The Joint Committee on Taxation of
The Canadian Bar Association
and
Chartered Professional Accountants of Canada
Chartered Professional Accountants of Canada, 277 Wellington St. W., Toronto ON, Canada M5V3H2
The Canadian Bar Association, 66 Slater St., Suite 1200, Ottawa, ON, Canada K1P 5H1

January 10, 2024

Robert Demeter
Director General
Tax Legislation Division
Tax Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Email: Robert.Demeter@fin.gc.ca

Dear Mr. Demeter:

Subject: Impact of *Pangaea* case

We are writing to follow-up on our submissions made August 10, 2020 (the "**2020 Submissions**") relating to the decision of the Federal Court of Appeal in *Pangaea One Acquisition Holdings XII S.À R.L.*[1] ("***Pangaea***"), a copy of which is attached hereto as Appendix A, and the subsequent discussions between representatives of the Department of Finance ("**Finance**") and members of The Joint Committee on Taxation of the Canadian Bar Association and Chartered Professional Accountants of Canada (the "**Joint Committee**") on the tax considerations arising from *Pangaea*.

In the 2020 Submissions, we requested that Finance consider taking action to respond to elements of the *Pangaea* decision which could otherwise adversely impact the market dynamics surrounding the restructuring of debt instruments issued by Canadian issuers. The specific scenarios discussed in the 2020 Submissions related to concerns that a broad reading of *Pangaea* could result in the imposition of Canadian withholding tax under Part XIII of the *Income Tax Act* (Canada) (the "**ITA**")[2] to commitment fees paid to arm's length non-resident lenders and to consent fees and restructuring payments made to arm's length non-resident holders of debt. As discussed in the 2020 Submissions, Canadian businesses rely upon the public and private debt markets to finance their operations. Thanks in part to a policy decision to reduce the cost of capital to Canadian businesses by eliminating withholding tax on arm's length interest, Canadian issuers are generally able to access foreign sources of debt capital at

[1] 2020 FCA 21.
[2] Unless otherwise stated, all statutory references herein are to the provisions of the ITA.

competitive rates. The potential applicability of Canadian withholding tax to commitment fees and consent fees frustrates this policy decision and, in our respectful view, corrective action should be taken.

During our discussions on the issue, Finance has asked for information on the "real world" market implications of *Pangaea* in the specific circumstances described in the 2020 Submissions. In providing this information, we have canvassed publicly available information on transactions occurring since 2020. However, it should be noted that many transactions – even by large Canadian public corporations - are private in nature such that information as to withholding tax issues is not publicly available. The publicly available information is largely restricted to circumstances where public market debt of a Canadian issuer is amended or restructured, for a *bona fide* commercial purpose, and a restructuring or consent fee is payable to arm's length holders of debt, including non-residents of Canada (collectively, "**Debt Restructuring Transactions**").

A review of the publicly available Canadian tax disclosure on Debt Restructuring Transactions indicates that the majority of such transactions disclose a "risk factor" relating to the potential imposition of Canadian withholding tax on restructuring or consent fees paid to arm's length holders of debt. Many of those transactions appear to proceed on the basis that the issuer does not intend to withhold tax, on the basis that there are strong arguments that *Pangaea* should be read narrowly. Even in these circumstances, however, the public disclosure makes it clear that the arm's length holders of such debt continue to bear the risk of any withholding tax applying. The uncertainty generated in the public markets by such a position is not, in our respectful view, consistent with Parliament's desire to remove obstacles to Canadian businesses accessing foreign capital markets.

More critically, in some circumstances, the Canadian issuer of debt will not be in a position to take any risk vis-à-vis the potential applicability of Part XIII tax. In particular, many Debt Restructuring Transactions are implemented where a Canadian issuer is in severe financial difficulty. In such circumstances, the boards of directors of such issuers may well be concerned by the prospect of personal joint and several liability for unremitted Part XIII taxes under section 227.1. The conservative advice to such directors is that the issuer should withhold Part XIII tax on a consent or restructuring fee payable to a non-resident holder of the debt, on the basis that there is at least some risk that such tax is payable under the *Pangaea* reasoning. This advice is typically given even where there are plausible arguments that the tax is not payable. This is because issuers of debt are liable to pay such tax (with penalties and interest) if it is ultimately found to be payable on amounts paid or credited by them to non-resident taxpayers holding their debt, and there is potential for directors to have personal liability particularly in cases where the issuer is facing financial difficulty and may not be able to satisfy the Part XIII tax liability.

The foregoing is demonstrated in the Consent and Proxy Solicitation Statement issued by Aleafia Health Inc. on May 27, 2022 (copy attached hereto). That transaction involved seeking the consent of holders to certain amendments to widely-held debentures, where consenting holders would receive a market-standard consent fee. The amendments were intended to forestall enforcement actions by the holders of the debt due to the non-payment of interest by the issuer. The benefit of the amendments included the removal of near-term uncertainty on the financial position of the issuer thereby allowing the execution of growth initiatives and to potentially position the issuer as an acquisition target. The Canadian tax disclosure contains the following advice in respect of Part XIII withholding tax:

> The Company is of the view that it is required to withhold and remit to the Canadian government withholding tax of 25% on the Consent Fee paid to a person who is a Non-Resident on behalf of such Non-Resident. The Company must be satisfied that it has

> complied with any statutory withholding tax obligations prior to delivering the Consent Fee to any particular Non-Resident Debentureholder. Non-Resident Debentureholders who respond to this Consent Solicitation are asked to contact the Company by email at ir@aleafiahealth.com prior to the Consent/Proxy Deadline to make arrangements regarding such potential withholding.

The above debt restructuring was implemented on Jun 28, 2022. The end result of the foregoing example is that Canadian withholding tax applied to consent fees paid to restructure debt, even though interest payments on the same debt are exempt from Canadian withholding tax, as per the press release:

> In addition, an aggregate of approximately $2.4 million principal amount of Series C Debentures were issued in payment of the consent fee (the "**Consent Fee**") payable to debentureholders who consented in favour of the extraordinary resolution approving the Debenture Amendments, which Consent Fee is subject to withholding for non-residents of Canada.

During our discussions with Finance on these issues, questions have been raised about the assistance that may be gleaned from the fact that debtors have a statutory right of recovery against non-resident holders of debt where Part XIII tax is later assessed. Although this statutory right exists, it is practically difficult, if not impossible, to enforce in the context of a widely-held debt instrument. Questions have also been raised about the assistance to be gleaned from the ability of a non-resident holder of debt to make an application for a refund of excess Part XIII tax withheld pursuant to subsection 227(6). Again, this mechanic is not of practical use in the circumstance of a widely-held debt, since non-resident holders of the debt will not be familiar with the Canadian tax system and the costs of each such holder making such an application are likely to out-weigh the potential Part XIII tax refund that might be received by such holder. Even if such applications were to be made, there is no certainty that the Canada Revenue Agency would agree with any position that Part XIII tax does not apply and should be refunded. Correspondingly, the Canadian issuer of the debt could not make such an application, since the application must be made by the non-resident person on whose behalf the Part XIII tax was remitted.

It is our respectful submission that the foregoing situation is not acceptable from a policy perspective, particularly in an economic circumstance where debt restructuring by issuers in financial difficulty may become more common.

We recommend that the ITA be amended to treat payments of the sort described herein as deemed payments of interest (other than participating interest) under the related debt for Part XIII purposes. This could be achieved by modifying subsection 214(15). We would be pleased to provide suggested wording if that would be helpful.

In the interim, we would urge Finance to issue a comfort letter on these issues.

***

Members of the Joint Committee and others in the tax community participated in the discussion concerning this submission and contributed to its preparation, including:

- Anu Nijhawan – Bennett Jones LLP
- Carrie Smit – Goodmans LLP

We would be pleased to discuss this submission with you in further detail at your convenience.

Yours truly,

Carmela Pallotto

Carmela Pallotto
Chair, Taxation Committee
Chartered Professional Accountants of Canada

Carrie Smit
Chair, Taxation Section
Canadian Bar Association

The Joint Committee on Taxation of
The Canadian Bar Association

and

Chartered Professional Accountants of Canada
Chartered Professional Accountants of Canada, 277 Wellington St. W., Toronto ON, Canada M5V3H2
The Canadian Bar Association, 66 Slater St., Suite 1200, Ottawa, ON, Canada K1P 5H1

August 10, 2020

Mr. Ted Cook
Director General
Tax Legislation Division
Tax Policy Branch
Department of Finance Canada
90 Elgin Street
Ottawa, ON K1A 0G5

Dear Mr. Cook:

Subject: Impact of Pangaea Case

The purpose of this submission is to request that you consider taking action to respond to the recent decision of the Federal Court of Appeal in *Pangaea One Acquisition Holdings XII S.À R.L.*[1] ("**Pangaea**"). We are concerned that the decision in *Pangaea* may result in withholding of tax under Part XIII of the *Income Tax Act* (Canada) (the "**Act**")[2] by issuers of debt in inappropriate circumstances from a policy perspective, as explained below. We suggest that Finance Canada ("**Finance**") consider issuing a comfort letter to clarify the situation for Canadian issuers of debt securities.

Pangaea Reasons

The Court in Pangaea dealt with a peculiar fact pattern involving the sale of shares of a "target" company, Public Mobile, by several shareholders, including Pangaea. Under a shareholders' agreement, Pangaea had the right to veto the sale. Under a letter agreement between Thomvest (another shareholder) and Pangaea, Thomvest agreed to pay Pangaea $3 million in consideration

[1] 2020 FCA 21.
[2] Unless otherwise stated, all statutory references in this submission are to the Act.

for Pangaea agreeing to effectively waive its veto right and sign on to the share purchase agreement. The issue in the case was whether the $3 million payment was taxable under Part XIII as an amount paid in respect of a "restrictive covenant", as defined in subsection 56.4(1).[3]

On January 22, 2020, the Federal Court of Appeal held that the payment was subject to withholding tax as a payment in respect of a "restrictive covenant". The taxpayer had argued for a narrow interpretation of "restrictive covenant" based on a view of Parliament's legislative purpose at the time of enactment (that it was to impose tax on non-compete payments that had been ruled tax-free) and having regard to the legislative context. The Court rejected these arguments. The Court held that the "inclusive language" used in section 56.4 clearly went beyond non-compete payments, adding:

> "Even if a textual interpretation of section 56.4 gives rise to some applications of the provision that were not intended by Parliament, this is not a sufficient reason to conclude that the provision only applies to non-compete agreements."

In other words, the legislative text is extremely broad, and taxpayers should not presume that it is narrowed by any theories relating to Parliament's (perhaps narrower) legislative purpose. The breadth of this provision, as it has been interpreted, may also be in conflict with other provisions in Part XIII.

The Court's reasoning, coupled with the extremely broad language used in section 56.4, may cause Canadian issuers of debt obligations to withhold Part XIII tax on certain common types of payments to arm's length non-resident creditors. In our view, in some instances such withholding would tend to frustrate the tax policy objectives of Part XIII, including in particular the policy considerations underlying the Budget 2007 amendments to eliminate withholding tax on arm's length interest. Furthermore, the decision gives rise to added, and, we believe, inappropriate uncertainty as to the scope of paragraph 212(1)(i). We believe the situation should be clarified.

General absence of withholding tax reduces Canadian businesses' cost of capital

Canadian businesses rely upon the public and private debt markets to finance their operations. They are generally able to access foreign sources of debt capital at competitive rates, in part because there is generally no withholding tax on cross-border arm's length interest payments. While this was the case for many years in the long-term (>5 year) debt market, cross-border interest on short-term debt was generally subject to withholding tax prior to the 2007 amendments. Those amendments, in the context of contemporaneous changes to the Canada-U.S. Tax Treaty, reflected a basic policy decision to reduce the cost of capital to Canadian businesses, by eliminating the withholding tax on short-term or revolving borrowings.[4]

It is now generally understood by arm's length participants in the foreign debt markets that their return from loans to Canadian debtors will be free from withholding tax; likewise, Canadian issuers of debt securities generally understand that their cost of capital will not be inflated by

[3] Paragraph 212(1)(i) imposes withholding tax where the recipient of the restrictive covenant payment is a non-resident.

[4] The economic burden of withholding tax is normally borne by the borrower through conventional "gross-up" clauses, or higher borrowing costs associated with access to a smaller (domestic) pool of available debt capital.

gross-up payments necessary to compensate holders for any withholding tax. This result flows from the fact that arm's length payments of interest are generally not taxable under Part XIII. Other miscellaneous payments to a non-resident debt holder, such as fees associated with the debt, are generally understood as not being subject to any other charging provision in Part XIII.

It is in this setting that we are concerned about potentially anomalous consequences arising from the *Pangaea* decision. In the remainder of this submission, we describe specific fact patterns[5] that have come to our attention and provide our suggestion as to the appropriate governmental response.

Before considering the specific examples, it is worth noting that prudent advisors will normally advise issuers to withhold Part XIII tax if there is any well-founded risk that such tax is payable, even where there are plausible arguments that the tax is not payable. This is because issuers of debt are liable to pay such tax (with penalties and interest) if it is ultimately found to be payable on amounts paid or credited by them to non-resident taxpayers holding their debt. While debtors have a statutory right of recovery against the non-resident taxpayer, this would be difficult or impossible to enforce in this context and usually rendered meaningless through a gross-up clause that would typically make the issuer responsible for such tax in any event. Furthermore, there is personal liability on directors for failure to withhold Part XIII tax, a feature that is especially relevant where the issuer is in financial difficulty.

The bottom line is that prudent issuers may feel compelled to withhold Part XIII tax on payments such as those described below. As discussed below, this ratchets up the cost of foreign capital – clearly at odds with the underlying policy rationale of the 2007 amendments.

Commitment Fees Paid to Arm's Length Lenders

In many contexts, fees and charges are payable by a borrower as consideration for the lender agreeing to lend money or make money available. In the context of a loan facility, these fees would often be referred to as "standby charges". These types of fees are pervasive, affecting a wide range of lending facilities in which lenders are paid amounts as consideration for agreeing to advance funds in connection with a current or future drawdown.

Such commitment fees and standby charges would not generally constitute interest.[6] It has generally been the view of most advisors (prior to *Pangaea*) that such fees and charges are not subject to Part XIII tax when paid to a non-resident of Canada.[7] This view was not based on a specific exception in the legislation, but rather on the simple fact that no provision in Part XIII

[5] For clarity, these examples are those that have occurred to us to date and should be construed as illustrative rather than exhaustive. Other examples may be identified over time.

[6] Paragraph 214(15)(b) deems such fees to be interest only where the non-resident would be liable to Part XIII tax on the actual interest paid on the debt. Where the lender and borrower deal at arm's length, that would not normally be the case.

[7] Such amounts are generally understood to be taxable as ordinary income under Part I for a resident of Canada, either by virtue of such amounts constituting income from property or a business, or as a result of the application of paragraph 12(1)(x).

applies to subject these amounts to tax under that Part, including paragraph 214(15)(b). Commitment, standby and similar fees and charges are standard features of loan financing.

In view of the approach adopted by the Federal Court of Appeal in *Pangaea*, this analysis needs to be reconsidered. As noted by the Court, the definition refers to an "agreement … that affects, or is intended to affect, in any way whatever, the acquisition or provision of property or services by the taxpayer …". Is the agreement under which these fees are paid "intended to affect, in any way whatever, the acquisition or provision of property or services by the taxpayer [i.e., the lender]"? Arguably it is – it affects the provision of funds. The agreement is also intended to affect the acquisition of property by the lender, namely the debt obligation.[8] The *Pangaea* Court's rejection of a purpose-based approach to "read down" the extremely broad text leaves advisors with a well-founded concern that another Court may follow that approach and treat commitment fees, standby charges and other fees for agreeing to make money available as consideration for a "restrictive covenant", which puts paragraph 212(1)(i) in direct conflict with paragraph 214(15)(b) in such circumstances.

It seems clear that the imposition of Part XIII tax on such commitment fees and standby charges was not intended by Parliament, under any theory of the intended scope of section 56.4. Moreover, it seems to frustrate the Part XIII policy direction taken in recent years, as well as the long-standing policy reflected in paragraph 214(15)(b) that such fees should not be subjected to Part XIII tax if the underlying interest would not have been. Corrective action should in our respectful submission be taken, as described in more detail below.

Consent Fees Paid to Arm's Length Holders of Debt

From time to time, issuers of debt may seek to amend the terms of the debt. This may happen if the issuer is concerned that a positive or negative covenant may otherwise be breached by a corporate action the issuer wishes to take for business reasons. For example, the issuer may wish to enter into a merger, acquisition or combination agreement that may not be permitted under the original indenture. Alternatively, the issuer may be in financial difficulty and may wish to amend or restructure the debt, perhaps to loosen a financial covenant, or to delete other onerous covenants.

Typically, the issuer will require the consent of a specified majority, say two-thirds, of holders of the debt. It is not uncommon for issuers to seek such consent through a "consent solicitation" process. It is typical in such cases for the issuer to offer to pay an amount, in cash or otherwise, to each holder that consents to the proposed amendments by a specified date. The amount so paid may be relatively small or large, depending on the circumstances; we do not believe it is safe to assume such amounts will invariably be trivial – and, in any event, there is no authority under the Act to ignore trivial liabilities. Our specific concern relates to the treatment of such consent fees, when paid cross-border.

[8] The exception in the definition of "restrictive covenants" for agreements that dispose of the taxpayer's property (the lenders' cash) will not assist because these fees are paid whether or not the funds ultimately are advanced. The fees constitute consideration for the lender putting itself in the position to be able to advance the funds.

Prior to the *Pangaea* decision, tax advisors were generally of the view that such consent fees were not subject to tax under Part XIII.[9] This view was not based on a specific exception in the legislation, but rather on the simple fact that no provision in Part XIII applies to subject these amounts to tax under that Part. While advisors might turn their minds to the possibility that such consent fees constituted consideration for a "restrictive covenant", as defined in subsection 56.4(1), and that they were therefore subject to Part XIII tax under paragraph 212(1)(i), it was widely considered that the admittedly broad statutory language could not really have been intended to capture such amounts, and that a properly directed Court would therefore conclude that this provision should not apply having regard to the provision's context and purpose.[10]

In view of the approach adopted by the Federal Court of Appeal in *Pangaea*, the prevailing analysis needs to be reconsidered. When a debt issuer offers to make a payment in consideration for a holder's consent, and the holder accepts that offer by consenting, an agreement is formed. Is the agreement "intended to affect, in any way whatever, the acquisition or provision of property or services by the taxpayer [i.e., the debt holder]"? It may be. The debt holder is consenting to changes in the terms of the underlying property (the debt). The agreement could be viewed as affecting the (ongoing) provision of property by the taxpayer, being the loaned funds, especially if the consent relates to an amendment of a covenant that could otherwise have been breached and allowed the taxpayer to demand repayment under an acceleration clause (or, more generally, to the extent the amendments affect the ongoing terms under which the loan will continue to be provided). Finally, if the amendments are significant enough to result in a novation, the debt holder also arguably "acquires property", i.e., the novated debt. There are of course reasonable arguments that consent fees should not be treated as consideration for a restrictive covenant, but *Pangaea* shifts the analysis by taking a highly textual approach. While borrower consent fees obviously differ from the facts in *Pangaea*, the Court's rejection of a purpose-based approach to "read down" the extremely broad text leaves advisors concerned that another court may well follow that approach and treat the consent fee as consideration for a "restrictive covenant".

Again, it seems clear that the imposition of Part XIII tax on consent fees in this context was not intended by Parliament, that the imposition of such tax would frustrate the Part XIII policy direction taken in recent and prior years, and therefore that corrective action should be taken, as described in more detail below.

Payments to Arm's Length Holders of Debt in a Restructuring Context

Another example of concern involves a distress restructuring situation.

Suppose an issuer is in severe financial difficulty, such that its debt is "under water", i.e., worth less than its face amount. Issuers in such circumstances will often propose an exchange of debt

[9] Such amounts are generally understood to be taxable as ordinary income under Part I for a resident of Canada, either by virtue of such amounts constituting income from property or a business, or as a result of the application of paragraph 12(1)(x).

[10] In this regard, the reasoning in the 2018 Tax Court decision in *Pangaea* was widely discounted as erroneous and likely to be reversed or significantly narrowed on appeal.

for shares. For example, the issuer may propose that holders exchange each debenture having a principal amount of $100 for shares having a fair market value of $40. Clearly, debt holders will be incurring a loss, and the issuer will have a "forgiven amount".

The issuer will often include a feature whereby debenture holders who agree to the exchange by a specified date will receive additional shares; for example, such an "early consenting" debenture holder might receive shares having a fair market value of $50. The additional $10 of value may properly be viewed as consideration for the debenture holder having agreed to consent to the restructuring plan by the specified date, rather than as consideration for the exchange itself, having regard to paragraph 68(c).

However, a similar analysis to that noted above could apply in this situation, potentially causing the issuer's advisors to warn that there is a material risk that the $10 "payment", when paid cross-border, would be subject to Part XIII tax for which the issuer is liable, and for which the members of the board are personally liable if the issuer does not have the resources to satisfy any assessed tax, penalty and interest. The situation is severely exacerbated by the fact that withholding is not a practical alternative, since the "payment" is not in the form of cash, and the issuer will be conserving cash for operations.

Canadian businesses engaged in a restructuring may simply dismiss this conventional approach as infeasible because of the withholding tax uncertainty. We do not believe Parliament intended to erect barriers to a restructuring of this nature.

Recommendation

We recommend that the Act be amended to treat payments of the sort described herein as deemed payments of interest (other than participating interest) under the related debt for Part XIII purposes.

This could be achieved by modifying subsection 214(15).

Paragraph 214(15)(b), which deals with standby and similar fees, could be modified by simply deleting the condition that the actual interest on the debt be taxable under Part XIII. This would have the effect of treating fees for making money available or agreeing to lend money, as interest for Part XIII purposes.

In order to address consent fees of the sort described above, a new paragraph could be added to subsection 214(15) to deem such fees to be interest for Part XIII purposes. We would be pleased to provide suggested wording if that would be helpful.

Finally, paragraph 212(1)(i) – the Part XIII charging provision for restrictive covenant payments - should be amended to specifically carve out amounts that are, or are deemed to be, interest for Part XIII purposes.

In order to provide certainty to Canadian debt markets, we would recommend that a comfort letter be issued stating (with the usual caveats) that Finance intends to recommend such amendments to the Minister.

***

Members of the Joint Committee and others in the tax community participated in the discussion concerning this submission and contributed to its preparation, including:

- Bruce Ball – CPA Canada
- Ken Griffin – PwC Canada
- Ian Crosbie – Davies Ward Phillips & Vineberg LLP
- Angelo Nikolakakis – EY Law LLP
- Carrie Smit – Goodmans LLP
- Jeffrey Trossman – Blake, Cassels & Graydon LLP

We trust that you will find our submission helpful. We would be pleased to discuss it further at your convenience.

Yours very truly,

David Bunn
Chair, Taxation Committee
Chartered Professional Accountants of Canada

Angelo Nikolakakis
Chair, Taxation Section
Canadian Bar Association

These materials are important and require your immediate attention. They require holders of Debentures (as defined below) to make important decisions. If you are in doubt as to what decision to make, please contact your financial, legal, income tax and/or other professional advisors. If you have any questions, or require assistance with delivering your consent, please contact the information agent, Carson Proxy Advisors, by phone at 1-800-530-5189 (collect 416-751-2066) or by email at info@carsonproxy.com.

The matters described in this document have not been approved by any securities regulatory authority nor has any securities regulatory authority expressed an opinion about the fairness or merits of such matters or the adequacy of the information contained in this document. Any representation to the contrary is an offence. Debentureholders in the United States should read the Notice to Debentureholders in the United States on page 3 of the Consent and Proxy Solicitation Statement.

Aleafia Health

ALEAFIA HEALTH INC.

NOTICE OF EXTRAORDINARY MEETING OF HOLDERS OF 8.5% UNSECURED CONVERTIBLE DEBENTURES DUE JUNE 27, 2022 (THE "DEBENTURES")

and

CONSENT AND PROXY SOLICITATION STATEMENT
RELATING TO
PROPOSED AMENDMENTS TO THE TRUST INDENTURE DATED AS OF JUNE 27, 2019
GOVERNING THE DEBENTURES

MEETING TO BE HELD AT 8:30 A.M. (EASTERN TIME) ON THURSDAY, JUNE 23, 2022
IF THE CONSENT SOLICITATION DOES NOT ACHIEVE THE REQUISITE APPROVAL

MAY 27, 2022

Aleafia Health Inc. (the "Company", "we" or "us") is soliciting consents from holders of its 8.5% unsecured convertible debentures due June 27, 2022 (the "Debentures") in order to approve the proposed amendments to the trust indenture dated as of June 27, 2019 governing the Debentures (the "Indenture").

To make this change, we need the consent of at least 66⅔% of the outstanding principal amount of the Debentures. Your consent is important to us. If you have any questions regarding the information contained in this Consent and Proxy Solicitation Statement, you may contact the Company by email at ir@aleafiahealth.com or the Company's Information Agent, Carson Proxy Advisors, by phone at 1-800-530-5189 (collect 416-751-2066) or by email at info@carsonproxy.com.

The Tabulation Agent for the Consent Solicitation and the Depositary for Consent is:

Computershare Trust Company of Canada

Telephone: 1-800-564-6253

The Information Agent for the Consent Solicitation is:

Carson Proxy Advisors

Telephone: 1-800-530-5189 (collect 416-751-2066)
Email: info@carsonproxy.com

TO CONSENT OR WITHHOLD CONSENT FOR THE PROPOSED INDENTURE AMENDMENTS (AS DEFINED BELOW), PLEASE COMPLETE THE APPLICABLE CONSENT AND PROXY FORM IN ACCORDANCE WITH THE INSTRUCTIONS SET OUT THEREIN AS SOON AS PRACTICABLE AND IN ANY EVENT NO LATER THAN 4:00 P.M. (EASTERN TIME) ON FRIDAY, JUNE 17, 2022.

BENEFICIAL OR NON-REGISTERED HOLDERS OF DEBENTURES MUST CONTACT THE INTERMEDIARY WITH WHOM THEIR DEBENTURES ARE HELD, SUCH AS, AMONG OTHERS, BROKERS, BANKS, TRUST COMPANIES, SECURITIES DEALERS OR OTHER INTERMEDIARIES (EACH, AN "INTERMEDIARY") AND OBTAIN AND FOLLOW THE INTERMEDIARY'S INSTRUCTIONS WITH RESPECT TO PROVIDING CONSENT.

HOLDERS OF DEBENTURES WHO RESPOND TO THE CONSENT SOLICITATION AND PROVIDE CONSENT BEFORE 4:00 P.M. (EASTERN TIME) ON FRIDAY, JUNE 17, 2022 OR, IF BENEFICIAL HOLDERS ARE PROVIDING INSTRUCTIONS TO AN INTERMEDIARY, IN SUFFICIENT TIME (AS DETERMINED BY THE INTERMEDIARY) BEFORE 4:00 P.M. (EASTERN TIME) ON WEDNESDAY, JUNE 15, 2022, MAY BE ELIGIBLE TO RECEIVE A CONSENT FEE EQUAL TO THE AMOUNT OF INTEREST ACCRUED AT A RATE OF 8.5% PER ANNUM BETWEEN JULY 1, 2021 AND THE EFFECTIVE DATE OF THE AMENDMENT TO THE DEBENTURES OWNED BY SUCH HOLDER AS OF THE RECORD DATE (AS DEFINED HEREIN). SUCH CONSENT FEE WILL BE PAYABLE THROUGH THE ISSUANCE OF ADDITIONAL DEBENTURES UPON FULFILMENT OF CERTAIN CONDITIONS PRECEDENT DESCRIBED IN THE ACCOMPANYING CONSENT AND PROXY SOLICITATION STATEMENT.

TABLE OF CONTENTS

Page

IMPORTANT DATES

Capitalized terms used on this page are defined in the accompanying Consent and Proxy Solicitation Statement.

Record Date	As of the close of business on Tuesday, May 24, 2022	The date fixed as the date for the determination of Debentureholders entitled to (i) receive notice of the Meeting, (ii) provide instructions to consent or withhold consent in connection with the Consent Solicitation, or to vote for or against the Extraordinary Resolution at the Meeting, and (iii) if applicable, receive the Consent Fee.
CDS Deadline	4:00 p.m. (Eastern time) on Wednesday, June 15, 2022	The deadline for CDS Participants to submit consents to the CDSX system.
Consent/Proxy Deadline	4:00 p.m. (Eastern time) on Friday, June 17, 2022	The deadline for submission of consent and proxy forms by registered holders of Debentures or their designated proxies. **Please note that, where applicable, CDS Participants may set deadlines for the return of consent and voting instructions that are well in advance of the Consent/Proxy Deadline.**
Announcement of the results of the Consent Solicitation and Cancellation of the Meeting, if applicable	On or about Monday, June 20, 2022	**If Debentureholders representing not less than 66 2/3% of the principal amount of all outstanding Debentures have delivered valid consents and proxies consenting to the approval of the Extraordinary Resolution by the Consent/Proxy Deadline (and have not validly revoked such consents and proxies), the Extraordinary Resolution will be passed by the written consent of the Debentureholders and the Meeting will be cancelled.**
Meeting Date and Time (if held)	8:30 a.m. (Eastern time) on Thursday, June 23, 2022	The Meeting has been called for the Debentureholders to consider and, if deemed appropriate, pass the Extraordinary Resolution approving the Debenture Amendments, if sufficient consents have not been received by the Consent/Proxy Deadline.

ALEAFIA HEALTH INC.

NOTICE OF EXTRAORDINARY MEETING OF DEBENTUREHOLDERS

NOTICE IS HEREBY GIVEN that an extraordinary meeting (the "**Meeting**") of the holders ("**Debentureholders**") of the 8.5% unsecured convertible debentures due June 27, 2022 (the "**Debentures**") of Aleafia Health Inc. (the "**Company**") will be held at the offices of Aird & Berlis LLP, 181 Bay Street, Suite 1800, Brookfield Place, Toronto ON M5J 2T9, on Thursday, June 23, 2022 at 8:30 a.m. (Eastern Time) for the following purposes:

1. to consider and, if deemed appropriate, to adopt, with or without amendment, an extraordinary resolution (the "**Extraordinary Resolution**") in the form attached as Appendix "A" to the consent and proxy solicitation statement of the Company (the "**Solicitation Statement**") accompanying this Notice of Extraordinary Meeting of Debentureholders, approving certain amendments to the trust indenture governing the Debentures between the Company and Computershare Trust Company of Canada, as debenture trustee (the "**Debenture Trustee**"), dated as of June 27, 2019 (the "**Indenture**") and authorizing the Debenture Trustee to execute an amended and restated indenture (the "**Amended and Restated Indenture**"), and one or more supplemental trust indentures (the "**Supplemental Indentures**") giving effect to such amendments; and

2. to transact such further or other business as may properly come before the Meeting or any adjournment or adjournments thereof.

The accompanying Solicitation Statement provides additional information relating to the consent and proxy solicitation and matters to be dealt with at the Meeting, if held, and forms part of this Notice of Extraordinary Meeting of Debentureholders.

The record date for entitlement to submit elections with respect to consent, and to notice of, and to vote at, the Meeting is the close of business on Tuesday, May 24, 2022 (the "**Record Date**"). Each Debentureholder of record as of the Record Date will have one vote in respect of each $1,000 principal amount of Debentures of which such Debentureholder shall then be the holder as of the Record Date.

Pursuant to the provisions of the Indenture, to be passed at the Meeting (or any adjournment thereof), the Extraordinary Resolution must be passed, subject to the terms of the Indenture, by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures present in person or represented by proxy at the Meeting (or any adjournment thereof) and voted on a poll upon such resolution.

Holders of not less than 25% of the principal amount of the Debentures then outstanding will constitute a quorum for the Meeting. In the absence of a quorum within 30 minutes after the time appointed for the Meeting, then the Meeting may be adjourned for a period of not less than 14 and not more than 60 calendar days and to such place and time as may be appointed by the chairman of the Meeting. Not less than ten days' notice shall be given of the time and place of such adjourned Meeting and, at the adjourned Meeting, the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the Meeting was originally called. In addition, the Company reserves the right to waive the Consent/Proxy Deadline (as defined below) and accept and treat as valid those consents and proxies received after the Consent/Proxy Deadline for the purpose of both the Consent Solicitation (as defined below) and the Meeting.

Notwithstanding the foregoing, the Indenture provides that the Extraordinary Resolution may also be passed by Debentureholders holding not less than 66 2/3% of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts. Accordingly, pursuant to the Solicitation Statement, the Company is simultaneously soliciting the written consent of Debentureholders to the passing of the Extraordinary Resolution (the "**Consent Solicitation**"). Debentureholders who execute and deliver a valid consent and proxy form consenting to and voting for the approval of the Extraordinary Resolution (and who do not validly revoke such consent and proxy) prior to the Consent/Proxy Deadline shall be considered to have provided written consent to the Extraordinary Resolution by instrument in writing for the purposes of the Consent Solicitation.

If Debentureholders representing not less than 66 2/3% of the principal amount of all the outstanding Debentures have delivered valid consents and proxies consenting to and voting for the approval of the Extraordinary Resolution by 4:00 p.m. (Eastern time) on Friday, June 17, 2022 (the "Consent/Proxy Deadline") and have not validly revoked such consents and proxies, the Extraordinary Resolution will be passed by the written consent of the Debentureholders and the Meeting will be cancelled. The Company will notify Debentureholders of any such approval and cancellation of the Meeting prior to the commencement of the Meeting. The Company reserves the right to terminate, extend or modify the terms of the solicitation of consents and proxies at any time prior to the Meeting.

Due to restrictions relating to the global COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, anyone planning to attend the Meeting in person will be required to fill out a health screening form (available here: https://airdberlis.service-now.com/pscn) within 24 hours prior to the Meeting and will be asked to provide proof of vaccination against COVID-19 upon entering the Meeting. Those who have not complied with these requirements may be denied entry to the Meeting.

The amendments to the Indenture may only by implemented upon satisfaction of all of the following conditions to close (collectively, the "**Conditions to Close**"):

1. the Company shall complete a private placement equity offering for minimum aggregate gross proceeds of not less than $5,000,000 (the "**Private Placement**");

2. the Extraordinary Resolution shall be duly passed by Debentureholders in accordance with the provisions of the Indenture, either: (a) by consent in writing; or (b) at the Meeting (or any adjournment thereof), if held; and

3. each of the Support Agreement Closing Conditions (as defined in the Solicitation Statement) shall have been satisfied or waived, as applicable, on or prior to the Effective Time (as defined in the Solicitation Statement).

As soon as practical following satisfaction of all of the Conditions to Close, and in compliance with the conditions contained in the Indenture, assuming the Company does not exercise its discretion not to amend and restate the Indenture or enter into the Supplemental Indentures, the Company and the Debenture Trustee will execute and deliver the Amended and Restated Indenture and the Supplemental Indentures to give effect to the Debenture Amendments, at which time the Debenture Amendments will become effective and binding on all Debentureholders.

Based on the register of Debentures maintained by the Debenture Trustee, all of the Debentures are held through a "book-entry" system under which such Debentures are evidenced by a non-certificated format (electronically) that is registered in the name of CDS Clearing and Depository Services Inc. ("**CDS**"). As such, CDS is the sole registered Debentureholder.

Only registered Debentureholders as of the Record Date, or their duly appointed proxyholders, have the right to provide or withhold consent as part of the Consent Solicitation and to vote at the Meeting, or to appoint or revoke a proxy, as part of the Proxy Solicitation. However, CDS, or its duly appointed proxyholders, may only vote the Debentures in accordance with instructions received from the beneficial Debentureholders. Beneficial Debentureholders as of the Record Date wishing to consent or withhold consent as part of the Consent Solicitation or wishing to vote their Debentures at the Meeting must provide instructions to the broker, dealer, commercial bank, trust company or other intermediary which is a participant of CDS (a "**CDS Participant**") through which they hold their Debentures in sufficient time (as determined by the CDS Participant through which they hold their Debentures) prior to 4:00 p.m. (Eastern time) on Wednesday, June 15, 2022 (the "**CDS Deadline**"), being the deadline for CDS Participants to submit consent and proxy instructions to the CDSX system.

Beneficial Debentureholders may direct their broker or other intermediary through which they hold their Debentures to make an election to consent or withhold consent and vote through CDSX prior to the deadline. However, the completed and executed consent and proxy form must also be returned to Computershare Trust Company of Canada, the Tabulation Agent (as such term is defined in the Solicitation Statement), by the registered Debentureholder or those CDS Participants designated as proxies of the registered Debentureholder, if and as applicable, even when a direction or an election is made through CDSX. Instructions and directions submitted through CDSX will constitute an instruction and direction to the registered holder of the applicable Debentures, or its proxyholder (where applicable), to complete, execute and deliver a consent and proxy form as so instructed and directed, and to receive payment of any fee through CDSX.

If you have any questions or require more information with regard to voting your Debentures, please contact the Information Agent or the Solicitation Agent (as such terms are defined in the Solicitation Statement) using the information provided on the back cover of the Solicitation Statement.

DATED at Toronto, Ontario, this 27th day of May, 2022.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) "*Mark J. Sandler*"
Chair of the Board of Directors

ALEAFIA HEALTH INC.

CONSENT AND PROXY SOLICITATION STATEMENT

This document is important and requires your immediate attention. If you have any questions regarding the information contained in this document, you may contact the Company, by email at ir@aleafiahealth.com or the Company's Information Agent, Carson Proxy Advisors, by phone at 1-800-530-5189 (collect 416-751-2066) or by email at info@carsonproxy.com.

INTRODUCTION

Aleafia Health Inc. (the "**Company**", "**Aleafia**", "**we**" or "**us**"), is separately but concurrently soliciting written consents (the "**Consent Solicitation**") and proxies (the "**Proxy Solicitation**" and, together with the Consent Solicitation, the "**Solicitation**") whereby the holders (the "**Debentureholders**") of 8.5% unsecured convertible debentures due June 27, 2022 (the "**Debentures**") of the Company are asked to consider an extraordinary resolution (the "**Extraordinary Resolution**") in the form attached as Appendix "A" to this consent and proxy solicitation statement (the "**Solicitation Statement**"), approving certain amendments (the "**Debenture Amendments**") to the trust indenture governing the Debentures between the Company and Computershare Trust Company of Canada, as debenture trustee (the "**Debenture Trustee**"), dated as of June 27, 2019 (the "**Indenture**"), and authorizing the Debenture Trustee to execute an amended and restated indenture (the "**Amended and Restated Indenture**"), and one or more supplemental trust indentures (the "**Supplemental Indentures**") giving effect to such amendments; and all subject to the terms of the Amended and Restated Indenture and Supplemental Indentures pursuant to the terms and conditions described in this Solicitation Statement and the accompanying consent and proxy form.

The proposed Debenture Amendments are described in detail in this Solicitation Statement under the heading "The Debenture Amendments".

Pursuant to the Consent Solicitation, the Company is soliciting written consent from Debentureholders representing not less than 66 2/3% of the principal amount of all outstanding Debentures for the approval of the Extraordinary Resolution.

In addition to the Consent Solicitation, pursuant to the Proxy Solicitation, the Company is soliciting proxies in connection with an extraordinary meeting of Debentureholders to be held at the offices of Aird & Berlis LLP, 181 Bay Street, Suite 1800, Brookfield Place, Toronto ON M5J 2T9, on Thursday, June 23, 2022 at 8:30 a.m. (Eastern time) (the "**Meeting**"), unless adjourned, postponed or earlier cancelled. The Meeting will only be held if the Consent Solicitation does not achieve the required 66 2/3% approval threshold as more fully explained in this Solicitation Statement. If we fail to achieve the required approval threshold pursuant to the Consent Solicitation and the Meeting is held, Debentureholders will be asked to consider and, if thought advisable, to pass, with or without alteration or modification, the Extraordinary Resolution, to authorize the Debenture Amendments, and to authorize the Company, at its option, and the Debenture Trustee to enter into the Amended and Restated Indenture and the Supplemental Indentures to give effect to the Debenture Amendments, and to transact such further or other business as may properly come before the Meeting or any postponement or adjournment thereof.

If Debentureholders representing not less than 66 2/3% of the principal amount of all the outstanding Debentures have delivered valid consents and proxies consenting to and voting for the approval of the Extraordinary Resolution prior to 4:00 p.m. (Eastern time) on Friday, June 17, 2022 (the "Consent/Proxy Deadline") (and have not validly revoked such consents and proxies), the Extraordinary Resolution will be passed by the written consent of the Debentureholders and the Meeting will be cancelled. The Company will notify Debentureholders of any such approval and cancellation of the Meeting prior to the time scheduled for commencement of the Meeting. The Company reserves the right to terminate, extend or modify the terms of the solicitation of consents and proxies at any time prior to the Meeting.

Due to restrictions relating to the global COVID-19 pandemic, and to mitigate risks to the health and safety of our communities, anyone planning to attend the Meeting in person will be required to fill out a health screening form (available here: https://airdberlis.service-now.com/pscn) within 24 hours prior to the Meeting and will be asked to provide proof of vaccination against COVID-19 upon entering the Meeting. Those who have not complied with these requirements may be denied entry to the Meeting.

Prior to the commencement of the Consent Solicitation, the Company entered into consent and support agreements ("**Support Agreements**") with certain Debentureholders holding an aggregate of approximately $21,677,367 principal amount of the outstanding Debentures, representing approximately 58.04% of the Debentures outstanding as of the date hereof. Pursuant to the terms of the Support Agreements, such Debentureholders have agreed to consent in writing and, if necessary, vote in favour of the Extraordinary Resolution at the Meeting. See "Support Agreements" for further details.

The Debenture Amendments will only be implemented by the Company upon satisfaction of all of the following conditions (collectively, the "**Conditions to Close**"):

1. the Company shall complete a private placement equity offering for minimum aggregate gross proceeds of not less than $5 million (the "**Private Placement**");

2. the Extraordinary Resolution shall be duly passed by Debentureholders in accordance with the provisions of the Indenture, either: (a) by consent in writing; or (b) at the Meeting (or any adjournment thereof), if held; and

3. each of the Support Agreement Closing Conditions (as defined herein) shall have been satisfied or waived, as applicable, on or prior to the Effective Time (as defined herein). See "Support Agreements" for further details.

As soon as practical following satisfaction of all of the Conditions to Close, and in compliance with the conditions contained in the Indenture and the Support Agreements, the Company and the Debenture Trustee intend to execute and deliver the Amended and Restated Indenture and the Supplemental Indentures to give effect to the Debenture Amendments, at which time the Debenture Amendments will become effective and binding on all Debentureholders (the "**Effective Date**").

If the Conditions to Close and certain other Payment Conditions (as defined herein) are satisfied or waived, the Company will pay to each Debentureholder as of the Record Date (as defined herein) who responds to the Consent Solicitation and provides valid consent or voting instructions (including to their broker, dealer, commercial bank, trust company or other intermediary which is a participant (a "**CDS Participant**") within CDS Clearing and Depository Services Inc. ("**CDS**"), through the online system of CDS known as CDSX ("**CDSX**"), as applicable), to consent to and to vote in favour of the Extraordinary Resolution by the Consent/Proxy Deadline or CDS Deadline, as applicable, a consent fee equal to the amount of interest accrued between July 1, 2021 and the Effective Date on the principal amount of Debentures owned by such Debentureholder as of the Record Date (the "**Consent Fee**"). The Consent Fee will be paid in place of any and all accrued interest on the Debentures. Debentureholders who do not respond to this Consent Solicitation will not receive payment of the Consent Fee even though the Debenture Amendments, Amended and Restated Indenture and Supplemental Indentures will be binding on them if and when implemented.

The Consent Fee will be paid through the issuance of additional Series C Debentures (as defined herein) at par (the "**Consent Fee Debentures**"). Further information regarding the payment of the Consent Fee can be found below in this Solicitation Statement.

Based on the register of Debentures maintained by the Debenture Trustee, all of the Debentures are held through a "book-entry" system under which such Debentures are evidenced by a non-certificated format (electronically) that is registered in the name of CDS. As such, CDS is the sole registered Debentureholder. Only registered Debentureholders as of the Record Date, or their duly appointed proxyholders, have the right to provide or withhold consent as part of the Consent Solicitation and to vote at the Meeting, or to appoint or revoke a proxy, as part of the Proxy Solicitation. However, CDS, or its duly appointed proxyholders, may only vote the Debentures in accordance with instructions received from the beneficial Debentureholders. Beneficial Debentureholders as of the Record Date wishing to consent or withhold consent as part of the Consent Solicitation or wishing to vote their Debentures at the Meeting must provide instructions to the CDS Participant through which they hold their Debentures in sufficient time (as determined by the CDS Participant through which they hold their Debentures) prior to 4:00 p.m. (Eastern time) on Wednesday, June 15, 2022 (the "**CDS Deadline**"), being the deadline for CDS Participants to submit consent and proxy instructions to the CDSX system.

Beneficial Debentureholders may direct their broker or other intermediary through which they hold their Debentures to make an election to consent or withhold consent and vote through CDSX prior to the deadline. However, the completed and executed consent and proxy form must also be returned to Computershare Trust Company (the "Tabulation Agent") by the registered Debentureholder or those CDS Participants designated as proxies of the registered Debentureholder, if and as applicable, even when a direction or an election is made through CDSX. Instructions and directions submitted through CDSX will constitute an instruction and direction to the registered

holder of the applicable Debentures, or its proxyholder (where applicable), to complete, execute and deliver a consent and proxy form as so instructed and directed, and to receive payment of any fee through CDSX.

If you have any questions regarding the terms of the Solicitation or requests for assistance relating to the procedures for delivering your consent and proxy form, please contact the Company, by email at ir@aleafiahealth.com or contact Carson Proxy Advisors (the "**Information Agent**"), using the contact details on the back cover of this Solicitation Statement.

NOTICE TO DEBENTUREHOLDERS IN THE UNITED STATES

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION ("**SEC**") NOR ANY U.S. STATE SECURITIES COMMISSION HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SOLICITATION STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The solicitation of proxies for the Extraordinary Resolution is not subject to the requirements of Section 14(a) of the U.S. Exchange Act of 1934 or the rules of the U.S. Securities and Exchange Commission thereunder. Accordingly, this Solicitation Statement has been prepared in accordance with applicable legal requirements, if any, in Canada. Debentureholders in the United States should be aware that such Canadian requirements are different from those of the United States.

It may be difficult or impossible for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since the Company is located in Canada, and some or all of its officers and directors may be residents of Canada or jurisdictions other than the United States. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult or impossible to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment. Debentureholders in the United States should be aware that the transactions contemplated herein may have tax consequences both in the United States and Canada that are not discussed herein, and should consult their own tax advisors concerning such consequences.

United States Restrictions

The Debentures may not be (i) transferred to or for the account of a U.S. Person (as such term is used in Regulation S under the United States Securities Act of 1933, as amended (the "**1933 Act**")) or into the United States or (ii) converted by or for the account or benefit of a U.S. Person or a person in the United States and no common shares may be transferred into or issued in the United States or to a U.S. Person in connection with any conversion of a Debenture. Any purported transfer or conversion that would contravene the foregoing restrictions shall be invalid and not given effect for any purpose whatsoever. Each Debentureholder who is a U.S. Person or is in the United States shall be deemed to have acknowledged and agreed that it shall not be entitled to convert any Debentures into Common Shares while such Debentureholder is a U.S. Person or is in the United States.

NOTICE REGARDING INFORMATION

This Solicitation Statement is being delivered to Debentureholders as of the Record Date. Copies of this Solicitation Statement may also be obtained without charge on request to the Company and are available on the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), at www.sedar.com.

Recipients of this Solicitation Statement and the related materials should not construe the contents hereof or thereof as legal, business or tax advice. Each recipient should consult its own lawyer, business advisor and tax advisor as to legal, business, tax and related matters concerning the Meeting, the Proxy Solicitation, the Consent Solicitation and the Debenture Amendments contemplated to be approved by the Extraordinary Resolution.

In making your decision regarding the Extraordinary Resolution, you should rely only on the information contained in this Solicitation Statement. No person has been authorized to give any information or make any representations other than those contained in this Solicitation Statement and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Debenture Trustee or any other person.

The Debenture Amendments and the Consent Fee may have tax consequences to Debentureholders in Canada and/or the Debentureholders jurisdiction of residence. Debentureholders should not construe the contents of this Solicitation Statement as legal, tax or financial advice and should consult with their own professional advisors to determine the particular legal, tax, financial or other consequences to them of participating in the solicitation being made hereunder.

Information contained in this Solicitation Statement is given as of May 27, 2022 unless otherwise specifically stated. Unless the context indicates otherwise, capitalized terms which are used in this Solicitation Statement and not otherwise defined in this Solicitation Statement have the meanings given to such terms in the Indenture. In this Solicitation Statement, unless otherwise specified, all dollar amounts are expressed in Canadian dollars.

This Solicitation Statement does not constitute a solicitation of consent or proxies in any jurisdiction in which, or from any person from whom, it is unlawful to make such solicitation under applicable laws. This Solicitation Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities in the United States or any other jurisdiction.

This Solicitation Statement has not been filed with or reviewed by any Canadian provincial or territorial securities commission or regulatory authority, the SEC or any state securities commission or similar regulatory authority of any other jurisdiction, nor has any such commission or authority passed upon the accuracy or adequacy of this Solicitation Statement. Any representation to the contrary is unlawful and may be an offense.

The Consent Solicitation is not being made to, and consents will not be accepted from or on behalf of, Debentureholders in any jurisdiction in which the making of the Consent Solicitation or the acceptance thereof would not be in compliance with the laws of such jurisdiction. However, the Company may in its discretion take such action as it may deem necessary to make the Consent Solicitation in any such jurisdiction and to extend the Consent Solicitation to Debentureholders in such jurisdiction. In any jurisdiction in which the securities laws or blue sky laws require the Consent Solicitation to be made by a licensed broker or dealer, the Consent Solicitation will be deemed to be made on behalf of the Company by the Solicitation Agent or one or more registered brokers or dealers that are licensed under the laws of such jurisdiction.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Solicitation Statement or the consent and proxy form and, if given or made, such information or representation may not be relied upon as having been authorized by the Company.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information contained in this Solicitation Statement constitutes forward-looking information and forward-looking statements regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic conditions and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Debentureholders are cautioned not to put undue reliance on such forward-looking information, which are not a guarantee of performance and are subject to a number of risks and uncertainties, including but not limited to, the risk that the Debenture Amendments will not be successfully completed for any reason, the risk that, if completed, the Company may not realize the anticipated benefits of the Debenture Amendments and other risk factors disclosed in the Company’s latest MD&A filed on SEDAR at www.sedar.com. Many of such risks and uncertainties are outside the control of the Company and could cause actual results to differ materially from those expressed or implied by such forward-looking information. In making such forward-looking statements, management has relied upon a number of material factors and assumptions, including with respect to general economic and financial conditions, interest rates, exchange rates, equity and debt markets, business competition, changes in government regulations or in tax laws, acts and omissions of third parties and the ability of the Company to obtain approval for the Debenture Amendments. Such forward-looking information should, therefore, be construed in light of such factors and assumptions. All forward-looking information is expressly qualified in their entirety by the cautionary statements set forth above. All of the forward-looking information contained in this Solicitation Statement is expressly qualified by this cautionary statement.

Unless otherwise indicated by us, forward-looking statements contained in this document describe the Company’s expectations as at the date hereof. The Company is under no obligation, and expressly disclaims any intention or obligation, to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as expressly required by applicable law.

Readers are cautioned that the risks referred to above are not the only ones that could affect forward-looking statements made in this document. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also have a material adverse effect on forward-looking statements made in this document.

THE DEBENTURE AMENDMENTS

We are separately but concurrently soliciting written consents and proxies for the approval of the Extraordinary Resolution by Debentureholders, pursuant to the Consent Solicitation and the Proxy Solicitation. In approving the Extraordinary Resolution, the Debentureholders will be authorizing and approving the Debenture Amendments, and authorizing the Company, at its option, and the Debenture Trustee to enter into and execute and deliver the Amended and Restated Indenture and Supplemental Indentures to give effect to the Debenture Amendments, and will be authorizing and directing the Company and the Debenture Trustee, as trustee, as applicable, to take such actions and execute and deliver such documents as may be necessary to carry out the intent of the Extraordinary Resolution.

Background

On June 27, 2019, Aleafia completed a public offering (the "**Offering**") of 40,250 convertible debenture units (the "**Debenture Units**") at a price of $1,000 per Debenture Unit, with each Debenture Unit consisting of $1,000 principal amount of Debentures and 680 common share purchase warrants. The Debentures are governed by the Indenture entered into by the Company and the Debenture Trustee. Pursuant to the Indenture, the Debentures bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year (each, an "**Interest Payment**") and will mature on June 27, 2022 (the "**Maturity Date**"). Interest is computed on the basis of a 360-day year composed of twelve 30-day months. The principal amount of each Debenture is convertible, for no additional consideration, at the option of the Debentureholder, into common shares in the capital of the Company ("**Common Shares**") at any time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Debentures upon a Change of Control (as defined in the Indenture) at a conversion price equal to $1.47 per Common Share (the "**Conversion Price**").

Since closing of the Offering, certain Debentureholders have elected to convert an aggregate $2,900,000 principal amount of Debentures into Common Shares. Accordingly, as of the date of this Solicitation Statement, the remaining principal amount of the Debentures to be paid on the Maturity Date is $37,350,000 (the "**Principal Amount**").

The Company did not make an Interest Payment of $1,587,375 required pursuant to the Indenture on December 31, 2021, and did not make the Interest Payment within the 30 day cure period thereafter (the "**Missed Payment**"). In connection with the Missed Payment, Aleafia entered into a forbearance agreement effective January 31, 2022 with Debentureholders representing approximately 62% of the Principal Amount pursuant to which the holders, among other considerations, agreed to (i) forbear in enforcing their rights or remedies against Aleafia under the Indenture and otherwise at law with respect to the non-payment of interest until the Maturity Date, and (ii) work with Aleafia expeditiously and in good faith to negotiate a transaction to, among other matters, amend the terms of the Debentures. The forbearance agreement remains in effect as of the date of this Solicitation Statement in accordance with its terms.

On April 22, 2022, the Company and certain representatives of the Debentureholders came to an agreement in principle to amend certain key commercial the terms of the Debenture Amendments, which Debenture Amendments are described below.

Reasons for the Debenture Amendments

The Debenture Amendments are expected to provide the following benefits to both the Company and Debentureholders.

Key Expected Benefits to Debentureholders:

- Retains the full face value for Debentureholders at a par value of $100.
- Provides an opportunity for Debentureholders to collect accrued and unpaid interest through the Consent Fee.
- Provides up an additional six years of potential interest income by extending maturity dates.
- Improves optionality to convert the Debentures into Common Shares through the Conversion Price adjustment.
- Limits the ability of the Company to raise additional secured indebtedness through a leverage covenant.
- Enhances Debentureholders security profile with direct security interest in certain of the Company's facilities

Key Expected Benefits to the Company

- Removes near-term uncertainty related to refinancing the Debentures.
- Improves cash flow, by removing mandatory cash interest payment obligation for 30 months.

- Balances the Company's refinancing profile by splitting the Principal Amount into three equivalent series.
- Eliminates significant liabilities on the Company's balance sheet through revised redemption terms.
- Positions the Company as a potentially attractive acquisition target through revised change of control terms.
- Increases financial flexibility to execute the Company's growth initiatives.

Summary of the Debenture Amendments

The proposed Debenture Amendments, if approved by the Debentureholders by passing of the Extraordinary Resolution, will be effected by the exchange of the outstanding Principal Amount of Debentures for new secured convertible debentures, which will be issued to existing Debentureholders in three equal, separate series (each, a "**Series**"): (a) 8.50% Series A Secured Debentures Due June 30, 2024 (the "**Series A Debentures**"), (b) 8.50% Series B Secured Debentures Due June 30, 2026 (the "**Series B Debentures**"), and (c) 8.50% Series C Secured Convertible Debentures Due June 30, 2028 (the "**Series C Debentures**" and, collectively with the Series A Debentures and the Series B Debentures, the "**New Debentures**") with the following key terms:

New Debenture	Initial Principal Amount	Maturity Date	Conversion Price	Interest Rate	PIK Interest
Series A Debentures	$12.45 million	June 30, 2024	$0.25	8.5%	24 months
Series B Debentures	$12.45 million	June 30, 2026	$0.30	8.5%	24 months
Series C Debentures	$12.45 million	June 30, 2028	$0.35	8.5%	30 months

The New Debentures will be issued on a private placement basis and will be subject to a statutory hold period of four months and one day commencing on the date of issuance of the New Debentures in accordance with applicable Canadian securities laws. The New Debentures will bear a legend reflecting the foregoing restriction on resale. The Company has applied to list the New Debentures on the facilities of the Toronto Stock Exchange ("**TSX**"), and such listing is expected to occur following the expiration of the statutory hold period, subject to the satisfaction by the Company of customary listing conditions. Subject to the foregoing, each Series will trade separately on the TSX and will be issued its own CUSIP number.

The terms of the New Debentures are summarized as follows:

- The New Debentures will mature on the Maturity Date set out above applicable to each Series.

- The Principal Amount of the New Debentures will be convertible into Common Shares at the Conversion Price set out above applicable to each Series, in accordance with the Amended and Restated Indenture and the Supplemental Indentures.

- The New Debentures will bear interest at a rate of 8.5% per annum from the date of issue, payable semi-annually in arrears on the last day of June and December in each year. There will be no mandatory cash interest payment on the Series A Debentures, no mandatory cash interest payable on the Series B Debentures until December 31, 2024, and no mandatory cash interest payable on the Series C Debentures until June 30, 2025, as interest during these periods may be paid-in-kind ("**PIK**") through the issuance of additional New Debentures (the "**PIK Debentures**"). PIK interest will accrue and be paid as follows:

    - Series A Debentures – No mandatory cash interest payment. PIK interest to accrue and may be paid through the issuance of PIK Debentures with the same terms as the Series A Debentures;

    - Series B Debentures – First mandatory cash interest payment due on December 31, 2024. PIK interest to accrue and may be paid through the issuance of PIK Debentures with the same terms as the Series B Debentures; and

    - Series C Debentures – First mandatory cash interest payment due on June 30, 2025. PIK interest to accrue and may be paid through the issuance of PIK Debentures with the same terms as the Series C Debentures.

- The New Debentures will be subject to junior ranking security, as follows (collectively, the "**Security Documents**"):

- Guarantees from the same entities that the Company's existing senior secured creditor has guarantees from, as of the Effective Date, being Emblem Cannabis Corporation, Aleafia Farms Inc., Emblem Corp., Canabo Medical Corporation, Aleafia Inc., together with Guarantees from any other person that may from time to time provide a guarantee and/or security to any other holder of Senior Secured Debt (collectively, the "**Guarantors**");
- General security agreement ("**GSA**") from the Company and each Guarantor. The GSAs will not restrict refinancing of other senior secured debt subject to certain limitations on secured debt (described below);
- Second priority registered mortgage on 2560 Regional Road 19, Scugog, Ontario, and third priority registered mortgages on 20 Woodslee Avenue, Paris, Ontario and 378 South Service Road, Grimsby, Ontario (the "**Secured Real Property**"); and
- Subordination, postponements and standstill agreements and any other agreements required by the Company's senior secured creditors

The Security Documents, and corresponding terms in the Amended and Restated Indenture, may be amended with the prior written consent of the holders of not less than 50% of the principal amount of the New Debentures then outstanding, unless such amendment could be reasonably expected to have an adverse effect on the rights and interests of the holders of the New Debentures, in which case the consent of holders of not less than 66 2/3% of the principal amount of the New Debentures then outstanding is required.

- Subject to specified exclusions, the Company shall have limitations on additional secured debt until the ratio of Senior Secured Debt to Annualized Adjusted EBITDA is below 6.0x. "**Senior Secured Debt**" means the New Debentures, and all other debt that ranks *pari passu* or senior to the New Debentures. "**Annualized Adjusted EBITDA**" is based on the latest quarter annualized, and calculated based on EBITDA plus bad debt expense, business transaction costs, share-based payments, inventory provisions, fair value changes in biological assets and changes in inventory sold, non-operating expense (income), non-operating gain/(loss) on sale of assets, and impairment of assets. Exclusions from limitations on senior secured debt will be as follows (without duplication; collectively, "**Permitted Indebtedness**"):

  - debt secured against up the working capital of such Person, provided that the amount borrowed thereunder does not exceed 85% of the value of such working capital;
  - debt incurred solely to finance capital expenditures;
  - Senior Secured Debt existing on the Effective Date;
  - Refinancing Indebtedness in respect of Senior Secured Debt;
  - debt incurred solely to fund cash interest payments to any Debentureholders holding Debentures;
  - debt incurred solely to finance acquisitions;
  - capitalized leases;
  - debt incurred in respect of purchase money security interests; and
  - debt under any hedging arrangements.

  "**Refinancing Indebtedness**" means Indebtedness that is incurred to refinance any Senior Secured Debt, including Indebtedness that refinances Refinancing Indebtedness, provided, however, that:

  (a) if the maturity of the Senior Secured Debt being refinanced is earlier than the Maturity Date, the Refinancing Indebtedness matures no earlier than the maturity of the Senior Secured Debt being refinanced or if the maturity of the Senior Secured Debt being refinanced is later than the Maturity Date, the entire principal amount of the Refinancing Indebtedness has matures at least 91 days later than the Maturity Date;

  (b) such Refinancing Indebtedness is incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Senior Secured Debt being refinanced (plus, without duplication, any additional Indebtedness incurred to pay interest, premiums required by the instruments governing such existing Senior Secured Debt or premiums necessary to effectuate such Refinancing Indebtedness, costs associated with amendments or terminations related to hedging arrangements related to such Senior Secured Debt and costs, fees and expenses incurred in connection therewith); and

(c) if the Senior Secured Debt being refinanced is (i) pari passu in right of payment to the Debentures or any Guarantee, such Refinancing Indebtedness is pari passu in right of payment to the Debentures, or such Guarantee on terms at least as favorable to the Debentureholders as those contained in the documentation governing the Senior Secured Debt being refinanced (ii) senior to the Debentures or any Guarantee, such Refinancing Indebtedness is subject to such intercreditor, subordination, postponements and standstill agreements vis-à-vis the New Debentures and any other agreements as may be required by the holders of such Refinancing Indebtedness.

- The Company shall have limitations on any liens other than the following:
  - Liens securing Permitted Indebtedness (provided, with respect to debt incurred solely to finance acquisitions, the liens incurred to secure such indebtedness shall be limited to the assets being so acquired); and
  - Other standard and customary liens.

- The Amended and Restated Indenture will include other representation and warranties, covenants and events of default (including a customary cross-default to other material indebtedness) substantially similar to those in the Indenture.

- If the Company or any Guarantor disposes of any material assets, then to the extent the net proceeds from such disposition are not required to be applied to repay or redeem other Senior Secured Debt which is senior to the New Debentures in accordance with the terms governing such Senior Secured Debt, the Company will have the option to use such net proceeds to either redeem the New Debentures, or within 365 days of disposition, reinvest in assets of equal or greater value to the assets sold.

- The New Debentures will feature a redemption option in favour of the Company providing that the New Debentures are (1) redeemable at 101% of par within 12 months of issuance of the New Debentures; and (2) redeemable at par following such 12 month period. Redemptions will be subject to not less than 45 days notice (the "**Notice Period**"). Customary defeasance terms, including deposit of cash/non-callable government securities in trust and release of the Company from certain covenant obligations, shall be included in respect of the Notice Period.

- The Offer Price (as such term is defined in the Indenture) for a Change of Control Offer (as such term is defined in the Indenture) shall be as follows:
  - *Cash Offer Price*: if the consideration to be paid in connection with a Change of Control Offer consists solely of cash, the Company shall be obligated to repurchase the New Debentures in cash at a price equal to 101% of the principal amount of New Debentures then outstanding, plus accrued and unpaid interest;
  - *Cash Offer Price less than 15% of Consideration*: if the consideration to be paid in connection with a Change of Control Offer consists of a combination of cash and securities, and the cash component of such consideration (the "**Cash Percentage**") represents not more than 15% of the total purchase price under such Change of Control Offer, the Company shall be obligated to offer to repurchase 15% of the principal amount of New Debentures in cash at a price equal to 101% of 15% of the principal amount of New Debentures then outstanding, plus accrued and unpaid interest, and the remaining principal amount of New Debentures shall remain outstanding in accordance with their terms; or
  - *Proportionate Cash Offer Price*: if the consideration to be paid in connection with a Change of Control Offer consists of a combination of cash and securities, and the Cash Percentage is greater than 15% of the purchase price under such Change of Control Offer, then the Company shall be obligated to offer to repurchase that percentage of the principal amount of New Debentures then outstanding as is equal to the Cash Percentage in cash at a price equal to 101% of the principal amount of such Cash Percentage of New Debentures then outstanding, plus accrued and unpaid interest, and the remaining principal amount of New Debentures shall remain outstanding in accordance with their terms.

The New Debentures will be governed by the terms of an Amended and Restated Indenture, as supplemented by the Supplemental Indentures. Additional ancillary amendments to the Indenture may also be made to give effect to the intent of the amendments detailed above, including deletion of defined terms no longer required and other consequential changes related thereto.

The entering into of the Amended and Restated Indenture and Supplemental Indentures to give effect to the Debenture Amendments is subject to the approval of the Extraordinary Resolution being obtained pursuant to the Consent Solicitation or at the Meeting and subject to the satisfaction or waiver of the conditions set forth in the Support Agreement. The full text of the Extraordinary Resolution is set forth in Appendix "A" hereto.

The Extraordinary Resolution authorizes the Company, without further notice to or approval of the Debentureholders, to not enter into the Amended and Restated Indenture or the Supplemental Indentures at its sole discretion. Furthermore, the Company reserves the right to terminate, extend or modify the terms of the Consent Solicitation, and to cancel, postpone or adjourn the Meeting or modify the matters to be considered thereat at any time prior to commencement of the Meeting.

Conditions to Close

The Debenture Amendments will only be implemented by the Company upon satisfaction of all of the Conditions to Close:

1. the Company shall complete the Private Placement;

2. the Extraordinary Resolution shall be duly passed by Debentureholders in accordance with the provisions of the Indenture, either: (a) by consent in writing; or (b) at the Meeting (or any adjournment thereof), if held; and

3. each of the Support Agreement Closing Conditions (as defined herein) shall have been satisfied or waived, as applicable, on or prior to the Effective Time (as defined herein). See "Support Agreements" below.

As soon as practical following satisfaction of all of the Conditions to Close, and in compliance with the conditions contained in the Indenture, assuming the Company does not exercise its discretion not to amend and restate the Indenture or enter into the Supplemental Indenture, the Company and the Debenture Trustee will execute and deliver the Amended and Restated Indenture and the Supplemental Indentures to give effect to the Debenture Amendments, at which time on the Effective Date the Debenture Amendments will become effective and binding on all Debentureholders.

Private Placement

The Private Placement is expected to be completed through the issuance of 68,151,515 units ("**Units**") at a price of $0.0825 per unit (the "**Issue Price**"). Each Unit consists of one Common Share and one-half of one common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable to acquire one Common Share at an exercise price of $0.1025 per share for a period of four years from the date of issuance. The expiry date of the Warrants may be accelerated by the Company at any time and upon 30 days' notice, if the closing price of the Common Shares on the TSX is greater than $0.165 for any 10 non-consecutive trading days following the date that is 4 months and one day after the date of issuance and prior to the expiry date of the Warrants. The completion of the Private Placement is conditional on, among other things, the execution of Support Agreements by holders of at least 66 2/3% of the principal amount of Debentures, or approval of the Extraordinary Resolution.

SUPPORT AGREEMENTS

Prior to the commencement of the Consent Solicitation, the Company entered into Support Agreements with certain Debentureholders (the "**Supporting Debentureholders**") holding an aggregate of approximately $21,677,367 principal amount of the outstanding Debentures, representing approximately 58.04% of the Debentures outstanding as of the date hereof.

Support Agreement Voting Conditions

Pursuant to the terms of the Support Agreements, the Supporting Debentureholders have agreed to, among other things, consent in writing and, if necessary, vote in favour of the Extraordinary Resolution at the Meeting, subject to the conditions set out below (collectively, the "**Support Agreement Voting Conditions**"):

(a) the Support Agreements shall not have been terminated;

(b) all agreements, transaction documents, court materials (as applicable) and other material documents entered into in connection with, or relating to, the Debenture Amendments including, without limitation: (i) the Amended and

Restated Indenture and the Security Documents; (ii) submissions to the TSX for approval in respect of the New Common Shares (as defined herein); and also including, without limitation, any and all amendments, modifications or supplements relating to any of the foregoing (collectively, the "**Definitive Documents**") shall be in form and substance acceptable to at least two of the initial Supporting Debentureholders (the "**Majority Initial Supporting Debentureholders**"), acting reasonably;

(c) all orders, rulings, decrees, judgments, approvals, decisions and determinations theretofore made, issued or rendered by the TSX or any governmental entity in relation to the Debenture Amendments, and the terms and conditions attached to any such order, ruling, judgment, approval or determination, as applicable, shall be in form and substance satisfactory to the Majority Initial Supporting Debentureholders, acting reasonably;

(d) the Company shall have complied in all material respects with each covenant and obligation in the Support Agreements that is to be performed on or before the date that is one day prior to the Consent/Proxy Deadline;

(e) the representations and warranties of the Company set forth in the Support Agreements shall be true and correct in all material respects (except for those representations and warranties which expressly include a materiality standard, which shall be true and correct in all respects giving effect to such materiality standard) as of the Consent/Proxy Deadline with the same force and effect as if made at and as of the Consent/Proxy Deadline (or, in the case of representations and warranties that are given as of a specified date, as of such specified date), except as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by the Support Agreements;

(f) there shall not be in effect any preliminary or final order, ruling, decree, judgment, approval, decision or determination by a governmental entity, no application shall have been made by any person to any governmental entity, and no action or investigation shall have been announced, threatened or commenced by or before any governmental entity, in consequence of or in connection with the Debenture Amendments that restrains, prohibits or materially impedes (or if granted would or could reasonably be expected to restrain, prohibit or materially impede), the Debenture Amendments or requires or purports to require a variation of the principal terms of the Debenture Amendments that is not acceptable to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(g) all actions taken by the Company and its affiliates in furtherance of the Debenture Amendments shall be consistent in all material respects with the Support Agreements; and

(h) the Company shall have provided Bennett Jones LLP (the "**Initial Supporting Debentureholder Advisors**"), as advisor to the initial Supporting Debentureholders, with a certificate signed by the chief executive officer or chief financial officer of the Company certifying compliance with the Support Agreement Voting Conditions set out above and herein as of the date that is one day prior to the Consent/Proxy Deadline (without regard to whether any matter is in form or substance acceptable to the Majority Initial Supporting Debentureholders).

Support Agreement Closing Conditions

In addition to the Support Agreement Voting Conditions set out above, the Support Agreements also provide that the Debenture Amendments shall be subject to the reasonable satisfaction of the following conditions on or prior to the time at which the Debenture Amendments become effective on the Effective Date (the "**Effective Time**"):

(a) each of the following conditions being for the benefit of the Company, on the one hand, and the Supporting Debentureholders, on the other hand, and may be waived in whole or in part by the Company and the Majority Initial Supporting Debentureholders (collectively, the "**Mutual Support Agreement Closing Conditions**"):

(i) the Support Agreements shall not have been terminated;

(ii) the Definitive Documents shall be on terms consistent with the Support Agreements (as such terms may be amended, modified, varied and/or supplemented pursuant to the terms hereof) and shall be in form and substance satisfactory to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(iii) all filings that are required under applicable laws in connection with the Debenture Amendments shall have been made, and any material third party or regulatory consents or approvals that are required in connection with the Debenture Amendments shall have been obtained on terms satisfactory to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(iv) all orders rulings, decrees, judgments, approvals, decisions and determinations made, issued or rendered by the TSX or any governmental entity in relation to the Debenture Amendments and the terms and conditions attached to any such order, ruling, judgment, approval or determination, as applicable, shall be in form and substance satisfactory to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(v) there shall not be in effect any preliminary or final order, ruling, decree, judgment, approval, decision or determination by a governmental entity, no application shall have been made by any person to any governmental entity, and no action or investigation shall have been announced, threatened or commenced by or before any governmental entity, in consequence of or in connection with the Debenture Amendments that restrains, prohibits or materially impedes (or if granted would or could reasonably be expected to restrain, prohibit or materially impede), the Debenture Amendments or requires or purports to require a variation of the principal terms of the Debenture Amendments that is not acceptable to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(vi) the Company shall have obtained such consents and approvals from security holders as may be required under applicable law to complete the Debenture Amendments;

(vii) the Amended and Restated Indenture and the Security Documents shall be in form and substance acceptable to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(viii) the Company shall have completed the Private Placement;

(ix) the Company shall have obtained all approvals from the TSX as may be required to complete the Debenture Amendments, and the terms and conditions thereof shall be acceptable to the Company and the Majority Initial Supporting Debentureholders, each acting reasonably;

(x) the New Common Shares, shall, be listed and conditionally approved for trading on the TSX, subject only to the receipt of customary final documentation and the expiry of the four month and one day hold period in compliance with applicable Canadian securities laws; and

(xi) the Effective Date shall occur by June 30, 2022, or such other date as the Company and the Majority Initial Supporting Debentureholders may agree.

(b) each of the following conditions being for the exclusive benefit of the Company and may be waived in whole or in part, solely by the Company (provided that such conditions shall not be enforceable by the Company if the failure to satisfy any such conditions results from an action, error or omission by or within the control of the Company or a breach by the Company of its own representation, warranty, agreement or covenant under the Support Agreements) (collectively, the "**Company Support Agreement Closing Conditions**"):

(i) the Supporting Debentureholders shall have complied in all material respects with their covenants and obligations in the Support Agreements that are to be performed on or before the Effective Date; and

(ii) the representations and warranties of the Supporting Debentureholders set forth in the Support Agreements shall be true and correct in all material respects (except for those representations and warranties that expressly include a materiality standard, which shall be true and correct in all respects giving effect to such materiality standard) as of the Effective Date with the same force and effect as if made at and as of such date (or, in the case of representations and warranties that are given as of a specified date, as of such specified date), except as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by the Support Agreements.

(c) each of the following conditions being for the exclusive benefit of the Supporting Debentureholders and may be waived in whole or in part, solely by the Majority Initial Supporting Debentureholders (provided that such conditions shall not be enforceable by a Supporting Debentureholder if the failure to satisfy any such conditions results from an action, error or omission by or within the control of the Supporting Debentureholder seeking enforcement or a breach by the Supporting Debentureholder of its own representation, warranty, agreement or covenant under the Support Agreements) (collectively, the "**Supporting Debentureholder Closing Conditions**"):

(i) the Company shall have (A) provided notice to all Debentureholders of the Record Date and date of the Meeting on or before June 9, 2022, and (B) complied in all material respects with its covenants and obligations in the Support Agreements that are to be performed on or before the Effective Date;

(ii) the representations and warranties of the Company set forth in the Support Agreements shall be true and correct in all material respects (except for those representations and warranties that expressly include a materiality standard, which shall be true and correct in all respects giving effect to such materiality standard) as of the Effective Date with the same force and effect as if made at and as of such date, except (A) that representations and warranties that are given as of a specified date shall be true and correct in all material respects as of such date and (B) as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by the Support Agreements;

(iii) the New Debentures, New Common Shares and any other securities issued in connection with the Debenture Amendments shall be duly authorized, validly issued and fully paid and non-assessable;

(iv) the reasonable and documented fees and expenses of the Initial Supporting Debentureholder Advisors, including an estimate to close and post-closing work for a period of 30 days following the Effective Date, shall have been paid in full in cash, provided that the Initial Supporting Debentureholder Advisors shall have provided the Company with invoices for all such fees and expenses at least three (3) Business Days prior to the Effective Date; and

(v) the Company shall have provided the Initial Supporting Debentureholder Advisors with a certificate signed by the chief executive officer or chief financial officer of the Company certifying compliance with the Supporting Debentureholder Closing Conditions set out above and herein as of the Effective Date (without regard to whether any matter is in form or substance acceptable to the Majority Initial Supporting Debentureholders).

The Mutual Support Agreement Closing Conditions, Company Support Agreement Closing Conditions and Supporting Debentureholder Closing Conditions are collectively referred to herein as the "**Support Agreement Closing Conditions**".

Termination of the Support Agreements

The Support Agreements may be terminated by the Majority Initial Supporting Debentureholders in certain circumstances by providing written notice to the Company upon the occurrence and continuation of any of certain events, including in the event that: (i) each of the Support Agreement Voting Conditions is not satisfied or waived by the Consent/Proxy Deadline, as applicable, or (ii) each of the Mutual Support Agreement Closing Conditions or each of the Supporting Debentureholder Closing Conditions is not satisfied or waived by June 30, 2022, or such other date as the Company and the Majority Initial Supporting Debentureholders may agree.

CONSENT FEE

If the Payment Conditions (defined below) are satisfied or waived, the Company will pay a Consent Fee to each Debentureholder as of the Record Date who responds to the Consent Solicitation and provides valid consent and voting instructions (including to their CDS Participant, through the CDSX system, as applicable), to consent to and to vote in favour of the Extraordinary Resolution not later than the Consent/Proxy Deadline or, if beneficial holders of Debentures are providing instructions to a CDS Participant, in sufficient time (as determined by the CDS Participant) before the CDS Deadline, as applicable. **Debentureholders who do not respond to this Consent Solicitation will not receive payment of the Consent Fee even though the Debenture Amendments, Amended and Restated Indenture and Supplemental Indentures will be binding on them if effected.**

The Consent Fee will be equal to the amount of interest accrued between July 1, 2021 and the Effective Date of the Debenture Amendments on the principal amount of Debentures owned by such consenting Debentureholder as of the Record Date. As of the date hereof, for illustrative purposes only, if the Effective Date of the Debenture Amendments occurs on June 30, 2022, the estimated Consent Fee payable would be equal to approximately $254 per $1,000 principal amount of Debentures. The Consent Fee will be paid in place of any and all accrued interest on the Debentures. The Consent Fee will be paid through the issuance of Consent Fee Debentures with the same terms as the Series C Debentures. The Consent Fee Debentures will be subject to a statutory hold period of four months and one day from the date of issuance in accordance with applicable securities laws, and will bear a legend reflecting the foregoing restriction on resale.

Payment of the Consent Fee is conditional upon the Payment Conditions being satisfied. If the Extraordinary Resolution is not approved or the Amended and Restated Indenture or Supplemental Indentures are not entered into for any reason, including by termination of the Consent Solicitation by the Company, the Consent Fee will not be payable.

Entitlement to Consent Fee

A registered Debentureholder who wishes to receive the Consent Fee must execute and deliver a validly completed consent and proxy form with the "CONSENTS TO/VOTES FOR" box marked by not later than the Consent/Proxy Deadline.

Beneficial Debentureholders who wish to receive the Consent Fee and whose Debentures are held, as of the Record Date, in the name of a CDS Participant must follow the instructions provided by their CDS participant for sending your consent and voting instructions. This can usually be done by mail, or your CDS Participant may also allow you to do this online or by telephone. You need to act promptly to allow your CDS Participant to provide your instructions to CDS and Computershare in sufficient time (as determined by the CDS Participant) before the CDS Deadline.

All Debentureholders who wish to receive the Consent Fee must also execute and deliver a validly completed consent fee election form by no later than the Consent/Proxy Deadline or, if beneficial Debentureholders are providing instructions to a CDS Participant, in sufficient time (as determined by the CDS Participant) before the CDS Deadline. The Company will have the sole authority to determine whether a Debentureholder is eligible to receive Consent Fee and any such determination will be final and binding.

IN ORDER TO RECEIVE THE CONSENT FEE, IN ADDITION TO PROVIDING VALID CONSENT AND VOTING INSTRUCTIONS, CDS PARTICIPANTS MUST ALSO COMPLETE AND RETURN THE CONSENT FEE ELECTION FORM IN ACCORDANCE WITH THE INSTRUCTIONS THEREIN.

Payment Conditions

The obligation of the Company to pay any Consent Fee to Debentureholders is subject to the following conditions (collectively, the "**Payment Conditions**"):

- the satisfaction of the Conditions to Close;
- the Company and the Debenture Trustee entering into the Amended and Restated Indenture and the Supplemental Indentures; and
- the absence of any law, regulation or stock exchange rule that would, and the absence of any pending or threatened injunction or other proceeding that (if adversely determined) would, make unlawful or invalid or enjoin the implementation of the Debenture Amendments or the entering into of the Amended and Restated Indenture and the Supplemental Indentures, or the payment of the Consent Fee, or that would question the legality or validity thereof.

The Payment Conditions are for the benefit of the Company, and such conditions may be asserted by the Company, regardless of the circumstances giving rise to such Payment Conditions, and the Company may waive any of the other Payment Conditions, in whole or in part. Any determination by the Company as to whether any or all of the Payment Conditions have been satisfied shall be final and binding upon all persons.

ONLY DEBENTUREHOLDERS WHO PROVIDE VALID CONSENT AND VOTING INSTRUCTIONS IN FAVOUR OF THE EXTRAORDINARY RESOLUTION BY NOT LATER THAN THE CONSENT/PROXY DEADLINE OR EARLIER, FOR BENEFICIAL HOLDERS, WILL BE ENTITLED TO RECEIVE THE CONSENT FEE IF THE PAYMENT CONDITIONS ARE SATISFIED.

Payment of Consent Fee

The Company will pay the Consent Fee as promptly as possible following the satisfaction or waiver of the Payment Conditions.

The Consent Fee will be paid through the issuance of Consent Fee Debentures with the same terms as the Series C Debentures. The Consent Fee Debentures will be subject to a statutory hold period of four months and one day from the date of issuance in accordance with applicable securities laws, and will bear a legend reflecting the foregoing restriction on resale. The TSX has conditionally approved the listing of the Consent Fee Debentures.

Any Debentureholder who is entitled to but otherwise not eligible to receive Consent Fee Debentures, but must still return a validly completely consent fee election form by no later than the Consent/Proxy Deadline or, if beneficial holders of Debentures are providing instructions to a CDS Participant, in sufficient time (as determined by the CDS Participant) before the CDS Deadline, as applicable, in order to receive payment of the Consent Fee. The Company will have the sole authority to determine whether a Debentureholder is eligible to receive Consent Fee Debentures and any such determination will be final and binding. **Failure to return a validly completed Consent Fee election form within the requisite time periods will result in the forfeiture of the Consent Fee.**

Non-Residents of Canada

This portion of the Consent Fee summary is generally applicable to a Debentureholder that is a non-resident of Canada for the purposes of the Tax Act or to a partnership that is not a "Canadian partnership" (as defined in the Tax Act) (collectively, "**Non-Residents**").

The Company is of the view that it is required to withhold and remit to the Canadian government withholding tax of 25% on the Consent Fee paid to a person who is a Non-Resident on behalf of such Non-Resident. The Company must be satisfied that it has complied with any statutory withholding tax obligations prior to delivering the Consent Fee to any particular Non-Resident Debentureholder. Non-Resident Debentureholders who respond to this Consent Solicitation are asked to contact the Company by email at ir@aleafiahealth.com prior to the Consent/Proxy Deadline to make arrangements regarding such potential withholding.

POTENTIAL DILUTION

In addition to potential dilution as a result of the Private Placement, there are three potential sources of dilution resulting from the Debenture Amendments: (i) Common Shares issuable on conversion of the principal amount of each Series of New Debentures into Common Shares at the applicable Conversion Prices (the "**Principal Shares**"); (ii) Common Shares issuable on conversion of the principal amount of the Consent Fee Debentures (the "**Consent Fee Shares**"); and (iii) Common Shares issuable on conversion of the PIK Debentures (the "**PIK Shares**" and, together with the Principal Shares and the Consent Fee Shares, collectively, the "**New Common Shares**").

The following table outlines the potential maximum dilution resulting from each source, other than the Private Placement, assuming an Effective Date of June 30, 2022 for the implementation of the Debenture Amendments:

New Debenture	Type of Shares	Principal Amount	Conversion Price	Maximum Common Shares Issuable	Percentage of Outstanding Common Shares[(1)]
Series A Debentures	Principal Shares	$12,450,000	$0.25	49,800,000	15.03%
	PIK Shares[(2)]	$2,209,727	$0.25	8,838,910	2.67%
Series B Debentures	Principal Shares	$12,450,000	$0.30	41,500,000	12.53%
	PIK Shares[(2)]	$2,209,727	$0.30	7,365,758	2.22%

New Debenture	Type of Shares	Principal Amount	Conversion Price	Maximum Common Shares Issuable	Percentage of Outstanding Common Shares[(1)]
Series C Debentures	Principal Shares	$12,450,000	$0.35	35,571,429	10.74%
	Consent Fee Shares[(3)]	$3,161,703	$0.35	9,033,437	2.73%
	PIK Shares[(2)]	$2,209,727	$0.35	6,313,507	1.91%
TOTAL				**158,423,041**	**47.83%**

Notes:

(1) Calculated based on 331,249,999 Common Shares issued and outstanding as of the date of this Solicitation Statement.

(2) Assumes all interest is paid in PIK Debentures of the relevant New Debentures during the applicable PIK period, with no cash payments; annual interest of 8.5% paid semi-annually. Calculated from the estimated Effective Date of June 30, 2022 to the estimated maturity dates of the Series A Debentures (June 30, 2024), Series B Debentures (June 30, 2026), and Series C Debentures (June 30, 2028), respectively.

(3) The Consent Fee will be equal to the accrued and unpaid interest on the Debentures from July 1, 2021 until the effective date of the Debenture Amendments. This calculation assumes an Effective Date of June 30, 2022.

Assuming conversion of the entire principal amount of the New Debentures (including the PIK Debentures and Consent Fee Debentures) and an effective date of June 30, 2022 for the implementation of the Debenture Amendments, an aggregate of up to 158,423,041 Common Shares would be issuable pursuant to the Debenture Amendments, representing approximately 47.83% of the issued and outstanding Common Shares on the date hereof.

Assuming an aggregate of 68,151,515 Units are issued pursuant to the Private Placement, the aggregate number of Common Shares issuable pursuant to the Private Placement on a fully diluted basis, including Common Shares issued to certain finders, would be 105,634,773 Common Shares, representing approximately 31.89% of the current issued and outstanding Common Shares (calculated based on 331,249,999 Common Shares issued and outstanding as of the date of this Solicitation Statement).

Accordingly, the dilutive effect of the Private Placement and the Debenture Amendments could be up to approximately 79.72% in the aggregate (calculated based on 331,249,999 Common Shares issued and outstanding as of the date of this Solicitation Statement).

GENERAL SOLICITATION AND MEETING MATTERS

Approval Required under the Indenture

Extraordinary Resolution

Section 10.11(c) of the Indenture provides that at a meeting of Debentureholders, the Debentureholders shall have the power, exercisable by "extraordinary resolution", to assent to any modification of or change in or addition to or omission from the provisions contained in the Indenture or any Debenture which shall be agreed to by the Company and to authorize the Debenture Trustee to concur in and execute any supplemental indenture embodying any such modification, change, addition or omission authorized by such resolution. The Extraordinary Resolution is intended to be passed for this purpose.

Pursuant to Section 10.2 of the Indenture, to be passed at the Meeting (or any adjournment thereof), provided quorum is constituted, the Extraordinary Resolution must be passed as an "extraordinary resolution" by the favourable votes of the holders of not less than 66 2/3% of the principal amount of Debentures present in person or represented by proxy at the Meeting (or any adjournment thereof) and voted on a poll upon such resolution.

Quorum

Pursuant to Section 10.12 of the Indenture, holders of not less than 25% of the principal amount of the Debentures then outstanding will constitute a quorum for the Meeting. In the absence of a quorum within 30 minutes after the time scheduled for the Meeting, the Meeting may be adjourned for a period of not less than 14 and not more than 60 calendar days and to

such place and time as may be appointed by the chairman of the Meeting. Not less than ten days' notice shall be given of the time and place of such adjourned Meeting and, at the adjourned Meeting, the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the Meeting was originally called.

Written Consent

Notwithstanding the foregoing, Section 10.15 of the Indenture also provides that the Extraordinary Resolution may be passed by Debentureholders holding not less than 66 2/3% of the principal amount of all the outstanding Debentures by an instrument in writing signed in one or more counterparts.

Consents and Voting at the Meeting

Debentureholders will provide consents, and vote, together as a single class with respect to approval of the Extraordinary Resolution by written consent or by vote at the Meeting. Each Debentureholder as of the Record Date will have one vote in respect of each $1,000 principal amount of Debentures of which such Debentureholder shall then be the holder as of the Record Date. As of the Record Date, an aggregate of $37,350,000 principal amount of Debentures were outstanding.

Binding Effect

Section 10.16 of the Indenture provides that an "extraordinary resolution" passed at a meeting of Debentureholders or by an instrument in writing in lieu of a meeting of Debentureholders, each in accordance with the provisions contained in the Indenture, shall, subject to the requirements contained in the Indenture, be binding upon all Debentureholders, whether or not present at such meeting and whether or not signatories thereto, as applicable, and each and every Debentureholder and the Debenture Trustee shall be bound by such extraordinary resolution and instrument in writing.

Consent and Proxy Solicitation

This Solicitation Statement is furnished in connection with the Consent Solicitation and Proxy Solicitation, which are being conducted concurrently by management of the Company in connection with the Debenture Amendments. It is expected that the Solicitation will be made primarily by mail, but consents, proxies and voting instructions may also be solicited electronically and personally by employees of the Company at nominal costs.

Management may also retain one or more proxy solicitation firms, including Carson Proxy Advisors, on customary terms to solicit proxies on its behalf by telephone or electronic mail. The total cost of the Solicitation will be borne by the Company.

Consent Solicitation

The Company is, pursuant to the Consent Solicitation, soliciting the written consent of Debentureholders to the passing of the Extraordinary Resolution. Debentureholders who execute and deliver a valid consent and proxy form consenting to and voting for the approval of the Extraordinary Resolution (and who do not validly revoke such consent and proxy) prior to the Consent/Proxy Deadline shall be considered to have provided written consent to the Extraordinary Resolution for the purposes of the Consent Solicitation. **If Debentureholders representing not less than 66 2/3% of the principal amount of all outstanding Debentures have delivered valid consents and proxies consenting to and voting for the approval of the Extraordinary Resolution by the Consent/Proxy Deadline (and have not validly revoked such consents and proxies), the Extraordinary Resolution will be passed by the written consent of the Debentureholders and the Meeting will be cancelled.** The Company will notify Debentureholders of any such approval and cancellation of the Meeting prior to the time scheduled for commencement of the Meeting. The Company reserves the right to terminate, extend or modify the terms of the Consent solicitation of consents and proxies at any time prior to the Meeting.

Proxy Solicitation

In addition to and concurrent with the Consent Solicitation, the Company is, pursuant to the Proxy Solicitation, soliciting proxies in connection with the Meeting. The Meeting will only be held if the Consent Solicitation does not achieve the required 66 2/3% approval threshold as more fully explained elsewhere in this Solicitation Statement.

Approval of Extraordinary Resolution at the Meeting

If we fail to achieve the required approval threshold pursuant to the Consent Solicitation and the Meeting is held, Debentureholders will be asked to consider and, if thought advisable, to pass, with or without alteration or modification, the Extraordinary Resolution attached as Appendix "A" to this Solicitation Statement, to authorize the Debenture Amendments, and to authorize the Company, at its option, and the Debenture Trustee to enter into the Amended and Restated Indenture and Supplemental Indentures to give effect to the Debenture Amendments, and to transact such further or other business as may properly come before the Meeting or any postponement or adjournment thereof.

Record Date

The Record Date for the purposes of determining the Debentureholders entitled to receive notice of and to provide instructions with respect to consents and to vote at the Meeting is the close of business on Tuesday, May 24, 2022 (the "**Record Date**").

Meeting Date and Time

The Meeting, if required, will be held at the offices of Aird & Berlis LLP, 181 Bay Street, Suite 1800, Brookfield Place, Toronto ON M5J 2T9, on Thursday, June 23, 2022 at 8:30 a.m. (Eastern time), unless adjourned, postponed or earlier cancelled.

Notwithstanding the foregoing, the Company may, at its option, at any time prior to the Meeting, cancel or postpone the Meeting or modify the matters to be considered thereat. In the event that the Extraordinary Resolution is approved pursuant to the Consent Solicitation, the Meeting will be cancelled. In addition, to the extent that the Meeting is held and a quorum is not present at the commencement of the Meeting, the Meeting may be adjourned in accordance with the Indenture, as described above under "Approval of Debentureholders under the Indenture – Quorum", and at the adjourned meeting, the Debentureholders present in person or by proxy shall form a quorum and may transact the business for which the Meeting was originally called.

Appointment of Proxies

If you are a registered Debentureholder or proxy thereof, you may provide consent and vote at the Meeting, if held, or if you do not wish to, or are unable to, participate in the Meeting, you can exercise your right to vote at the Meeting, by completing, signing and returning the accompanying consent and proxy form to the Tabulation Agent in accordance with the instructions set out therein by the Consent/Proxy Deadline, unless such deadline is extended or the Meeting is adjourned or postponed, in which case the deadline for submitting a proxy shall be no later than 48 hours (excluding Saturdays, Sundays and holidays) before any adjourned or postponed Meeting. The Company reserves the right to waive the Consent/Proxy Deadline and accept and treat as valid those consent and proxy forms received after the Consent/Proxy Deadline for the purpose of both the Consent Solicitation and the Meeting.

Procedures for Providing Consent and Voting

The consent and proxy form delivered with this Solicitation Statement provides a means for a registered Debentureholder or proxy thereof to consent to or withhold consent from, and vote for or against, the Extraordinary Resolution. **The holders of the Debentures represented by the accompanying consent and proxy form will consent to or withhold consent from, and vote for or against, the Extraordinary Resolution in accordance with their instructions as specified in the consent and proxy form.** The consent and proxy form further provides that if a registered Debentureholder or proxy thereof submits a consent and proxy form that does not specify whether such Debentures are to consent to or withhold consent from, or be voted for or against the Extraordinary Resolution, they will be deemed to consent to and the proxyholder will vote for the Extraordinary Resolution.

The accompanying consent and proxy form when properly completed, signed and deposited with the Tabulation Agent, confers discretionary authority upon the proxyholder(s) named therein with respect to amendments to or variations of matters identified in the Notice of Extraordinary Meeting of Debentureholders and with respect to any matters that may properly come before the Meeting. The Company currently knows of no such amendments, variations or other matters which may come before the Meeting other than those referred to in the Notice of Extraordinary Meeting of Debentureholders. **If any such amendment, variation or other matter properly comes before the Meeting, it is the intention of the persons named in the enclosed consent and proxy form to vote on such amendment, variation or other matter in accordance with their judgment.**

Debentureholders and proxyholders who execute and deliver a valid consent and proxy form and consent to and vote for the Extraordinary Resolution (and who do not validly revoke such consent and proxy form) prior to the Consent/Proxy Deadline shall be considered to have provided written consent to the Extraordinary Resolution for the purposes of the Consent Solicitation.

Instructions for Beneficial Debentureholders

Beneficial Debentureholders who wish to deliver a consent and voting instructions are not permitted to execute the consent and proxy form accompanying this Solicitation Statement, but must instead instruct the CDS Participant through which they hold their Debentures that they wish to consent or withhold consent and vote in sufficient time (as determined by the CDS Participant through which they hold their Debentures) prior to the CDS Deadline, being the deadline for CDS Participants to submit consent and proxy instructions to the CDSX system.

Beneficial Debentureholders should promptly contact their CDS Participants and obtain and follow the instructions provided by their CDS Participants with respect to the applicable procedures and deadlines for providing consent and voting instructions through such CDS Participants, which will be earlier than the deadlines that are set out in this Solicitation Statement. If a beneficial Debentureholder provides consent and voting instructions, such beneficial Debentureholder may not be able to trade or otherwise transfer the Debentures that are the subject of such instructions.

It is the sole and exclusive responsibility of each beneficial Debentureholder to ensure that their instructions regarding consent and voting are properly submitted by the CDS Participant through which they hold their Debentures to the Debenture Trustee on or before the deadlines set forth in this Solicitation Statement and any additional deadlines set by their CDS Participants.

Revocation of Consents and Proxies

A Debentureholder or proxy thereof who has given a consent and proxy form may revoke the consent and proxy by completing and signing an instrument in writing, including another consent and proxy form bearing a later date, duly executed by the Debentureholder or proxy thereof or by his or her authorized attorney, and deposited with the Tabulation Agent as provided above, provided the revocation is received prior to the Consent/Proxy Deadline. Any revocations received after this time will not have any effect. A Debentureholder may also revoke a consent and proxy in any other manner permitted by law.

Only registered Debentureholders or proxies thereof have the right to revoke a consent and proxy form submitted by them. A beneficial holder may revoke consent and proxy instructions or a voting instruction form provided by its CDS Participant in accordance with the instructions provided therein.

Beneficial Debentureholders

Based on the register of Debentures maintained by the Debenture Trustee, all of the Debentures are held through a "book-entry" system under which such Debentures are evidenced by a non-certificated format (electronically) that is registered in the name of CDS. As such, CDS is the sole registered Debentureholder.

A beneficial Debentureholder as of the close of business on the Record Date is entitled to: (a) provide instructions regarding whether to consent or withhold consent, and direct how the Debentures beneficially owned by such holder are to be voted at the Meeting, or (b) obtain a legal form of proxy from the applicable CDS Participant that will entitle the holder to attend and vote at the Meeting.

Only registered Debentureholders as of the Record Date, or their duly appointed proxyholders, have the right to provide or withhold consent as part of the Consent Solicitation and to vote at the Meeting, or to appoint or revoke a proxy, as part of the Proxy Solicitation. However, CDS, or its duly appointed proxyholders, may only vote the Debentures in accordance with instructions received from the beneficial Debentureholders. Beneficial Debentureholders as of the Record Date wishing to consent or withhold consent as part of the Consent Solicitation or wishing to vote their Debentures at the Meeting must provide instructions to the CDS Participant through which they hold their Debentures in sufficient time (as determined by the CDS Participant through which they hold their Debentures) prior to the CDS Deadline.

Beneficial Debentureholders may direct the CDS Participant through which they hold their Debentures to make an election to consent or withhold consent and vote through CDSX prior to the deadline. However, the completed and executed consent and proxy form must also be returned to the Tabulation Agent by the registered Debentureholder or those CDS Participants designated as proxies of the registered Debentureholder, if and as applicable, even when a

direction or an election is made through CDSX. Instructions and directions submitted through CDSX will constitute an instruction and direction to the registered holder of the applicable Debentures, or its proxyholder (where applicable), to complete, execute and deliver a consent and proxy form as so instructed and directed, and to receive payment of any fee through CDSX.

Applicable regulatory policy requires the Company to forward meeting materials to applicable CDS Participants for onward distribution to beneficial Debentureholders who have not waived their right to receive such materials and CDS Participants to seek voting instructions from such beneficial Debentureholders in advance of the Meeting. Every CDS Participant has its own mailing procedures and provides its own return instructions, which should be carefully followed by beneficial Debentureholders in order to ensure that their Debentures are voted as part of the Solicitation.

Most brokers delegate responsibility for obtaining instructions from their clients to Broadridge Investor Communications Corporation ("**Broadridge**") or Mediant Communications Inc. ("**Mediant**"). Broadridge, Mediant or any other intermediary as applicable, mails the proxy materials and voting instruction form to beneficial shareholders, at our expense.

Although beneficial holdings of Debentureholders may not be recognized directly at the Meeting for the purposes of voting Debentures registered in the name of CDS, a beneficial Debentureholder may attend the Meeting as a proxyholder and vote its Debentures in that capacity. If a beneficial Debentureholder wishes to attend the Meeting and vote its Debentures, it must do so as proxyholder for the registered holder of the Debentures. To do this, a beneficial Debentureholder should enter its name in the blank space on the applicable form of consent and proxy or voting instruction form provided to it and return the document to its CDS Participant in accordance with the instructions provided by such CDS Participant well in advance of the Consent/Proxy Deadline.

Beneficial Debentureholders who wish to elect with respect to the Consent Solicitation or vote their Debentures at the Meeting must carefully follow the procedures and instructions received from their CDS Participant and contact their CDS Participant if they need assistance. **CDS Participants may set deadlines for the return of consent and voting instructions that are well in advance of the Consent/Proxy Deadline.**

Consent and Proxy Form

The consent and proxy form accompanying this Solicitation Statement may be signed by your intermediary (typically by a facsimile, stamped signature) and completed to indicate the number of Debentures beneficially owned by you. If the consent and proxy form has not been completed, it is being used by your intermediary to obtain voting instructions only.

In addition to appointing a proxyholder to represent a Debentureholder at the Meeting, each consent and proxy form that is returned with the "CONSENTS TO/VOTES FOR" box marked will constitute the relevant Debentureholder's irrevocable written approval of the Extraordinary Resolution for the purposes of the Indenture.

You should follow the instructions on the document that you have received and contact the CDS Participant through which your Debentures are held promptly if you need assistance.

Voting of Proxies

In connection with any ballot that may be called for, the representatives designated in the consent and proxy form will vote the Debentures represented thereby for or against the Extraordinary Resolution in accordance with the instructions indicated on the particular form of proxy and consent and, if a choice is specified with respect to any matter to be acted upon, the Debentures, will be voted accordingly. **In the absence of any direction, the Debentures will be voted FOR the Extraordinary Resolution.**

The representatives designated in the enclosed forms of proxy and consent have discretionary authority with respect to amendments to or variations of matters identified in the Notice of Extraordinary Meeting of Debentureholders and with respect to other matters that may properly come before the Meeting.

At the date hereof, representatives of the Company know of no such amendments, variations or other matters.

Fees and Expenses

The Company will bear the costs of the Solicitation and of the Meeting, if held, including the fees and expenses of the Information Agent, the Solicitation Agent and the Tabulation Agent and any solicitation of consents or proxies by officers, directors or employees of the Company, as well as the legal, printing and other costs associated with the preparation of the Solicitation Statement. The Company will pay the Trustee under the Indenture reasonable and customary compensation for its services in connection with the matters contemplated herein, plus reimbursement for expenses.

Brokers, dealers, trust companies and other nominees will be reimbursed by the Company for customary mailing and handling expenses incurred by them in forwarding materials to their customers. The Company will not be responsible for any expenses incurred by Debentureholders in connection with the Solicitation and the Meeting. The Company will pay all other fees and expenses attributable to the Solicitation and the Meeting, other than expenses incurred by any Debentureholders.

Additional Information

The Company is not using "notice and access" to send materials relating to the Solicitation and the Meeting to registered or beneficial Debentureholders. The Company is not sending materials directly to non-objecting beneficial owners and will pay for delivery of materials and requests for consent and voting instructions by intermediaries, including to objecting beneficial owners. These security holder materials are being sent to both registered and non-registered owners of the Debentures. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of Debentures, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

Computershare Trust Company of Canada, in its capacity as Tabulation Agent will be responsible for organizing or running the Meeting, if held. The Tabulation Agent will be responsible for tabulating the results of voting at the Meeting, including verifying the holdings of Debentureholders and validating consent and proxy forms. The Debenture Trustee will not be liable for any damages incurred in connection with calling, holding and convening the Meeting or the process for participating in and voting at the Meeting as set out herein.

Board Recommendation

The Board of Directors of the Company, acting in good faith, has determined that the Debenture Amendments are in the best interests of the Company and, as such, has authorized submission of the Extraordinary Resolution to Debentureholders for approval. The Board of Directors unanimously recommends that Debentureholders CONSENT TO/VOTE FOR the Extraordinary Resolution.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the anticipated material Canadian federal income tax considerations to Debentureholders arising from and relating to the Debenture Amendments as of the date of this Solicitation Statement. This summary is applicable to Debentureholders who, at all relevant times, for purposes of the Income Tax Act (Canada) and the regulations thereunder (the "**Tax Act**"), (i) are resident or deemed to be resident in Canada, (ii) deal at arm's length and are not affiliated with the Company, (iii) hold Debentures and any Common Shares acquired on conversion of the Debentures (collectively, the "**Securities**") as capital property, and (iv) who acquire the Debentures and, if applicable, the Common Shares on the conversion of the Debentures as beneficial owners. Generally, the Securities will be considered to be capital property to a holder provided that the holder does not hold the Securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have their Securities, and all other "Canadian securities" (as defined in the Tax Act) owned by such holders in the year of the election or any subsequent year, treated as capital property by making an irrevocable election under subsection 39(4) of the Tax Act. Such holders should consult their own tax advisors for advice with respect to whether an election under subsection 39(4) of the Tax Act is available or advisable having regard to their particular circumstances.

This summary does not apply to a Debentureholder: (i) that is a "financial institution" (as defined in the Tax Act) for the purposes of the "mark-to-market" rules in the Tax Act, (ii) an interest in which would be a "tax shelter investment" (as defined in the Tax Act), (iii) that is a "specified financial institution" (as defined in the Tax Act), (iv) that makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act, or (v) that has entered or will enter into a

"derivative forward agreement" (as defined in the Tax Act) with respect to the Securities. Such Debentureholders should consult their own tax advisors.

No ruling from the Canada Revenue Agency (the "**CRA**") has been requested, or will be obtained, regarding the Canadian federal income tax consequences of the Debenture Amendments to Debentureholders. This summary is not binding on the CRA, and the CRA is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the CRA and the Canadian courts could disagree with one or more of the positions taken in this summary.

This summary is based upon the facts set out in this Solicitation Statement, the current provisions of the Tax Act in force as of the date hereof, all specific proposals (the "**Proposed Amendments**") to amend the Tax Act publicly and officially announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current published administrative practices and assessing policies of the CRA made publicly available in writing prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, and should not be construed to be, legal or tax advice to any Debentureholder, and no representations with respect to the income tax consequences to any such holder are made. Consequently, Debentureholders should consult their own tax advisors for advice with respect to the tax consequences to them of the Debenture Amendments and acquiring, holding and disposing of Securities.

This summary does not address the Canadian federal tax considerations applicable to Non-Residents. Accordingly, Non-Residents should consult their own tax advisors regarding the tax consequences to them of the Debenture Amendments and acquiring, holding and disposing of Securities.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of a Security must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars using the applicable rate of exchange (for purposes of the Tax Act) quoted by the Bank of Canada on the date such amounts arose, or such other rate of exchange as is acceptable to the CRA.

Amendment of Debentures

It is not certain whether the Debenture Amendments would result in a disposition of the Debentures for Canadian tax purposes. Canadian jurisprudence has held that the amendment of several fundamental terms of a debt instrument can result in the disposition of an existing debt obligation and the creation of a new debt obligation in some circumstances, and for certain purposes. The CRA has stated that it is a question of fact whether a new obligation is created. Thus, there can be no assurance that the CRA would not treat the Debenture Amendments as a disposition of the Debentures, or that a Canadian court would agree with the CRA's position. Each Debentureholder should consult its own tax advisor regarding the proper treatment of the Debenture Amendments for Canadian tax purposes.

In the event that the Debenture Amendments do not cause a disposition of the Debentures, then a Debentureholder will not be considered to have disposed of any property for tax purposes, and will have no Canadian tax consequences as a result of the Debenture Amendments becoming effective.

In the event that the Debenture Amendments do cause a disposition of the Debentures, a Debentureholder will be deemed to have received proceeds of disposition equal to the fair market value of the Debentures owned by the Debentureholder at the time that the Debenture Amendments become effective (the "**Effective Time**"). The Debentureholder will generally realize a capital gain (or a capital loss) on the disposition equal to the amount by which the Debentureholder's deemed proceeds of disposition (net of any amount required to be included in the holder's income as interest) exceed (or are exceeded by) the adjusted cost base to the Debentureholder of the Debentures owned at the Effective Time and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "Taxation of Capital Gains and Losses". The cost of the Debentures to the Debentureholder immediately after the Effective Time will be equal to the fair market value of the Debentures at such time.

Interest on Debentures

A Debentureholder that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year any interest (including PIK interest) on the Debentures that accrues (or is deemed to accrue) to the holder to the end of the particular taxation year or that has become receivable by or is received by the holder before the end of that taxation year, including on conversion, redemption or repayment at maturity, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other Debentureholder, including an individual, will be required to include in computing income for a taxation year all interest (including PIK interest) on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), including on a conversion, redemption or repayment at maturity, except to the extent that the interest was included in the holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to the holder (other than a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary), such holder will be required to include in computing income for a taxation year any interest that accrues (or is deemed to accrue) to the holder on the Debenture up to any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in the holder's income for that year or a preceding year.

Consent Fee

The tax treatment of the Consent Fee to a particular consenting Debentureholder is not certain. A consenting Debentureholder will likely be required to include in computing income for a taxation year the amount of the Consent Fee that is received or receivable by the Debentureholder in that taxation year (depending upon the method regularly followed by the Debentureholder in computing income). Each Debentureholder should consult its own tax advisor regarding the proper treatment of the Consent Fee for Canadian tax purposes.

Exercise of Conversion Privilege

Generally, a Debentureholder who converts a Debenture into Common Shares (or Common Shares and cash delivered in lieu of a fraction of a Common Share) pursuant to the conversion privilege will be deemed not to have disposed of the Debenture for the purposes of the Tax Act and, accordingly, will not be considered to realize a capital gain (or capital loss) on such conversion. Under the current administrative practice of the CRA, a holder that, upon conversion of a Debenture into Common Shares, receives cash not in excess of $200 in lieu of a fraction of a Common Share may either treat this amount as proceeds of disposition of a portion of the Debenture, thereby realizing a capital gain (or capital loss), or reduce the adjusted cost base of the Common Shares that the holder receives on the conversion by the amount of the cash received.

The aggregate cost to a holder of the Common Shares acquired on the conversion of a Debenture will generally be equal to the holder's adjusted cost base of the Debenture immediately before the conversion, less any reduction in the adjusted cost base of the Common Shares as a result of receiving cash in lieu of a fraction of a Common Share (as discussed above). The adjusted cost base to a holder of Common Shares acquired at any time (including those acquired on the conversion of a Debenture) will be determined by averaging the adjusted cost base of the Common Shares with the adjusted cost base of all other Common Shares (if any) held by the holder as capital property immediately before that time.

Upon a conversion of a Debenture, interest accrued thereon to the date of conversion will be included in computing the income of the holder as described above under the heading "Interest on Debentures", except to the extent that it was included in computing the Debentureholder's income for that or a preceding taxation year.

Any Debentureholder that converts a Debenture for consideration equal to the fair market value of such Debenture generally will be entitled to deduct in computing its income for the year of conversion an amount equal to any interest included in its income for that or any preceding year in respect of such Debenture to the extent that no amount was received or became receivable by the Debentureholder in respect of such interest.

Redemption or Repayment of Debentures

If the Company redeems a Debenture prior to the maturity of the Debentures or repays a Debenture upon maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to dispose of the Debenture at that time for proceeds of disposition equal to the amount received by the holder (other than the

amount received as interest) on such redemption or repayment. Upon disposition, any interest paid to a holder, or interest that has accrued on the Debenture to the date of disposition and which would otherwise be payable after that date, must be included in computing the income of the holder, except to the extent that it was included in computing the income of the holder for that or a previous taxation year. A holder will generally realize a capital gain (or capital loss) equal to the amount by which the holder's proceeds of disposition (net of any amount required to be included in the holder's income as interest) exceed (or are exceeded by) the adjusted cost base to the holder of the Debenture and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "Taxation of Capital Gains and Losses".

Any amount paid by the Company as a penalty or bonus because of an early repayment of all or part of the principal amount of a Debenture will be deemed to be received by the Debentureholder as interest on the Debenture and will be required to be included in the Debentureholder's income as described above under the heading "Interest on Debentures", to the extent such amount can reasonably be considered to relate to, and does not exceed the value at the time of payment of, interest that would otherwise have been payable on the Debenture for a taxation year of the Company ending after the payment of such amount.

Redemption or Repayment of Debentures on a Change of Control

If the Company redeems a Debenture in connection with a Change of Control (as defined in the Indenture), the holder will be subject to the tax treatment described above under the heading "Redemption or Repayment of Debentures".

Other Disposition of Debentures

A disposition (or deemed disposition) by a holder of a Debenture (other than on a conversion, redemption or repayment) will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (net of any amount required to be included in the holder's income as interest) exceed (or are exceeded by) the aggregate of the adjusted cost base to the Debentureholder of the Debenture and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading "Taxation of Capital Gains and Losses".

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the holder's income as described above under the heading "Interest on Debentures", except to the extent such amount was otherwise included in the holder's income for that or a preceding taxation year, and will be excluded in computing the holder's proceeds of disposition of the Debentures.

Taxation of Capital Gains and Losses

Generally, one-half of any capital gain (a "taxable capital gain") realized by a Debentureholder in a taxation year must be included in the income of the holder for the year. One-half of any capital loss (an "allowable capital loss") realized by a Debentureholder in a taxation year must generally be deducted from taxable capital gains realized by the holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

A capital gain realized by a holder who is an individual (including certain trusts) may result in the holder being liable for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

Additional Refundable Tax

A Debentureholder that is, throughout the relevant taxation year, a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax on its "aggregate investment income", which is defined in the Tax Act to include taxable capital gains and interest income. Proposed Amendments contained in the 2022 Canadian Federal Budget announced by the Minister of Finance (Canada) on April 7, 2022 are intended to extend this additional tax and refund mechanism in respect of "aggregate investment income" to "substantive CCPCs" as defined in such Proposed Amendments. The complete legislation for such Proposed Amendments has yet to be released. Debentureholders are advised to consult their own tax advisors.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise disclosed in this Solicitation Statement, no director or executive officer of the Company at any time since the beginning of the Company's last financial year nor any of their respective associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in any matter to be acted upon at the Meeting.

The following directors or executive officers of the Company own, directly or indirectly, or exercise control or direction over Debentures in the principal amounts indicated below:

Name	Title	Principal Amount of Debentures
Lu Galasso	Director	$130,000

OTHER BUSINESS

Management of the Company does not currently know of any matters to be brought before the Meeting other than those set forth in the Notice of Extraordinary Meeting of Debentureholders accompanying this Solicitation Statement. If any other matters properly arise or come before the Meeting, it is the intention of the persons named in the form of proxy to vote in respect of those matters in accordance with their judgment.

DEBENTUREHOLDER RIGHTS

Some of your rights as a Debentureholder, including those relating to the Meeting, are described generally in this Solicitation Statement. For more details, reference is made to the full text of the Indenture, a copy of which is posted for public access on the Company's SEDAR profile at www.sedar.com, or, alternatively, can be obtained upon written request to the Company by: (i) mail at 85 Basaltic Road, Concord ON, L4K 1G4; or (ii) telephone at 1-833-879-2533.

TABULATION AGENT AND INFORMATION AGENT

Computershare Trust Company of Canada has been appointed by the Company as Tabulation Agent in connection with the Consent Solicitation and the Meeting. The Tabulation Agent will receive reasonable and customary compensation from the Company for its services in connection with the Consent Solicitation and the Meeting, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Consent Solicitation.

The Company has retained Carson Proxy Advisors to act as Information Agent in connection with the Consent Solicitation and the Meeting. The Information Agent will receive reasonable and customary compensation from the Company for its services in connection with the Consent Solicitation and the Meeting, will be reimbursed for certain out-of-pocket expenses and will be indemnified against certain liabilities and expenses in connection with the Consent Solicitation and the Meeting.

The Tabulation Agent and the Information Agent do not assume any responsibility for the accuracy or completeness of the information contained in this Solicitation Statement or any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of such information.

LEGAL MATTERS

Certain Canadian legal matters relating to this Solicitation Statement are to be passed upon by Aird & Berlis LLP on behalf of the Company.

BOARD APPROVAL

The contents of this Solicitation Statement and its sending to Debentureholders have been approved by the Board of Directors.

DATED at Toronto, Ontario, this 27th day of May, 2022.

By Order of the Board of Directors,

(Signed) "*Mark J. Sandler*"
Chair of the Board of Directors

APPENDIX "A"
EXTRAORDINARY RESOLUTION

BE IT RESOLVED AS AN EXTRAORDINARY RESOLUTION THAT:

1. the amendments to the trust indenture between Aleafia Health Inc. (the "**Company**") and Computershare Trust Company of Canada (the "**Debenture Trustee**") dated as of June 27, 2019 (the "**Indenture**") governing the 8.5% unsecured convertible debentures of the Company due June 27, 2022 (the "**Debentures**"), substantially as described in the consent and proxy solicitation statement of the Company dated May 27, 2022 (the "**Debenture Amendments**"), are hereby approved, authorized and assented to;

2. subject to the satisfaction or waiver of all conditions set out in the consent and support agreements between the Company and certain holders of Debentures (the "**Support Agreements**"), the entering into by the Company and the Debenture Trustee of, and the performance of their obligations under, an amended and restated indenture (the "**Amended and Restated Indenture**") and one or more supplemental indentures (the "**Supplemental Indentures**") to give effect to the Debenture Amendments, are hereby authorized and approved;

3. notwithstanding the passing of this extraordinary resolution or the passing of similar resolutions, without further notice to, or approval of, the Debentureholders, (i) each of the Debenture Trustee and, if necessary, the Company is hereby authorized and empowered to amend the Indenture to the extent permitted by the Indenture and the Support Agreements, and (ii) subject to the Support Agreements, the Company is hereby authorized and empowered not to give effect to this extraordinary resolution, nor enter into the Amended and Restated Indenture and the Supplemental Indentures at any time prior to the execution and delivery of the Amended and Restated Indenture and the Supplemental Indentures;

4. subject to the Support Agreements and Paragraph 3(ii), the Debentureholders authorize and direct the Company and the Debenture Trustee, as applicable, to take such actions and execute and deliver such documents as counsel may advise are necessary to carry out the intent of this extraordinary resolution;

5. any officer or director of the Company is hereby authorized and directed to execute and deliver all documents and to do all other acts or things as such individual may, in his or her sole discretion, determine to be appropriate from time to time to give effect to the foregoing, such determination to be conclusively evidenced by the execution and delivery by such individual of such documents or the doing of such other acts or things; and

6. the Debenture Trustee is hereby authorized and directed to execute and deliver all documents and to do all other acts or things as the Debenture Trustee may determine to be necessary or appropriate from time to time to give effect to the foregoing, such determination to be conclusively evidenced by the execution and delivery by the Debenture Trustee of such documents or the doing of such other acts or things.


Aleafia Health