Court File No. CV-19-000632052-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF AGMEDICA BIOSCIENCE INC., 2472602 ONTARIO INC., 2642466 ONTARIO INC., 8895309 CANADA INC., WELLWORTH HEALTH CORP., 8050678 CANADA INC., 8326851 CANADA INC., TAVIVAT NATURALS INC., WORLDWIDE BEVERAGE INNOVATIONS INC., UNIQUE BEVERAGES (USA) INC., and ESEELA INC.
(each an **"Applicant"** and collectively, the **"Applicants")**

FOURTH REPORT OF THE MONITOR DATED JANUARY 29, 2020

INTRODUCTION

1. On December 2, 2019, the Court granted an initial order (as amended and restated from time to time, the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended ("**CCAA**") that, among other things, granted a stay of proceedings against the Applicants for the initial 10-day period (the "**Stay Period**"), appointed Ernst & Young Inc. as monitor of the Applicants in these CCAA proceedings (in such capacity, the "**Monitor**"), granted certain Court-ordered charges (the "**Charges**"), and approved certain interim financing. The Applicants sought CCAA protection to allow them an opportunity to restructure their business and affairs.

2. On December 12, 2019, the Court granted an order extending the Stay Period until March 12, 2020 and amending the Initial Order to, among other things:

    a. increase the maximum amount of the Charges; and

b. authorize the Applicants' entering into a DIP facility agreement (the "**DIP Facility**") with SF V Bridge III, LP ("**Stabilis**"), an affiliate of one of the Applicants' secured creditors.

3. On December 12, 2019, the Court also granted an order (the "**Non-Core Real Estate Order**") approving the retention of CBRE Limited by the Applicants and authorizing the Applicants to market and sell the Non-Core Real Estate (as defined in the Non-Core Real Estate Order) with the assistance of the Monitor; and

4. On January 3, 2020, the Court granted:

   a. an order approving the definitive DIP loan agreement between the Applicants and Stabilis; and

   b. an order approving the Applicants' Sale and Investment Solicitation Process (the "**SISP**").

PURPOSE

5. The purpose of this fourth report of the Monitor (the "**Fourth Report**") is to provide information to the Court on:

   a. the proposed claims procedure (the "**Proposed Claims Procedure**"); and

   b. the Monitor's recommendation with respect to the Applicants' motion for an order approving the Proposed Claims Procedure.

TERMS OF REFERENCE

6. In preparing this Fourth Report and making the comments herein, the Monitor has been provided with, and has relied upon, unaudited financial information, books and records prepared by the Applicants, discussions with management of the Applicants (“**Management**”), and information from other third-party sources (collectively, the “**Information**”). Except as described in this Fourth Report in respect of the Cash Flow Forecast:

   a. the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Monitor has not audited or otherwise attempted to verify the accuracy or completeness of such information in a manner that would wholly or partially comply with Generally Accepted Assurance Standards (“**GAAS**”) pursuant to the Chartered Professional Accountants Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information; and

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

7. Future oriented financial information referred to in this Fourth Report was prepared based on Management’s estimates and assumptions. Readers are cautioned that since projections are based upon assumptions about future events and conditions that are not ascertainable, the actual results will vary from the projections, even if the assumptions materialize, and the variations could be significant.

8. Unless otherwise indicated, the Monitor’s understanding of factual matters expressed in this Fourth Report concerning the Applicants and their business is based on the Information, and not independent factual determinations made by the Monitor.

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

BACKGROUND

10. The principal operating entity among the Applicants is AgMedica, which is a licensed producer of cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations*. The principal activities of AgMedica are the production, distribution, and sale of dried cannabis flower, pre-rolled cannabis, cannabis soft gel capsules, and cannabis oil.

11. AgMedica currently holds two site licenses:

    a. 1st Site license permits the cultivation, processing, and sale of cannabis plants and seeds (dried and fresh), oils, extracts, edibles and topicals both for registered patients (medical use) and the recreational market (adult use); and

    b. 2nd Site license permits the sale of cannabis plants and seeds (dried and fresh) and oils for registered patients only (medical use).

12. All the legal entities comprising the Applicants are privately held companies incorporated under the laws of Ontario or Canada, with the sole exception of Unique Beverages (USA) Inc., a dormant corporation incorporated under the laws of Delaware.

13. All court documents and materials related to this CCAA proceedings have been posted on the Monitor's website at www.ey.com/ca/agmedica (the "**Monitor's Website**").

PROPOSED CLAIMS PROCEDURE

14. In this Report, the Monitor has provided a summary of the material terms of the Proposed Claims Procedure. The Proposed Claims Procedure is further described in the affidavit of Trevor Henry, sworn January 28, 2020, and enclosed at Tab 3 to the Motion Record of the Applicants dated January 28, 2020 (the "**Claims Procedure Order**"). Any capitalized terms not herein defined have the meanings ascribed thereto in the proposed Claims Procedure Order.

15. The Proposed Claims Procedure establishes a procedure for submission of claims against any of the Applicants and the Directors and Officers of the Applicants, by filing a proof of claim ("**Proof of Claim**").

16. The Applicants will provide the Monitor with a list of Known Claimants based on their books and records. The Monitor will then send a Claims Package to:

    a. each of the Claimants on the list of Known Claimants within ten Business Days of the issuance of the Claims Procedure Order, if granted;

    b. each Claimant with a Restructuring Claim no later than five Business Days following the time the Monitor becomes aware of the existence of the event that might give rise to a Restructuring Claim; and

    c. each Claimant that requests a copy of the Claims Package or related documents.

17. The Claims Package will contain the Proof of Claim form, the Notice to Claimants, the Instruction Letter, and any other documentation the Applicants, in consultation with the Monitor, may deem appropriate.

18. The Monitor will publish a Notice to Claimants in the Globe and Mail (National Edition), and the Chatham Daily News for one Business Day, by no later than February 10, 2020.

19. The Applicants will cause the Notice to Claimants to be published on Canadian Newswire by no later than February 10, 2020.

20. The Notice to Claimants and the Claims Package will be posted on the Monitor's Website as soon practically possible following of the issuance of the Claims Procedure Order, if granted, and will remain until the Monitor's discharge as Monitor of the Applicants.

21. The Notice to Claimants, Claims Package and other documents relevant to the Proposed Claims Procedure are also attached as schedules to the Claims Procedure Order and, as such, are not attached to this Fourth Report.

22. The Claims, whether secured or unsecured, to be called for through the Proposed Claims Procedure are:

    a. Claims arising prior to the Filing Date, including D&O Pre-Filing Claims as defined below (each a "**Pre-Filing Claim**");

b. Claims arising on or after the Filing Date in connection with any indebtedness, liability or obligation of any kind arising out of the repudiation or disclaimer of any contract lease, employment agreement or other agreement by the Applicants, including D&O Restructuring Claims as defined below (each a "**Restructuring Claim**");

c. Pre-filing Claims against one or more of the Directors or Officers for which the Directors or Officers are by statute or otherwise by law liable to pay in their capacity as Directors or Officers (each a "**D&O Pre-filing Claim**"); and

d. Restructuring Claims against one or more of the Directors or Officers for which the Directors or Officers are by statute or otherwise by law liable to pay in their capacity as Directors or Officers (each a "**D&O Restructuring Claim**", and together with D&O Pre-Filing Claims referred to as "**D&O Claims**".)

23. The claims to be excluded from the Claims Procedure are (i) any claims secured by the Charges, and (ii) any claim that cannot be compromised due to the provisions of subsections 5.1(2) and 19(2) of the CCAA.

24. Proofs of Claim in respect to Pre-Filing Claims, must be received by the Monitor by 5:00 p.m. (Eastern Time) on March 16, 2020 (the "**Pre-Filing Claims Bar Date**") unless this Court orders that the Proof of Claim be accepted after that date, failing which that creditor will be forever barred from advancing a claim against the Applicants. Any creditor asserting a Restructuring Claim, must file a Proof of Claim by the later of (i) the Pre-Filing Claims Bar Date; and (ii) 5:00 p.m. (Eastern Time) on the day which is thirty (30) days after the Monitor sends a Claims Package with respect to a Restructuring Claim.

25. The Monitor and the Applicants (and in the case of a D&O Claim, in consultation with counsel to the Directors and Officers and the respective Directors or Officers, if applicable) will review all Proofs of Claim filed in accordance with the Proposed Claims Procedure and may accept (in whole or in part) or revise or disallow (in whole or in part) the amount and/or Status of any Claim and will notify the Claimant of such decision in writing. In the case of a revision or disallowance, such notice will be in the form of a Notice of Revision or Disallowance.

26. Any Claimant that wishes to dispute a Notice of Revision or Disallowance will be required to deliver a Dispute Notice to the Applicants, with a copy to the Monitor, within 14 days after the Claimant is deemed to have received the Notice of Revision or Disallowance.

27. The Applicants and the Monitor (and in the case of a D&O Claim, with counsel to the Directors and Officers and the respective Directors or Officers, if applicable), may attempt to consensually resolve the amount and/or Status of any Claim subject to a Dispute Notice. If a resolution cannot be reached, the Claim will be adjudicated by the Court or by a claims officer to be appointed by the Court if considered appropriate.

CONCLUSIONS AND RECOMMENDATIONS

28. The Monitor believes it is appropriate for the Proposed Claims Procedure to be undertaken at this time in order to enable the Applicants and the Monitor to identify, quantify and resolve potential Claims so that the Applicants can:

    a. assess the impact of the Claims with respect to a restructuring and plan of compromise and arrangement;

    b. continue to progress through the restructuring process on a timely basis for the benefit of their stakeholders generally; and

    c. understand and address potential Claims as they may impact the SISP process.

29. The Monitor has been consulted during the development of the Proposed Claims Procedure and is of the opinion that the proposed process is broadly consistent with claims procedure orders issued in similar CCAA proceedings and will provide creditors with a fair opportunity to assert their claims against the Applicants.

30. For the reasons stated herein, the Monitor recommends that the Court approve the Proposed Claims Procedure and issue the Claims Procedure Order, should it see fit to do so.

All of which is respectfully submitted this 29th day of January 2020.

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

per:

Alex Morrison, CPA, CA
Senior Vice President