fee payments and expenses of the Applicants' legal counsel, the proposed Monitor and its counsel in connection with the Applicants' restructuring proceedings.

7. **Beginning Balance**
   Represents the projected opening cash balance as of December 17, 2023.

8. **Debt-in-Possession Facility ("DIP") Draws and Repayments**
   Reflects projected draws and repayments under the DIP facility, subject to Court approval.